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Executive Leadership

**Post-Merger Integration –  
An Executive Leadership Challenge:  
The Case of the Valeant – Biovail Merger**

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**Introduction**

I just returned today, September 27, 2010, from the Shareholders Meeting to vote on the Merger between Biovail and Valeant (2010), two leading specialty pharmaceutical companies, one Canadian, one located in California, which was approved by 99.9% of the shareholders at the meeting. While the shareholders are excited about the cost cutting prospects and the new tax structure, the employees are nervous, worried about their jobs, their teams, and their preferred projects, and all seem to be preparing their resumes to send out, if they haven't already done so. The executive leadership challenge in managing this merger, ensuring that the better of the two teams survive and thrive, the better of the two cultures remain, and the newly merged company can achieve the targeted cost cutting and synergy objectives, is immense. Neither of the CEO's from the two predecessor companies is up to the challenge -- one is a finance guy only; the other, a former consultant. I am the best choice to lead the newly merged company. I have the skills, the background and the leadership philosophy to ensure success. I have worked for and led merger integration efforts in several of my prior corporate experiences. I have written on the post-merger integration challenge and spoken at several conferences on its importance. I have the experience and leadership capabilities to lead a company at this critically important time in its evolution.

In 1984, The Keg, where I had my first job out of college, merged three steak restaurant chains in the same year because Target A and B were both available at attractive prices. But because of the challenge of merging three companies, enmeshing the complications of three cultures, management teams and conflicting systems, and lacking any meaningful integration plan, four years later, the Keg was close to bankruptcy and ultimately sold out to Whitbread of the U.K. Never merge three companies at once, no matter how economically compelling, digest one first.

In 1989, The Molson Companies merged Molson Breweries and Carling O'Keefe Breweries utilizing a unique 50/50 joint venture partnership arrangement. I was part of the corporate office that had to manage the integration, management combination and the new financing of the merged joint venture company. Molson chose the president from one predecessor company; the chairman and CFO from the other. They established a new office, a new corporate culture and an integration team separate from day-to-day management. The joint venture achieved its substantial merger savings and went on to grow its market share, revenue and profits significantly. Molson created one team, one culture, one vision and huge profits.

In 2000, Biovail acquired DJ Pharma and left it alone for two years; the cultures were never merged, the synergies were not pursued, and the priorities, offices and management of the acquired company were changed three times to disastrous results. One member of the Board described their philosophy as FIFO ("Fit in or f\*\*k off"), and expectedly,

several excellent senior managers left. In 2003 and 2004 several new executives from big pharmaceutical companies were brought into the company to add professionalism and experience. The cultures never merged. There were two parallel management teams, the new and the legacy one, the company was dysfunctional. Ensuring one culture, one team to run a company is a critical role for the leader. Collins (2003) talks about having to get the right people on the management team and getting the wrong people off, and quickly.

At The Jim Pattison Group, where I was Managing Director, we acquired more than a dozen companies, ensured decentralized management was established and communicated new visions for the combined companies. We got everyone on the team to commit to the new vision and strategies, and we monitored progress against these commitments every quarter in detail, every month from a financial standpoint, and every week in special situations. Jimmy, as everyone calls him, is the best leader I have worked for. He set the vision, with his team agreed the strategy and evaluated rigorously managers' achievements of their milestones and financial targets. He provided the inspiration and the monetary carrots but also the stick – he has a reputation of firing the bottom salesman every month.

In my experience across all of these roles, some companies and leaders managed post-merger integration well, and some didn't bother or were terrible. I have learnt from the best and the worst. Experience, coupled with my reading, provides a great background to come up with my own philosophy of leading after a merger.

Post-merger integration, including the leadership of merging the two predecessor companies and then the continued leadership of the newly merged company, is one of the biggest executive leadership challenges. Immense time is spent in searching for mergers and acquisitions, performing due diligence and negotiating, and then putting together financing transactions, and working with high paid lawyers, investment bankers and consultants (and less well paid corporate staff). Once the deal is announced and approved, all the highly paid talent goes home with their big pay cheques, and leave behind the managers of the newly-merged companies to execute the merger plan, to try to find those cost savings and synergies that were publicised in the Information Memorandum, and to lead the newly merged company forward. As a corporate development executive and private equity investor, I am convinced that this skill is critically important, and yet it is largely ignored by academics, management practitioners, and the investors who ultimately have to vote on mergers and acquisitions. A commonly quoted statistic is that 80% of all acquisitions don't create shareholder value (McKinsey 2000). While many are probably because of overpayment, I believe this lack of success is actually primarily because of the lack of appropriate organization and leadership of the post-merger integration and newly-merged company.

This paper will use the case study of the pending merger between Biovail Corporation of Toronto, Canada, and Valeant of California, USA, to explore the challenges of post-merger integration and its leadership, and to suggest an appropriate executive leadership philosophy appropriate for the task.

## I. – My Personal Leadership Philosophy

Leading a company post-merger occurs over an extremely short time frame, and requires an intensive version of leadership that needs to be quickly applied across two disparate cultures. However, because the time frame is so short, and because employees, shareholders, the market and the community pay such close attention to all actions, and because it is critical to achieve the merger goals as quickly as possible, this intensive leadership exercise can be conversely fraught with problems and also the largest and most rewarding leadership challenge any manager will engage in. Leadership, and specifically successful post-merger integration leadership is dependent on being able to answer the following five simple, but critical, leadership questions:

1. Where do you want to go?
2. Why do you want to go there?
3. How will you get there?
4. What are you willing to do to get there? and
5. Who will be part of the team to get you there?

These may sound like very simple questions fashioned into principles, but they are not. Many people disregard most of these questions, and end up as either failed leaders, or as caretaker administrators that achieve nothing, or as authoritarian bosses who may have some successes short term but don't build beyond that. Leaders who succeed in addressing these five crucial questions develop into effective resonate change leaders. John Kotter, a Harvard professor, prolific author and expert on leadership, complained that most corporations (and schools) are over-managed and under-led. He described the difference between managers and leaders this way:

- **Management** is about coping with complexity...good management brings a degree of order and consistency to key dimensions like the quality and profitability of products.
- **Leadership**, by contrast, is about coping with change...major changes are more and more necessary to service and compete effectively in this new environment. More change always demands more leadership.

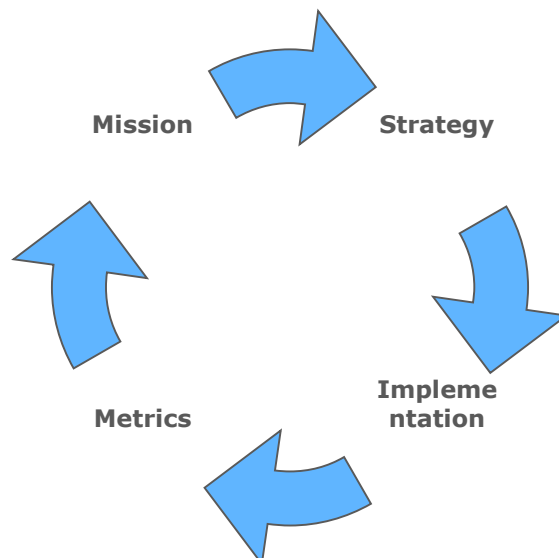
Source: Kotter 1995.

Leadership is more than just coping with change; it's initiating it, driving it, and becoming a catalyst for positive change that will improve circumstances. The only thing that seems to remain constant in today's world is change. Change is always with us, and coping with change demands leaders. In this paper, I will take each of these five leadership drivers of change and develop them. But in summary, a leader needs to know:

1. **Where do you want to go?** A leader needs to develop a strategy, not alone but with his or her team, that takes into account both competition and new opportunities. Jim Collins (2001), in his book Good to Great, says you need a B-HAG, a big hairy audacious goal, to get a team motivated and moving. Audacious is the key, its got to be a big goal.

2. **Why do you want to go there?** You need to have a vision or a mission, and flowing from that something that makes it real like a mantra or a motto together with a symbol or a logo. Many corporate executives, and even politicians, don't have a vision and are therefore just managers, administrating without really getting anywhere new or better. Too many companies have outlined strategies, but without understanding why they want to achieve them.
3. **How will you get there?** You have to develop an implementation plan. But a leader also needs to have mindfulness or emotional intelligence to understand his own capabilities and those of his team; it's critical to being able to assess if you can get where you want to go. A strategy, together with mindfulness, help turn a dream into a realizable objective.
4. **What are you willing to do to get there?** A leader needs to be willing to work extraordinarily hard to achieve his goals, because that's what it takes to get anywhere worth getting. A successful post-merger leader needs a passion for the task, as well as a commitment and persistence for achievement.
5. **Who will be part of the team to get you there?** You can't do it alone; you need a great team. A team you have pride in. A team that has pride in each other, in itself, that works together, innovates together, and leads together. A team is not just an agglomeration of people or even a community; a team is a group of people that want to work together, build together, and win together.

