

Typical strategy-driven failure factors

1. Strategy

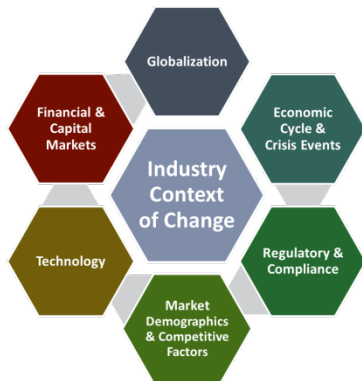
- ▶ Lack of compelling strategic rationale
- ▶ Deals disconnected from overall corporate growth strategy
- ▶ Lack of rigorous target decision criteria
- ▶ Lack of disciplined M&A process and governance
- ▶ Lack of clear understanding of “what are we buying and why?”
- ▶ Deal fever / me too syndrome / “urge to merge”
- ▶ Failure to designate a senior executive deal champion to guide the effort from start to finish
- ▶ Others?

“Every day, the wrong companies are purchased for the wrong purpose...and the wrong elements are integrated into the wrong business models.”

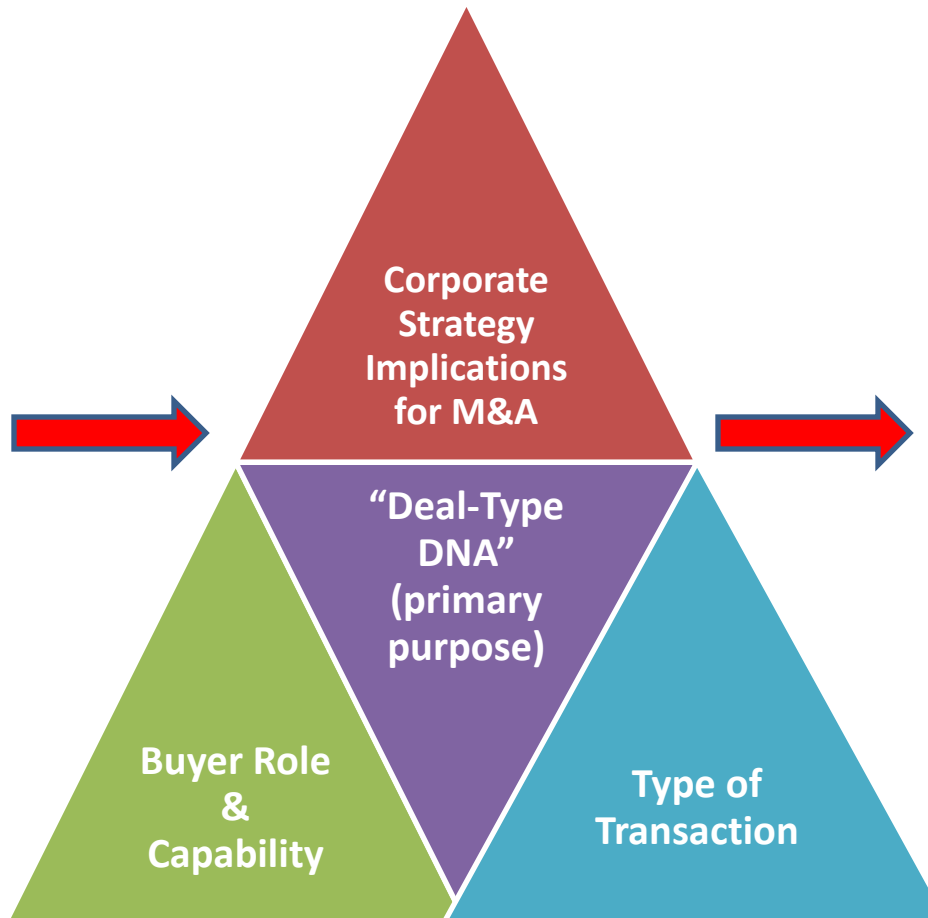
Clayton Christensen, et al
The Big Idea: The New M&A Playbook

Strategic considerations in M&A

Industry Context of Change

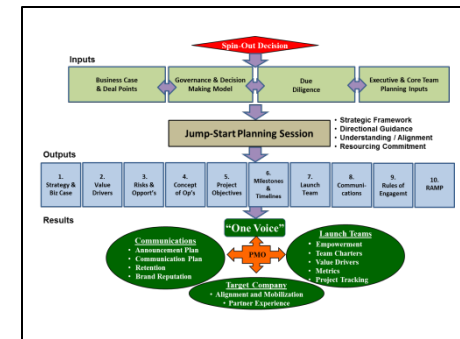


What are the major risks and opportunities driven by macro-forces?



