Brand building for the coming wave of corporate M&A

Practical tips for CMOs

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The economic meltdown caused by the Covid-19 pandemic will have severe secular repercussions in the US, Europe and around the world. The financial reengineering and corporate restructuring soon to occur is certain to result in a spate of mergers, acquisitions and divestitures. Some of these transactions will be domination plays, where financially stable market leaders will acquire vulnerable competitors, coveted technologies or entry to new markets. Others will be survival plays, where weakened companies with inadequate liquidity find their best path to growth is to merge their talent, technology and balance sheets.

In either scenario, brand managers will face new challenges in the aftermath of a global pandemic. Investors will be cautious, seeking proven business models, reliable cash flows and established brands. Customers will be wary of any new entity, or brand, that does not clearly add value in a challenging climate. And employees will be more skeptical than ever. Having survived a major economic contraction, and subsequent layoffs, they will be tired of doing more with less and may be reluctant to support unproven new ventures.

Regardless of the catalyst for the transaction, brand stewards will recognize a moment like no other to advance their company's business strategy and simplify their brand experience. They'll do this by building brands that deliver greater clarity and utility for customers, investors, and talent alike. And they'll do it at deal speed.

Five practical tips

- Begin at the end
- Take the luggage, leave the baggage
- Point toward purpose
- Trust radical transparency
- Be nimble, be quick

Recently our firm has partnered with a range of client organizations on some of the largest corporate transactions in the modern era. We helped Hewlett Packard to engineer the largest brand separation in history. We helped CVS Health to integrate the Aetna business and brand, expanding their role in the healthcare value chain. We helped Raytheon Technologies execute against a complicated spin-merge, and Bristol Meyers Squibb transform its brand following its acquisition of Celgene, the largest M&A deal in pharma history.

While each transaction has unique characteristics, over time we've discerned a series of principles that augur success for any M&A-related brand exercise. While the looming downcycle will challenge us all to think and act differently, these principles will undoubtedly hold true—and help brand managers to design processes and outcomes that mobilize employees and customers alike.

Begin at the end

Experienced brand strategists can look at an M&A challenge and quickly discern a range of viable brand models for almost any scenario. We have found immense value in getting these on paper and socialized quickly. What are possible brand outcomes? What are the brand architecture options? What are the strategic tradeoffs of each approach?

By diagramming these market-facing constructs, CMOs can proactively engage their peers and leaders with just a few simple exhibits, fostering early, fruitful dialog about what an optimized brand can do for the organization. This also helps development teams quickly align to what's possible, reducing wasted time on imperfect strategies.

Brand architecture is your secret weapon.

As an example, when advising Carrier on its spinoff from United Technologies, we began our engagement with a Rapid Prototyping work phase. Each prototype rendered a high-level approach for the enterprise brand, along with a portfolio architecture model. We used these prototypes to gain quick alignment on high-level strategy, enabling productive engagement with client executives, and jumpstarting our own teams internally.

Take the luggage, leave the baggage

In addition to defining the future, an M&A transaction offers a unique opportunity to let go of the past. That's why we advise clients, at early stages of engagement, to take a careful inventory of all brand-related assets across the shared enterprise. This can include anything from logos and websites to training and CSR initiatives. Each asset needs to be assessed for its strategic value, and either continued, evolved or retired.

What will you leave behind in order to signal a new future?

By creating an inventory early, managers can invest time and energy in the assets that will contribute most to future brand success. They can also stage-gate implementation, launching with priority assets, and following with secondary assets over time.

As an example, when looking at their shared future, leaders at Bristol Meyers Squib admired the decisive culture, lean management and lack of bureaucracy of acquired bio-pharma company Celgene. They asked themselves, how far can we go to embrace a new future? Where do we need to invest? What assets and identifiers are we willing to walk away from?

After careful analysis, BMS kept its storied brand name. However, its leaders recrafted the corporate values using language drawn from each of the companies. This familiar language helped all employees embrace streamlined operating principles that were designed for agility in a changing pharma landscape. At the same time, company leaders were ready to leave behind an outdated visual identity to signal the profound change the acquisition represented. This led to a wholesale reimagination of all branded assets which BMS is implementing throughout 2020.

