

By David M. Shanberg

Which Comes First, the M&A Strategy or the M&A Execution?

The obvious answer to this is that M&A strategy comes first, and M&A execution follows the strategy. I agree with this as the ideal and preferred method for determining acquisitions, but I'd argue that there is actually room for the reverse as well, with proper discipline.

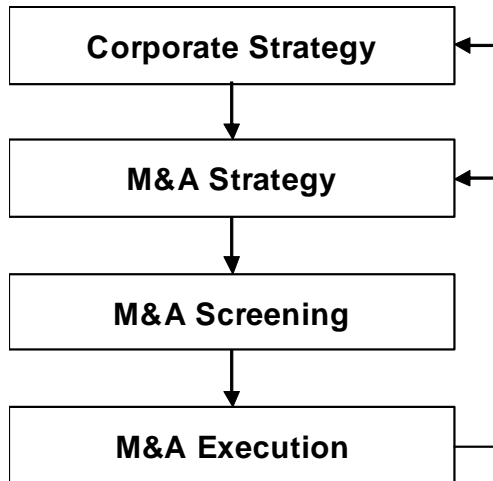
Clearly, the textbook order of progression is:

1. Corporate strategy
2. M&A strategy
3. M&A screening and targeting
4. M&A execution

This methodology should be the foundation for setting and executing on a company's M&A priorities.

However, a potential acquisition can be extremely helpful in sharpening M&A strategy, as it provides a current and live possibility to qualitatively and quantitatively analyze. So often, the exercise of setting strategy is performed too much in a vacuum, devoid of real-world issues, and allowed to progress indefinitely.

To be clear, I am NOT recommending that M&A activity drive strategy, but I am suggesting that M&A activity can and should help refine the strategy. As far as which comes first, the two are not mutually exclusive. Rather, it is an iterative process in which learnings from M&A execution feed back and inform the M&A strategy, so the process looks something like the diagram below.



There is a level of discipline required in doing this. M&A professionals should not have license to run off in all directions. They need to focus on the general areas set by the corporate strategy, but they should have the ability to perform a “quick screen” on companies outside of the stated target area.

Likewise, the corporate strategy should not dictate an M&A plan so set in stone that it does not have the flexibility to evaluate “out of the box” opportunities within the range of reason, or to spur a dialogue about new acquisition targets that can help refine a company’s M&A strategy.

In my experience, greater freedom in M&A execution, combined with using key learnings from actual and potential transactions, can enhance the standard serial process of strategy-execution and result in better deals.

David Shanberg has led communications, Internet, software, and other technology mergers, acquisitions, strategic alliances, venture investments, business development, and finance activities for the past 16 years, completing transactions totaling over \$90 billion. He also has a previous 4 years of experience in technology consulting.

Baker Pacific specializes in corporate development strategy and M&A transactions for technology companies. Baker Pacific is especially well-suited for situations where a company finds itself contemplating or facing a significant transaction (such as a sale of the company or an acquisition) and needs additional expertise and bandwidth to be successful.

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