In 1994, I concluded 22 years of public service and a stint as head of an industry association and joined Alcan Inc. in Montreal as the newest member of its executive committee, with a mandate to restructure its corporate affairs function. I’d worked in the Privy Council Office as head of communications, and previously as principal secretary to Premier David Peterson of Ontario. I thought I knew about managing issues, and stress, at the centre. But nothing prepared me for the next decade and more of being part of a senior management team re-engineering and repositioning Alcan as one of Canada’s pre-eminent global corporations, operating in 28 languages at more than 400 plants and offices, in more than 60 countries, on five continents, around the world.

We didn’t need to hear the talk about globalization. We lived the walk. Everyone knows the environmental mantra — think globally, act locally. That was, essentially, our business culture. We didn’t just have customers, we had communities, all over the world. We didn’t just deal with local and national governments, we dealt with regional and global institutions, such as the European Union on mergers and acquisitions, and the United Nations on climate change and emissions reductions. We weren’t in business to create just shareholder value, but an enhanced culture of value for all our stakeholders, including employees and suppliers. We were also intensely focused on the profit motive, without which all other motives would have been moot.

We were operating in a global business segment — aluminum — that was living through a revolutionary period in the 1990s. The fall of the Berlin Wall in 1989 and the collapse of the Soviet Union in 1991 also knocked down the walls and artificial trade barriers between Russia and the West in world aluminum markets. In the beginning, the Russians simply dumped aluminum onto Western markets, to obtain much-needed cash from a commodity sold worldwide in US dollars at prices established by the London market. That’s a world away from Alcan’s smelter operations in the Saguenay region of Quebec, but every market fluctuation impacted on our business. In a way, we had to think locally to act globally.

Through it all, travelling the world with global responsibilities in public affairs and the environment, I never had a sense of anything other than representing a Canadian corporation that belonged, like our country itself, on the world stage. Alcan was known, and known to the world, as a Canadian standard-bearer. We weren’t better than the Americans, just products of a different business culture — pluralistic, multicultural and always seeking a consensus.

Now, after more than a century, Canada’s largest global manufacturing corporation, with sales of US$24 billion in 2006, is certainly hunted, and possibly a hunter, in the great game of mergers and acquisitions. Founded by Alcoa in 1902, Alcan has rejected a US$28-billion hostile takeover bid by its one-time parent, and might have acquisitive
ambitions of its own. It has already done very well, surviving and thriving, in this very competitive game. But I am getting ahead of the story.

In 1994, Alcan was already a Canadian and Quebec icon, thanks to former CEO David Culver, whose Maison Alcan project was an article of faith in Montreal and Quebec’s future.

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Alcan to its core strengths and focused the organization on core and profitable businesses. The plan approved by the board was to be Alcan’s operational plan — one which saw the divestment of many individual and diversified businesses that were not core to the new organization or where it was felt that new owners would be better able to ensure financial health and growth.

This multi-year restructuring was anything but easy: the company was not only diverse and international, its people were proud of the national or regional units for which they worked. The values of Alcan, embodied in one of the first written codes of conduct, distinguished the company and reflected the ethics of its founders. The divestments touched many regions as Alcan slimmed its UK operations, rationalized its many North American rolling units, sold its equity position in Nippon Light Metal and divested INDAL, its Indian aluminum operations. The goal was to restore the company to financial viability, to deliver shareholder value and to build a platform for growth. There were also some acquisitions during this period but nothing of the scale of Alcoa’s moves under Paul O’Neill’s 20/20 — $US20 billion by 2000. (O’Neill later became the first treasury secretary in the administration of the second George Bush.) This not only ignited Alcoa but it increased significantly the gap between it and Alcan and accelerated the industry’s restructuring, which continues to this day.

Alcan’s response was not long in coming, as the competitive pressure continued to mount and the period of divestment came to a natural end.

With continuing industry rationalization as a backdrop, and the rapid growth of the Russian and Chinese aluminum industries, the next move for Alcan was not so much a defensive move as a strategic requirement. In August 1999, three CEOs, Jacques Bougie of Alcan, J.P. Rodier of Pechiney and Sergio Marchionne of Algroup, announced an unprecedented three-way merger valued at US$9.5 billion, which, once approved, would have created the largest aluminum and packaging company in the world. We were all excited at the launch of this announcement; so was Alcoa. Twenty-four hours later and they moved on the acquisition of Reynolds, thereby retaining its claim to being the biggest player in the aluminum industry.

