



INTEGRATION, SEPARATION & ALLIANCES
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The Association of
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Behind the Camera or On the Podium?

How M&A and Alliances Leaders Deliver Successful Deals... Differently

“The basic principle is not that different in terms of making an alliance or an M&A work: They are both all about people. There’s no single bottom line in an alliance, so it is more difficult to measure delivery. M&A success is easier to measure as there is only one bottom line.”

Roger Maynard, Former Executive Director Investments and Alliances, British Airways

Successful Alliance leaders in biotechnology and pharmaceutical firms are increasingly being asked to turn their teams to supporting M&A activity. Senior management recognizes the significant and detailed contributions of these teams to their firms’ performance. Alliance Management has come of age.

Those same Alliance leaders, however, realize that the differences between the two – M&A and Alliances – are both important and subtle. Yes, the Alliance Management team can help drive M&A success. Doing so will require careful use of their Alliance expertise. And it will necessitate new attitudes. Mergers, Acquisitions and Divestitures are not Alliances.

Great Alliance Managers are like consummate movie directors – rarely visible, global in perspective, aiming to get the best out of each participant, leading through influence. Uninformed onlookers can easily miss their vital contribution. A good Alliance Manager must be comfortable in the shadows.

By contrast, great M&A Integration leaders are akin to virtuoso orchestra conductors – standing front-and-centre, coordinating the ensemble each second, embracing highly visible live risks and rewards. They receive applause and accolades for the orchestra’s brilliance.

While both M&A and Alliances bring two firms together, the activities required by Alliance Management teams in M&A necessitate a change of perspective to address three fundamental differences – Get-It-Done Timing, Power Imbalance, and Full-Operating-Model Requirement.

Get-It Done Timing

M&A success comes after the integration is over. Going from Day One to fully integrated is a time of risk, uncertainty and potential, fear and resolution. Value is created post-completion.

Alliances by contrast are themselves an ongoing process. The ebbs and flows of that process are where value is created. Certainly, Alliance success requires deadlines and targets. They are serious businesses. But an alliance *is* the process.

Often M&A success requires taking difficult decisions. Quickly. Being decisive and consistent can trump being 'right'. Alliance Managers must temper their bias toward mediation and nuance. Furthermore, in M&A Integration, the second difference, Power Imbalance, comes into play.

Power Imbalance

In M&A there is an owner of the combined firm. Some One has the final say. When it comes to the difficult trade-offs, the buck stops.

Alliance Managers are skilled diplomats – they excel in situations with ambiguous power structures. They work through influence and negotiation. They shy away from win-lose decisions, knowing that today's loser will only be waiting for an opportunity to win later.

In M&A, while relationships matter, often the need for progress will override people's feelings. Alliance professionals must become comfortable exercising that power. Accustomed to 'getting everyone on board', they are now in an arena where deciding and acting are central.

Full-Operating-Model Requirement

Post-integration, the acquired business capabilities are fully part of the new operating model. Such a model requires everything from R&D to Manufacturing to HR and Finance. The whole business.

In most alliances, individuals and groups continue to receive support from their home company. Alliance leadership can focus intently on the value-creation activities, trusting that support is up and running. And, that employee and business support is *familiar to the individuals*.

Many well-conceived M&As founder when the support functions are inadequately integrated. People need to get their pay checks and insurance coverage. Finance must close the monthly General Ledger. Vacation time must be schedule and tracked. Even minor disruptions in, say, filing an expense account or taking time off to care for a sick parent, can dramatically compromise performance.

M&A Integration must address the entire Operating Model. This requires knowledge of those support functions and an understanding of interdependencies.

From Alliance Director to M&A Conductor

Can a great director shift to become a great conductor? During our Association of Strategic Alliance Professionals BioPharma roundtables, we spoke with numerous executives who have made the transition. Some have successfully transitioned their entire Alliance Management teams into M&A. It is certainly possible. It is definitely challenging.

At an individual level, some Alliance Management skills and attitude are a great fit with M&A. Some, in fact, could enhance typical M&A practice. In areas like value focus, team building, conflict resolution and relationship management, these individuals can immediately contribute.

At a team level, too, Alliance Management groups deliver business capabilities of great value in M&A settings.

Yet it is not easy. Several executives at our roundtables went as far as to say that most Alliance Managers are doomed to failure in M&A. Their experience, at least, suggests that the transition requires much more than simple willingness. It highlights the fact that some Alliance Management reflexes are actually counterproductive in post-merger integration. The rest of this white paper attempts to frame the critical areas of difference between the ideal Alliance Manager (“director”) and a high-performing M&A Integration Leader (“conductor”). Subsequent papers will address the organizational-level differences.

Some Things Stay the Same

Whether Alliance, Merger, Acquisition or Divestiture, creating value is paramount. Excellence in all areas of inorganic growth requires this focus. The best Alliance Managers and M&A Integrators know how to maintain this focus through the inevitable complexity and setbacks.

They assemble and build teams that are resilient to disruptions. By remaining closely in touch with those teams they anticipate problems. Often their anticipation allows the teams to head-off trouble. Even when problems occur, the effective Manager keeps the team’s real goals in sight.

The conductor and director also manage the hierarchy. This often involves insulating the teams from excessive distraction from above. They buffer the working teams allowing them to focus on assigned tasks. They translate senior managements' requirements and changes in non-disruptive fashion. In return, they keep senior management engaged and informed. They anticipate conflicts and address problems directly.

