

Understanding Deal-type DNA is Essential for Success

“Deal-Type
DNA”
(primary
purpose)

- Deals should have a principal purpose (“DNA”)
- That “code” will largely determine fit / value
 - Is the concept “on-strategy”?
 - Is this the right acquisition target for us?
 - What’s is worth to us vs. another buyer? Why?
 - What can we do with it that they couldn’t?
- And should heavily influence what you do during integration to maximize value to the buyer
 - Specific deal-type DNA generates unique integration objectives and approach



“Your approach to integration should be determined almost entirely by the type of acquisition you’ve made”

Clayton Christensen, et al
The Big Idea: The New M&A Playbook
Harvard Business Review

Most deals can be defined by these principal objectives

“Deal-Type
DNA”
(primary
purpose)

Scale

Scope

Efficiency

Leverage

R&D / Talent

Diversify

Transform

Adapted from sources including:

- *The Art of M&A Strategy*, McGraw Hill 2012, Ken Smith and Alexandra Reed Lajoux
- Joseph Bower, “Not All M&A’s Are Alike – and That Matters,” Harvard Business Review
- Gerald Adolph et al, The Capabilities Premium in M&A, Strategy+Business

Typical deal objectives and deal-types

Scale

- Objective: Get bigger, eliminate competitor
- Deal-type: Industry consolidation or overcapacity

Scope

- Objective: Get broader, buy vs. build
- Deal-type: Product or geographic market expansion

Efficiency

- Objective: Get leaner, drive margin
- Deal-type: Vertical integration of supply chain

Leverage

- Objective: Unique synergy between Buyer and Target capabilities
- Deal-type: Growth and distribution; internal process enhancement

R&D / Talent

- Objective: Capture unique IP, product, pipeline or skills
- Deal-type: Spin-off; technology commercialization

Diversify

- Objective: Mitigate risk or explore new market opportunities
- Deal-type: Enter adjacent or non-adjacent sectors

Transform

- Objective: Create entirely new value-proposition or business model
- Deal-type: Industry convergence; roll-up

* Adapted from multiple sources