

# ***Beyond the Deal Newsletter***

***Mergers and Acquisitions that  
Achieve Breakthrough Gains***

[www.beyondthedeal.net](http://www.beyondthedeal.net)

**September 2012**

Dear Jay,

## **Quote of the Month**

***"Tying two rocks together will not make them float"***

**H. Edwin Hall, on the proposed BAE/EADS merger**

## **In the September Newsletter:**

### **Your Company Can Deliver, But Can It Discover?**

The Newsletter's feature article looks at a fascinating contrast raised by Ronald Shaich, founder and co-CEO of Panera Bread. Shaich holds that companies let their "delivery muscle" completely outweigh the "discovery muscle" that is involved in trying to innovate and find new ways of doing things. A company needs both, but the "discovery muscle" is perhaps even more of a driver for what will make the difference. Almost all acquiring companies base their integrations on a rationalistic model emphasizing efficiency, speed and minimal risk taking. A key question to ask is: whether the acquiring company is also sufficiently developing its "discovery muscle" to figure out where the world is going and whether what it is doing it will get it there?

## **Google: Video Interview with David Lawee**

Past newsletters examined two very different dimensions of Google's acquisition model: first, how Google approaches small scale acquisitions and second how it embraces its large scale acquisitions, the largest being Motorola Mobile. David Lawee, VP for Corporate development leads Google's M&A efforts, discusses Google's M&A's approach in the an article that links to the following video:

**<http://www.businessinsider.com/google-acquisition-budget-2012-9>**. You will get a glimpse at how Google's iconic approach has some very notable similarities with Shaich's "discovery muscle" viewpoint. The video captures a refreshing view of how a massive company takes such an open approach to such an important venue for building its future. Think about how often do we hear key actors talk about how their acquisition program really works? This is a welcome and revealing piece.

## **Glencore/Xstrata: Finally, Maybe?**

Ivan Glasenberg, Glencore's CEO, said he would rather let the proposed Xstrata acquisition collapse than make an increase in its offer price. He then reversed himself when he saw the acquisition falling apart in front of his eyes. An intriguing tidbit in the drawn out Glencore/Xstrata back and forth is that former British Prime Minister, Tony Blair, was brought in to facilitate a resolution involving key stakeholders, particularly Qatar, in a three hour session in which Blair was paid \$1 million (\$333 K an hour is a better than good rate). The meeting softened resistance and with the new offer price, the deal with apparently go through. But apparently is not definitely. The lesson of not underestimating stakeholders is a hard for acquiring leadership to take to heart.

## **BAE/EADS Combination Proposed**

Driven by declining defense budgets, two of the world's largest defense companies are seeking to combine. If the Glencore/Xstrata combination has prickly thorns all over it, try bringing together Britain premier defense firm with the lead defense firm in the European Union. Both are heavily state subsidized and are seen as the crown jewels of each economy. After several weeks of batting this proposal around, it is now clear that this is not a merger of equals but an acquisition by EADS which will have 60% control in the new venture. How much has the leadership of BAE and EADS looked beyond the economic basis for combining and at the turbulent cultural and political currents that could derail that combination. There is little evidence that a good sounding out of stakeholders is underway. While this acquisition proposal may or may not be what both companies need each to thrive and survival, the lack of understanding of its powerful and varied stakeholders could make it a non-starter.

# Your Company Can Deliver, but Can It Discover?

## Delivery Muscle + Discovery Muscle

The New York Times' Adam Bryant interviews CEO's and other organizational leaders about their leadership style, company culture, values, what they hire for, etc in his Sunday Business section column, "The Corner Office." In a recent session with Ronald M. Shaich, founder and CEO of Panera Bread on **Your Company Can Deliver, but Can It Discover**, Shaich differentiated between "delivery muscle" and "discovery muscle".

In Shaich's experience many large companies let what he calls their "delivery muscle", which is how they get their work done, "completely outweigh the 'discovery muscle' of trying to innovate and find new ways of doing things". He says that "delivery muscle" feels rational and that people feel safer with it, and tied to that is that you can analyze it. The delivery muscle works on things managers believe they can count on. Delivery muscle's greatest value is that it is very good with incremental change.

In a sense, delivery muscle is especially good for optimally synching the internals in an integration while the discovery muscle's value is in synching with the changes going on around you. Both are necessary to optimize the newly combining company but discovery muscle may be more of what supplies the competitive advantage and differentiates your company from the rest of the pack.