By building strong relationships, these managers create an environment where team members can resolve most challenges long before they become critical. Without constant escalation. Those relations are embedded in well-designed governance structures that balance the need for rapid, creative activity without heavy handed bureaucracy.

Conducting an M&A Integration

The orchestra conductor's formal attire is an external sign of the vast difference between her role and that of the casual tee-shirted movie director. She has one chance to get it right: tonight's performance. Executives from across industries tell of how shortcomings during integration persist even decades later. An oil & gas executive noted how problems in the 1985 acquisition of Gulf Oil by Chevron remained evident in 2020, despite many smoother Chevron acquisitions in the interim.

First, the M&A conductor must remain visible; front and centre. The company's performance and reputation may be at stake. She must command the attention of all involved, while the many stakeholders stare at her back.

This calls for visible, active leadership. Alliance Managers, frequently accustomed to addressing problems behind the scenes, must become comfortable with this visibility. Often, given the time and performance pressures, they will not have the luxury of addressing issues in private. Many failures cited by roundtable participants stem from a Manager's unwillingness to confront such situations immediately and decisively.

"It's about creating an environment in which people have permission to get things done on their own. Deals are complex, and nobody knows everything."

Robin Stopford, Head of Corporate Development, James Fisher and Sons

Second, the M&A conductor must coordinate across the entire orchestra in real time. All activities interrelate, even those that may seem most trivial. An orchestra conductor ignores the single note from the triangle amidst the hundreds from the violins at her own peril. Likewise, the Integration Manager must manage interdependencies across all business activities.

M&A Integration most often centres around a formal PMO (Programme Management Office). While some Alliances involve such formality, it is generally far more extensive in M&A. Overseeing a complex PMO can be very different from less formal coordination of Alliance teams.

This conductor role requires far greater understanding of Operating Models and business functions than typical for an Alliance Manager. Often in biotechnology and pharmaceuticals an Alliance Manager moves into that role based on her technical or therapeutic expertise. To tackle M&A, however, that Manager must become a quick study in areas like Finance, Human Resources, and Legal. Generally, M&A leadership requires a broader and somewhat shallower skill set than the deep expertise of an Alliance Manager.

Directing an Alliance

While marquis movie directors enjoy fame, many great ones remain behind the scenes. Except perhaps for the rare cameo. Yet their role is every bit as demanding as a conductor's. Likewise, Alliance Managers bring exceptional skills and experience, supported by well-honed tools and techniques, to their company's Alliances.

An Alliance Manager crossing over to M&A should learn from the conductor without losing his distinctive skill set. The Venn Diagram for the two roles has substantial overlap. The artistic creativity of the Alliance Manager lies in blending the two. Our roundtable participants were clear on this point: Alliance Management does have lessons for M&A. An Alliance Manager that can learn the conductor's role, while gracefully integrating his discipline's core competencies, becomes a powerful asset for his firm.

First, the Alliance Manager remains behind the scenes. He shapes the Alliance both during periods of active engagement and in the ‘editing process’ when those activities are sharpened and refined. Unlike the one-shot orchestra performance, an Alliance offers more opportunities for refinement.

This does not mean that Alliances lack deadlines or hard performance targets. They are, after all, business-value focused. Because of their ongoing nature, however, they offer a different trade-off profile between, say, focusing on culture and relationship issues today to deliver longer-term payoff. A savvy Alliance Manager understands the stakes.

Second, like a director, the best Alliance Managers realize that improvisation often leads to the best outcomes. And that improvisation will only occur if the ‘actors’ are motivated to improvise. Part of that motivation comes from the accolades showered on them. The Alliance Manager needs the self-confidence to pass the lion’s share of credit for success given to the actors. Savvy senior management, particularly in today’s leading biotechnology and pharmaceutical companies, knows the Alliance Manager’s true contribution.

Third, the Alliance Manager is the master synchronizer. Like a director balancing the interests of a range of producers, financiers and screenwriters, he finds common ground without value-destroying compromise. Over the course of an Alliance, change will happen – conditions, people, technologies, leadership. The Manager needs to understand and adapt. The shop-worn concept of ‘alignment’ is inadequate. Synchronization implies continual adaptation.



"Part of our approach, from an M&A and Alliance perspective, is for me to develop strong working relationships at senior executive levels. These connections create multiple points of contacts for communication and issue resolution."

Rusty Field, President & CEO, Upsher-Smith Laboratories

Bring Your 'A' Game

When an Alliance Manager looks to become an M&A conductor, she should capitalise on her unique skills to enhance the symphony. Roundtable executives shared stories of Alliance experts who brought new energy and insight to M&A Integration.

But M&A is not for all Alliance professionals. It requires both new skills and changes in approach.

Those who are eager for the challenge have the opportunity to discover new ways of value creation. They must learn new skills and disciplines, question their attitudes and reflexes, and not lose sight of the sources of their Alliance Management success. As we noted, despite stark differences between conductors and directors, the skill profiles overlap.

BTD has served its M&A clients for over two decades. We work with some of the most skilled M&A professionals in the world. Having spent considerable time with ASAP executives, we are convinced that the best Alliance professionals can bring valuable new energy to M&A.

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