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Leaders Advancing Leaders

LEADING M&A FOR VALUE CREATION

In a rapidly evolving market, organic growth may not be enough for large organizations to reach their growth targets. So how do leaders transform M&A from complementary growth to an integral part of the company culture? Greg Lucier's 4-point framework should help.

01 Ensure M&A is a core competency

There is a splintering of talent going in all dimensions. The best people and ideas are probably not all inside your company. There are also tremendous financial resources to fund emerging talent and ideas anywhere in the world. As a result, companies need M&A to capture value creation across the global market.

Teams responsible for integration and transformation should constantly prepare for growth, whether there's a deal or not. Keep the machinery running at all times so that you are ready when big opportunities present themselves.

"M&A is integration, and it should be part of the same team as organizational transformation."
- Greg Lucier

02 Create value from M&A

Create operating mechanisms that build structure for people to focus on the most important information and decisions.

M&A and organic growth go hand-in-hand. Aside from the M&A committee on the board, set up a growth board or an investment committee to focus on creating growth. Have them evaluate the landscape and discuss:

- How do they see it evolving?
- Which companies are making an impact?
- Why did they make their last move?
- Who should they study or seek introductions to?
- What did they hear last week that may be pertinent to growth opportunities?
- Which companies should they go after?

Encourage differentiated views of what is going on in the industry now and what is likely to happen in the near future.

CASE STUDY

Choose your cadence

Greg brings his top leadership team together around their game boards weekly.

Some aren't updated for months; others are updated weekly. The process ensures the team is constantly aware of changes and opportunities in their broader context.

	Surgical procedure 1	Surgical procedure 2	Surgical procedure 3
Technology 1	Leader: ABC Laggard: XYZ	-	-
Technology 2	-	Leader: ABC Laggard: XYZ	-
Technology 3	-	-	Leader: ABC Laggard: XYZ

Game Board: To structure M&A priorities and encourage differentiated views, Greg and his team develop game boards such as the model depicted above. They use it as an exercise to figure out what fits together, where opportunities lie, and who the competitors or potential acquisitions are in that space.

Create a forward sensing function with the technical ability to figure out what else is happening in the world. It may just be one or two people who go to conferences, universities, and companies to build perspective on what is going on and what ideas can arise from that. Have them meet with your growth board to know how your strategy fits in with their findings.

"A world-class R&D organization is incredibly confident and actually comfortable saying, 'I think that company is better than us.'"

- Greg Lucier

03 Build the right culture

Successful M&A needs a culture permeated with competence and courage.

A bad deal in private equity means you go out of business. Private equity cannot get it wrong, creating an environment of higher levels of M&A competencies. Public companies should emulate these attitudes and approaches.

Courageous leaders have great inquisition and dialog. The easiest thing to do is move things forward and not be consciously aware of the significant investments you make. Leaders must have a perspective, a voice, and a willingness to create vigorous debate around M&A decisions.

04 Define expected return

You should achieve a return on investment within three years on small deals. On big transformational deals, it should be within five years. So don't do the deal if it takes any longer to reach a positive return on investment. Instead, figure out what other value drivers can get you there faster.

"When you put your own money to work, and you have to wait nine years to get a return on that money, you're not going to do the deal. So, my own sense is why would a company be any different?"
- Greg Lucier

CASE STUDY

Pull the trigger with confidence

In 2007, Greg was on the verge of a $7 billion acquisition, and he began to get cold feet.

The advice that helped him eventually pull the trigger was to:

- Strip away the deal fervor that had led him to that point and maintain a sense of sobriety
- Trust the competency of the team and the homework they have done
- Be honest with yourself on whether you can create shareholder value within a few years
- And if yes, have the courage to do it

Factor in the opportunity cost of the distraction to top management and their teams.

“Is the organization ready for distraction? Or do you have some fundamental issues you have to fix first? If you've got a leaky can, you can't be doing a transformational deal.”
- Greg Lucier

Unless carefully managed, small deals may create 80% of the work that big deals do. Do not treat them like large transformational deals. Be very lean and agile. Keep small deals top of mind and get it done quickly. Maintain strict discipline on the cost structures.

“The only way the small deals work is to have a standing M&A team that can do the deal at a much lower cost.”
- Greg Lucier

Integration on any deal should take less than two years. Integration gets harder the longer you drag it out. Decide on the time frame up front and then stick to the plan.

“There will be a lot of voices to say, ‘go slower, go faster’ - stick to the plan and get it done.”
- Greg Lucier

You need to have cultural landmarks to never lose sight of the goals of M&A. Know when to walk away. Let go of the influence of ego or momentum and have the courage to let a deal go when it doesn’t make sense, no matter how far down the line you are or how many sunk costs you have incurred.

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