Point toward purpose

Much has been said about the importance of purpose for corporate brands. And it's true. Properly conceived, and precisely stated, an explicit purpose becomes a powerful asset that pays dividends for years.

Everything aligns with your purpose.

While deals can create chaos and uncertainly, they also create a moment to think clearly and ask vital questions: What exactly is the purpose of this new company? Who will it serve? What difference will it make in the world?

Developing clear language that articulates a shared ambition and operating principles for a new company will ensure enthusiastic alignment. By defining and owning a powerful purpose, CMOs create a touchstone across departments and initiatives, from experience design, to marketing, to customer and employee value propositions. A powerful purpose can also serve acquirers as they integrate new acquisitions.

Transparency builds trust.

As an example, CVS Health has a long-established purpose: Helping people on their path to better health. The purpose is simple, powerful and true, and therefore resonates with 295,000 CVS Health associates across the U.S. When CVS Health acquired Aetna, expanding its value proposition beyond pharmacy innovation, the purpose question was raised. Should it change? How should it evolve?

Leadership quickly addressed these questions, explaining how the Aetna acquisition was actually a dramatic manifestation of CVS's existing purpose. They doubled down, and focused efforts on bringing the Aetna brand into the CVS Health fold. They articulated the fundamental ways Aetna insurance offerings delivered on the CVS Health purpose, and worked to communicate this alignment beginning with associates and existing customers. More important, beyond communication, they systemized their purpose, with tools to align behavior, culture and performance management.

Trust radical transparency

Brand development is a creative process that people want to be a part of, particularly in times of change. We encourage our clients to embrace that interest and open the process to build trust and engagement with customers and employees alike.

Transparency results in positive benefits. Brand teams gain a fact base and valuable insights that might have otherwise been overlooked. They also gain confidence through rapid, open-loop feedback that can help to diffuse emotion over critical decisions.

Think of your employees as co-authors, not an audience.

Beyond these direct benefits, a transparent process builds trust with your most critical stakeholders. Customers feel listened to and are grateful to be part of the process. (After all, they know you and more often than not, they want you to succeed.) Properly engaged, customers are assured the new company will be built around their needs, not just those of financial engineers. Equally important, transparency lets employees feel like they have a stake in the game. They want to be part of something great, and find it motivating to have a voice in defining something so central to the organization's future. Think of employees as co-authors of the brand, not merely an audience. Let them in. Allow them to be part of the process and give them tools share their pride and ownership at launch.

As an example, when developing the new DXC Technologies brand, our employee engagement practice activated customer advisory panels throughout the process, to gain insight into brand positioning, and to validate our ideas each step of the way. We also engaged employees as "co-authors" early and often, from contributing to company name generation to implementing the brand launch with local flair in 25 countries around the world. Post-launch, we ensured employees remained a priority audience and developed a multi-channel engagement program that achieved measurable impact.

Be nimble, be quick

Good news. CEOs have recognized that brand is an important lever in successful M&A. The CMO is at the table with finance, operations, IT, HR and other top leaders. Keeping the seat means the pace of brand strategy and implementation must match every workstream the integration team is managing. Working at deal speed matters.

100 days is the new now.

For brand teams, this means that activities that once took months, now need to be managed in days. Activities that would “logically” run in sequence, now need to run in tandem. Research, naming, positioning, brand architecture, logo, experience design, launch and employee engagement, must all be developed on overlapping timelines.

Working fast can be particularly challenging when all eyes are on the brand. It’s a topic—unlike, say, business process outsourcing, or balance sheet optimization—on which everyone has an opinion.

This is where expertise and experience matter. CMOs need capable teams that are comfortable with an agile process and high-speed development. These teams need institutional commitment and not insignificant resources to stay the course to the finish line.

To conclude: corporate transactions create unique opportunities to create lasting value for organizations. True brand leaders relish these opportunities to define a new future for themselves and their teams, and to build new brand experiences that motivate customers and mobilize talent.

Launching a new brand is a huge accomplishment. After rollout, CMOs and their teams can pat themselves on the back. But they should remember, the work has only just begun. As Winston Churchill said after winning a critical battle against Hitler’s forces at El Alamein, “Now, this is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning.” It’s now time to pivot and start building your brand for the long-run.

About the authors:

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