



SILICON VALLEY

BRAND FORUM

**Navigating Your Brand through
Mergers and Acquisitions**

October 16, 2007

Hosted by

Microsoft

Ron May, moderator



For the past three years Ron has been working with UPEK, a venture-backed start-up in Emeryville, where his charter has been to establish the company as a leader in fingerprint biometrics.

Prior to UPEK, Ron was VP of corporate marketing at Synopsys, where his team led the integration of Avanti Corporation, which, valued at \$800 million, was the largest merger in that industry's history.

Before Synopsys, Ron held senior marketing roles in corporate marketing and brand strategy at Quantum Corporation, Tandem Computers, Sanyo Electric and Logitech. And yes, Ron worked for Mattel Toys for seven years back in the 1980s, where he was one of the first brand managers for Barbie.

Ron has an MBA from Golden Gate University and a BA in US History from California State University, Northridge. He's been on the Board of Trustees of the San Jose Museum of Art and is now in charge of Bagel Friday at UPEK.

Russ Meyer, panelist



As the Chief Strategy Officer for Landor's San Francisco office, Russ has led teams and assisted in the solving of branding strategy and identity problems for clients such as Barclays Bank, Dreamworks, Disney, Hewlett-Packard, and Procter and Gamble. In addition, Russ has leveraged Landor's expertise in mergers and acquisitions assisting in the brand strategy and identity creation for high-profile mergers such as BP/Amoco/ARCO, Bell Atlantic/GTE, Shell Oil/Texaco/Saudi Refining and Compaq/Digital/Tandem.

Russ has held other roles in the San Francisco office including Brand Group Leader, Executive Director of Strategic Services and Director of Verbal Branding and Naming.

A Phi Beta Kappa graduate of the University of Minnesota, Russ holds a Master of Fine Arts in design from Northwestern University in Chicago and graduated with honors from the J.L. Kellogg Graduate School of Management in Chicago, Illinois, with a Masters in Management. He has been a guest lecturer in branding at business and learning organizations such as the University of California, Haas School of Business and San Francisco State University.

Patrick Moran, panelist



Patrick Moran is the Senior Director of Marketing at WebEx. He has been deeply involved in the WebEx/Cisco merger from the earliest strategy meetings and brings up-to-date perspective on the challenges of integrating brands from the acquiree side.

Jim Rose, panelist



Jim Rose is the Vice President of Brand and Global Marketing Communications for Symantec the world's fourth largest software company. Since joining Symantec in the fall of 2005 he has been responsible for merging and managing the Symantec, Veritas, and Norton brands as well as ongoing Marketing Communications efforts for the company.

Prior to joining Symantec Jim was head of Marketing Communications for the Citibank Internet Payments division, VP of Interactive Marketing for IBM.com and VP of Brand and Marketing Communications for the IBM Software group.

The first half of his career was spent at advertising agencies McCann-Erickson, Ogilvy & Mather and Foote, Cone Belding working with a wide range of clients including Lucent, Compaq Computer, Xerox, and Learjet.

Jim started his marketing career in 1983 after a stint as a corporate pilot for Miles Laboratories (which prompted him to earn an MBA in Marketing from Indiana University).

Summary of the Panel Discussion

Question #1:

In my experience, I've come to learn that there are three phases in the acquisition process: the courtship, the acquisition and the integration process. I think it's safe to say that most of us in the room have not been involved in the courtship phase. Can you each share some of your experiences with your timing at getting involved with mergers, and how that worked out.

Russ Meyer:

We've been brought into discussions at all three phases. Usually, we're brought in after the public announcement of a merger. We've also been brought in a year and a half later, because what they thought was a final solution turned out to be only an interim solution, as was the case when BP acquired Amoco.

It's best to come in at the earliest stages, so you can be involved in overall strategy and the highest level decisions. It's also fine to come in after the announcement, when you have the freedom and time to work out an effective integration plan. The toughest time to get involved is the middle phase when the big decisions have already been made and you're up against the clock to meet deadlines before the announcement.

