

# The StraightTalk Coach

## Insights for Leading From Strength

### Evaluating Leadership: Taming the M&A Wild Card

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**M**ergers and acquisitions are laden with unknowns: Will the new ownership structure create greater value? Will its leaders drive sufficient innovation and results? Can the new organization deliver results fast enough to satisfy shareholders?

Given the complexity of these challenges, it is not surprising that so many mergers and acquisitions fail to create the anticipated value. They fall short for myriad reasons. One of the most overlooked is the fit between the new organization's needs and its leadership, a factor that has largely been ignored when analyzing a proposed merger's potential return.

Yet a promising trend is emerging: Those charged with due diligence are beginning to evaluate how well leadership's talents suit the new organization and its need to drive learning, innovation and results.

#### Why Evaluate Leaders?

People tend to be a merger or acquisition's biggest wild card, so evaluating the leadership team significantly reduces inherent uncertainties. In fact, assessing leaders' capabilities and motivations against the new organization's strategic and cultural demands should be a standard part of due diligence.

Since two entities are always involved, this requires analyzing the leadership of both the acquiring and the acquired organization. Too great a gap in their strategies, cultures and leadership styles can create obstacles to alignment and commitment. Conversely, too much similarity between the two organizations can make it difficult to generate enough learning and change to produce significant additional value. In either case, the sum of the parts does not create a greater whole.

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#### The FIT<sup>2</sup> Solution

The FIT<sup>2</sup> Index is a formula we developed to measure four key factors of likely M&A leadership success:

1. F: functional/general management skills.
2. I: influence ability.
3. T: team-oriented leadership style.
4. Squared: ability to accelerate learning and change.

Functional/general management skills

focus on an executive's ability to set goals and solve problems. This includes critical and strategic thinking; analytical and intuitive problem-solving; tactical planning ability; breadth and depth of thinking; financial acumen; general management capability; action orientation; and soundness of business decisions.

Influence ability is an executive's capacity for relating to, influencing and being influenced by others through personal relationships and communication. Does the executive listen actively? Can he convincingly sell himself and his ideas? Other influence factors include the ability to talk straight and facilitate dialogue; engage in win-win conflict resolution; demonstrate sensitivity, empathy and respect; value and leverage diversity; and be perceived as credible and competent by all stakeholders.

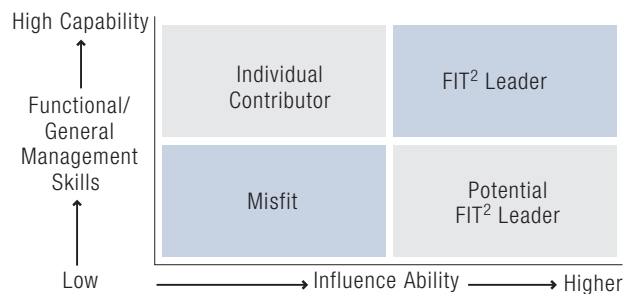
Team-oriented leadership considers the ability to deliver innovation and results. This includes establishing a vision and a roadmap for achieving it; serving as a thought catalyst and change agent; using personal, process and position power to motivate and empower others; harnessing conflict to surface and address issues via StraightTalk; managing one's self, processes and people; setting ambitious expectations; and creating high levels of confidence in one's ability

to deliver results, earn respect and generate trust for one's motivations ± including alignment with the new organization.

The squaring effect measures how much leverage a leader can apply to accelerate an organization's pace of learning and change. This includes an executive's global external orientation; flexibility and adaptability; learning, change, risk and future orientations; tolerance for ambiguity; creative and innovative thinking; and the extent to which she is governed by ethics and principles.

### The FIT<sup>2</sup> Matrix

The following matrix is a shortcut for using the Index to assess executives and their potential success in leading a newly merged organization.



### Misfits

The combination of low functional and low influence skills suggests that this executive is not likely to make significant contributions to the new organization. Determine whether a Misfit can rapidly develop the required functional and influence skills; also calculate the direct and opportunity costs of investing in a Misfit.

If it seems the executive can develop the necessary skills, an aggressive development program is warranted. It should include internal and external coaching support, educational opportunities and professional training, as well as specific milestones, evaluations and timelines with decision points.

Alternatively, if investing in this individual is not appropriate, develop an exit strategy that offers the executive financial and transitional support.

### Individual Contributors

Individual contributors offer high func-

tional skills but low influence ability; they are typically people who make strong though narrow contributions based on a specific skill set. Examples include but are not limited to Research and Development scientists, compensation specialists, environmental lawyers and software engineers.

The challenge is deciding whether an individual's skills will be required in the new organization. If so, how should the role be designed to leverage those skills? What support is required to nurture them?

If these abilities are not needed or the organization cannot create the right structure to apply them, it is time to craft an exit strategy similar to that for Misfits. However, individual contributors' skills

may be highly valued by competitors, so pay extra attention to non-compete and confidentiality agreements.

### Potential FIT<sup>2</sup> Leaders

Often an organization's informal leaders, potential FIT<sup>2</sup> leaders possess

high influence and low functional skills. They typically have strong relationships with a broad range of stakeholders, and use those relationships to influence what gets done and how it gets done. Yet the breadth and depth of potential FIT<sup>2</sup> leaders' influence may mask limited functional skills.

Consider whether these executives can readily develop the functional capabilities required by the new organization's strategic and operating plans. If an individual shows promise, create a plan to develop those skills. As above, it should be specific and measurable and include decision points.

Given the nature of potential FIT<sup>2</sup> leaders' influence, supervision is particularly important to ensure that they focus on important issues and desired success factors. Informal leaders without robust skills often stonewall efforts to raise the new organization's performance.

### The FIT<sup>2</sup> Leader

FIT<sup>2</sup> leaders are Builders who can create long-term value by driving high-level results and innovation. They have strong functional/general management skills, effective relationship skills that influence a wide range of stakeholders and proven team-oriented organizational skills. Most important, FIT<sup>2</sup> leaders can accelerate an organization's pace of learning and change to compete more effectively.

These are executives on whom the new organization can rely. They work from the outside in to build value that contributes to all stakeholders ± shareholders, customers, local communities and employees.

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Protect FIT<sup>2</sup> leaders' contributions by empowering these individuals and recognizing their motivators. Ongoing StraightTalk dialogue about alignment, capabilities and developmental progress is especially important for maximizing FIT<sup>2</sup> leaders' abilities and commitment to the new organization.

The FIT<sup>2</sup> Index can be helpful in evaluating any leadership team's ability to build long-term value by constantly accelerating the pace of change and learning. Yet mergers and acquisitions place unique demands on organizations and their leaders.

Do not overlook the importance of evaluating prospective leaders on the FIT<sup>2</sup> Index and of doing so as rigorously as you assess an acquisition's strategic match, financial outlook, products and markets. The long-term success of your merger, acquisition or existing organization may ultimately depend on it. [HK](#)

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