## Change at the Pace of the World Around You

However, to be successful in our fast changing times a company also needs to deal in a continually shifting world. This means that companies need to be in an ongoing search for new patterns which, in turn, requires a discovery mindset and a readiness to take leaps of faith. Shaich says that discovery muscle is "about trusting yourself... and believing that you can figure out where the world is going and that you will get there, and then saying we are going to left or right."

The tough part of discovery muscle is that decisions based on it are not necessarily rational or easily to defend. Regardless, Shaich asserts, "you need to take that approach. And, by the way, you've got to be right." For Shaich, a key responsibility for leadership at Panera is to make the discovery arm "every bit as strong, or stronger" as its delivery arm.

## **Importance for Integrations**

But why is this realization so important in acquisitions and integrations? The fact is that many all acquirers have this equation in reverse with a dominant emphasis on methodology and efficiency, regardless of how effective they are at execution. The reality is that "discovery" rarely enters the conversation. The emphasis on the "Deal" underplays the significance of integrations. Even then most integrations focus on carrying out integrations in the most rationalistic, efficient way possible. A typical sentiment is that "We don't have enough time as it is and now on top of that you want us to 'discover' new directions and map out the pathways for remaking the company to best position itself for those futures."

Building up discovery muscle is every bit of a conscious effort as cultivating delivery muscle capabilities. A company that values discovery nurtures it in all of its people, in all of its operations and at all levels of the organization. When an acquisition does take place, discovery muscle and delivery muscle are complementary to one another in the integration.

## **Discovery Muscle Makes the Difference**

Shaich says this emphasis on "discovery" is what makes the difference for Panera. Over the years, he came to realize that numbers "came out the back end" as a by-product. He now spends more of his time on the people who are Panera - with an understanding that "how they are organized and work together are what ultimately drive" its ability to meet the company's key initiatives.

This duality of delivery and discovery needs to flourish throughout a company on an ongoing basis, not just for special occasions. When both become "the way we do business" delivery muscle and discovery muscle increasingly play their proper roles as drivers of change in newly combining companies.

## **Build Your Discovery Muscle**

Many companies already employ their "discovery muscle" but mostly to a limited extent, in certain areas and with certain people. A way to extend that is to search out those innovative areas and bring them to the attention of the entire organization, noting that these are values can take place in all work areas.

Start out with smaller projects to give people a growing experience that both muscles are important. Just like personal fitness, more experience and practice will grow both of these capacities. With good leadership, this attitude and these experiences will increasingly flow across departmental and functional boundaries and

gradually change attitudes, approaches and capabilities across the organization.

Shaich sees this as the basis for Panera's success. He also understands that the transition is something that grows overtime. As this takes place, the "window of opportunity" during integrations becomes not only the time for moving the combined companies together efficiently and effectively, but also for the opening the new set of goals and aspirations that will become the company's future.

---

## Subscribe to the Beyond the Deal Blog

Link to the Beyond the Deal Blog, with continuing updates on the changing world of Integration 2.0, with additional articles and commentary. You can subscribe to it at: [www.beyondthedeal.net/blog/](http://www.beyondthedeal.net/blog/).

## Using Social Media to Speed Up and Improve Performance and Outcomes of Your Integration Processes

Is social media a fad or is it a viable set of tools for advantage in an integration? Social media is now mature enough to be a major accelerator of speed and quality in integration outcomes. Click on this link to the [Social Media Strategy to Transform Integrations](#) PowerPoint presentation to see how you can start developing this capability in your organization now. See how you can develop and implement an effective social media strategy in your firm. Contact [Jay Chatzkel](#) or [Euan Semple](#) to make arrangements and for further information.

---

In addition to having the Newsletter sent to you directly, you can access the Newsletter and article library at: <http://www.beyondthedeal.net/Newsletter.html>.

Please send in your comments, contributions and suggestions to [Jay Chatzkel](#), editor. They are important to making the newsletter as relevant to you as possible.

You are welcome to forward this newsletter on to a colleague or friend.

All the best,

Jay Chatzkel  
Progressive Practices

---

**Jay L. Chatzkel** is coauthor of the *Beyond the Deal*, and editor of the Newsletter. He is Principal of [Progressive Practices](#) where he assists organizations in transforming themselves into knowledge-based, intelligent enterprises. This includes working with organizations to develop skills and practices in the areas of merger and acquisition integration, intellectual capital, knowledge management, leadership and collaboration, business process management and performance measurement.

He is also author of *Knowledge Capital: How Knowledge-Based Enterprises Really Get Built* (Oxford University Press, 2003) and *Intellectual Capital* (John Wiley & Sons, 2002).

---