How do we optimize our revenues, earnings, market share and competitive position in light of these changes and strategies?

Integration Strategy Framework

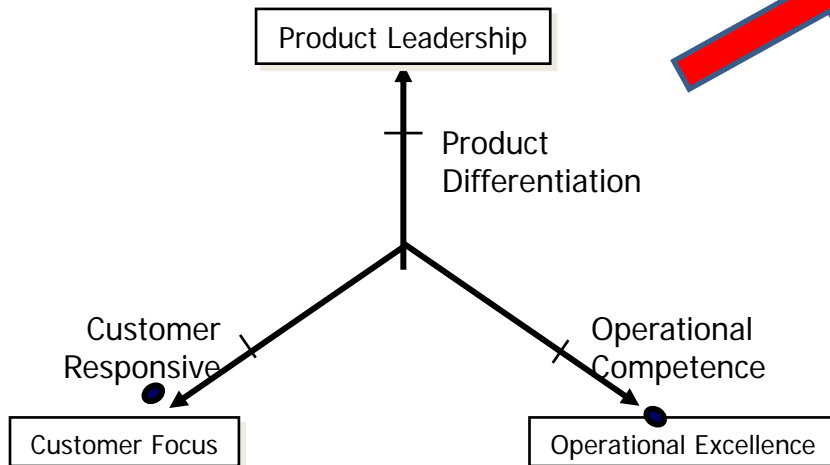
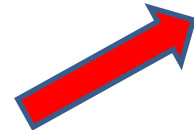


How do we realize maximum deal value?

Corporate strategy implications for M&A

Corporate
Strategy
Implications
for M&A

RED OCEAN	BLUE OCEAN
<ul style="list-style-type: none"> • compete in existing markets • beat the competition • explore existing demand • make the value/cost trade-off • align with differentiation OR low cost 	<ul style="list-style-type: none"> • create uncontested markets • make competition irrelevant • create & capture new demand • break value/cost trade-off • align with differentiation AND low cost



- Translate overall corporate strategy into specific and executable M&A Strategy
- Agreed on roadmap for corporate development focus
- Identify general target “domains” by geography, product / service, business unit, technology, market channel or other segments
- Guide intelligent identification of potential acquisition candidates
- Establish decision criteria for evaluating specific acquisition candidates

How can our corporate strategy be accelerated, enhanced or accomplished through M&A?

M&A strategy components to be derived from corporate strategy



Corporate
Strategy
Implications
for M&A

1. What markets do we want to grow, maintain or exit?
2. What is our desired share of these markets?
3. What services, technologies or products are required?
4. What geographical markets must we be in or leverage from?
5. What talent, skills and experiences are required?
6. What specific financial outcome objectives will be used?
7. Where do we have competitive or IP-related risks / opportunities?
8. What is our financing strategy for M&A?
9. What risks are we willing to tolerate and how effectively can these be mitigated?
10. What specific criteria will be used to evaluate acquisition targets ?
11. Where might non-M&A alternatives be a better solution?
12. What is the governance model – who has decision authority / inputs and what is the decision process?

The buyer adds value to different deals through different roles required by its strategy

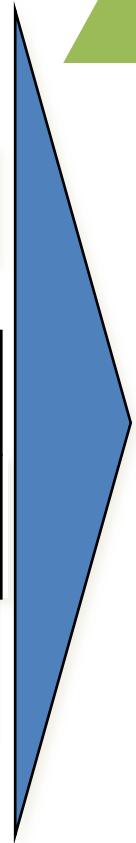


Type of Parent Role / Intervention

5 Roles of the Acquirer*

Transforming	Surgeon: <i>fixing companies</i>		Architect: <i>transforming industries</i>	
			Orchestrator: <i>Integrated businesses</i>	
Managing			Coach: <i>Improving business performance</i>	
	Controller: <i>Selecting good business</i>			
	Portfolio Investment	Active Involvement	Common Systems / Processes	

Degree of Business Integration



Each deal-type and buyer role requires different skills and levels of experience

* Adapted from Michael Goold, Ashridge Strategic Management Center and Nathaniel Foote, McKinsey & Company; as referenced in "The Art of M&A Strategy," McGraw Hill 2012, Smith, Reed-Lajoux.