

# *Beyond the Deal Newsletter*

*Mergers and Acquisitions that  
Achieve Breakthrough Gains*

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**September 2009**

Dear Jay,

**Quote of the Month:**

*"Hope sees the invisible, feels the intangible and achieves the impossible."*

*Anonymous*

*An emerging M&A market, but will acquirers be better at integrating this time?*

Major acquisitions have been announced over the last month which are interesting in and of themselves, but are also events that could well trigger other sizable acquisitions from competitors. The indicators are that the momentum for M&A's of all sizes is starting to move into positive territory.

For example, Disney's \$4 billion acquisition of Marvel Entertainment is prodding TimeWarner to consider acquiring companies such as DreamWorks Animation SKG, Metro-Goldwyn-Mayer, or Electronic Arts (each for different reasons) so that it is not outflanked by Disney. Disney is setting the new standard. Similar actions are taking place in other industries. These types of matching, competitive acquisitions have their own risks. It was not that long ago that the disastrous AOL-TimeWarner transaction took place with its massive destruction of value. TimeWarner could find itself in a similar enough circumstance if it errs not just in its acquisition decision making but also as to whether it can marshal the adequate capabilities it needs to carry out effective integrations.

Tata Motors is another mega firm that made what it thought were good acquisitions but it has yet to figure out what how to make its acquired Jaguar and Land Rover units into profitable ventures. Tata's time and money may be running out.

Even firms that have historically built themselves through acquisitions are not immune from inadequate integration practices that spawn a substantial drag effect. Proceeding without fully appreciating the requirements for a successful integration means moving

forward at great peril.

### **Valuable and groundbreaking conversations in this issue:**

This issue of the [Beyond the Deal Newsletter](#) offers a number of very valuable insights from the leaders of the acquisition and integration efforts at [Newell Rubbermaid](#), a company that ultimately came to terms with its tradition of growing by acquisition. Hartley "Buddy" Blaha, President of Corporate Development, and Alan Cranston, Head of Integration, share their hard won experiences and perspectives that involved divesting over \$1 billion of its companies and making actively planned and implemented integrations a core endeavor for Newell Rubbermaid. The conversation with Buddy Blaha and Alan Cranston was so extensive and rich in value that it will run in two issues: Part I in September and Part II in October.

Continuing with the "Tool of the Month Series" is a conversation with Jessica Lipnack, CEO of [NetAge](#) on the breakthrough value of using social media (Twitter, Facebook, etc.) in acquisition integration settings. NetAge provides expertise and tools that allow clients to collaborate more effectively. Also explored in these session is the OrgScope tool developed by Lipnack and her partner, which is used to map how organizations actually work. It is far easier to understand how to reorganize into a new company and accomplish synergies when the acquirer and acquired organizations can see themselves, their structures, relationships and roles much more transparently.

The extended transcripts of both of these conversations are found at: [www.beyondthedeal.com/Newsletter.html](http://www.beyondthedeal.com/Newsletter.html). Don't miss them either!

These conversational interviews were conducted by [Jay Chatzkel](#), editor or the Beyond the Deal Newsletter.

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## **In This Issue:**

[Integration at Newell Rubbermaid: A Conversation with Hartley \(Buddy\) Blaha, President of Corporate Development and Alan Cranston, Vice President, Integration](#)

[Tools of the Month: Jessica Lipnack, CEO of Netage on Social Media and OrgScope](#)

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## **A Conversation with Hartley "Buddy" Blaha, President of Corporate Development and Alan Cranston, Vice President, Integration of Newell Rubbermaid: *Part I***

[Newell Rubbermaid](#) is a global marketer of consumer and commercial products with \$6 billion in annual sales. Its portfolio of brands is categorized into three Groups: Home & Family; Office Products; and Tools, Hardware & Commercial

**Products.**

## Turning the Soil Through Divestitures and Integrations

**JC:** *Newell Rubbermaid has grown by acquisitions. How does your approach to integration work to support achieving Newell Rubbermaid's strategic goals?*

**BB:** My first two years in the company concentrated on selling businesses. When I got here we described ourselves as twenty six divisions. It was a company built through serial acquisitions primarily serving mass merchants. Our divisions were not structured in the same way nor did they look the same. My observation was that in the classic sense of integrating a business nothing had been really integrated. There were a lot of silos, a lot of different structures and a lot of fiefdoms.

