

BUSINESS LEADERSHIP: A REQUIREMENT FOR SUCCESSFUL M&A OUTCOMES

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Mergers and acquisitions (M&A) remain a significant driver of value creation and growth across the pharmaceutical industry, from innovator companies through contract service providers. A successful M&A transaction requires a comprehensive strategy, with well-defined objectives, to guide the effort to leverage the assets of the acquired company and define a path for the buying company. Regardless of the strategic value of the acquisition on paper, the success of the M&A may largely be determined by the leadership on both sides.



While many companies focus overwhelmingly on the senior leadership, the strength of middle management leadership within the company that has been acquired is a major determinant of a successful transaction. It is essential that these leaders are responsible realists, accountable to, and capable of, creating economic value for all stakeholders, including owners, customers, employees, suppliers, and members of the community. Carleone Partners has developed *Sound Bites for Business Leaders™*, a tool to aid in the development of leaders at all levels within an organization.

DRIVERS OF M&A SUCCESS

Many of us have observed the value creation that can result from M&A transactions. I have had first-hand experience with a series of transactions that has created tremendous value, not only for



shareholders, but also for all the stakeholders in the business. It is clear that, when acquiring companies, a company must begin with a strategy of what they want the business to look like a number of years down the road to be successful. If the first acquisition is a platform for expansion into a new area, having an idea of the growth path for both organic growth and continued acquisitions is key. If the acquisition is an addition of a critical area for the buying company, then there must be a strategy for how that acquisition will create accretive value for the buying company.

An M&A approach will always have an opportunistic nature, because a certain target company may not be for sale or not turn out to be what was expected. A well-developed strategy – with well-defined objectives – increases the likelihood of successful opportunistic acquisitions. However, a solid business strategy alone does not guarantee a successful acquisition.

Once an acquisition is made, substantial execution challenges become apparent immediately; a large number of acquisitions fail to meet their objectives. High failure rates occur for a variety of reasons, including culture, financial issues, or capability. It is becoming clearer, however, that the leadership on both sides of the acquisition can impact a deal even with an exceptional strategic fit.

THE IMPORTANCE OF MIDDLE MANAGEMENT

Dunbar¹ conducted a study of 94 M&A transactions and found that leadership skills in the *middle management* of the targeted companies have the greatest effect on success. The skills most important in the targeted companies were identified as the ability to:

- **Motivate Others,**
- **Influence Others,**
- **Build Relationships, and**
- **Provide Direction.**

The new finding here was the importance of middle management leadership qualities, even though most acquiring companies tend to focus only on senior leadership capabilities.

Another study by Keller² of Willis Towers Watson focused on leadership in M&A, examining the right type of integration leadership post-acquisition. Again, the study highlighted the importance of leadership in both the acquirer and the target companies.

Of course, *leadership* is a very elusive quantity to define – and business leadership has some very unique characteristics.

SOME THOUGHTS ON LEADERSHIP

Leadership has been defined in many ways by many different people, often with a focus on style. Many attribute qualities of leadership exclusively to those with obviously charismatic – and sometimes visionary – traits. These people tend to inspire a following for a highly visible cause and are often placed

BUSINESS LEADERSHIP MUST BE ACCOUNTABLE TO THE ENTIRE SET OF STAKEHOLDERS OF THE BUSINESS — WHICH INCLUDES THE OWNERS, CUSTOMERS, EMPLOYEES, SUPPLIERS, AND MEMBERS OF THE COMMUNITY IN WHICH THE BUSINESS OPERATES.



FIGURE 1: Critical Skills for Leaders

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at the pinnacle of the cause. For example, when leadership is mentioned, George Washington, Abraham Lincoln, Winston Churchill, Martin Luther King, Jr., and Nelson Mandela often immediately enter the discussion. Leadership, however, also routinely takes place quietly in everyday life and is expressed in careers, households, and community outreach.

Leadership, therefore, can take many different forms. While there are some elements common to all types of leadership and leaders, we can define several obvious categories of leadership, with admitted overlap, as follows:

- Business Leadership,
- Political Leadership,
- Religious Leadership,
- Academic Leadership,
- Military Leadership, and
- R&D Leadership.

