
“The New M&A Playbook,” coauthored by Harvard Business School Professor Clayton Christensen, and Andrew Waldeck, who is a partner at Innosight, the consulting firm founded by Christensen, appears in the new March issue of Harvard Business Review.

Boston, MA (PRWEB) February 18, 2011 -- Even with mergers and acquisitions volume at $338 billion so far this year – a rate 25 percent higher than in the same period last year – companies are just as prone than ever to make disastrous deals. Yet according to “The New M&A Playbook,” published in the just-released March issue of Harvard Business Review, companies that take a business model approach to M&A will be better able to evaluate potential deals and make sure they are buying the right company at the right price. The article is available online at hbr.org.

“The New M&A Playbook,” written by Harvard Business School Professor Clayton Christensen, Andrew Waldeck, who is a partner at Innosight (www.Innosight.com), the consulting firm founded by Christensen, Richard Alton, senior researcher at the Forum for Growth and Innovation at Harvard Business School, and Curtis Rising, managing director of Harvard Square Partners, provides a new framework based on business models that enables executives to predict with greater accuracy whether a company on offer is a dream deal or a debacle. The article explores the implications of this framework to better guide executives in selecting, pricing, and integrating acquisitions and thus dramatically increase their success rate.

“We believe this framework will provide executives with the insights they need to increase the likelihood their acquisition succeeds,” said Andrew Waldeck, Innosight partner. “Today, companies spend more than $2 trillion on acquisitions every year even though study after study puts the failure rate of mergers and acquisitions somewhere between 70% and 90%.”

The article breaks down deals into two fundamental types: “leverage my business model” (LBM) and “reinvent my business model” (RBM.) LBM deals — acquiring companies to strengthen your business model — can boost performance but will rarely change the trajectory of a company because investors anticipate and therefore discount the performance improvements. CEOs are often unrealistic about how much of a boost to expect, pay too much for the acquisition, and face challenges in integrating the businesses appropriately. RBM deals — acquiring companies to reinvent a business model – are the key to transformative growth. Few executives understand how to identify the best targets, determine the right price to pay and integrate RBM acquisitions in the best way.

According to the article: “Executives often believe they can achieve extraordinary returns by acquiring another firm’s resources and so pay far too much. Alternatively, they walk away from potentially transformative deals in the mistaken belief that the acquisition is overpriced, or they destroy the value of a high-growth business model by trying to integrate it into their own….Sounds like a mess--and it has been a mess. But it need not be.”

About Innosight:
Innosight (www.Innosight.com) is a strategic innovation consulting and investment firm with offices in Boston, Singapore, and India. Founded by Clayton Christensen, the company works with Fortune 500 companies as well as startups in a range of industries to identify new opportunities for transformational growth, to build new businesses, and to create competitive innovation capabilities.
Contact Information
Cathy Olofson
Innosight
http://www.innosight.com
617-393-4517

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