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## Whitewater Decision Making

Dealmakers need to be agile enough to negotiate through the barriers

By George Bowman

In the management classic "Only the Paranoid Survive," former Intel CEO Andy Grove describes the dilemma faced by leaders who must pay attention to the core business and undertake multi-billion dollar acquisitions. His answer: "People who have no emotional stake in a decision can see what needs to be done faster."

While M&A activity continues to push forward at a frenzied pace, there is, unfortunately, an ever-growing list of deals which have crashed into the rocks. Even beyond the high-profile deal failures - AOL/Time Warner, Mattel/The Learning Company, Renault/Volvo, Quaker Oats/Snapple - lower-profile disappointments also abound. For example, Modine Manufacturing Company sold its Thermacore subsidiary in June of 2008 for \$13M, only seven years after purchasing the unit for \$110M.

M&A integration, much like whitewater rafting, is often a tricky and perilous endeavor — and one in which clear thinking and speed is crucial for success.

### Speed barriers

Watch out! Up ahead, around that nasty curve, barriers exist that are more treacherous than rocks or trees. Fear is one such barrier. When a high-visibility deal is on the line, managers who had been decisive in other settings may suddenly revert to slow-twitch brain fibers. Conflicting priorities can be another, as integration team members have day jobs too. There can also be too many objectives. Unfortunately, few integration leaders apply the 80/20 principle when defining synergies.

Sometimes the barriers come from the top. A lack of engagement can sink the best deals if leadership moves on to the next transaction before the integration is complete. Hubris can also be an issue, when buyers fail to acknowledge that the acquired company has outstand-

ing people, processes, and ideas that should be adopted by the acquiring company.

### Speed enablers

Following deal closure, you have a short window of time during which employees will be open to major cultural or operational changes. A year after the deal is closed, the water freezes — your opportunity for fast change is gone.

The theme behind "whitewater decision making" is to get your decision oar in the water. You can always course correct - what's important is to keep the canoe upright as you are shooting through the rapids. For example, when faced with a question about organization, avoid the temptation to say "we are studying the organization now and we will get back to you some day." Instead, announce a temporary organization now, and let people know a more thorough review will result in updates within 30 days.

When you are making fast decisions, it is even more important to explain "the Why" of each call. Do you sense the need to reassign an overwhelmed staff member in the target company? Explain the decision in terms that respects the person's contributions, but don't delay.

Collaboration with target company management during the due diligence phase will engender speed and clarity once the deal is closed. Ideally, top management of the target company will have been involved in developing and articulating the profitable growth strategy.

Hold the first integration kick-off meeting within one or two working days of the close date. The meeting should be no more than 1-1/2 working days, and should focus on brainstorming potential synergies and refining them into action registers that identify action,

ownership, and timing. Here is where deal teams decide what's really critical, and any lengthy debate should be discouraged.

Cross-fertilization is also key. Place a person from the parent company into the target company facility to work on lean manufacturing, strategy, or sales integration. Why? The imbed is also a cross-cultural interpreter and catalyst. The ideal candidate combines unquestioned technical competence with maturity and experience in managing a facility or business at least as large as the target. Don't drop in the wrong person here - it will do more damage than good.

Integration leadership can be just as important. Put a person from operations in this key role, to speed decisions. This way, the decision making process is integrated into the governance process from Day One. Be sure to acknowledge the great capabilities brought by the target company, and adopt some key items into the parent company agenda.

Also, be candid with team members, letting them know that the integration period will require extra hours. But recognize their accomplishments. Give them time during integration meetings to meet with team members. Measure them, praise them, but don't ignore them.

While effective front-end deal making (targeting, negotiating, valuation, structuring) has become a rather sophisticated discipline, the hard work of deal execution and integration often struggles to keep up with the voracious pace of deals. Follow the principles of speed embodied here is a tangible step toward maximizing your deal execution performance.

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