

Beyond the Deal Newsletter

*Mergers and Acquisitions that
Achieve Breakthrough Gains*

www.beyondthedeal.net

December 2010

Dear Jay,

Quote of the Month:

"Yesterday's home runs don't win today's games"

Babe Ruth

In the December Newsletter:

The momentum is underway for a substantial resurgence in corporate acquisitions. This issue of the Newsletter looks into what it takes to make the quantum leap to achieve the greatest amount of value creation and best outcomes.

- [**M&A's to Hit \\$3 Trillion in 2011: How Many Acquirers will Use the Integration 2.0 Approach?**](#)
- [**Springboards for a Quantum Leap Integration**](#)

M&A'S To Hit \$3 Trillion in 2011, According to Report: The Integration 2.0 Approach and the Rise of the "New Normal"

The New York Times DealBook has commented that "The recent rebound in mergers and acquisitions is expected to strengthen significantly next year, according to a new report, with global deal activity on track to rise 36 percent, to \$3.04 trillion."

This would be the highest amount since 2007, when the market registered \$4.28 trillion in deals in the months prior to the financial crisis.

"A widespread surge in confidence will power the rally, according to the report, a joint project by Thomson Reuters and Freeman Consulting Services that included interviews with 150 executives from a broad swath of industries."

\$3 trillion is a lot of money but this is still lower than pre-recession levels. The comment is that the appetite for deal is gaining momentum in spite of lingering credit concerns.

So, the pace is picking up. Are we just repeating the cycle with the same approaches and practices? Yes and no. Despite the dropping out of the bottom of the economy and all of the talk of the "new normal", the "old normal" of tactical acquisitions focusing on deal pricing continues to dominate the thinking and practices of many firms. At the same time, some firms like Southwest Airlines, are revisiting their strategic models and realizing that they need to reframe them to be competitive over the next number of years. Additionally, new tools and approaches are coming together in the Integration 2.0 model that has been discussed in this Newsletter.

The companies that grasp the Integration 2.0 approach will be able to leverage greater gains through more agile processes and an understanding that the real work of the integration is to engage all parties in contributing to the bringing of the two companies together as one transforming new organization. These companies will be a minority but the real winners in the M&A upswing.

Springboards for a Quantum Leap Integration

Your newly emerging company should start with the capabilities it has been developing and then apply all six of the key springboards during integration implementation to transform it into a high performance, quantum leap company.

The six springboards are:

- 1. Customer strategy and branding:* The new customer strategy should outline how your company will provide value to the different segments of your customer base. The brand promise defines the targeted customer experience.
- 2. Company strategy:* The purpose of your company strategy is to make sure that the organizational structure and processes you have put in place can best realize your overall business and customer strategy goals.
- 3. Integrating culture and leadership principles:* To integrate the culture of your newly combined

company you need to align the values that underpin the culture of the two companies before they combined. The reconciled values define the new cultural principles and leadership expectations, in line with the vision of your new company.

4. Integrating knowledge insights and business principles: As part of the integration process, it is important that you combine and reshape the best knowledge and insights of both the acquiring and acquired companies to form an integrated set of business principles.

5. People strategy: The purpose of a people strategy is to select and retain the best people from the two existing companies for roles in your newly combined company.

6. Information technology and systems: The goal in an integration of information technology and supporting systems is to design your new company's information architecture based on what your new company is seeking to achieve.

Using these springboards effectively provides the thrust to move the integration forward much more rapidly and effectively. Springboards enable you to work through and attack potentially paralyzing issues and areas, while at the same time energizing the people and the emerging structure of your new company.

Planning and then taking action to become a high-performance company strongly contrasts with what most often happens after acquisitions. Instead of moving to a higher level of value creation, too many newly integrated companies end up performing at the lowest common denominator of the two previous companies.

In most of these cases, the primary gain is in sheer bulk, in terms of more customers, more distribution channels, more products, and more overall revenue. However, bulking up does not necessarily go hand in hand with achieving high performance. Enhanced bulk may help a company gain a higher market share, but it is another thing to transform a company from one that is simply *bigger* to one that *performs better*. Instead a frequent outcome is that the increased bulk results in a clumsy, plodding company with a slower response time than it had before it acquired the new company.

Here is the formula for how each of the six springboards can help your company reach a higher level of performance.

Capabilities + Springboards = Quantum Leap Performance Outcomes

The next editions of the Newsletter will explore these six springboards.

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/.

How strategically using social media can vastly speed up and improve performance and outcomes of your integration processes

Using social media for advantage in an integration is new to just about everyone. Yet, it has the promise of being a major accelerator of speed and quality in integration outcomes. Take a few minutes and learn about this "strategic approach of social media" across the range of action areas involved in integrations. 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).