Patrick Moran:

The acquisition of WebEx by Cisco - the courtship phase - actually took eight days. Of course, Cisco had done the due diligence beforehand with extensive study of WebEx and the market and everything. Cisco has acquired 124 companies in the past 15 years, so they have an engine to support this. The WebEx acquisition is a little different from the others in that we're an established brand in a space (software and services) that is new to Cisco. This whole thing began in May and we're still figuring out the timing of the whole thing. Is the integration a 3-month or a 3-year process? I think we're finding that it's more of a 3-year thing.

Jim Rose:

I was at IBM when they acquired Lotus, and the courtship involved Lou Gerstner, the CEO of IBM, calling Lou calling the CEO of Lotus and saying, "Your stock is at \$25 right now. I'm going to call you back in 30 minutes and offer you \$50. End of courtship - on to the wedding. The core of the question, with the 3 phases, I'd say is hard to apply as a model. Every acquisition is a little different. There are various reasons for a merger:

1. Did it occur because you didn't want a competitor to get a company?
2. Did it occur because you wanted the products of a company?
3. Did it occur because you wanted the people of a company?

Each one of those causes lays out a different acquisition path. If you're after the people, you'll be very people how you handle the people and the culture. If you're after the products, you don't worry so much about the people. You care about how their products will integrate into your product set. If you're only after the customers, it's even easier. You just focus on the customers and sweep away the rest.

Question #2:

In your experience, how was the determination made to integrate one brand into another, and do the Darwinian laws take over, where survival goes to the fittest?

Patrick Moran:

Having been in the 8-day courtship, I thought this was going to be one of those product purchases when the engine comes in and turns us all into Cisco overnight. A few days into the strategy discussions I realized this was going to be different, and we were taking a broader view. The team was asking questions like, "how will WebEx impact the masterbrand strategy for Cisco?" The conversations the WebEx teams are having with Cisco are very open and honest, and it's all about the business strategy - what markets will open up for Cisco, and not so much about my brand vs. your brand.

Jim Rose:

Symantec is built on acquisitions. The strategy has been to buy companies for their products, which get rebranded as Symantec or they become part of a Symantec product and the old brand goes away. When they acquired Veritas, they started to follow that process, but a year later found that they had to change direction. Veritas was all about storage and Symantec is known for security. Veritas had equity in many of their storage products and Symantec realized they had to bring back the Veritas brand to leverage that equity. We've found that, as we move into services, that we not only leverage existing equity, but implied equity in an acquired brand.

Bonus Question:

Historically in companies, we'll talk about a "house of brands" versus a "branded house". You have to decide, at some point, which of these types of companies you want to be - either a company with a lot of individual brands, or a company with a strong master brand and subbrands that nest up into it. Can you share where you think you are in regard to this model and what type of disruptors there are in that way of thinking?

Russ Meyer:

That's a classic question that comes up with an acquisition. CEO's always ask, "Can we maximize the efficiencies by getting to one brand?" CEO's generally prefer to be a brand house.

If everyone were a branded house, they'd all have the same basic architecture, and that's not the case. The issue is more complicated than, "do you want to be one or the other?" You have to ask questions like:

Are our customers global or local?

Is our distribution global or local?

Is the equity in the corporate brand strong enough to stretch and stand for what the new entity is?

I think Jim's Symantec example was great. Often, product companies, when they acquire services, find that they have trouble stretching into that sector. The reverse is also true. When FedEx acquired Kinko's Fred Smith thought they would just slap the FedEx brand all over Kinko's and that would be it. FedEx was known for its high level of service, but the service that Kinko's provided was of a whole different nature. They soon realized that changing the Kinko's brand to FedEx would be both damaging to the FedEx brand and the equity they were getting from Kinko's.

So if a sub-brand is paying for itself, the question is not just efficiency but how you can roll that sub-brand into the larger corporation and still get the maximum value from it. If that means keeping it as an independent sub-brand, so be it.

Bonus Question: (continued)

Historically in companies, we'll talk about a "house of brands" versus a "branded house". You have to decide, at some point, which of these types of companies you want to be - either a company with a lot of individual brands, or a company with a strong master brand and subbrands that nest up into it. Can you share where you think you are in regard to this model and what type of disruptors there are in that way of thinking?

