

Pottinger

PERSPECTIVES

Bringing ideas, people and data together to change the world

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NEVER DRINK ALONE

Finding the perfect blend in business and life





A Consultant, Banker, Lawyer, Psychologist and Engineer walk into a bar...

"This feels like a joke!" says the Psychologist.

"Oh, don't start all that again," says the Banker. "We're just here for a drink."

The five experts take a seat at a round table in the middle of the room. Shadows are cast across their faces by the low-hanging light above them. The room is dimly lit and rain taps against the single-glazed window beside the door. It is a Tuesday.

"What will it be?" asks the Waiter, placing two menus on the table.

"Wine," say the experts in unison. They smirk. The Lawyer chuckles.

"We might need a minute or two," says the Engineer, fully aware of his own inexactitude.

The Consultant picks up one of the menus and holds it firmly in two hands. "OK people – let's start with the universe of opportunity and narrow things down from there."

"We'll be here all night!" says the Banker, impatiently. "Just look at the prices and pick something good."

"Work with me on this – red, white or rosé?" asks the Consultant.

A gust blows and the door of the bar rattles on its hinges.

"Red," says the Psychologist, "the context demands it." The others nod.

"Old World or New World?" asks the Consultant.

"Huh?" says the Engineer.

"'Old' means European and 'New' means Australian, New Zealand or South American, in a nutshell," says the Lawyer, thrilled by the use of defined terms.

"Perhaps we should start by saying what we are all trying to achieve and that will give us the right measures by which to evaluate the decision," says the Psychologist.

The Banker frowns. The Consultant smiles. The Engineer has become distracted by the clumsy carpentry of the table.

"I want to make the right choice," says the Consultant.

"I want a good deal," says the Banker.

"I want to minimise risk," says the Lawyer.

"I want to feel good," says the Psychologist.

"I want to get drunk," says the Engineer.

Silence falls over the table.

"So we are all looking for different things.

Balance is key," says the Psychologist with a wide grin.

"Yes, let's work with that," says the Consultant.

"I'll start," says the Banker, eager to lead. "I'm happy to spend a bit of money on this but only if we get something of value. \$80 to \$100 is probably my sweet spot, but I'd look outside that for the right deal." The words "ratios", "comparables" and "discount" are mentioned several times.

The eyes of the Lawyer, Psychologist and Consultant glaze over.

"Enough with the jargon--" starts the Lawyer.

"You can talk!" says the Engineer.

"I'm just going to trust you on that stuff," continues the Lawyer, unfazed by the interruption. "Let me help you do something about it – what ratio are you looking for?"

"A good blend of cabernet sauvignon and something else."



"Ah!" exclaims the Lawyer, "a classic Old World blend perhaps? That narrows things down."

"Not really," says the Consultant, "cab blends are everywhere. What's the next level of detail we need to get to?"

"You tell me," says the Banker, in a huff. "You are great at framing these discussions but never give a view. *You tell me* what detail you are looking for."

"Slow down you two," intervenes the Psychologist, "just because we all have our favourite ways to approach this problem, that doesn't excuse us from incorporating a different point of view."

"Petit verdot," quips the Consultant. The others sit back, shocked that the Consultant has given a two word answer to a question.

"You said you want a cabernet blend," continues the Consultant. "Cabernet merlot is the most utilitarian cabernet blend. But the quality is inconsistent, so we'd be using an unreliable parameter to make the decision. Adding some petit verdot, however, *means* quality. It is the salt and pepper to that blend – the final spice."

"Well in that case, let's get a Bordeaux," says the Banker. "It's red, Old World and the home of that blend."

After a brief hesitation to check that their personal concerns have been answered, the experts smile and nod in agreement. They have done it. The Consultant opens the

menu, scans the contents page then flicks to the Bordeaux section. The Waiter hovers in anticipation.

"We might need another moment, sorry. There are five pages of reds from Bordeaux in this wine list," explains the Consultant. "We need to think a little further."

Everyone but the Consultant lets out an audible sigh.

"Well, we are in a Parisian wine bar," says the Consultant, always trusted to remind the audience of the wider context.

"Let me see the list," says the Lawyer, reaching for the other menu.