APA (Alcan-Pechiney-Algroup) was an awesome experience in trying to merge three national aluminum companies, each with international reach, each with a proud over-100-year history and at least two (Alcan and Pechiney) positioning to retain control while recognizing the imperative of this very logical business initiative in a fast-moving and evolving global industry. Many committees were established to...
Alcan board chairman Yves Fortier and then CEO Travis Engen at the company’s 2005 annual general meeting in Montreal. Engen completed Alcan’s acquisition of Pechiney before his retirement in 2006, and the company’s board, led by Fortier, rejected a hostile US$28-billion takeover bid by Alcoa in May 2007.

Surviving and thriving in the great M&A game

look at functions and business operations — the merger of equals drew in hundreds of executives in examining everything from cultural fit to selection of the future structure and senior levels of management. Issues of share of management position, asset retention and CEO succession were palpable. The pride factor on what the new company would be named was symptomatic of the stresses: Alcan was the best recognized, Pechiney was the leader on technology while Algroup was content to close the deal.

In the final analysis we were spared from what would have been a complex integration process, and a succession struggle, by the European Commission’s Competition Bureau. Its draft report demanded the divestment of either Pechiney’s Neuf Brisac Rolling Mill in Alsace or Alcan’s 50 percent share in AluNorf in Germany. The latter was a mill which contained technology and had received considerable investments from Alcan. Bottom line: Alcan’s divestment under these circumstances would destroy too much value. The directors agreed and the big deal with Pechiney was called off, leaving a smaller deal with Algroup.

This Swiss aluminum and packaging company had been “for sale” for some time and it was a foregone conclusion that either Alcan or Pechiney would acquire it. In June 2000, Alcan successfully completed a US$4.7-billion takeover and soon, under Dick Evans’s leadership in Zurich, the process of integrating the two busi-
In the late 1980s after record-breaking years of returns, Alcan found itself losing several hundreds of millions, and many wondered how the company was going to survive. This is where Jacques Bougie, in leading a strategic review, helped return Alcan to its core strengths and focused the organization on core and profitable businesses. The plan approved by the board was to be Alcan’s operational plan — one which saw the divestment of many individual and diversified businesses that were not core to the new organization or where it was felt that new owners would be better able to ensure financial health and growth.

For the next several months, we worked virtually around the clock in our Paris war room, not only managing the financial and regulatory issues around a hostile takeover, but equally messaging strategic communications with the French and European media. One of my favourite moments occurred when Engen, a native New Yorker, explained to Le Monde that as a Canadian company, we shared French and European social values, unlike an American company we didn’t have to name.

We spent months in Paris, without seeing Paris. Travelling home on weekends — between Paris and Montreal — was one of the longest commutes on record. Armed with the lessons learned from APA, operating on information gathered over the time since the failed three-way deal and proactive both in communications in France and in the markets, Alcan succeeded in completing the acquisition. In September 2003, Pechiney’s board recommended Alcan’s offer of US$4-billion, or about US$54 a share to its shareholders.

After two mergers and acquisitions, Alcan became the second-largest aluminum company in the world. In a brief five years, Alcan had doubled its size and revenue base twice: its geographical footprint spread to all five continents. The employee base was approaching 70,000 people.

Canadian, American, French, Australian and Chinese are all still represented in and part of the Alcan story. When you walk the corridors of Maison Alcan, all those languages and accents are still heard. With world headquarters in Montreal, this Canadian icon has from its inception been a culturally diverse and international company. The company has generated economic wealth while helping meet the many needs of its communities. It has proven that a Canadian company can be world-competitive in the major leagues of international business. That’s something worth carrying on to the next generation of global business challenges.

Daniel Gagnier, former deputy secretary to the cabinet (communications) in the Privy Council Office, recently completed 13 years as senior vice-president, corporate and external affairs, at Alcan. He is a former chairman of the Canadian Manufacturers and Exporters Association and is chair of the board of the International Institute for Sustainable Development.