



case study

# **Managing a Hostile Bid**

*Leading Industrial Multinational in Europe*

CONFIDENTIAL

*Our main competitor made a **hostile bid***

- And I really don't get along with their CEO*

*We have a **poor Management-Shareholders relationship** due to unmatched expectations in the past*

*The media started a **negative campaign**...*

***How can we negotiate** to maximize shareholders' value?*

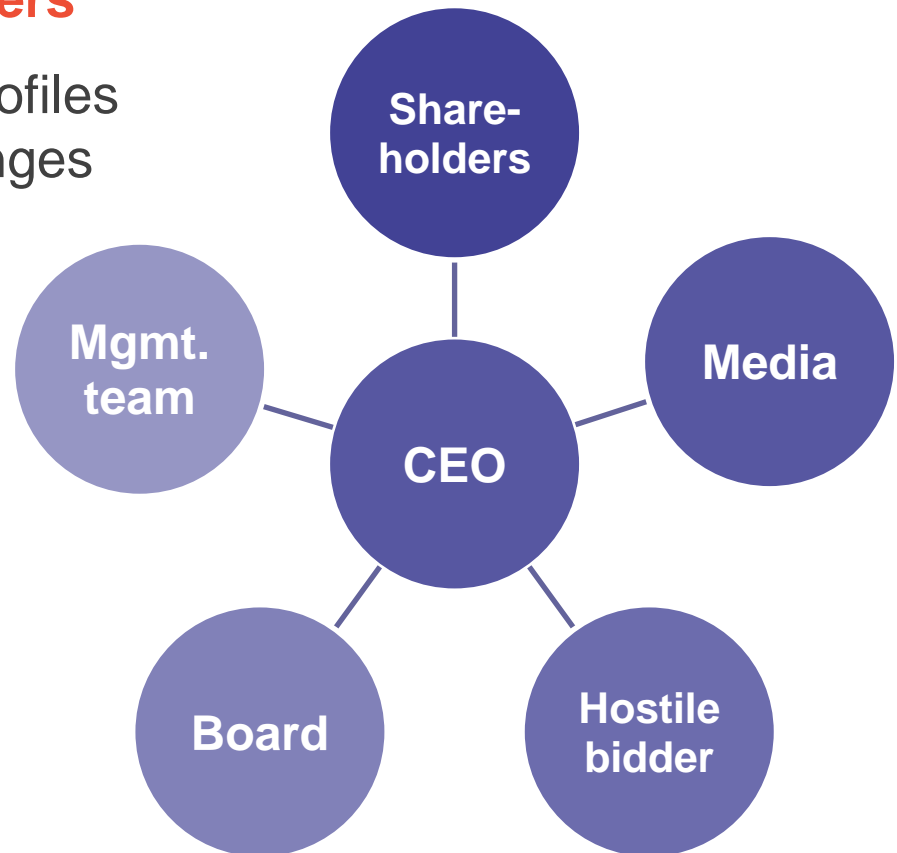
CEO





## Mapped **relevant parties & negotiations**

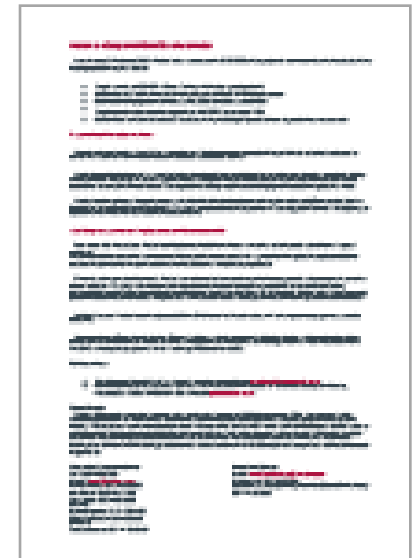
- Segmented **shareholders**
- Matched **negotiator** profiles with negotiation challenges





## Designed coordinated **communication strategies**

- Recommended initiating a “**back-channel**” negotiation with bidder
- Reviewed **press release** for consistency
- Wrote **scripts** for specific negotiations





Performed **risk/reward** and **interests** analyses

- Coached & prepared **CEO & CFO**

	<u>Risk</u>	<u>Key interests</u>
<b>Mgmt. team</b>	Low	Support for equity plan
<b>Board</b>	Medium	Approval of equity plan
<b>Bidder</b>	High	Negotiate for value
<b>Media</b>	High	Public opinion support
<b>Shareholders</b>	High	Persuade to hold shares

Mgmt.  
team

## Ensure support for Equity Plan

### Risks

- Misalignment of Management team

### Risk analysis: Low risk

- CEO understands team dynamics & differing incentives
- CEO confident that team is aligned despite potential different opinions

### Strategic Recommendations

- Keep course of action
- Be alert to potential disruption in team harmony with potential to misalign external communications

Board

## Approve Equity Plan

### Risks

- Rejection of plan
- Request for changes
- Accusation of CEO's personal emotions hindering professional decision making

### Risk analysis: Medium risk

#### Rejection & CEO Accusation

- What will the Board do instead?
- Lack of alternatives makes it unlikely to reject Plan or create leadership vacuum during a crisis

#### Changes

- Equity plan seems grounded on realistic forecasts
- Culture change and higher risk perception are counterbalanced by crisis and lack of alternatives

### Strategic Recommendations

- Clearly pose the real choices for the Board and their consequences to the hostile bid, if needed.

