

From Spin-Off to Independent Success

How brand charts new futures



LIPPINCOTT
Sense Perspective

When two companies part ways, brand bridges the gaps on both sides.

Emotions naturally run high during major organizational changes. Separation makes room for doubt and confusion. But with a strong brand vision, a newly independent business can clearly define who they are, unite their people and set a course for a successful future.

We've helped create leading brands through spin-offs, including ITT to Xylem and Exelis, Pfizer to Zoetis, Biogen to Bioverativ, American Express to Ameriprise and Citigroup to OneMain. Through these partnerships, we've helped to excite employees, energize leaders and accelerate the success of the newly independent companies.

What's your spin-off story?

The reality of most spin-offs is that management of both companies feels compelled to rationalize why the transaction is in their best interest.

The financial community is quick to pick a winner, with the business being spun off often positioned in a less than favorable light. Time and time again we hear that the legacy company is “shedding noncore assets” and “detaching themselves from underperforming businesses,” believing these are key to securing the legacy company’s growth. And for those businesses losing the use of the legacy name? Many would say that situation is even grimmer.

+714%

Over the last 14 years, companies on the Bloomberg U.S. Spun-Off Companies Index returned +714%, almost five times the amount of the S&P 500.

All of this puts employees, customers and leadership teams in a difficult position, but that doesn’t have to be the case.

The annals of business history are full of successful spin-off stories. Companies that complete successful spin-offs put brand at the center, with

maneuvers rooted in purpose and expressed through great design and experience. The brand-savvy leaders at ITT, Pfizer and American Express have demonstrated how brand can be used as a bigger force to excite employees, customers and stakeholders about their independence.

As a spin-off unfolds, a unifying brand story expressed through a robust internal communications strategy is what is needed the most. Business is disrupted, management is squeezed, employees are nervous, and customers are often wary of the spin-off company’s future value and viability. What leaders need is a compelling brand narrative, along with the symbols and carefully orchestrated follow-through that make it real and understood, aligning people and pointing to the future.

When brand is embraced early, a spin-off is an opportunity to remold the future, redesign the customer experience and drive meaningful change.

There are
five keys
to charting
the future of
spin-offs

1

Plan for two distinct futures from the beginning

It's essential for a spin-off to begin to make a clean, clear break from its parent company and be confidently positioned as a strong independent entity. There is no better way to do this than for a new company to be clear about its purpose and differentiation in the market as communication about its future is conveyed.

It can be in the parent or former organization's interest to position the spin-off as necessary for its strength — "a draw on capital," "dwindling business." It's important for the spin-off company to have a strategy in place to tell its own story prior to Day One, so investors understand and are confident in its potential and employees see their future. For initial communications, it's best to keep it simple: the focus of the business, the

high-level business strategy, why this company is in a better position to succeed as an independent entity, and its growth strategies. But beyond the simplicity of the message in the early days, it is important to enhance the story with a clear vision and purpose in the days approaching the end of the previous organization's trading.

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2

Lead without apology

Based on experience, we find that the people who are managing the efforts of a spin-off and will be part of the new organization don't immediately seem to realize that they will be responsible for all day-to-day operations, including investor relations, corporate communications, marketing and operations. It's not uncommon to hear statements like "There's so much to do; someone else used to do all of this for us."

One reason this occurs is that the parent company's leadership continues to play a large role in decision-making prior to the spin-off. The sooner new senior leadership encourages future managers of the spin-off to take ownership of their destiny rather than referring to or seeking approval from the parent company or others who may have been previously in charge, the stronger the organization

will be in its representation come opening day. There are some exceptions where previous ownership may continue with a large investment stake in the new organization, but if that is not the case, CEOs and their direct reports need to forge the future confidently on their own.

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3

Own your name

The name and identity of a new organization attract considerable attention and will send a strong signal that positions the company for the future. When caught in the mechanics of a spin-off, this essential step is often viewed as necessary but not given the priority or time required to do it well or on time for Day One. Ideally, this step should be taken after creating a new purpose and positioning strategy for the corporation. But often, due to time constraints, these brand components need to run in parallel paths to be ready for launch and legal separation.