Communicating and getting buy-in to the vision or mission, establishing the strategies to achieve that vision, implementing the strategies, and tracking the achievement with measureable metrics, is key to success anytime, but even more so when trying to pay back a big purchase price. Too often, companies will develop the strategies but forget why they are doing what they are doing, forget the vision or mission, or have a mission that is only focused on profit or earnings per share which is not a mission a team will ever get excited about. Another frequent mistake is developing the implementation plan, but not breaking it out into milestones or metrics, and not measuring actions against those metrics. I know one company that has 87 strategies, way too many, but also not broken into any metrics so they're not measured. What gets measured gets managed. The overriding framework for leading change in any company, but particularly in post-merger integration, is laid out below. Mission is the why, strategy the where, implementation the what, and metrics adds another key planning question, when are you going to achieve it. To do any of this well, you need a team.



Jim Pattison, founder and 100% owner of the Jim Pattison Group, a \$5 billion plus Canadian conglomerate, is the leader I have personally known and worked for who best embodies these leadership traits. Pattison, with his decentralized operating Presidents and management teams, set the visions for where he wants each of 50 operating companies to go, whether it's based on market share, or quality, or dominance of a market, or growth via acquisitions. Pattison meets the operating management once a quarter, and asks for an update on the strategies that the firm is following to achieve the agreed vision. The vision that's agreed upon, which he as owner-operator plays a large role in setting, connects to the strategies that he wants to be consulted on but which is primarily left up to the management team, while the implementation plans are completely up to the management teams as long as they actually achieve them. Once the team has established their implementation plans, Pattison will monitor achievement of them monthly, and sometimes weekly, because for him, achieving what you say you can do is critical. The story the press writes about Pattison is that he fires the worst salesperson every month. The story the press doesn't write is that he also bonuses the best sales achiever very attractively. He rewards great performance, and he helps poor performers realize they have better opportunities elsewhere. But it's performance versus targets that his managers set for themselves.

Another leader I admire a great deal is Marshall (Mickey) Cohen, former CEO of the Molson Companies. Mickey single handedly gained acceptance for the merger of Molson Breweries and Carling O'Keefe, the number two and three breweries in Canada, by persuading controlling shareholders of both predecessor companies to agree to a 50/50 joint venture. Many of the deal terms were agreed to by large deal teams working on the merger but the breaking point was that both sides wanted a casting control vote. Mickey persuaded some very reluctant shareholders, one who had a family history going back 300 years in the company, that demanding 50.1% ownership was completely inconsistent with the idea of a merger of equals. And that with a merger of equals, if it became a financial reality, would be easier to achieve in culture, management, products and offices, cars, perks etc. Once Mickey got buy in to the vision of a true joint venture, a 50/50 deal, he set up a new office, moved the better of the two teams into it, established new management agreements, compensation plans, product plans, a new culture and in the end creating a brand new, far more successful company. He also put together an integration team that worked specifically on realizing some of the cost savings. This was a team who were mostly not going to have roles in the continuing company, but were incented to execute short term merger savings opportunities, to sell surplus assets, and to manage and integrate the systems and. This integration team allowed the ongoing management team to focus on the future of the business, generating the planned synergies, rather than occupying their time with the short-term cost savings opportunities. The new Molson Breweries tripled the EBITDA from the sum of the two previous

companies. Without the leadership by Mickey Cohen in championing and maintaining the 50/50 joint venture agreement, and all that flowed from it, none of the significant increase in profitability would have been realized.

Given my hands on experience with mergers, both successful and unsuccessful, my work with Biovail as CFO, and my understanding of the challenges and successful strategies for dealing with post-merger integration, I am the right person for the job of leading the merger between Biovail and Valiant. William Jennings Bryan described the importance of setting a vision, and then getting down to it, extremely well with the following quote:

“Destiny is no matter of chance. It is a matter of choice: it is not a thing to be waited for – it is a thing to be achieved”.

## **II. – Individual Level of Leadership**

The new Dean of Harvard Business School in a recent interview lamented the substantial amount of work done on leadership, but without any all encompassing theory of leadership (Thompson 2010). Numerous, if not almost hundreds, of different concepts of leadership have been promoted, many of which have a lot of relevance, from academics to successful businesspeople, politicians to sports figures, all who have written books extolling their own personal wisdom. At the same time, many companies and speakers promote their own different versions of leadership. Into this muddled and crowded environment, Harvard Dean Nohria released his recent book, the Handbook of Leadership Theory and Practice which is a comprehensive review of academic and practitioner thinking on leadership to try to bring some completeness and consistency to the discipline of leadership. I have taken undergraduate, graduate and now doctorate courses on leadership, attended motivational seminars, courses, and academic speeches on leadership, read countless books and articles on leadership, and experienced both good and bad leadership through a 20-year corporate career along with significant political and community volunteer involvement.

I have come to my own personal conclusion that true leadership has to start with yourself, an individual form of leadership, before you can possibly try to lead others. To be a great leader, you first need to know yourself and lead yourself, with a personal vision, goals, strategy, implementation plan and timeframe. You also need a personal support group in family and friends, and often a faith community or other close circle, such as a Rotary club or Young Presidents club; you need some group that acts as your own personal board of directors. I think the prevalence in organized executive coaches and mentors today is maybe a result of some of those clubs or churches that young leaders used to join and get support from that are not longer as popular. Boyatzis's (2000) Theory of Intentional Change starts with the individual, as does Bill George's (2008) Finding Your True North. The popularity of programs such as Tony Robbins (2010) and Awaken the Giant Within (1992) argues the key is personal conditioning or self-change, and that leadership can't be programmed by someone else. All these speak to the importance of individual change and to the truth of the old saying, "If it is to be, it's up to me." The next section of this paper will review different concepts of individual leadership and conclude

that the three keys to being a personal leader are, to me, authentic self confidence, personal intentional change, and empathy.

“You must be the change you wish to see in the world.” (Gandhi)  
“Everything can be taken from a man but the last of the human freedoms: to choose one’s attitude in any given set of circumstances, to choose one’s own way” (Frankl).

**Authentic leadership** is a description of a leadership trait used frequently recently that while very important, is very difficult to comprehend and even more difficult to put into practice. People just don’t know how to be more authentic. A standard definition of authentic is to be “fully trustworthy”, as if just trustworthy wasn’t enough? A more appropriate definition applying to leadership might be “true to one’s own personality, spirit, or character” (Merriam Webster). Morgan (2008) in an article about authentic speaking doesn’t define it but does describe the four intents of authentic leaders, “to be open, to connect, to be passionate, and to listen” and describes what can be achieved when a leader has authenticity:

“They can inspire their followers to make extraordinary efforts on behalf of their organizations. When they don’t, cynicism prevails, and few employees do more than the minimum necessary to get by” (Morgan 2008, page 116).

Bill George (2008) in Finding Your True North: A Program to Discover Your Authentic Leadership, describes the authentic leader this way:

“To be an authentic leader requires you to be genuine and to have a passion for your purpose; you must practice your values, lead with your heart, develop connected relationships, and have the self-discipline to get results. You must stay on course of your True North in the face of the most severe challenges, pressures and seductions” (George 2008, page xxi).

George (2008) argues that leading in the 21<sup>st</sup> century is very different than it might have been in the 20<sup>th</sup> century. People have changed and will no longer follow command and control type leaders, or at least they won’t for long. Authoritarian or charismatic leaders of the past too often took their people and their companies down destructive paths or were found to be only interested in themselves. According to George (2008), we as a society have lost trust in our leaders and our organizations. Today’s knowledge workers, with access to a wealth of information of the internet, with communication networks to co-workers, the community and competitors, want a role in decision-making and leadership. George (2008) believes that to be an effective leader, you need today to be an authentic leader. Authentic leaders inspire confidence, trust and loyalty. George’s (2008) framework has the following elements:

- Leading with purpose requires self-awareness – the cornerstone of authentic leadership development.
- Leading through values come through developing clarity about your values, leadership principles, and ethical boundaries.



- Leading with heart comes through understanding your motivations and finding the sweet spot where your motivations mesh with your greatest capabilities.
- Leading through connected relationships comes through the development of a personal support team.
- Leading with self-discipline comes through the integration of one's life.

Source: George 2008, page xxv.

