

# The Insomnia Factor

What keeps CEOs  
AWAKE AT NIGHT  
– and what to do about it.

The Monthly Newsletter  
of CEO TO CEO

*Number 2 in a Series*

## Defeating Corporate Distraction

Which causes more insomnia in the world of CEOs? Concern about *sneak attack* distractions or the “clobber you on the head” type of distractions? Personally, I have no idea, but the “clobber you on the head” versions sure are memorable.

This issue’s distraction, **M&A and Partnering Mistakes** is definitely of the clobber variety. To this day, about ten years later I remember trying to be on vacation in Tahoe but having to deal with the acquisition I should have never, ever made. This issue of *The Insomnia Factor* will cover this second of twelve distractions to be addressed. To read the first part of this series, click **here**. Successive issues will address the remaining Dirty Dozen distractions.

### The Dirty Dozen

*I’m finding that there are a dozen distractions I encounter most often. I’m calling them “The Dirty Dozen.” For each, I’ll present how I’ve seen the distraction present itself, how it’s caused the greatest damage, and what the key strategy is to mitigate the distraction. I say mitigate the distraction because in truth, they’ll never be fully defeated. The distraction at hand may be defeated, but tomorrow will bring a new one, a variant perhaps. Distractions will always be there, always decreasing our performance. But if we are aware of them and actively employ effective strategies to keep us on our path, we’ll find our prize sooner.*

*All twelve distractions are controllable to a large degree. The first three are strategic in nature. The next four relate to planning. The last five are about people. But the order in which I will discuss them is no reflection on importance. Each organization is afflicted with a different mix of distractions, and you will find one or more that will immediately resonate with your personal experience.*

### Distraction #2: M&A and Partnering Mistakes

M&A is an essential element in strategic planning and should be considered by every company. Likewise, connecting with other companies in some form of partnership

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Robert Sher

July 19, 2010

I learn from my clients, just as they learn from me. A client loaned me a book, *The Starfish and the Spider: The Unstoppable Power of Leaderless Organizations*, which is interesting and really made me think. I’m going to apply it directly to a small group I’m building.

But I’m a fervent believer in the power of leadership (not to be mistaken for dictatorship), so now I’m re-reading an all time favorite of mine, *On Becoming A Leader* by Warren Bennis. For a couple of bucks (used), get the original 1985 edition. The core message and thinking is just as valuable, but the context of the day is interesting, as he refers to the dramatic changes in society and the world of business as the “new world.” Sound familiar?

CEO **TO** CEO

Assisting business leaders as they  
navigate critical passages

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can be a great lever to grow dramatically while staying focused on your core competency. The thinking, courting, hunting and closing on deals and high potential partners is fun and alluring too. *Until you make a mistake.*

My mistake was the #4 acquisition in a mini-rollup I did in the publishing firm I was running. Each of the first three acquisitions added significant breadth to my product offering as well as some scale to my operation. Each remained after the integration as independent brands under my corporate umbrella. Then the fourth seller appeared. She was really eager to sell—desperate in fact. Their product mix had some nice elements that would

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be additive, but not critical. But it was a small deal to pick up and seemed like it would be easy from every perspective. *Surprise!* After the deal closed I learned about some of the more *special* attributes of the seller's psyche, learned just how broken systems can be, and learned what happens when the other party is *really* not aligned. After two years, I called it cash positive, but only if I didn't count the hundreds of hours of me and my team's time and frustration. Imagine what the opportunity cost

would have been if a fifth ideal acquisition had come along, but I was too pre-occupied with this "stinker" of a deal to act on it. This event helped burn into my brain a favorite phrase that a strategic partner of mine loved to say: *"There is no easy deal."*

**Buying** a company is more like adopting a child than buying a building. Making the purchase is just the beginning of a long relationship from which you cannot run. If the acquisition is significant, you may *need* to make it work, and most acquisitions absorb time, attention and resources in huge quantities. It's just that the *bad* acquisitions require even more, and usually give no return for all the headaches.

**Selling** your company or a business unit of your company can also be a distraction. While shopping on the buy side takes up valuable executive time, selling is emotional, can become public when you least want it to be and can set expectations in your ownership group for getting rich (which may be dashed). Staying focused on running your business during the selling process is difficult. After the sale, the team that stays on with the new owner will be terribly distracted, will be worried for their jobs and will be wondering what the company will be like in a year.

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## Recent Retainer Calls

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*Most of my clients put me on a retainer so they can have access to me whenever they need me. Here are some of the issues I helped them with last month.*

**Load on the Lease?** My big account is wavering, and I'm a day away from signing a big three year lease for a new facility. Should I sign or drag my feet?

**Make the hit or take the hit?** A major account has a rat on their team, who is trying to stab us in our back. Do we go for the throat or try to make nice with him?

**Executive Hiring Misfire** Six weeks after hiring this #2 executive, it became clear that it was a mistake. The question was how fast to fire, how to spin it to the team, and how to salvage the good things this person had brought.

**Mo Money** This organization is trying hard to do salary increases once a year (focal reviews). But in-demand engineers don't always stick around, waiting. At a mid-year review, one engineer made demands, and we talked about ideas for retention bonuses and comp structure to appease the engineer without making another exception to the once a year policy.