"You and your lists," sniggers the Banker with a wry smile.

"I want to look at precedent and make sure we follow the rules," says the Lawyer. "If we are thinking about a red from Bordeaux, we can only be talking about a wine from 2009 or 2010. Both of those were vintages of the century. You only get three or four of those a century in Bordeaux."

"That cuts things down a bit," says the Psychologist.

"But not the price, presumably..." muses the Banker.

"We might need to rethink the budget," says the Consultant.

The Engineer and Lawyer shift awkwardly in their seats. They're getting the uncomfortable

feeling that the rules are changing mid-process.

"It's OK, all we need to do now is choose a river bank – left or right?" prompts the Psychologist, trying to manage the mood.

"We should make that decision based on soil," states the Engineer, finally on firm ground. The others look stunned.

"I thought you were just here to get drunk?" enquires the Banker.

"Do you want my input or not? The right bank of Bordeaux has more clay in the soil. It's the ideal ingredient for merlot. Right bank blends tend to take advantage of that and are hence lighter in overall flavour. The left bank, on the other hand, has less clay and is more cabernet-focussed, meaning a fuller flavour."

"Sounds great to me," says the Consultant. "So that's an Old World, cab-heavy red from the left bank of Bordeaux from 2009 or 2010 – only three wines to choose from..."

The Psychologist, who has been focussing on facilitation, and resisting the temptation to jot notes down on a napkin, enters the discussion.

"There's more to wine than price, precedent or science. Let's not forget the human element. Great wines are as much a function of the winemakers as they are about *terroir* and weather. A chateau that puts its people first and is known to have a great pool of talented individuals who work well as a team will produce a superior wine..."



"Ahem," interrupts the Waiter, politely. "You are talking about Bordeaux. The wines you are choosing from have all been made by the same families of award-winning winemakers for hundreds of years."

"Problem solved," says the Psychologist contently.

"Yes – just pick one," says the Engineer to the Consultant.

"This one," says the Consultant to the patient Waiter, pointing to the most expensive option.

"I don't actually know why we do this every time," says the Psychologist. "Past behaviour is the best indicator of future behaviour. We ordered exactly the same wine last week."

"Nice one," whispers the Lawyer to the Consultant, sidestepping the discussion on the human condition. "Let the Banker pay!"

The bottle arrives, is opened and is left to breathe for eight minutes before being deftly poured into the five glasses. The experts congratulate themselves – the wine is balanced with great minerality. It is rare, optimally matured, good value for money and produced by a great team. They toast politely and settle down to business.

The moral of the story? Leaders in business and government have always had to adapt to changing circumstances and manage uncertainty. But the increasing pace of change and the ferocity with which new competitors are attacking long established businesses

and industries makes for unprecedented complexity. As a result, it's becoming less and less likely that any single discipline of expertise will have all of the answers needed to solve the problem at hand – especially when it carries implications for local and international operations, competitors and markets, now and in the future.

Like choosing the right wine, tough business decisions are best made by considering all the options and weighing up what matters most, all considered through different lenses of expertise. Internally, the strongest businesses and bureaucracies build boards and teams that integrate a diverse range of skills, capabilities and perspectives for precisely this reason. External consultancies, however, are often focussed around one core discipline, with obvious shortfalls. Strategic input frequently overlooks financial, market and transactional considerations. All too often M&A transactions achieve little strategic impact, destroying huge amounts of value. Technical consultants identify technically optimal approaches, without due consideration for the commercial business model (or whether the project could ever be financed).

In contrast, Pottinger provides integrated, multi-disciplinary advice to leaders in business and government around the world. Our team brings together a diverse range of advisors with backgrounds in fields such as finance, law, consulting,

economics, engineering, science, information technology, organisational psychology and engineering. Our approach to every assignment integrates strategic, commercial, operational, financial and transactional perspectives.

The effectiveness of this is evident in the results achieved by our clients. As we enter our fourteenth year, our advice has stood the test of time in virtually every case. We have identified trends long before others, and thus helped our clients to avoid risks others did not see, and to identify opportunities that others did not value.