In most instances, a spin-off company will have a completely new name and logo. Even when there is still some ownership link to its former parent company, it's wise to create separation from a brand you can't control to prevent brand risk. And having a separate brand name is a strong signal and enabler for new leadership to fully recognize the responsibilities of their independence early on in the process.

A new company name can take anywhere from eight to 12 weeks — or even longer — to secure. While the creative process can be accomplished

in less time, it is the additional steps required to secure a name that can take a while and pose uncertainties. Names require a legal search in all classes and countries in which a firm intends to do business — today and in the future. Sometimes usage requires negotiations in certain locations that can take additional time. a linguistic analysis in all relevant languages. Rushing the process is risky and no one wants to hit a snag down the road with a prior rights claim that hasn't been unearthed and negotiated during the legal process. Without due diligence, it can be a costly embarrassment.

Keep in mind that a logo can't be developed without a name. A logo also requires legal securance, although it's typically not as extensive. Again, this points to the importance of starting your brand name early.

The company name merits a rigorous, fact-based assessment that carefully considers the business vision for the merger and what best encapsulates the combined company's strategy.

4

Address brand architecture now, not later

Brand architecture is how business units, competencies, products or other brands in a company's portfolio relate to a new parent company and to one another. It is important to establish this when considering how the whole identity system will work together and how these units will be connected on Day One and beyond. Is it necessary to append competencies or business units to the corporate brand for its own markets? Will the parent endorse product brands? How to represent them on the Day One microsite? What to do about newly acquired identities?

Too often we hear, "We'll get to that right after the spin-off," and it never happens. Five years later, companies come back to us with legacy brand architecture issues that have obfuscated the unified business strategy story line, creating confusing and redundant brand portfolios. Compounding the issues are strategic acquisitions with no clearly established criteria for adding them to the portfolio.

Ask yourself:

- What brand architecture model should be used moving forward as a new entity?
- How to define and describe business units to reflect the intended future?
- How to connect these units to the parent company?
- Should the spin-off retain its own separate brand, having less connection?
- How will future acquisitions be handled?
- What guidelines and criteria should be in place to facilitate decisions in the future?

5

Harness employee energy

Once a spin-off company is announced, employees experience a range of emotions — from excitement about the promise of a new future, to uncertainty about the prospect of creating a new company without the established brand and resources of the parent organization. Many will wonder what their role will be in the new organization. Some may explore opportunities elsewhere.

From the time of the announcement through the formal separation, leadership has a defined window of opportunity to engage employees about the promise of the future and reinforce the importance of their partnership in bringing it to fruition.

Communicating with employees clearly, honestly and frequently about the spin-off — and actively soliciting their participation in defining the new organization — is key to helping employees feel like part of the new entity and confident about their future and the road ahead.

Ask yourself:

- As a principle, is engaging employees during the spin-off as important as engaging with customers, investors and other key stakeholders?
- How well are communications aligned with leadership and spin-off PMO (Project Management Office) milestones?
- Is there a meaningful narrative articulating the value of the spin-off and a future promise and role for employees?
- Does this narrative align closely with the brand story and external messaging?
- Does the internal activation road map include leadership commitments, catalytic events and meaningful programming that encourage employees to cocreate the new organization?
- How to develop a new vision, mission and values so they link to the brand and culture? Should employees have a supporting role defining any of these?
- How to identify and activate a global network of brand and communications champions to provide ongoing spin-off updates and gather feedback?

Brand is the most powerful, but often the most overlooked, tool for solving many of the common problems in a spin-off situation. Viewed in the broadest strategic sense, brand is the North Star — the focal point for exciting staff and energizing leaders, for redesigning the customer experience and securing up-front buy-in, for communicating the story and attributes that will drive the success of any spin-off.

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