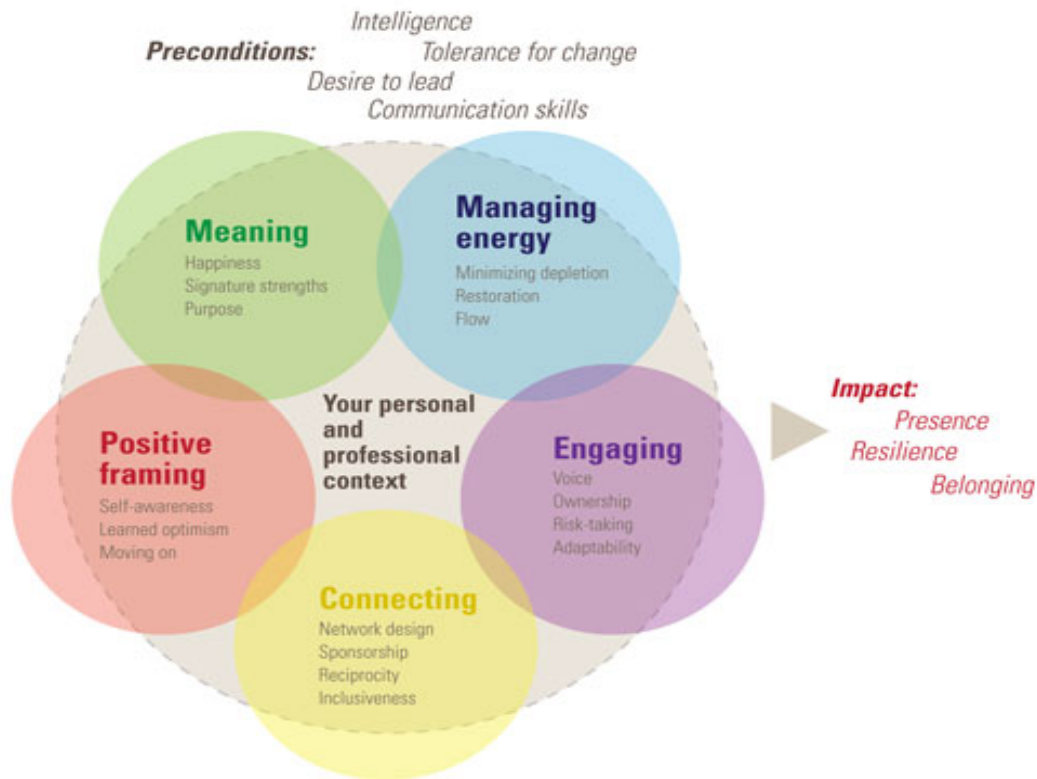
In a provocative book, What Should I do With My Life, Bronson (2003) relates the stories of a dozen people who actually dramatically change their lives and how they did it. He concludes that it was often in the face of adversity. He also concludes that the catalyst for the change was listening to and understanding the quiet voice within yourself.

“Usually, all we get is a glimmer... A meek voice inside, whispering.. The rewards of pursuing it are only for those willing to listen attentively.. If we are the victim of an injustice, it is up to us to find a meaningful way to channel our anger. If we suffer a terrible crisis, only we can transform this suffering into a launching pad.. These are the turning points from which we get to construct our own story.. it won't be easy, and it won't be quick. Finding what we believe in and what we can do about it is one of life's great dramas” (Bronson 2003, page 389).

**Centered Leadership** is a leadership description coined by three McKinsey consultants who wrote a book initially focused on female leadership through in-depth interviews of 140 female leaders titled How Remarkable Women Lead, but then extended to men through subsequent research. In the book and via the research they found five key attributes that generated high leadership performance. According to Barsh (2010), the “Five capabilities at the heart of centered leadership are: finding meaning in work, converting emotions such as fear or stress into opportunity, leveraging connections and community, acting in the face of risk, and sustaining the energy that is the life force of change” (Barsh 2010, page 3). According to Barsh (2010), meaning is what inspires leaders to work, keeps them optimistic and positive, and enables leadership. To sustain one-self, given the negative impacts that anyone is bound to find and potential downward spirals, leaders need to be able to frame situations in the positive learning opportunity that they are. Nobody can make it alone. Centered leaders network and turn those connections into meaningful relationships to develop mentors, sponsors and followers. Successful leaders face risks, are adaptive and collaborate. And to survive, leaders need to be energetic, and need to learn to manage their energy reserves. This exhibit shows the five aspects of the centered leadership model and how they interact.

## EXHIBIT

### Five dimensions of leadership



Source: Barsh 2010, page 4.

Vogan (2006) in an article in Entrepreneur titled, “5 Key Traits of Great Leaders”, identifies the following key traits:

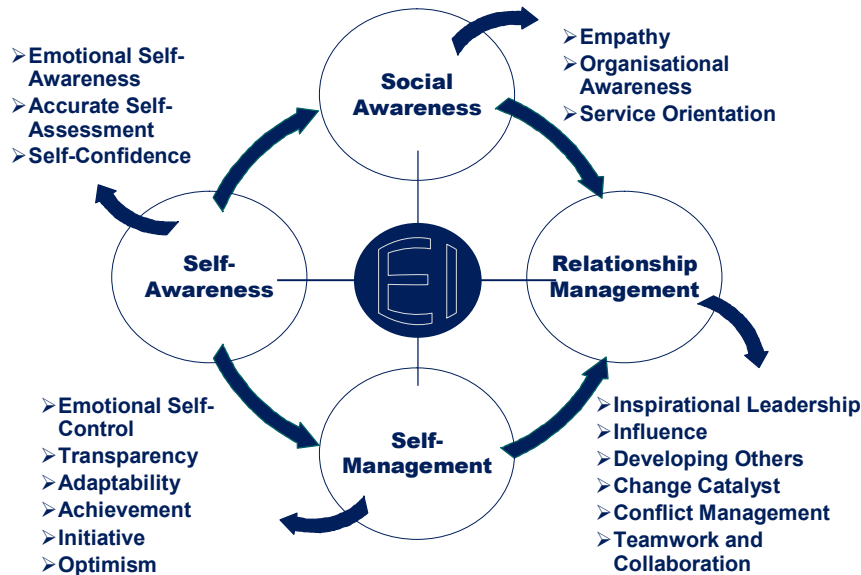
1. You must have a vision.
2. You must have passion.
3. You must learn to be a great decision maker.
4. You must be a team builder.
5. You must have character.

Source: Vogan, P; 5 Key Traits of Great Leaders; Entrepreneur, April 2006

**Emotional Intelligence** has been a focus since Goleman (1995) published a best selling book with that title. Emotional Intelligence is the ability to understand and control one’s own emotions and the emotions of others. These leaders work at developing their emotional intelligence — self-awareness, self-management, social awareness and relationship management (Goleman 1995). According to Goleman (1995) and Boyatzis (2005), great leaders have great perception and awareness; they are attuned to themselves and to others. They stay committed to their beliefs and their values and live passionately. They are mindful in that they understand themselves and others. They have hope, even in uncertainty. They are inspirational through vision, optimism and confidence. Emotionally

intelligent leaders face difficulties with empathy. A framework for emotional intelligence is detailed below:

## Great Leadership and Management Begins with the EI Competencies



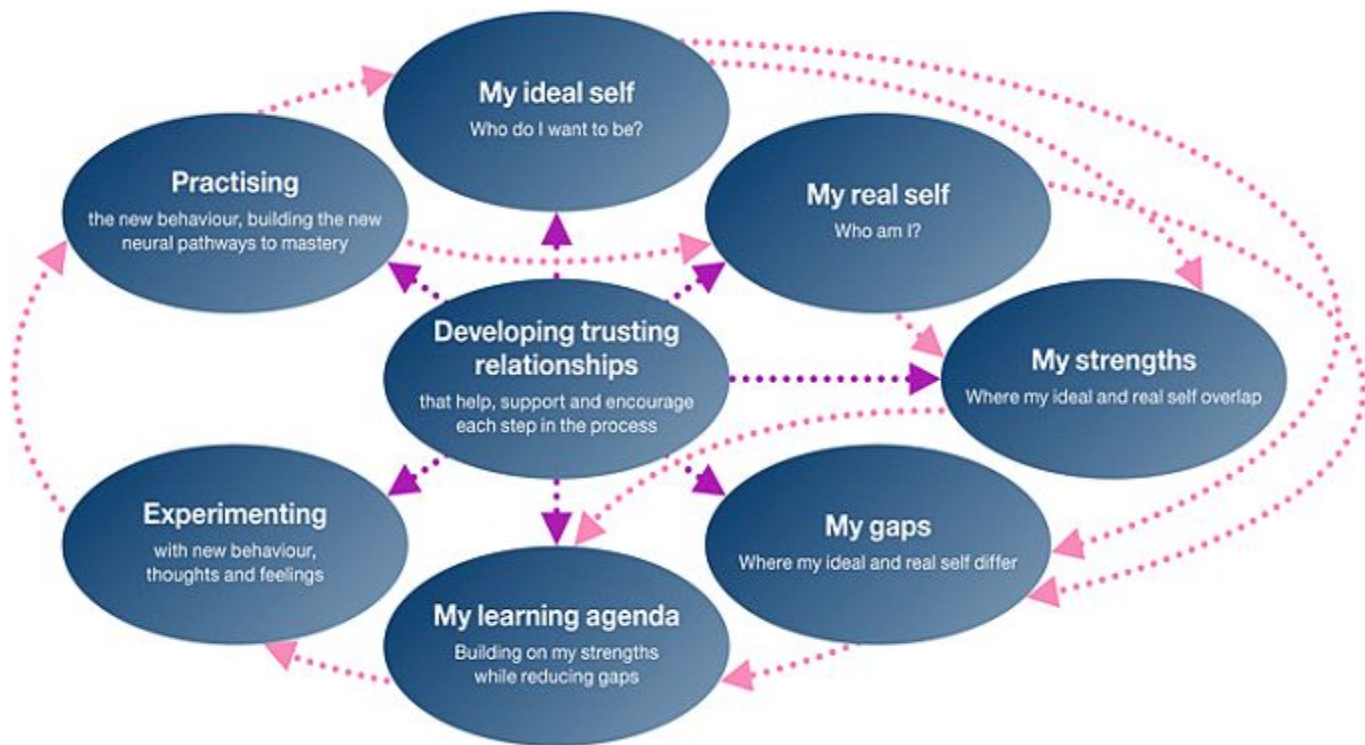
*Goleman, Boyatzis & McKee (2006)*

**Resonate Leadership** is a concept Boyatzis (2005) developed that took the description of emotionally intelligent people and applied it to leadership and the keys to effectively lead organizations. According to Boyatzis (2005) resonate leaders are in tune with others, in sync with what they do and why they do it. They are emotionally intelligent people who know themselves well, and are able to manage their own and others emotions, but also build strong trusting relationships. They understand that fear is a short term way to mobilize people, in the long-term fear leaves people feeling distracted and anxious. They have mindfulness, hope and compassion. According to Boyatzis (2005):

“What distinguishes great leaders? Exceptional leaders capture passion. They lead for real: from the heart, smart and focused on the future, and with a commitment to being their very best. They create resonance with others. Through resonance, leaders become attuned to the needs and dreams of people they lead. They create conditions where people can excel. They sustain their effectiveness through renewal” (Boyatzis 2005, page 3).

Boyatzis (2005) developed his concept of resonate leadership into a change theory which he called, *The Theory of Intentional Change*. He argues that self change does not happen by chance, even if it sometimes feels like it. Based on decades of research, Boyatzis believes that change starts with a vision of who you want to be, your ideal self, and critically comparing that to who you realistically are today, developing an action plan for changing the current reality into the ideal, repetition of that effort, and importantly, having some helpful supportive relationships to aid you in the journey.

I had the privilege of taking a course from Boyatzis, and going through a change process guided by his thinking, which was thought provoking and impactful. The big difference in this program from many other programs is the comparison between the ideal and real self, and the creation of a learning agenda. Too many programs are just positive thinking without analysing how far you may be from the dream and developing a way of getting there. Also, the focus on the need for the supporting relationships, admitting that few, if anyone, can achieve substantial personal change on their own, is very different and I think critical. Hillary Clinton's famous book, It takes a Village to Raise a Child, comes to mind; maybe it takes a group to change a person. Boyatzis's "Theory of Intentional Change" is described below:



Source: Boyatzis 2005, page 89.

Many others have declared the importance of setting a vision and a goal as critical to leadership, and particularly to the leadership of change. Latham (2004) in his paper, "The Motivational Benefits of Goal-Setting", sets out the following four reasons why goal setting is so effective:

1. Goals commit a person to divert attention toward goal-relevant activities.
2. Goals energize people; the more challenging goals lead to higher achievements.
3. Goals affect persistence; higher goals prolong effort. Tight deadlines lead to a more rapid work.
4. Goals motivate people to use the knowledge they have, or force them to discover the knowledge needed.

Robbins (2010), argues, similar to Boyatzis, that to change a team or an organization you first need to be able to change, for the better, yourself. He has the following 7 steps for lasting change:

1. Connect: understand and appreciate their world, what's going on
2. Get leverage: find what makes change a must, not a maybe or a hope
3. Interrupt the limiting pattern
4. Define the problem in solvable terms
5. Access the resources and make the change – find empowering alternatives
6. Condition / practise the change
7. Link to a higher purpose and empowering environment

Source: Robbins 2010, page 131.

Bronson (2003) argues that it is usually, if not always, in hard times when people change the course of their life. “Hard times forced them to overcome the doubts that normally gave them pause. It surprised me how often we hold ourselves back until we have no choice” (Bronson 2003, page xv). Personal goals, personal change and taking decisive action are consistent pre-requisites for leading successful change in others. A quote from the famous German author and philosopher Goethe captures the importance of vision or dreams and putting them into action:

“What you can do, or dream you can, begin it. Boldness has genius, power, and magic in it.” (Goethe)

**Empathetic Leadership** may be a better way to describe the leadership trait of authentic leadership. Morgan (2008) is recommending as he wants more than truthfulness - he wants openness, connectedness and listening - to me that's empathy. I think people understand what empathy is. Merriam Webster defines empathy as “the action of understanding, being aware of, being sensitive to, and vicariously experiencing the feelings, thoughts, and experience of another, of either the past or present without having the feelings, thoughts, and experience fully communicated in an objectively explicit manner”. In the Empathic Civilization Rifkin (2010) puts forward a radical new view of humans and human nature and suggests that the third industrial revolution is upon us bringing a new era of distributed capitalism where the age of reason is being replaced by the age of empathy (Rifkin 2010).

“Recent discoveries in brain science and child development are forcing us to rethink the long-held belief that human beings are, by nature, aggressive, materialistic, utilitarian, and self-interested. The dawning realization that we are a fundamentally empathic species has profound and far-reaching consequences for society” (Rifkin 2010, page 1). “The third industrial revolution leads to a new social vision where power itself is broadly distributed, encouraging unprecedented new levels of collaboration among peoples and nations” (Rifkin 2010, page 525).

What political junkie could ever forget the comparison of Bush and Clinton in the TV debate when the woman asked how is the deficit affecting you? Bush didn't now what

she meant, how to respond, or what to say. Bill Clinton walked over toward her, asked for elaboration, showed empathy and understanding, and won the debate because he demonstrated he cared. Bill Clinton showed compassion and empathy. He understood the lady's pain. Empathy is critical in politics and in business leadership.

Over the past several decades much work has been done in applying biology to many sciences such as psychology, sociology and economics, but recently it's even being applied to management. According to last month's Economist magazine (2010) in a provocative article "Homo administrans: The Biology of Business", the argument is made that many of the keys to leadership are embedded in our biology. Neurotransmitters such as Dopamine control pleasure, reward- and novelty-seeking, all of which might play a role in entrepreneurship and leadership, while serotonin regulates mood which may impact resilience and being able to deal with depression. Hormones such as oxytocin promote trust and belonging, while testosterone, in both men and women, have been proven to impact risk tolerance, creativity and openness to new opportunities. Some have objected to this focus on the biological basis for emotions, leadership and management capability, "that genetic determinism cheapens human volition... Indeed, it might be argued that a better understanding of humanity can help direct efforts to counteract those propensities viewed as detrimental or undesirable, thus ensuring people are less, rather than more, in thrall to their biology" (Economist 2010, page 101). Probably the most interesting discovery in this biologic investigation of management is that we are wired to connect and to have empathy.

Neuroscience has detected that humans are designed to be social, to connect, to mirror the emotions in others; to have empathy (Goleman 2006). This discovery flies in the face of the historic perception that we are individuals, authoritarian, tough, and unconnected. "Nourishing relationships have a beneficial impact on our health, while toxic ones can act like slow poison to our bodies (Goleman 2006, page 5). However, at the same time as science is proving the importance of connections we as a society are becoming less connected. Because of TV, the internet, social media and urbanization that all work together to destroy community, we are becoming less connected and we have weaker personal relationships. Robert Putnam (2000), in his provocative analysis of America Bowling Alone, described a 20-year decline in social capital. In the 1970's, two-thirds of American's belonged to organizations with regular meetings, social clubs, bowling leagues, while by the end of the 1990's only one-third did. Putnam (2000) declared this a loss in human connection, and a huge problem that needed urgent addressing.

The essence of empathy is mirror neurons that were first discovered in apes where one ape displays the emotions exhibited by another. Numerous studies of humans have shown this same connectedness. It has been found that the social brain controls our interactions with others as well as our emotions, our feelings to others, and our relationships. The important difference here is that it has been argued that we internalize the feelings of others, as if our biological system has a connection outside of our body to another we are with or in a relationship with.