Of course, there are elements of leadership common across categories, but each one has distinct characteristics. Political leadership requires the ability to give excellent speeches, while, for business leaders, this capability, while helpful, is not essential. The main difference

comes from the fact that politicians in a democratic society must be elected to be successful, while this is not the case for business leaders – political leaders are *elected*, while leaders in the other categories of leadership are *selected*. Therefore, the pressures on political leaders are significantly different than those on leaders in the other categories.

Successful leadership in each category is quite difficult to measure. However, a leader's success can be measured by

the results they achieve as opposed to their style of leadership – this is especially true for business leadership. Business leadership is characterized by realism and not idealism, though that is not to suggest that successful business leaders ignore social responsibilities. Business leadership must be accountable to the entire set of stakeholders of the business – which includes the owners, customers, employees, suppliers, and members of the community in which the business operates. Business leadership results must be measured in the context of improving the economic value of these five stakeholder groups. In summary, good business leaders must be *responsible realists*.

Much of the literature on types and styles of leadership define four or seven (I have seen up to twelve) different types of leadership, which can be summarized as follows:

- Autocratic or authoritarian,
- Democratic or participative,
- Laissez-faire or free rein, and
- Paternalistic.

These four styles can (and do) exist within each of the six categories of leadership listed earlier. Each style of leadership is met with varying degrees of success depending on the circumstances of the entity and the environment. Exclusive of style, the qualities, capabilities, skills, and talents required of the leader will differ for each category of leadership. The various categories of leaders and their respective missions are presented in **Table 1**.

TABLE 1: Leadership Requirements

Category	Mission
Business Leader	Create economic value for all stakeholders
Political Leader	Keep citizens safe and create an environment for prosperity
Religious Leader	Serve humanity through spiritual guidance and renewal
Academic Leader	Provide an environment and curriculum for learning
Military Leader	Defend and protect their country
R&D Leader	Unlock the mysteries of nature and create things that never were

A NEW BUSINESS LEADERSHIP TOOL

With the 21st century's information explosion, the average American is inundated with reading materials. Sorting and screening mechanisms are helpful, but important materials often go overlooked. Therefore, the need for touchstones, to keep our organizations moving through the ever-changing landscape consistent with the strategic objectives we have set, is becoming an increasingly important tool in managing organizations.

Many of us rely on familiar quotes to guide us through difficult issues or for inspiration. *Sound Bites for Business Leaders™*, which was developed by Carleone Partners, organizes a finite list of short sound bites to help business leaders seeking clarity and to provide guidance to their staff. These sound bites are organized to be consistent with a leadership model we developed. This model can be graphically depicted, as shown in **Figure 1**.

EXCLUSIVE OF STYLE, THE QUALITIES, CAPABILITIES, SKILLS, AND TALENTS REQUIRED OF THE LEADER WILL DIFFER FOR EACH CATEGORY OF LEADERSHIP.

The foundation of good business leadership is the ability to manage oneself. Much business literature is devoted to this topic, beginning with the seminal article by Drucker.³ Interpersonal skills and management skills rest on this foundation. Tying this structure together is the ability to develop a strategy and align staff members in accordance with this strategy. Key literature that supports this leadership model can be found in the works of Covey,^{4,5} Collins,⁶ Porter⁷, Swartz and McCarthy,⁸ Oncken and Wess,⁹ and Zedarcic,¹⁰ among many others. We can summarize these four areas as follows:

Managing Oneself

- Trustworthiness = character + competence
- Ongoing professional development – improvement must begin with oneself
- Build upon one's strengths



Interpersonal Skills

- Take responsibility for relationships
- Trust is the foundation of effective relationships



Managerial Skills

- Empowerment of people and team building
- Dare to teach – your team wants you to teach what you know



Strategy & Organizational Alignment

- Forward-looking and over-arching
- Alignment of the entire workforce



Sound Bites for Business Leaders™ is a tool that consists of 45 sound bites. Each is organized into one of the four leadership model skill areas. Each is also discussed in detail with slides and figures presented in a classroom format as a one-day short course. The goal of the tool is not the memorization of the 45 sound bites, but to internalize the concepts they represent. Thus, when the leader is confronted with a challenging situation, he or she can draw upon this well of learnings to help craft a better direction to address the challenge. Carleone Partners believes that *Sound Bites for Business Leaders™* provides a tool to aid in the development of leaders at all levels in the organization to become *responsible realists*. **P**

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