We began by selling a number of businesses. We sold off businesses totaling more than \$1 billion in revenue. We went from 26 divisions to 13 global business units (GBU's). These GBU's essentially look the same. They are integrated businesses that we have categorized into three groups. We have done a lot of integration after the fact.

When I was in banking, I realized that the successful transactions were from people who were looking to see what would happen after the deal, i.e., integration. They asked, "What are we going to do? How are we going to bring these organizations together?" And those people that had a plan and implemented it rapidly, within 30, 60 and 90 days, achieved successful deals. On the other hand, you almost knew a deal was going to fail where the focus was on getting the papers signed, after which the buyer was spiking the ball.

**JC:** *Do you mean that you reworked these fairly autonomous units after they had been acquired?*

**BB:** Yes. Many units were silos, based on geography, customers, management or other factors. They might not have been talking to each other on a global basis, even though they were making the same product.

As we were doing this unwinding, it stuck with me that if we start buying, we have to be great integrators and understand what that means. The one simple way I describe it is that we start integration the day we get a book. We start it at the very beginning of a process. Alan Cranston, who runs integration, starts with that deal team and follows it through.

Our definition of integration is that you have to have a plan and you have to have a reason for that plan. The answer may be that we are going to leave this business alone for some period of time, or forever, or we are going to the flip side of that and we are going to consolidate everything, including facilities. Our plan drives the creation of value from that acquisition and holds people accountable for that value creation.

Our first big deal was Dymo and Alan worked on the Dymo integration. He was part of Office Products at the time. Immediately following that, we appointed him head of Integration full time. He now works on integration for everything we buy.

## The Relationship of Corporate Development and Integration

**JC:** *What is the distinction between what you do (BB) and what Alan Cranston does?*

**BB:** There are blurry lines. I am focused much more on strategy, deal origination and deal execution. That means identifying opportunities, prioritizing them, running the business diligence process, coordinating external and internal teams such as legal and accounting, forming an opinion on value, modeling the target, and executing deal strategy in terms of what we are going to bid, how we are going to play it, what we are going to trade off in the contract, and how we are going to get this done or walk away.

Alan's focus, starting from day one until we are done integrating, is on the fit of the acquisition within our organization, identification of the value capture initiatives, who is responsible for them and how we are going to run that.

**AC:** I think it works because by having an integrated deal team we have some folks who are focused on the transaction, specifically from the evaluation and negotiation of the deal to getting this across the finish line. But also under the same roof we also have people who are focused on the integration of the business. This continuity really helps in terms of the health of the business because we have that perspective within the negotiations of the transaction as to how this business is going to proceed moving forward. We have that continuity of leadership from the transaction through the integration that helps maintain the strategic focus as to why we did this transaction, and are we executing on the things that we wanted to execute on when we signed the deal.

## Closing the Gap between the Decision to Acquire and Carrying Out an Integration

**JC:** *How have you dealt with the tendency to have a gap between leadership and execution - where somebody first makes a decision to go forward and then other people are brought in to pick up the ball?*

**BB:** We try to marry all of that together so that the leader of the business has to ultimately step up and own this. It is not a decision from the top and us calling them and saying "We are buying you a business."

If they are not enthusiastic about this business and prepared to own it, then it is not something for us to do. At the same time, we want to hold them accountable on, "What are you going to do to create value" and "Let's make sure every week that we are heading in the direction that we said we are going to head in." Part of our integration is to take on the day-to-day management of that process. Business unit presidents still have to run their businesses as well as the new ones. They leverage us to ensure that the specific tasks are getting completed often by people who are not direct reports or may even be outside of the business unit. Alan drives this accountability throughout the process.

**AC:** Buddy's transaction team coordinates the confirmatory due diligence but we (the Integration office and the Business) really hit hard on the business due diligence and from that we have our strategic rationale for the deal. We then build our value captures, which is our synergy plan. Those are mapped out during our business diligence. We are getting to a pretty detailed level of planning on those so that we can provide input back into the

financial model to help with the continued negotiation. For us, it is hard to imagine some people don't have that level of planning and get to a successful signing.

