Preface

In 1989, I walked into one of the most expensive misunderstandings in the history of American business. Five years earlier, Texaco had acquired Getty Oil for roughly ten billion dollars. The acquisition should have been a triumph. Instead, it had become a catastrophe because a rival bidder, Pennzoil, believed it had already reached an agreement to buy Getty when Texaco swept in. A jury agreed with Pennzoil and returned a judgment in the billions, the largest of its kind at the time. By the time the matter was settled, Texaco had paid Pennzoil three billion dollars and passed through bankruptcy to do it.

That was the wreckage. My assignment, with the team I helped lead from 1989 to 1991, was to build something out of it. We called the work the New Texaco. Oil prices had collapsed. The combined firm carried billions in debt from the settlement. Roughly twenty-five thousand people on both sides waited to learn whose functions would survive a reorganization that touched strategy, finances, structure, process, systems, and culture all at once. We sold the unprofitable properties, re-engineered the value chain, streamlined decision-making, rebuilt systems, and over three years delivered a one-time billion-dollar cash influx and seventy-five million in annual savings. A New Texaco emerged. It was some of the hardest and most instructive work of my career.

Here is what I took from it. The disaster I was hired to repair was not a market accident. It traced to a single failure at the beginning, an agreement that was never truly nailed down. Getty, Pennzoil, and Texaco had left the most consequential question of all, what exactly had been agreed and by whom, unresolved at the moment it mattered most. Everything that followed, the lawsuit, the judgment, the bankruptcy, the years of painful integration, flowed from that one unsettled question. The cost of clarity at the start would have been a difficult conversation. The cost of avoiding it ran into the billions.

I have spent more than forty years in and around deals and other transformation programs like that one. Across two hundred and fifty engagements with Global 1000 firms, I have experienced dozens of acquisitions that looked identical on the spreadsheet end in triumph or in wreckage, and I have come to believe that the difference rarely lies where executives expect to find it. It does not lie in the price. It does not lie in the synergy model. It lies in when the parties chose to confront the disagreements that every combination of two organizations must eventually resolve. Confront them early and three things improve together: the risk of missing the deal thesis falls, the value the deal can create rises, and the cost of resolution stays small. Defer them, and all three move the wrong way at once.

This book argues something that runs against the instinct of most dealmakers. The instinct is to preserve momentum, to avoid the friction that might derail a transaction, to save the contentious questions for after the ink dries. The argument of this book is the reverse. The firms that succeed are the ones that agree early and agree often. They surface the hard questions while the relationship still has the goodwill to absorb them. They reach alignment on the matters that will otherwise fracture them, and they do it before the closing rather than after, when alignment is cheap rather than when it is ruinous.

Agreeing early sounds simple. It is not. It requires a discipline that cuts against the emotional current of every deal, the euphoria of the chase, the fear of losing what has been pursued, the reluctance to introduce conflict into a courtship. The executives who manage it do not do so by temperament. They do so by method. They have a way of structuring the conversations, sequencing the decisions, and aligning the incentives so that early agreement becomes the path of least resistance rather than an act of heroism. This book is that method.

I did not arrive at these conclusions from a lecture hall, though I have taught in several, including the School of Computer Science at Carnegie Mellon University and, more recently, the business faculty at De Anza College. I arrived at them from the engagements themselves, from the deals that worked and, more instructively, from the deals that did not. The frameworks in these pages were built in the field, tested under the pressure of real transactions with real consequences, and refined across decades until they became reliable. They are not theory dressed as practice. They are practice, organized.

What I offer the reader is not a survey of the academic literature on mergers, nor a collection of war stories told for their entertainment. I offer a set of thinking tools that an executive can carry into the next deal and use. Each chapter takes one of the recurring failures of integration, the failure that looks like bad luck but is in fact predictable, and equips you to see it coming and to prevent it. Mergers and acquisitions are the proving ground in this book because they concentrate, into a few intense months, the alignment challenges that every high-stakes strategic decision faces in slower motion. Master alignment under the pressure of a deal, and you will recognize the same pattern and the same remedy, everywhere else you lead.

The stakes deserve naming plainly. The majority of acquisitions fail to deliver the value that justified them. The capital is real, the careers are real, and the cost of getting it wrong compounds for years. An executive who reads this book and applies it will not eliminate the difficulty of combining two firms. No method can. What the method can do is move the moment of reckoning forward, from the costly aftermath to the inexpensive beginning, where disagreement is still a conversation rather than a casualty.

I have written the chapters that follow to be read in order, because the argument accumulates. The early chapters establish why alignment fails and how to recognize the failure before it is irreversible. The chapters that follow build the discipline of agreeing early into a repeatable practice, one tool at a time, and then extend it to the deals so distinctive that they demand tools built expressly for them. The later chapters carry the discipline beyond any single transaction: how a firm turns it into an institutional capability that outlasts the people who learned it, how a leadership team designs the partnership between human judgment and the artificially intelligent machines now entering the deal room, and how the whole of it comes together as a single process, the rhythm of agreeing early and agreeing often, that gives the book its name. By the final pages, the reader who began skeptical of the premise will, I hope, find it difficult to imagine running a transaction any other way.

That is the wager of this book. Agree early. Agree often. Do the hard work when it is still cheap. The chapters ahead will show you how. They will show you what it costs the firms that do not. The question for the executive holding this book is straightforward. When the next deal arrives, and it will, do you intend to defer the difficult conversations to a later time you cannot control, or to have them now, while agreement is still within reach?