Jim Rose:

So I would take a step back and ask the question, "Why do you have a brand in the first place? Why do you care about it?" The answer I favor most is, "Brand enables business strategy. Whatever your business strategy is, the brand enables that." So if you're looking at a merger, you should not be thinking about what is going to happen to the brand, but how the merger will help the overall business strategy.

If you talk about a brand being able to stretch, I think you can always do that. You need to start preparing for that stretch long before you make the move into that new space. You need to start building the runway for the new market long before you go into it.

Bonus Question:

Jim's reference to Lou Gerstner's saying, "Don't screw it up" suggests that we're witnessing an acquisition and branding strategy in transition. Do the indicators of an evolving acquisition and branding strategy develop on their own or are they through the reflections on acquisitions past that make execs unhappy in the process?

Jim Rose:

Man, that sounds like an essay question for a college application.

Russ Meyer:

Is that question going to be on the final exam?

Jim Rose:

I think the branding stuff isn't all that hard to figure out. It's mostly common sense. The biggest problem is the ego. The biggest problem is the ego. Sometimes a CEO, or people further down the ladder, project a feeling of conquering. They have some sense of "I must win." And there are the egos of the people in the acquired company. They want to look like this was all their idea, and they're not selling out or caving in to a bigger entity. So that ego is the real variance in the whole thing.

The other thing that happens is, you start out deciding to get involved in a merger because it makes good business sense, and then, at some point, you get focused on finishing the deal. People start giving away more and more in the negotiations, because they lose sight of the business strategy. They follow the momentum toward finishing the deal to the point where the deal no longer even makes sense.

Russ Meyer:

I think one of the problems also is that often times the people involved don't have the experience with the process of a merger to know what principles they should be adhering to. It's easy to go off track if you haven't been through the process many, many times.

Question #3:

How do you develop the best global communication strategy to meet the needs of both internal and external audiences?

Patrick Moran:

The most important part for Cisco and WebEx was assimilating language. We were all about software and services, and Cisco was not used to our vocabulary. We found ourselves defining words we used a lot. The key is to be as honest and open as possible. If you don't have the entire vision laid out, communicate that and share what you have figured out.

Russ Meyer:

One thing to keep in mind is: Just changing the signs doesn't make it so. You need to change the view of the company in the hearts and minds of the organization. Also, give it time. We try to get execs to try to think about how long it took them to get to the integrated view of the company and then imagine how long it will take the people in the cubicles to get there. Lastly, communication MUST be inside out, not outside in.

Jim Rose:

One thing I would add is that in developing communications to the internal audience you need to approach it in the same way you approach external communications. That is - consider audience perception, key messages, call to action, etc. The only difference is the content. Internally you may need to address things like benefits, organizational changes, etc. It's very important that the internal message gets to all levels. Facilities people may work very aggressively to make changes because they are measured by how quickly and efficiently they get work done. They don't think about the emotional impact of changing out lobby signs in the acquire company the day of the merger announcement.

Bonus Question:

What are the triggers for re-naming a company after a merger? Is there a time when you look at the newly merged entity and it seems appropriate to give it a new name?

Jim Rose:

It depends on the size of the company. The larger the company the more expensive it would be. Cost is a big issue. The real lesson is, at the earliest possible stage, create a name that has a lot of growth potential.

Russ Meyer:

One way to think about it is: Is the value of sending the signal (that a new name would project) worth the cost of making that change? You have to realize hard it is to come up with a new name that is available. Imagine trying to come up with a name for a baby that had to be different from any other baby's name...and it had to be understood and pronounceable globally.

Question #5:

As the acquiring company, despite how long you may have taken to build that strong global brand of yours, your most impatient customer is invariably going to be the CEO. Now that you've acquired Mr or Ms Perfect Fit, the CEO wants the world to know you're new and improved right now, even though 98% of the world doesn't even know who you are. How do you set realistic expectations at the top?