Therefore, I believe that more than being authentic or fully truthful or even someone who attunes with another or resonates, an effective leader needs to be empathetic. The importance here is we are biologically wired to feel what others feel, and to lead them we need to feel their fears, their dreams, their motivations and their affection. We need to not just network, but to connect. One speaker I heard described network as a terrible descriptor because it suggested it was work, he preferred the idea of net-sharing, because to him that's what we need to do, share.

**Social Intelligence** is a concept that Goleman (2006) coined as an extension of his work on emotional intelligence but finding that he had left the social context out of his EI work. Social intelligence is being smart about our relationships, but also being smart in them. It extends self interest to the best interests of two or more people in a relationship.

“The social responsiveness of the brain demands that we be wise, that we realize how not just our own moods, but our very biology, is being driven and moulded by the other people in our lives – and in turn, it demands that we take stock of how we affect other people's emotions and biology. Indeed, we can take the measure of a relationship in terms of a person's impact on us, and ours on them” (Goleman 2006, page 12).

Goleman (2006) also studied optimum performance based on mental ability and the impact of moods, both ours and others. He concluded that some stress is critically important for aiding performance, but not too much. A chart of cognitive efficiency would look like an inverted U curve, with boredom being the result of low stress, and anxiety being the result of too much stress. But in the middle, with a reasonable amount of stress that a person can handle, it actually results in the top of the inverted U and optimum cognitive efficiency (Goleman 2006). Goleman (2006) also found that emotions are contagious; our moods come to us from other people, and our interactions with them. Good relationships, resonate ones, help us through the tough times and make us resilient. In a study of the most pleasurable activities, making love and socializing were the most popular activities; not working, making money, shopping or some of the other activities (television) we spend inordinate amounts of time pursuing (Goleman 2006). There are great implications for this in how we interact with other people, what we say, how we structure assignments, and what we take on ourselves.

In The Mathematics of Marriage (Gottman 2003), the argument is made that there needs to be a five times ratio of positive to negative comments and interactions in a marriage, or it is destined for divorce. Without the positive interactions, any negative comments are met with hostility, a closed mind and negative reactions. According to the study, people's normal reaction when subjected to negativity is to biologically react as they would when subjected to an attack in a prehistoric time -- increased pulse, closed down acceptance of other stimuli, focused on the threat, and readiness for flight or fight. However, fascinatingly, the study also found that some negative comments or constructive criticism was required or else people never improved or changed for the good. That to believe in only 100% positive is Pollyannaish, unreal and unrealistic; everyone needs some negative, some stresses in order to improve. Its just like a muscle, you only improve it if you stress it, challenge it, but too much, and you destroy it.

“Socially intelligent leadership starts with being fully present and getting in synch. Once a leader is engaged, then the full panoply of social intelligence can come into play, from sensing how people feel and why, to interacting smoothly enough to move people into a positive state.” (Goleman 2006, page 280). In our unconnected world, businesses are people’s main relationship or even family, yet with change or particularly mergers, they can lose their job tomorrow. Hope and fear are ever present. Great leaders can’t ignore these emotions, and the real human impacts of the actions companies take. “And because emotions are so contagious, every boss at every level needs to remember he or she can make matters either worse or better” (Goleman 2006, page 281). Leaders need to be emotionally intelligent, socially intelligent and empathetic, but even more acutely so when dealing with massive change such as a merger.

**Leading Change** is a key leadership and management capability, particularly in post-merger integration. John Kotter (1995) in an article “Leading Change: Why Transformation Efforts Fail” cautioned that many of the companies he studied had not succeeded at their change efforts and thought they often tried to skip important change steps, instead trying to create the illusion of success and completeness, but in the end did not get enough support for the change. He also cautioned against early mistakes that set the change effort off course, and warned that any change is messy and can encounter numerous surprises, so having a vision for where you’re trying to take the change, and keeping on track in the face of adversity, is important – stuff happens. The importance of networks and building a coalition behind the change was emphasised as well; change, like lots of leadership and management efforts, can not be done alone. Kotter (1995) had the following helpful list of cautions of things not to do, or typical mistakes in a change effort:

1. Not establishing a great enough sense of urgency.
2. Not creating a powerful enough guiding coalition.
3. Lacking a vision.
4. Under-communicating the vision by a factor of ten.
5. Not removing obstacles to the new vision.
6. Not systemically planning for and creating short-term wins.
7. Declaring victory too soon.
8. Not anchoring changes in the corporate culture.

Source: Kotter 1995, pages 60-67.

In another article looking at what effective general managers really do, Kotter (1995) argues the key to what they actually do day-to-day, compared to the typical belief in MBA schools, and the popular belief, that effective general managers build supportive networks. To get things done, leaders can’t do it alone, so they need to manage by walking around, dealing with fire drills and building constituencies that will support them in their efforts. He ridicules time management experts who suggest setting priorities and limiting how many people a manager interacts with. Kotter (1995) argues that effective managers waste time walking around, and that this networking and interaction with people, customers, suppliers and the external community, is critical to gaining valuable



information, ideas, support and creating a followership to his or her leadership. His article almost sounds like the key to successful politics, which maybe it is.

**A learning organization**, in an era of rapid innovation and knowledge workers, is key. Garvin (2008) claims that companies, who believe all you need to do is set a vision to execute a strategy or a change effort, are fooling themselves; instead, they need to ensure they have an organization that is continually learning. He defines a learning organization as one where employees are constantly creating, acquiring and sharing knowledge helping their company to innovate and adapt to changing situations (Garvin 2008). Yet he argues that most companies fail to create an environment within their organization that fosters learning, and suggests that an assessment tool be used to analyse our organizations to assess if we are truly a learning organization. Like many things in life, what gets measured gets managed, and so just setting the goal of creating a learning organization may not be enough; measuring, if you actually have measures in place, is probably key. When reviewing the assessment tool and the questions listed, the obvious insight is how much a learning organization depends on its leadership. If a leader creates the environment for learning by seeking ideas and input, accepting different points of view, granting time for discussion, and ensuring challenges are fair, then, an organization will feel comfortable in sharing knowledge.

This summer, in our doctorate class, we used this assessment tool to analyse our own class, and the answers were interesting. Like any self assessment, it helps you critically think through your achievement of your objectives. Garvin's assessment list of questions follows.

- Does your organization have:
  - A supportive learning environment?
  - A concrete learning processes?
  - Leadership that reinforces learning?
- Is input requested?
- Are probing questions asked?
- Are we listened too?
- Are multiple points of view encouraged?
- Is time provided for identifying different points of view?
- Are different views challenged unfairly?

Source: Garvin 2008, page 1.

In my volunteer activities, I am co-chair of the Mississauga Summit, a civic organization of community leaders working to achieve a better future for Canada's sixth largest, and one of its fastest growing, cities. Our keynote speaker at our first summit in 2007, Ric Young from an organization dedicated to helping communities work together, presented his suggestions on how to create a community that could work and learn together in a collaborate environment. Ric Young's (2007) Call to Civic Action urged Mississauga to go beyond just problem-solving and focus on vision, pride of place, and a desire to be great. He cautioned against just constant talking or problem solving, it was a critical start

to a civic change process, but the vision and action were critical as well. He argued we set out on our journey of civic change with the following:

1. ***the power of dialogue*** – communication that moves from self interest to common cause;
2. ***the power of leaps*** – leaps of imagination, of vision, of action and across artificial silos; and
3. ***the power of courage*** – courage to show compassion; to apply energies where needs are greatest.

Source: Ric Young 2007.

**Resilience** is a critical attribute to have in today's environment with financial instability, together with constant change emanating from technology, product markets and the challenges of global competition. Much work has been done on resilience in the areas of mental health and the environment, and this has recently been applied to organizations. Torjman (2007) argues that resilience is key to leaders, people, organizations and communities because it deals with the ability to not only cope with change, but to thrive in an environment of constant change and tough problems. She references studies from mental health that identify seven resiliencies: "morality, insight, independence, relationships, initiative, humour and creativity" (Torjman 2007, page 10). Resilience is the ability to not only bounce back from adversity but to be strengthened and improved by the tough times. For people and leaders, Torjman (2007) argues that one needs the following four attributes to be resilient:

- Sustenance – basic needs addressed.
- Adaptation – ability to withstand change.
- Opportunity – new ones to look forward to.
- Engagement – involvement, inclusion.

Source: Torjman 2007, page 14.

When faced with post-merger integration, and the likelihood of layoffs and substantial change, this list is helpful because it forces attention to the importance of sustenance, making sure people's basic needs are addressed. It is foolish to believe that people will be excited about a new opportunity for the company, and engaged in a change process, if they don't know if they'll have a job at the end of the week or, at a minimum, an attractive severance package. I had a profound experience with the Molson-Carling merger, which early on agreed upon a list of very good people that would not have continuing jobs with the company. Some of them were asked to serve on a transition team that would manage many of the details of the merger, effecting cost savings, making redundant asset sales and dealing with similar issues. These capable individuals, while not those chosen to continue with the company, were still very astute managers. They were granted stay pay bonuses and granted severance contracts. They were urged to see the benefits accruing to themselves in leveraging their experience in their transition responsibilities. They were granted a certain amount of time per week towards interviews for new opportunities. I think almost all of them felt they were treated fairly, saw the benefit of the transition experience, and stuck out the assignment achieving the objectives

set for them. Providing them with the bonuses and the contracts were critical, and not just to them; the continuing managers saw the company as dealing fairly with their former co-workers and appreciated it.