**Connection** A client has fallen behind on one strategic objective because he's not been able to find the right F/T executive. I found someone for him that might be able to move the ball forward as a P/T consultant. I connected them.

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**Partnering** with other companies is often essential, when one company just can't reach their objectives on their own. But the world is littered with companies who "got married" to a partner only to find that the marriage did not at all reflect the dating experience. Just like the theme of this essay, partners often get distracted and don't fulfill their part of the bargain. Key advocates for your partnership in the partner organization may leave or lose power. Depending on the nature of the partnership, moving on can be difficult, especially if you've become dependent on them or if the partnership makes you unsuitable for subsequent partners.

### Strategies for Mitigation

Techniques to avoid mistakes in M&A and partnering could fill the pages of several books. But the one nugget that sits at the core of mitigating this distraction is that *your corporate strategy should drive M&A & partnering*. You should not act opportunistically. For an example of acting strategically, assume your corporate strategy dictates that you expand into direct distribution. In response, you develop a plan to build the distribution unit from scratch. You also develop an alternative plan to acquire a firm in the space, and last, you also develop a third option to partner with a firm(s). Each option is fleshed out, and as to the acquisitions option, a list of candidates is pulled together and reviewed at a high level. Top management then reviews the three options, and if they choose the acquisition path, negotiations with several companies begin, with the best fit prevailing. The rigor in this process helps make a better decision. But even if the acquisition turns into a mess, at least the expensive cleanup effort benefits a key strategic objective where the payoff of a success is likely to be high.

### The Dirty Dozen

- 1) *Strategy Tinkering & Obsession*
- 2) *M&A and partnering mistakes*
- 3) *Running out of money*
- 4) *The data and analysis obsession*
- 5) *Debates without decisions*
- 6) *Functional areas not synchronized*
- 7) *The wheels coming off the bus*
- 8) *Misplaced loyalty*
- 9) *High-maintenance employees*
- 10) *Too much one-way communication*
- 11) *Compulsive micro-management*
- 12) *The unpredictable boss/leader*

An example of an opportunistic approach is when your firm is approached by a company looking to sell, and you get excited. You identify lots of benefits. Buying this firm is not the very most important next move for your company's growth, but it is a deal that you just can't pass up. You don't want to miss out, so you dive in. When there are problems with the deal, resources get poured into a non core area. **Avoid opportunistic acquisitions and opportunistic partnering.** *There is no easy deal.* I will admit that on rare occasions an opportunistic

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## Presentations

Wednesday, July 21, 11:45 am to 1:30 p.m. (San Rafael) **"Delivering HELP in your Circle: Strategic Networking for Business Development"** delivered to a chapter of the CalCPA Education Foundation. Non-CPA's are welcome, and 1 CPE credit will be earned for attending this event. **Click [here](#) to register.**

Thursday July 22, 6:30 to 8:30 (Lafayette), Keynote for Haas Alumni Network, East Bay, **"Defeating Corporate Distraction."** This is for Haas Alums only, so come if you qualify. **Click [here](#) to register.**

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Please encourage them. It will be good for both of us. Send them to: [www.ceotoceo.biz/insomnia.html](http://www.ceotoceo.biz/insomnia.html) to look at a few issues; the link to sign up is on that page.

CEO **TO** CEO



*Top Team  
Professional Development*  
– Peer to Peer Style

**E**very CEO wishes for a top team that works together seamlessly and understands the needs of the business from the CEO’s perspective. Executives on the top team want an upwardly mobile career track and to make a big impact on the success of their company. But the rate of growth of an executive can be limited by the company’s situation and the depth of the experience surrounding them. I have a great solution.

I’m bringing together executives that report to the CEO into peer groups that meet regularly to learn from each other as they tackle their own real world issues and opportunities. I will be personally leading the first few groups. This program is called Top Team Alliance and will be under the auspices of the Alliance of Chief Executives. Each group will have a blend of top execs, including finance, operations, legal, HR, engineering, product development, sales and marketing. Just like the Alliance groups for CEOs, the meeting time spent together will be spent on member issues exclusively.

If you know a top team member that could benefit from such a group, please introduce us. [Download more information about Top Team Alliance here.](#)

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*(Corporate Distraction - continued from page 3)*

deal can appear perfect for you, and it might be. Luck does exist. But place the bar for quality and fit very, very high, knowing the massive risk for distraction, and knowing the tendency for the buyer’s passion for making a deal to override rational thinking.

Even in a strategic deal, do your homework thoroughly. I don’t just mean financial due diligence. Go well beyond that into operational due diligence, culture due diligence, customer and marketplace due diligence, and leadership due diligence. The goal is not to close the deal and avoid lawsuits. The goal is to have a permanent outcome that moves you forward on your strategy. All bad deals move you backwards.

Lastly, if you’re doing a strategic deal, and all the due diligence looks great, then be sure to listen to your intuition. If you have that sick feeling about the purchase, walk away. ■

*Next month’s issue of **The Insomnia Factor** will focus on Distraction #3, “Running out of Money.”*

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