



Outsourcing your Corporate Development Department

Unless yours is a very large company you probably cannot justify having your own in-house, full-time, corporate development team. Fortunately, this doesn't necessarily mean you can't afford the expertise.

In this article, we explain the role of the corporate development department, look at the key attributes required for a successful corporate development team and finally we'll make a case for outsourcing this function.

Corporate Development

Corporate Development Departments are typically responsible for the planning and execution of a wide variety of an organization's growth strategies. The strategies might include identifying and acquiring companies, identifying and selling non-core or redundant assets or divisions, entering into strategic relationships such as an exclusive distribution agreements, or exclusive market coverage.

For example, in a growth oriented organization, the Corporate Development Department will be involved in identifying potential companies to acquire, plot out the strategy, negotiate the deal, secure the financing and insure a smooth post-closing transition.

Corporate Development is a continuous process which must be constantly adapted as the organization's environment evolves.

Key attributes for successful Corporate Development teams

Research reveals that Corporate Development teams and their initiatives are more likely to succeed if they:

Possess a broad range of experience with members who are well rounded in finance, business strategy, marketing, capital markets, accounting, tax, corporate law, etc. More importantly, however, they will be recognized for their strong operational skills and experience. Of all the attributes, we believe none is more valuable than experience.

Have a deep network of internal and external contacts; long-standing relationships foster trust and credibility. Team members must continuously cultivate trusting relationships with key internal players as well as with external ones with investment banks, accountants, tax advisors, lawyers and other professionals (your "value network").

Have the ability to get the buy-in from everyone in the organization; the team must possess the ability to clearly communicate the vision and the merit of a project in order to get everyone's buy-in.

Example: Recipe for a Growth Strategy

The following key steps are required to insure a successful growth strategy implementation:

- Validation of the corporate growth strategy
- Confirmation of extent of financial and other resources at hand
- Target definition, search and selection
- Preliminary proposal
- "Fit-in" financial analysis and valuation
- Identification of synergies
- Risk Assessment
- Development of the Integration plan
- Deal structuring
- Financing
- Deal negotiation and closing
- Post-deal integration
- Post-deal evaluation



Key attributes for successful Corporate Development teams (cont'd)

Listen and facilitate; success lies in the ability to listen and facilitate the process. The team is designed to be a results-oriented agent for change.

Adapt and learn from past experience; the team must adapt to market changes and learn from previous tasks or projects.

Don't ignore "low hanging fruits"; although there may be a variety of grandiose opportunities at any given time, a successful team won't ignore those obvious and simple ideas that deliver good returns quickly and at little cost.

Are prepared to stand-up to scrutiny. Making an acquisition, dealing with a new strategic partner or investing in a project is easy but end results must stand-up to scrutiny against the initial objectives and expected returns.

Share the knowledge; the team's value should be measured by its ability to pass on its knowledge and experience to the organization.

Outsourcing the Corporate Development function

As we suggested in our introduction, not all organizations can justify having a full-time Corporate Development Team. Many companies attempt to delegate these responsibilities to management who assume them on an ad hoc basis in addition to their day-to-day tasks. With only so many hours in a day, as the work load increases, it will become increasingly difficult to manage both responsibilities. One, or both will invariably suffer, usually at needless cost to the organization.

In addition to the work load, other issues such as inexperience, inherent conflicts of interest and lack of accountability invariably dilute the effectiveness of the function.

In our opinion, if an organization cannot dedicate a minimum number of individuals to this task on a full time basis either permanently or by temporary re-assignment, the next best alternative is to outsource. Some of the benefits of using an outside party include:

- Experience and a wide external network;
- Independence; less emotion in decision-making;
- Cost effective: you pay for what you use;
- Sense of urgency can be ensured by having an accomplishment fee element built into fee structure.

Cafa assumes the role of Corporate Development Officer for several of its clients. Our partners fill this role either at the board level, as a director or advisor, or at the management level as advisor to senior management.

We would be pleased to meet with you and show you how we can perform this function for company.

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