**BB:** There is another benefit to that. Since Alan starts Day One, by the time we get a deal done he's known these people and has been working with the target management team for six months, yet he's not their new boss. He gets a lot of feedback post closing of "Look Alan, this is not going so well. This is the problem in this particular area." We get that information because Alan becomes a trusted person to go to. We can call an "audible" if something is not going right or at least we have that information to make some changes.

## Keeping the Priorities for Acquisitions Clear to All

**JC:** *Do you communicate your plans to the GBU leadership so they can better link up with you as these opportunities emerge?*

**BB:** Yes we do. We are pretty open to where we will deploy capital and how we rank opportunities. That is one area in which we have really improved. However, right now it is obviously a pretty tough environment so we are not deploying capital externally right now - but out of 13 GBU's, we have six GBU's that we will spend in.

We have gotten into a discipline so that even if a GBU president is strongly suggesting we look at a deal and it is not one where Newell Rubbermaid has a priority right now, we will stick to our prioritization of where we want and do not want to put capital.

We have a dynamic list of what is interesting to us that we keep. We talk about those companies all of the time and we prioritize that list. For instance, our last large transaction was Technical Concepts in our Commercial Products GBU. It closed on April 1, 2008. That was number one on our list for two years. We knew that we were going to participate in the auction when that company came up for sale. We prepared for it. We talked about it frequently and we were ready for that. When we talk about opportunistic acquisitions, I always like to say that opportunistic only dictates timing. We are generally not surprised by an asset coming to market.

**JC:** *Who does the active scan of potential acquisitions that would benefit the organizations? Is that under strategy or is that under Corporate Development?*

**BB:** That is under us. The business units have their strategies and we revisit our strategic priorities every year. Our best ideas always come from the business units. Once in a while we find other ideas, third parties give us good ideas that we will take to business units, but it is a dialogue. It doesn't come from any one place. We are the repository. The executive team is the group that ranks that list, or places the priorities on that list of putting capital against that particular GBU.

## Preparing Global Business Leadership for Integrations

**JC:** *How else do you prepare GBU leadership for making acquisitions and divestitures part of their strategic thinking and operations?*

**BB:** We run a gamut in terms of capability or experience within the GBU leadership. We prepare them by giving them the tools to get them through this. We will take on a lot of

the work that they don't have to be concerned with - in terms of the negotiation and valuation. We try to focus them on the things that are important in terms of business diligence and planning the transaction. We try to stay as close to them as we can on a daily basis when we are in a transaction mode. There's a lot of dialogue around any unresolved issues in an acquisition, including "people" issues. We emphasize their need to be flexible with an acquired company. With the acquired company the acquisition is one of the most stressful things that is going to happen in that group of employees' career. We try to emphasize the need for empathy. We need to put ourselves in their shoes and be sensitive to what they are going through.

**Part II of the conversation with Buddy Blaha and Alan Cranston will continue in the October Newsletter.**

## **Hartley (Buddy) Blaha - President of Corporate Development at Newell Rubbermaid.**

Buddy Blaha joined Newell Rubbermaid in 2003, bringing with him a long history of global mergers and acquisitions experience. Under his leadership, the company has significantly transformed its portfolio of transactions that augment the company's strategic objectives. Prior to assuming his current role, he spent 16 years at Lehman Brothers and was managing director of mergers and acquisitions.

## **Alan Cranston - Vice President, Integration**

Alan joined Newell Rubbermaid in 2002 and has split his time between the Business Planning and Analysis group and Corporate Development. In 2005 Alan led efforts to integrate Dymo into Newell's Office Products Group. Since that project Alan has led the integration function for Newell Rubbermaid and has successfully led the integrations of CardScan, Mimio, Pelouze, Endicia, United Receptacle, Teutonia, Technical Concepts and Aprica. Alan has redefined the way Newell Rubbermaid approaches post-merger integration developing the strategy by which all integrations are handled within Newell Rubbermaid.

## **Tools of the Month: Social Media and OrgScope: A Conversation with Jessica Lipnack, CEO of NetAge**

**Jessica Lipnack** is the CEO of [NetAge](#). Jessica Lipnack and co-founder Jeff Stamps provide expertise and tools that allow their clients to collaborate more effectively. NetAge's pioneering initiatives are in use in companies, public sector organizations, non-profits, and religious denominations.