Jim Rose:

It really depends on the executive. It's always going to be easier with a CEO who really understands branding. One thing that I have come to realize is the power of comments made in focus groups. Quantitative research is absolutely necessary but a comment from a CIO in a focus group pointing out a weakness in the brand can really have an impact on an executive.

Patrick Moran:

I think John Chambers at Cisco gets it. His goal is a 10 billion dollar company out of what he acquired. He says that Cisco is the masterbrand and everything else falls under that, understandably. But, he understands that it may take 3 years to get there. If I think about 2010 being the target date for the WebEx logo going away, I can live with that.

Russ Meyer:

If this moment in time is the first time you're having a conversation with your boss about brand being a long term thing, you may be in trouble. That should happen long before any mergers take place. How we shape the conversation with the C-suite is crucial. If you talk about changing the colors on the logo, those are easy fixes, but no one expects integrating sales forces and IT systems is going to happen over night. Why would we rush into integrating complex systems, only to have to go back and fix it later?

Question #6:

What do you do when you acquire a company whose brand is stronger than yours? And what do you do when the company you are acquiring has a terrible reputation?

Russ Meyer:

Sometimes you acquire a brand to get away from your own negative baggage. Sometimes you acquire a company with a lot of negative baggage but you want their products or salesforce. You have to take the emotion out and make the right decision - and stay with the stronger brand. When Nations-Bank bought BofA, they were the bigger company swallowing up a smaller one, but they recognized that BofA had a stronger brand, so they chose to go forward with BofA.

Jim Rose:

Sometimes you might question why one company would acquire another company with a negative brand, but if they have great products, you buy it and get rid of everything but the products. And you make it known that you just bought the products of that company.

Question #7:

What is the biggest surprise you encountered in your respective roles, whether you were doing the acquiring or were being acquired?

Jim Rose:

I would say it has been seeing the lack of common sense around communications. People think that there is some big difference in the way you communicate to an internal audience versus and external audience. The content is different is different, but the rules of effective communication don't change.

Patrick Moran:

On the positive side, I've been very surprised at the democratic atmosphere at Cisco. I expected a slightly more totalitarian approach, given that they have a proven process in place. They listen to our issues and work with us to come up with solutions that will help integrate our brand while keeping us on our revenue targets.

On the negative side, that democratic approach can make things move much more slowly than I'm used to.

Russ Meyer:

I can't speak as an acquirer or an acquiree, but from the consulting perspective, I've been surprised at the amount of emotion people bring to merger discussions, especially people at a level where you'd think they are completely driven by facts and business metrics - I'm talking about people at the senior-most level. And I'm always surprised at how much people are willing to negotiate away.

Question #8:

If people here wanted to walk away with three nuggets of wisdom that they could take to their discussion on merging brands, what would you offer them?

Jim Rose:

Mine would be to look at the value of the merger from both points of view - the acquirer and the acquired - and not focus on the cultural aspects. Whichever brand is going to survive, look at how the merger is going to enable that brand to support the business. Regardless of which side of the fence you are on, you need to look at the larger business goals and how the merger helps achieve them - unemotionally and confidently.

Patrick Moran:

I'd agree that it's important to take the emotion out of the process, and I'd also like to add that, whenever possible, slow down. I know that, for me and many people in Silicon Valley, that goes against our nature, but it's very important to take a step back and remind yourself of the larger objectives.

Russ Meyer:

I'd also like to add that whether you're talking to the media or the internal audiences, just because someone asks a question, that doesn't mean you have to have an answer. You'll get hit with questions like, "What's the new logo going to be? Are we changing the name of the company?" A legitimate answer to those questions is, "That's a good question and we're still working on the answers."

The other nugget I'd add is communicate internally first, and then externally. There will be a lot of pressure from external sources to answer questions. You don't want your employees to learn details of a merger from external sources.

Note:

There were also many insightful questions from the audience and informative answers from the panelists. This, being a summary, does not include that part of the forum, but they are viewable on the video of the entire event. That will soon be available through the Silicon Valley Brand Forum website:

<http://svbrandforum.com>