Margolis (2009) believes that resilient people move quickly from being upset and having negative feelings about adversity, to an analysis of what went wrong, and then to a plan of action to deal with the adversity encountered. It is natural to feel terrible about a negative event that has occurred, but dwelling on the negativity does no good. Shifting one's thinking from what caused the situation to what to do about it, and doing so in a minimum of time, is the key to being resilient as a manager. People often descend into two emotional traps that are difficult to get out of: deflation and victimization. Deflation can afflict many a successful leader, who after being hit with a traumatic event, can encounter significant negative thoughts and feelings that almost take over their existence, as if they are in purgatory, depressed about themselves, their situation and their future. Victimization is the other emotional wasteland, where the individual sees himself as the victim, with everything negative being done to him or her, and feeling helpless to change anything. Margolis suggests four lenses need to be used to view these adverse events, and to ensure a resilient attitude to adversity:

- **Control.** When a crisis hits, do you look for what you can improve now, rather than trying to identify all the factors — even those beyond your control — that caused it in the first place?
  - **Impact.** Can you sidestep the temptation to find the origins of the problem in yourself or others, and focus instead on identifying what positive effects your personal actions might have?
  - **Breadth.** Do you assume that the underlying cause of the crisis is specific and can be contained, or do you worry that it might cast a long shadow over all aspects of your life?
  - **Duration.** How long do you believe that the crisis and its repercussions will last?
- Source: Margolis 2009, page 6.

To get control over their emotions and to ensure control over their actions, Margolis (2009) puts forward three questions to ask:

1. *Specifying:* What aspects of the situation can I directly influence to change the course of this adverse event?
2. *Visualizing* What would the manager I most admire do in this situation?
3. *Collaborating:* Who on my team can help me, and what's the best way to engage that person or those people?

These four lenses to look at the adverse situation through, and the three questions that are recommended, can lead to a changed Mind-Set, one that is no longer reactionary and cause-oriented, but one that is future-oriented and response-related. Instead of focusing on the adversity, what caused it, could it have been prevented, and will it last for ever, focus instead on what can be done about it, what might improve, how some positives can be created out of it, and what can personally be done immediately to begin addressing the

situation. Margolis (2009) recommends writing down the answers to the questions as an excellent way to deal with stress and coping with the adversity, and to repeat the writing down of the answers daily in order to build a positive resilient habit and to ensure negativity doesn't return, as it very often does in bad situations. Resilience is a critical attribute for great leaders as bad stuff almost always happens, and resilience is best built during times are the most challenging. In tough times, people may misfire with negative or angry reactions, and can't see any new and attractive opportunities. Margolis (2009) concludes: "All the more reason, then, to use the resilience regimen to tamp down unproductive responses to adversity, replace negativity with creativity and resourcefulness, and get things done despite real or perceived obstacles" (Margolis 2009, page 7).

I have personally encountered great adversity in my life. Having to deal with that adversity, work through it, and set my vision and goals for a better future, have been a tough but also a rewarding, learning experience - almost redemptive. I couldn't have dealt with my situation without a positive attitude, faith, and a supportive family and support group. I will always remember a conversation I had with my favourite uncle, a man and mentor I have always looked up to, who said to me that he was very impressed with how I was dealing with the adversity, and that in a few years, everyone would see this "as your finest hour". To quote Prime Minister Winston Churchill. and his rallying cry to the British people during the worst of the Battle of Britain, and compare that situation to mine, and the confidence that the fight against overwhelming odds would ultimately be seen as the finest hour, was stirring to me, and will be forever. I think having been through adversity and coming out of it, is an important experience for any leader that wants to lead, and even more so one that wants to lead major change.

Leaders need to be effective, need to embody many of the critical attributes described in the section above. But often it is easier to describe the negative, the opposite, the attributes that effective leaders shouldn't have. This is particularly so when many leaders have some of these attributes and don't realize it. Harvard Business Review compiled a helpful list of the Ten Fatal Flaws that Derail Leaders (Zenger 2009):

1. Lack energy and enthusiasm.
2. Accept their own mediocre performance.
3. Lack clear vision and direction.
4. Have poor judgment.
5. Don't collaborate.
6. Don't walk the talk.
7. Resist new ideas.
8. Don't learn from mistakes.
9. Lack interpersonal skills.
10. Fail to develop others.

This section of my paper has reviewed many different concepts of individual leadership from authentic to centered, to emotionally intelligent, socially intelligent, empathetic and more. I have had the privilege of working with some excellent leaders that I have learnt

from, and also some ineffective leaders whom I've also learned from. I have been involved in numerous mergers, acquisitions and major strategic change efforts which taught me important lessons. My personal conclusion from the review of the literature seen through the lens of my own personal experience, both the good and the adversity, is that the three keys to being an effective personal leader are:

1. To have authentic self confidence – to be true to oneself;
2. To have gone through personal intentional change, and know how you and others can be resilient, in dealing with difficulty and coming out of it; and
3. To have empathy and compassion for others.

### **III. – Group level of Leadership**

In a recent interview, the newly installed Dean of Harvard Business School described the four drivers of human beings: to acquire, to bond, to have meaning and to defend (Thompson 2010). He lamented that the recent financial collapse and credit crunch may have been fuelled by people being focused on the acquire driver only. He suggested that what is needed in business is a rebalancing toward the need to bond with a community, and to have meaning far beyond just making money or profits; to do something better for society. I am personally convinced that nothing can be achieved by one person alone, that all good things are achieved through partnerships or teams or communities, that work together for the benefit of a company, or an organization, or a society. The American cultural anthropologist, Margaret Mead once said: "Never doubt that a small group of thoughtful committed citizens can change the world. Indeed, it is the only thing that ever has". In this section, I will develop some ideas on the group level of leadership and its importance to effective leadership.

**Communityship** is a concept coined by Mintzberg (2009) to describe the importance of community over the one-leader, individualistic concept of leadership within a company. He laments the loss in the past decade of people's sense of belonging to companies and organizations, of being part of something greater than just themselves. Short-term management, he argues, has inflated the CEO, and reduced the people in companies to commodities, resources to be exploited and downsized whenever needed. Companies need to recommit to their people, and get the people to re-engage with each other and the company. Mintzberg (2009) argues that leadership needs to be redefined:

"Individualism is a fine idea. It provides incentive, promotes leadership, and encourages development—but not on its own. We are social animals who cannot function effectively without a social system that is larger than ourselves. This is what is meant by "community"—the social glue that binds us together for the greater good. Community means caring about our work, our colleagues, and our place in the world, geographic and otherwise, and in turn being inspired by this caring" (Mintzberg 2009, page 1-2).

We have an obsession with individual-oriented leadership today. The objective of this belief is to empower people, but it actually discourages and dis-empowers them. People

know that they are just as important, if not more so, than the leader. Companies and organizations are communities and need to be run like one. We need leaders who respect all the members of the community and know how to motivate and encourage communityship. By analysing fire departments, Mintzberg (2009) suggests four conditions that facilitate the existence of community, a history of community, trust, culture and a leader at the center. "Community leaders see themselves as being in the center, reaching out rather than down. They facilitate change, recognizing that much of it must be driven by others" (Mintzberg 2009, page ). Mintzberg details a five step evolution to building communityship:

1. Community building best begins with small groups of committed managers.
2. The sense of community takes root as the managers in these groups reflect on the experiences they have shared in the organization.
3. The insights generated by these reflections naturally trigger small initiatives that can grow into big strategies.
4. As these initial teams promote change, they become examples for other groups that spread communityship throughout the organization.
5. An organization knows that communityship is firmly established when its members reach out in socially active, responsible, and mutually beneficial ways to the broader community.

Source: Mintzberg 2009, page 4.

Christakis (2009) in Connected: The Surprising Power of Our Social Networks and How They Shape Our Lives, based on research in numerous sectors, overturns the concept of the primacy of the individual, and describes a new paradigm, that like a school of fish or a flock of birds, we are all influenced unconsciously by our network, our community. "Our interconnection is not only a natural and necessary part of our lives but also a force for good. Just as brains can do things that no single neuron can do, so can social networks do things that no single person can do" (Christakis 2009, page xii). He describes social networks as a super-organism which we are embedded within. He believes that what makes us uniquely human is our strong connectedness, and that our connections to other people matter most to us and to our businesses, our organizations and to our human experience.