## **How doe Social Media (Twitter, etc.) change everything?**

**JC:** *How would Twitter, Facebook and other social media "change everything" for a merger and acquisition integration?*

**JL:** What Twitter brings that has never been there before is the ability to burst out

succinctly with little bits of information. Twitter imposes the "50 yard dash" of communications. It forces us to speak very succinctly in a way that is quite powerful. Many people think that micro blogging, as it is called, is just dumb, because it is so short. I think that it is a great way to get people to stop running off at the mouth online. It is also a way to have many conversations going on at once and for people being able to keep one another apprised of "really hot stuff" very quickly.

I like Twitter. It changes the very nature of the way that we communicate. It is powerful. Companies are finding that it is extremely helpful in a variety of ways. The days of our saying "How our companies going to use this?" are quickly going away, because companies are getting good at finding ways to use it.

Take retail, for example. The CEO of Zappos, the online shoe retailer, has 500,000 followers on Twitter. While it would be hard pressed to say that he is communicating with them, he certainly is establishing some kind of sense of availability, access and rapport with the company in some kind of way. There are about 300 people at Zappo that are encouraged to Twitter - and they do. The result is a running view of the CEO's life and a way of communicating with the company that was never really available before.

There are countless examples of other organizations who are getting benefit from this kind of full time/overtime/anytime/it never stops form of communication. The result is a quick exchange that points to very salient information.

**JC:** *How would you move it from an internal organizational tool to something that can bring two organizations together?*

**JL:** In the new organization you can set up any number of Twitter communities within them that no one else has to know about. A company can use Twitter or set up something on its own internally. The key thing is to get some early adopters who are willing to just go up and start posting messages to the organization.

**JC:** *Should a company start using Twitter type communications sooner than later, so that its people are using this media it before they are involved in an integration?*

**JL:** Absolutely. Next year it is going to be something other than Twitter. Twitter is just what is up right now. Three years ago people could only talk about MySpace. Four years ago, people only talked about LinkedIn. It keeps changing. The concept of bursting information out that you know that other people are going to be interested in, that helps them see things that they wouldn't naturally have run into and to carry on everyone-to-everyone conversations has a very powerful place in an organization. It takes the place of bumping into each other in places like the cafeteria or the water cooler.

These kinds of communications are ways to get people to more easily move across boundaries because once you are in the new entity you are all from the same organization, but you probably don't know each at all. It is a way to start to make a voice for yourself in the new organization. It allows people to be more of a human being but in a more public setting that also happens to be virtual.

## The Role of Networking in Integrations and Transformations

**JC:** *What is the role of networking, or a "network of conversations" in an M&A integration and transformation?*

**JL:** Our view is that networks have a purpose. When you bring a new organization together with an existing one you have to very quickly bring people to a shared understanding of what the many, many new purposes are. There is the *Über* purpose for the whole organization, but then all of the way down the line there are many purposes with many people trying to accomplish something.

Getting people talking about that is the fastest way to clarify that, especially when you are not co-locating everybody. We want to be able to make it very easy for people to locate the expertise and their natural allies throughout the organizations. The way to do that is to get any number of conversations going about just about anything in order for them to get to know one another. That is where online discussions, micro discussions and where social profiles *a la Facebook* become important. You can very quickly see who people are.

For people who fear that people will waste their time online, I have to say, "**Well, get over it!**" People will waste time online. There is no question about it. But people waste time in the office. We don't go around measuring to see how much time people waste in the office but suddenly we are panicked about how much time people are going to waste online.

## OrgScope: A Tool to Map Complex Organizations

**JC:** *What is OrgScope and how it could be used in relation to integrations?*

**JL:** OrgScope is a tool that we developed that allows you to visualize, navigate and analyze a complex organization. .

OrgScope lets us see how much organizations are working virtually. If we are going to inflict virtual teams on organizations maybe we want to look at those teams that are the ones that are the most virtual to train them. Maybe the whole organization does not need training in virtual teaming. Maybe just some of the organization does. Until we actually look at the organization and analyze who is where we don't really know what we are talking about.

We had very few tools to look at organization when they are coming together anew. Looking at an 8 1/2x11 piece of paper with an org chart on it is not going to tell us very much when we are dealing with hundreds of thousands of positions. We haven't had very good tools to analyze org charts. We need ways to fly through the whole thing and see what is going on.