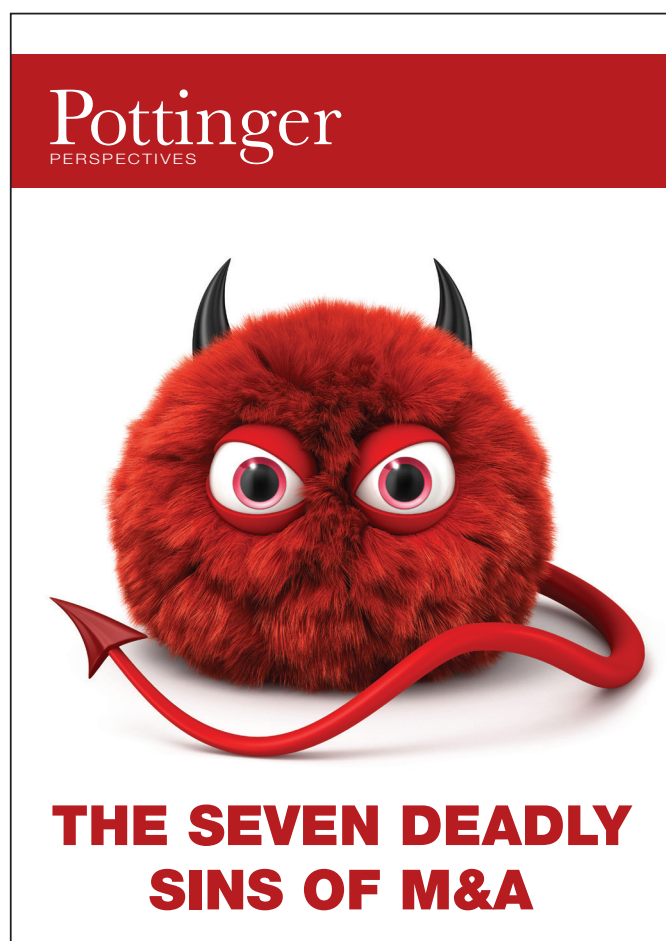
We'd be delighted to help you do the same. 

John Sheehy's background is in law. He previously practised as a cross-border M&A lawyer in London, Moscow and New York, advising on transactions involving assets or parties in over 20 countries. His favourite wine is a Barbaresco.

Alexa Muratore's background is in organisational psychology. She previously advised companies on the design of performance management, reward and assessment. Her favourite wine is a pinot gris from Central Otago.

John and Alexa draw on their diverse experience when jointly advising clients on corporate strategy, policy and transactional matters, including M&A, joint ventures and partnerships.

Latest issue from Pottinger Perspectives:



Many of the world's largest and most successful businesses have been built by mergers and acquisitions. From Sinopec to Facebook, Pfizer to Mizuho, Time Warner to Unilever, M&A has been a crucial contributor to the success of each business. But of course the reverse is also true – some of the world's largest and most disastrous corporate failures have been brought about by ill-conceived, ill-timed, or poorly executed transactions.

<http://www.pottinger.com/the-seven-deadly-sins-of-ma.html>

About Pottinger

Pottinger is a multiple award-winning strategic and financial advisory firm.

We de-risk M&A transactions and strategic transformations by integrating strategic insight, transaction expertise and data analytics, enabling leaders to make decisions that stand the test of time.

We work with clients who are ready to think differently and act differently. Our assignments typically relate to one or more of:

- Strategy and public policy
- Mergers and acquisitions
- Partnerships and joint ventures
- Restructuring and capital advice
- Risk, sustainability and related decision-making

Together our team has advised on over 200 M&A and financing transactions, as well as many significant strategic advisory assignments. Our experience covers most of the world's larger economies, and we enjoy the complexity of assignments that extend across borders and cultures.

We are regarded as an industry leader in productivity and as a role model for investment in our people. We have been recognised by the Australian Government's Workforce and Productivity Agency as a benchmark for effective skills development and for seven consecutive years we have been awarded "Recommended Employer" by the Australian Business Awards.



Cassandra Kelly
Chair



Nigel Lake
CEO

For further information, please contact us:

e cassandra.kelly@pottinger.com

e nigel.lake@pottinger.com

p +61 2 9225 8000

w pottinger.com