"Our connections affect every aspect of our daily lives... How we feel, what we know, whom we marry, whether we fall ill, how much money we make, and whether we vote, all depends on the ties that bind us. Social networks spread happiness, generosity, and love. They are always there, exerting both subtle and dramatic influence over our choices, actions, thoughts, feelings, even our desires. And our connections do not end with the people we know. Beyond our own social horizons, friends of friends of friends can start chain reactions that eventually reach us, like waves from distant lands that wash up on our shores" (Christakis 2009, page 7).

Christakis (2009) believes that organic social networks are more powerful than formally organized ones. Ideas, moods, and beliefs are contagious within a social network. Centrality or the connectors or bridges in a social network predict how much money you

make and how happy you are. Social networks or communities have an impact that is greater than the sum of the parts. Understanding social networks, or role in them, how they are created and influenced is key to effective leadership.

Granovetter (1973) was one of the first to argue the *Strength of Weak Ties* or casual acquaintances. These weak ties are the connectors to other groups that provide access to resources, ideas, the spread of information, job opportunities and dates. “One implication is that people who have many weak ties will be frequently sought out for advice or offered opportunities in exchange for their information or access” (Christakis 2009, page 158). Christakis (2009) argues that economics is overly simplistic when it assumes that markets operate between firms that sell high and buy low, and that, in reality, the real market is all about personal relationships within social networks based on trust and reciprocity.

Communityship, connectedness, weak ties, social networks and social capital all show the wisdom in Kotter’s several decade old study of what effective managers really do, they build networks and supportive constituencies in order to actually get things done. Last year the Province of Ontario put out a major report on our competitiveness given the economic calamity of 2008 and 2009, and it said that Ontario needs to get people, things and ideas moving again. Well, people and things can be gotten moving with stimulative infrastructure funding and retraining, but how do you get ideas moving again? I think you get ideas moving again by leadership within and amongst a group, fostering idea generation amongst a team.

**Leadership growth values at GE** have been researched and identified as the following traits to ensure successful creativity, innovation and growth into new markets:

- \* External focus – Sees around corners.
- \* Clear thinker - Is decisive and focused.
- \* Imagination - Displays courage and tenacity.
- \* Inclusiveness - Creates excitement, drives engagement, builds loyalty and commitment.
- \* Expertise - Has in-depth domain knowledge and credibility built on experience.

Source: Prokesch 2009.

Prokesch (2009) however reminds us in an article on change at GE that teams need to change together if change will be successful, it can’t just be up to the leader. Too often change is implemented on top and forced down on the company. That rarely works. People need to be engaged, consulted and committed to the change to make the change work. Prokesch (2009) states that a company needs to build an organization with a “climate supportive of creativity”, and has some suggestions on what team attributes ensure the team is supportive of discussing and agreeing with the change including: engagement, risk taking, freedom, debate, idea support and time, non-conflict, playfulness and trust. Collins (2001) describes how great companies ensure they get the right team in place. “First who, then what” is his first stage in achieving greatness

(Collins 2001, page 12). Collins's (2001) second stage in greatness is following disciplined thought or strategy.

#### **IV – Strategic Level of Leadership**

**Competitive strategy** is all about being different. The essence of strategy is in the activities that a company chooses to engage in:

- Perform activities differently
- Perform different activities than rivals

There has been a great attention to competitive strategy over the past several decades from Michael Porter and his “Competitive Strategy” or “Competitive Advantage” or Barney’s “the Resource based view of the firm” or Prahalad’s “Key Competencies” or the BCG Matrix. They are all good strategy theories, frameworks and processes, but most of them focus on cutting up the existing industry or market rather than developing something new. I think the real key to strategy is developing something new. In a recent book, Blue Ocean Strategy, the authors state “Competing in overcrowded industries is no way to sustain high performance. The real opportunity is to create blue oceans of uncontested market space” (Kin 2005, page 5). The example they cite is Cirque du Soleil, whose founders saw dwindling circus attendance but the large desire people have for a night out. They didn’t try to compete with Ringling Brothers and have a fourth ring, or more animals; instead, they turned the circus into a spectacular theatrical event. It was a creative, innovative merger of circus and theatre with music and dance, together with better seating and gourmet food thrown in.

I think one of the best examples in politics of blue ocean strategy is President Barack Obama, who looked at the Democratic primary process and said the only way he could beat the seeming inevitable victory of Hillary Clinton was to dramatically expand the voter base, which he did with young people and African-Americans voting in larger numbers than ever before. If he had just tried to gain share amongst registered Democratic voters he would have lost, he needed to expand the market and he did so with a blue ocean strategy.

Most corporate strategy is stuck in red oceans because most corporate strategy is rooted in military strategy, and we analyze markets, competitors and try to come up with strategies to take some market share. But I would argue this is more tactics than strategies, and it’s not entrepreneurial, innovative and creating something exciting and new. Its incrementalism, boring and small changes to the old.

In the case of the Biovail-Valeant merger, they have the opportunity to create the largest specialty pharmaceutical company with a drug delivery technology second to none. There are specialty pharmaceutical companies that specialize in different therapeutic areas, but none with the breadth of this newly merged company and none with a technology drug delivery base. As the big pharmaceutical companies merge and become massive they will leave an even greater opportunity for the larger of the specialty pharmaceutical



companies. The two previous companies wandered in their strategies over the past several years, Biovail left its drug delivery heritage behind and Valeant focused too much on international expansion rather than its more attractive opportunities in North America by broadening its product opportunities. The new management team needs to come together quickly and formulate a differentiation strategy and then execute on it.

**A Balanced Scorecard** is a strategic planning management system that ensures consistency between business activities and the vision and strategy of the organization with the objective of improving communications, and monitoring organizational performance against strategic goals. The balanced scorecard was created by some Harvard accounting professors that were dismayed at how accounting and numbers focused management reporting and analysis had become when they thought numerous other metrics were just as, if not more, important. According to HBS Dean Nohria (Thompson 2010), one of the top six priorities for American business today is the development of a single report card that integrates financial reporting and non-financial measures. He believes that such a framework involves challenging our intellectual imagination for how we can measure and manage performance in a company. A balanced scorecard can assist an organization by:

- translating high level organizational strategy;
- into something that employees can understand; and
- act upon in their day-to-day operations and initiatives.

**Imitation vs. innovation** was the topic of a provocative HBR interview with Oded Shenkar (2010) who argued that many great companies succeed not through dramatic innovation but through incremental innovation. He argues that leaders need to change their mind-set and embrace imitation, develop capabilities to improve the effectiveness of existing products that make innovation better for the consumer, and that by doing so, they have a better chance to survive in today's hostile market environment.

Biovail was the leading drug development company with once a day drug delivery technology and flash dose technology in the 1998 to 2003 period. As the current management team took over, they put this incremental improvement strategy on the backburner and spent hundreds of millions of dollars trying to turn the company into a leader in one therapeutic area, an area currently dominated by big pharmaceutical companies. The newly-merged company should think hard about going back to its roots, at least partially, in drug delivery. The time frames to develop and get approval for their drugs are quicker, with higher probability of success and acceptance, even if the ultimate revenue may be lower than launching a new blockbuster drug therapy. If I was CEO of the new merged company, having a mission to make drugs cheaper, more convenient and with greater compliance, utilizing our controlled-release drug delivery technology would be one of my goals.

**Good to Great** was the title of a popular business book by Collins (2001) in which he described why so many small companies do not become great large companies; they lose what made them successful. "Entrepreneurial success is fueled by creativity, imagination,

bold move into uncharted waters, and visionary zeal” (Collins 2001, page 121). But then, these companies, with their growth, have difficulties they solve by bringing in professional managers that create a bureaucracy and kill the entrepreneurial spirit. The innovative people look elsewhere, the creativity dies, and the bureaucracy and hierarchy takes over. “The cancer of mediocrity begins to grow in earnest” (Collins 2001, page 121). As a solution, Collins (2001) coined the phrase the hedgehog concept, named after an animal that never gives up, and described three keys for a company to move from just good to great:

- \* What you are deeply passionate about?
- \* What you can be the best in the world at?
- \* What drives your economic engine?

Source: Collins 2001, page 118.

The merger of Biovail and Valeant creates a unique opportunity to convert two okay companies that have struggled to define themselves in the past few years, into a great new company. Following Collins’s (2001) recommendation of a hedgehog concept forces me to believe that a focus on drug delivery is the B-HAG opportunity. The new company wants to make better drugs, has the best drug delivery technology, and has in the past made substantial amounts of money by either launching the new and improved drug themselves or licensing to the original innovator. Having a strategy of being a niche player in the big guys’ therapeutic areas or trying to dominate a small market has met with only some success and is open to attack at any time. Once a day drugs that are more convenient for the patient, ensure higher compliance for the doctor, and are cheaper than the brand name drugs is a compelling product position. The technology can be expanded to flash dose, melt in your mouth, abuse resistant, inhaled and / or others that the company and other companies are currently investigating.