## Discovering How Organizations Operate as Networks

**JC:** *What benefits does using OrgScope have for a company considering an acquisition?*

**JL:** We worked with a company that organized a merger of its own independent operating

subsidiaries, some of which had all of their own functions and ways of doing business, corporate cultures, etc.

One of the world premier strategy firms came in and designed their new organization. When that firm got done, the CEO of that new enterprise said, "This looks like remarkably like every other organization chart I have ever seen. Where is the networking in this org chart? How are we going to bring this thing to be alive and getting people who are sitting on opposite sides of great bodies of water to be able to work together?"

The first thing they wanted to know was whether they already had anything that was a network. We applied network science to it and found that even a traditional org chart is a form of a network, but just a special case of a network. Once you can identify that it is a network, you can see its network properties. It will have network hubs, which are the centers of activity. The implication is to heavily support the hubs.

There might be IT policies that say everybody should get the same IT capability but does that really make sense if you have people who are doing very complex kinds of things in very, very large organizations, but people at the same level elsewhere in the organization might be doing something relatively simple and don't need much computing power at all. Do you need that consistent an IT policy? Probably not.

If you are planning an acquisition want to understand not just your own organization, you want to understand how both will work as a whole. You may want to study the other organization to see what you are getting yourself in for. Is the target organization is a highly hierarchical organization and yours is more networked? Are they flatter and are you steeper or vice versa? Do you always want to be flat? Do you always want to be steep? Probably you want a little of each because they are good for different things.

## Mapping the Organizations to Take Advantage of Synergies

**JC:** *How does social networking help people shift from one mental model of an organization to the newly emerging combined organization mental model?*

**JL:** I don't think people have very accurate models of organizations. Most people think that a hierarchy looks like a pyramid. They think that it is more or less even all the way through. They think that people at the same levels of an organization run approximately the same size organizations. That everyone has approximately the same numbers of people reporting to them. They might know the exception here or there. People are not able to see more than a level or two above them or a level or two below them. The rest of the organization is kind of blurry to them. We just don't have good pictures. When we distribute these organizations over vast distances, people have absolutely no idea what is going on in Germany, or what China looks like. People just do not have good maps anymore.

We need the same kind of cartography for organizations that we have for our physical geography. That is why I think tools like OrgScope are so important. When you bring people in organizations together that don't know one another at all then is even more difficult, especially under the pressure of very high heat. You can't figure out where you are at all. People tend not to take advantage, even though they are going to get synergies, faster processes and economies of scale. That is not going to happen unless

you give people complete different tools to work with than they had before.

## The Most Important Tool of All: Common Sense

**JC:** *What other approaches and tools are important to be in place?*

**JL:** The biggest one is a tool that has been around for a while, which is called "common sense". We think that there is this way or that way. There are many ways. What we want is for people not to feel like you can go "buy and apply this". There is no thing to buy. There is only a thing to learn. We all have to be learning together in order to make this transition.

There is a whole bunch of approaches that are useful. Blogging, wikis, online discussion, instant messaging, and texting are all powerful. But you have to have a model of where you want to go. You have to have a vision. Then you can plug anything into it. It is about making sense for your organization in ways that your culture feels comfortable with. As long as you are experimental and open about it.

**JC:** *Thanks very much, Jessica.*

## Jessica Lipnack Bio

**Jessica Lipnack** and **Jeffrey Stamps** of [NetAge](#) research and practical experience have taken them around the world in work with their clients, including: American Management Association, Apple Computer, AT&T Universal Card Services, BankBoston, Becton-Dickinson, The Brookings Institution, GlaxoSmithKline, General Electric, Hewlett-Packard, Intel, Kerr-McGee, Macy's, Merck, Pfizer, NCR, Presbyterian Church (U.S.A.), Roche, Royal Dutch Shell, Steelcase, Tetra Pak, Toyota Foundation, The United Nations, Unilever, the U.S. Army, and Volvo.

Prior to the founding of NetAge, Jessica was president of The Networking Institute, Inc., a consulting firm engaged by global organizations to develop their network strategies. She maintains [Endless Knots](#), an active blog, and contributes often to online publications, including The Industry Standard.

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

All the best,

Jay Chatzkel  
Progressive Practices

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**Jay L. Chatzkel** is coauthor of the [Beyond the Deal book](#), 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).

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