San Diego’s M&A culture has been good to Adam Simpson: three payouts over eight years.

Special Report

Cheston Larson of Latham & Watkins LLP sees the benefits of the M&A activity: a “snowball effect” of successful business people cycling through various companies, splitting up and joining with other top executives ready to pull off a repeat.

M&A Culture Helps Hone and Spread the Wealth

Adam Simpson’s parents worried about his habit of growing small bioscience companies to the point where they would be acquired by a large pharmaceutical company. His father, a longtime electrical engineer at General Dynamics, became concerned that his son seemed to be out of a job about every three years. Why couldn’t he find a more stable career?

Simpson saw it differently. “That’s a wonderful outcome. It’s the first prize, not a consolation prize,” he said, adding that his parents eventually warmed to the idea.

“Now they have to explain it to their friends.”

Strange as it may seem to the uninitiated, the pattern of growing a business, selling it and starting over again is well understood — even a point of pride — within San Diego’s mergers-and-acquisitions culture.

Local executives and professionals contend the phenomenon is as much a source as an outgrowth of the area’s entrepreneurialism. It fosters creativity and determination, even among those who don’t benefit financially when the company they work for sells.

For Simpson, the pattern has meant three payouts during a span of about eight years. The most recent involved the 2015 purchase of Cypher Genomics Inc., a 14-employee company where he served as president and COO, by another San Diego-based company, Human Longevity Inc.

“It’s a wonderful thing that San...
Diego is a place where you can create new companies and that people can be personally successful, (measured) not by the longevity of where they worked but their ability to identify new opportunities that can make a significant impact on human health, and do it over and over again,” Simpson said.

An & A Town

Several factors have made San Diego a hotbed of not only serial entrepreneurs but also executives who take early-stage companies to a certain level of success. The executives watch companies grow, witness their sale and then, often enough, the exes reinvent themselves for a job in what may be a very different line of work.

The region’s focus on bioscience is a big driver in that community. Torrey Pines research institutes generate medical breakthroughs on a frequent basis, spawning small companies never intended to bring their technology all the way to market. That role is left to large, well-financed firms that exist locally — that prefer to let their technology all the way to market. That role is left to large, well-financed firms that exist locally — that prefer to let their technology all the way to market.

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Jason Skolnik, who specializes in M&A activity at the law firm of Wilson Sonsini Goodrich & Rosati, sees a tangible benefit to the local economy: continuous investment of capital and talent.

“There’s a big kind of recycling of people within this ecosystem, where those who have been successful continue to sort of push money into other biotechs in the hopes of getting back to a similar position of the ones that were sold previously,” he said.

M&A attorney who works in San Diego for the firm of Latham & Watkins LLP, likens this to a “snowball effect.” Successful business people cycle through various companies, splitting up and joining with other top executives anxious to pull off a repeat.

“It’s probably a good catalyst for people who maybe get too comfortable in one spot,” he said. “It just makes them stronger.”

Robert Half Management Resources offers these tips to managers whose companies are going through a merger or acquisition:

Get a head start. Identify skill gaps that will have to be filled and technical issues to be addressed.

Make integration an ongoing priority. Check in with staff through the transition to ensure processes are aligned.

Invest in professional development. Besides offering training on new business systems and processes, provide support in communication, team-building and adapting to change.

Maintain communication. Stay aware of employee workloads and concerns. Tap all available internal resources. Build a transition team that includes colleagues from across the organization.

Bring in outside help. Hire consultants who can smooth the transaction and ensure regulatory compliance.

Copic, a Harvard Business School graduate who had held senior positions in Latin America at Frito-Lay and News Corp., went on to lead a business incubator concept before accepting a job as a senior vice president of marketing and product management at a Hasbro division in Seattle. But after just one year, his parents’ ill health persuaded him to return to San Diego.

Once back in San Diego, Copic decided to stay.

The marketing company he and a business partner formed as a stopgap measure ended up succeeding, such that 13 years later it’s still going strong. He also took on teaching duties at San Diego State University’s master’s degree in business administration program.

“The only safe assumption these days is that your career is going to involve multiple transitions,” he said.

Mike Richardson knows the feeling.

He coaches San Diego business executives as a partner and practice leader for North Carolina-based Applied Consulting and Training, and serves as a chair and speaker for locally based executive peer-to-peer organization Vintage Worldwide Inc.

Richardson has worked with many business people who have been caught off-guard by sudden career changes. His advice to each, in a nutshell, is to pick yourself up, find your purpose and create the conditions for good fortune.

Mike Richardson

Or better yet, be prepared well in advance.

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Reinvention

A good illustration of his point might be the journey of Claude Hooton, president and COO at San Diego medical image management company NuclearHealth.

After earning an MBA at Harvard, Hooton turned down opportunities to work at Microsoft and Apple because he said he wanted to live in his hometown of San Diego. He landed a job as senior manager of corporate finance and planning, senior product manager and manager of sales administration at a local biotech company that was acquired four years into his tenure there.

He transitioned to a local health care technology company, and then to an executive vice president position with a company in Colorado. But after his family refused to move there with him, and the commute from San Diego began to wear thin, Hooton made a clean break and entered real estate.

From knowing next to nothing about real estate or property management, he earned a broker’s license and became a certified property manager.

Soon Hooton was back in the world of health care technology, working as interim senior sales director at Qualcomm Life and, later, as a senior executive at the company that is now NuclearHealth.

All the bouncing around taught him the importance of networking, honing skills and keeping tabs on talented people from past jobs.

“One, you have to be a really good salesman, and two, you have to be creative and nimble,” he said. “You have to be able to craft a story around why your skill set is transferrable.”

In the end, he said, if you’re able to remain in America’s Finest City, then the effort was worth it.

“As the right people,” he said, “this is heaven.”

Claude Hooton

As Seen In