This recommended strategy is different than the big pharmaceutical companies, and it is in line with the newly merged company’s strengths, and provides an achievable big goal, to be the largest drug delivery company in the world by providing convenient, cheap and compliant pharmaceutical products to patients and physician worldwide. I am the leader that can execute on it.

## **V – Societal and Cultural**

**An ethically functioning business** is critical anytime, but particularly in today’s environment. Dean Nohia in his interview spoke about how companies and executives are not trusted today, and combating that “low trust deficit” is priority one for him and should be for business (Thompson 2010). He argues that character and competence are the foundations of rebuilding that trust.

Biovail and Valeant have the opportunity to present a new ethical future both to the equity market as well as to the medical market. Both of the companies have had a troubled past, a mostly unjustified reputation, but the perception is still there. By putting in place an excellent board, a multi-national management leadership with offices in both

Toronto and Los Angeles, and establishing a vision of cheap, convenient and more compliant products should win respect and trust from the market.

One concern I have is with the adoption of a tax structure that I fear will be seen as pushing the limit. The newly merged company achieves Canadian tax status and therefore can achieve a lower than 10% income tax rate because of the special dividend paid to Valeant shareholders prior to closing and the premium to Biovail shareholders that achieves a 50.1% Canadian ownership. I think this is way too close to the line. I would have felt much more comfortable with a more sizable majority for the Canadian shareholdings. This could have been achieved by providing Biovail shareholders with a larger premium. Given the cost savings, the synergy and the tax savings from the merger I think Valeant should have provided a better deal to Biovail ensuring a 55% or even 60% Canadian ownership. The line about being too greedy comes to mind, or even better:

“Bulls make money. Bears make money. Pigs get slaughtered.”

**Cultural differences** between the two companies will be a major problem that needs to be addressed, and quickly. Biovail had an entrepreneurial culture five years ago that was somewhat converted into a big pharma bureaucratic culture with the hiring of the big pharma executives and the non-pharma CEO, along with the ouster of the founders. One executive exclaimed to me that they had a committee to decide who would be on committees and the VP HR had more influence on strategy than anyone else. Valeant had a culture that was similarly entrepreneurial five years ago that turned into a growth by acquisition and consultant-led culture in the past few years with the hiring of the McKinsey consultant as CEO. The merger provides a unique opportunity to remake the culture almost however the management team wants to. The market is congratulating the merger and has bid up the stocks, but the honeymoon will be short. By combining the teams, deciding on a vision, executing on that vision at the same time as the merger cost savings and synergy are achieved and reported on, this new company can remake its reputation. The new company has almost doubled itself, dramatically increased its revenue, product offerings, geographical coverage, deepened its technology base and strengthened its management leadership. The market will forget who the predecessor companies were, the management needs to as well, as it forges a new future.

**Executive pay** will be an issue that needs to be addressed. The market did have a problem with the extremely high merger related payouts received by the management teams. For both companies to declare a change of control and therefore crystallize all management contracts and severance obligation was nonsensical. How can both companies go through a change of control? One must still be in control. While this issue can no longer be changed, I fear it does leave a bad taste in the market and creates jealousy and de-motivates managers that didn't have change of control contracts. I also worry that it motivates people to trigger their contracts and leave. There is another old saying in mergers that “Eagles soar and turkeys squat”, and I hope the company doesn't lose all its good people just because they can leave and leave with two years pay in change of control severance.

With the newly merged company pay for performance contracts need to be put in place. Bonuses should be based on the achievement of merger cost savings for managers that have influence on them and on revenue and expense synergy / growth for the balance of the management team. Both companies have the reputation of paying the most senior members of the executive team very well, now they should ensure all are paid well and paid relative to performance.

## **Conclusion**

A good friend of mine just returned from a week long program on leadership in Fiji put on by the *Power Within* leadership / positive thinking guru, Anthony Robbins, who stated that effective leaders empower, inspire and influence (Robbins 2010). To lead, according to Robbins, a leader needs to understand his followers and address the six human needs, the need for certainty but yet variety, the need for significance but with strong connections, and the spiritual needs for contribution and continual growth. He argues that 80% of leadership is establishing the why and only 20% is the how. Finally, Robbins (2010) argued that the real reason people don't make progress is inner conflict -- conflicting outcomes and conflicting desires. He believes that your beliefs have the ability to create or destroy your entire life in a heart beat. Robbins arguments are very similar to the need for vision and goal setting, empathy, social intelligence, connections and a good strategy that this paper has already reviewed. I guess we don't need to pay all the money Robbins seminars cost!

Biovail and Valeant have now merged legally but have not even begun the effort to merge organizationally. They need to have an effective leader of this post-merger integration that will set the vision for the company in consultation with the team, decide the strategies the company will follow, form a team of the best from both sides to execute the vision and the strategies, utilize some of the departing executives to staff an integration team with stay pay bonuses, to deal with layoffs, redundant assets and the merger of product lines, research programs and organizational policies. People need to know quickly if they are part of the continuing team, a short-term integration team, or a departing individual. Departing employees should be thanked for their contribution and dealt with fairly, generously and quickly. It's important that bridges aren't burned and that people get to get on with their lives as productively as possible.

The leader needs to establish a new culture for the combined company but he needs to do this with his leadership team. The best way to do this is an immediate short retreat; people need to get out of their day-to-day routines and get to know their new team members. The two previous teams need to integrate and ensure no continued silos exist. Establishing the new company in new office buildings or with a clean slate for office space is important. The message has to be delivered that this is a new company and you can't just count on your old office or old team because you used to have it. It's a new company with a new combined management team. In my experience the establishment of a new culture with a combined team is the most important activity for the leader of a merger process. I have been in situations where several years after a group was referred to as the legacy management team, meaning they were never integrated and never

accepted the new combined team. They continued to play golf together every Saturday morning, had a parallel management structure and spent as much effort as they could to try to discredit and prove wrong the new management team.

Once the vision, strategy and team are established, the leader and his team need to break the achievement of the strategies into a doable implementation time, figure out how its achievement can be measured, establish those metrics and proceed to both execute on the plan and measure achievement of the plan. What gets measured gets managed. A balance scorecard with both financial achievements of objectives such as merger savings and non numerical achievements such as new culture, new branding, new products, combined organization, etc., should all be discussed and the key ones included.

Post-merger integration should be managed like a project or even a political campaign, with a start and a target end date. Regular status meetings should be held with achievements analysed against the targets. Flexibility should be allowed as long as it's required and consistent with the vision. Having champions of the integration at a senior if not the most senior levels in the organization is critical. Change as drastic as post-merger integration should be done as quickly as possible, but not so quickly as to not engage people or miss some opportunities. Employees will be worried if they are the next to go and so every effort to make layoffs be done in only one round is critical, with those on short term stay contacts bonused generously. In addition, communication on the merger achievements should be frequent and comprehensive. For many employees, living through an acquisition or a merger will be the most traumatic work experience other than being fired.

A friend who has known me and worked with me for numerous years performed an assessment of my leadership skills for me and this paper. I was described as a big thinker with laser vision and focus, being highly intelligent but able to have the common touch and synthesis concepts into easily understandable ones. I am a motivator, able to listen, respectfully consider, quickly see what needs to be done, prioritize it, figure out how and put together an action plan. I am a coach that is able to build a team that everyone has pride in. I was described as never taking no for an answer, following my passion with commitment.

Collins (2001) has three-stage from good to great: disciplined people, disciplined thinking and strategy and disciplined action. I am a doer, an action oriented person. I have the experience with Biovail, in private equity in the life sciences and am best able to lead this merger and post-merger integration. When can I join, when can I start?

I have always liked the line in the poem Ulysses: "To strive, to seek, to find, and not to yield". I think it summarizes well the leadership traits needed to be successful here.

To summarize, the four drivers of leadership in post merger integration are:

- 1) Knowing where you're going, having a vision, a symbol and a mantra.

- 2) Knowing how to get there, having a strategy and being mindful or having empathy and compassion.
- 3) Be willing to work hard enough to get there, be persistent and have passion. 4) Develop the team that will get you there. A team of which you can honestly say “this is my team and I’m proud to be on it and even prouder to lead it.”

To make anything understandable, it is critical to be able to summarize it in a notable phrase, or a mantra, that can be easily remembered. Visions are best when they are simple, direct and compelling. So to conclude my argument, I will close with a few famous quotes that describe my four drivers:

Vision:	I have a dream	Martin Luther King
Passion/compassion:	Yes we can	Barak Obama
Commitment:	Just do it	Nike
Team:	One for all, and all for one	Three Musketeers
Team:	Tous Ensemble	Next PM of Canada Ignateiff

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