Hostile  
bidder

## Manage potential future merger negotiation

### Risks

- Failure to initiate negotiated solution with Acquirer

### Risk analysis: High risk

- CEO's frustration with Acquirer CEO's behaviors can prevent a productive meeting
- No potential for escalation of negotiation in case of conflict or deadlock

### Strategic Recommendations

- Send others to negotiate on their behalf
  - Target & Acquirer CFOs
  - Justify as negotiation strategy to allow escalation
- Postpone negotiations to build stronger leverage
  - Many investors believe Acquirer's proposal is low
  - Media more sympathetic to Target's proposal
  - Better understanding and research on Acquirer's full proposal (industrial plan).



Media

## Obtain public opinion support

### Risks

- Continuation of Acquirer's favorable press
- Continuation of Target's negative image
- Failure to create a positive image for Target

### Risk analysis: High risk

- Acquirer's excellent relationships with Media & Govts
- Target attacking Acquirer CEO on a personal level
- Target rejecting Acquirer's proposal without fully understanding it
- Acquirer has not made a full proposal yet
- Target hasn't offered alternatives to the public opinion

### Strategic Recommendations

- Create a Target positive and better alternative to Acquirer's positive message of growth and returns
- Stop attacking Acquirer or their proposal publicly
- Study their industrial plan (once presented) and criticize based on data & past examples (for future)

Share-  
holders

## Persuade shareholders to hold

### Risks

**Risk analysis:**  
**High risk**

- Investor base diversification (more short term focus)
- Perception that Target does not prioritize investors
- Target's success has attracted more short term investors and speculators
  - Old Target culture related well to long term investors' interests, but less well to short term investors' interests
- Target did make emotional arguments at first
- Target may have returned less money than expected
- Create a Target positive choice (i.e.: Equity Plan)
- Negotiate with investors
  - Demonstrate commitment and rebuild trust
  - Acknowledge emotional argument and hostile bid as catalyst for change
  - Ask questions and frame talk to differentiate between short and long term investors' interests and risk levels
  - Consider postponing shareholders' meeting to gain time

**Strategic  
Recommendations**



Improved **relationship** with all mapped parties  
Built successful **alliances** to support different strategies



Back-channel negotiation proved key to advance interests of our client in **shaping the deal**  
Successfully **expanded the scope** of the negotiation beyond price to maximize value to all parties



**Share value increased by almost 10%** after press release and shareholders' meeting  
Final **takeover price up by ~50%** vs. initial offer



We are a consulting firm specialized in **negotiation, influencing and change management**. Our mission is to craft **win-win solutions** that maximize value and relationships (even when others deem it impossible).

## Client needs

We work with clients globally creating an **impact on business and society**.

We help you **challenge assumptions**, develop **value-creating solutions**, and make it happen through solid **influencing & change management**, while maintaining exemplary **ethics and social responsibility**.

### Practice areas

- Change Management
- Negotiation & Influencing
- Sales
- Procurement
- Mergers & Acquisitions
- Auctions & Game Theory
- Labor Negotiations
- Dispute Resolution
- Social Impact

## Our approach

### Strengthen the Team

We **develop the skills** of individuals & teams, through training and coaching.

Our **Immersion Program** engages participants in a series of experiential activities to effectively instill new habits and ensure real life impact.

### Facilitate the Process

We assist teams involved in **critical negotiations and change processes** to maximize value. We help map key stakeholders and relationships and strategize ways to influence decisions.

### Transform the Organization

We ensure the negotiation, influencing and communication standards are aligned with the **strategic objectives, culture & values** of the organization.

## Client results

### Increased value

- US\$10bn higher value vs. initial bid for large industrial takeover target
- US\$21 million gains in five contracts with a key financial services client
- 10% savings in mining supplier contracts worth 100s of US\$ million
- Fast growth and 5% higher EBIT with better retail supplier relations
- Profitable oil business acquired in a complex multi-round public auction

### Effective communication

- Smoother communication enabling 20+ parties in a global NGO to align interests and work together

### Enriched relationships

- Transactional supplier relationships transformed into solid partnerships, with a renewed negotiation culture