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1. Buffett's View on M&A

- **“Marriages not dates” metaphor:** Buffett consistently stresses that acquisitions must be long-term fits, not short-term arbitrage plays. He doesn't flip companies, he holds them.
 - **Suspicion of Wall Street:** He sees M&A bankers as fee-driven “super-salesmen” who push deals regardless of shareholder value.
 - **Anti-restructuring stance:** He rarely engages in spinoffs, carve-outs, or divestitures—even when parts of Berkshire could arguably unlock more value separately.
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2. The Contradiction

- **Governance irony:** Buffett criticizes boards elsewhere for being “cocker spaniels,” yet Berkshire's own board is famously deferential to him. Independent oversight is virtually absent in practice.
 - **Centralized decision-making:** He disparages CEOs who listen to Wall Street bankers but himself acts as the sole arbiter of Berkshire's dealmaking.
 - **Aversion to tech/modern industries:** His refusal to engage with AI, crypto, or cutting-edge tech targets means Berkshire misses structural shifts that M&A could capture.
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3. What M&A Brings to the Table (Compared to Buffett's Criteria)

- **Screening rigor:** Professional M&A processes involve **primary and secondary filters** (profitability, leverage, EBITDA multiples, culture, geography, synergies). Buffett's “circle of competence” approach is narrower and more idiosyncratic.

- **Restructuring tools:** Beyond acquisitions, M&A encompasses **spin-offs, carve-outs, equity swaps, JVs, alliances**—which could address Berkshire's "conglomerate discount" problem.
 - **Sector targeting:** Modern M&A identifies growth in **tech, AI, crypto, biotech, renewables**, while Buffett clings to cash cows like railroads, insurance, and energy.
 - **Strategic motivations:** M&A aims for **economies of scale, scope, synergy, tax efficiency, and market power**. Buffett instead prefers "moats" and managerial talent.
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4. Specific to Berkshire Subsidiaries

- **GEICO:** Could spin off or pursue vertical acquisitions (e.g., smaller insurance firms in Mexico/Canada) to expand regional dominance.
 - **BNSF Railway:** Joint ventures or consolidations across North America could unlock logistical synergies.
 - **Berkshire Hathaway Energy:** Carve-outs or equity listings could raise capital while maintaining control.
 - **Precision Castparts, Clayton Homes:** Could be aligned with M&A strategies in aerospace supply chains or modular housing across North America.
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5. The Governance & Cultural Issue

- Buffett rejects "pit bull" independent directors, preferring loyalists. This means **Berkshire lacks the internal challenge mechanism** that professionalized M&A requires. The irony is that Buffett himself—who prides on independent judgment—is structurally allergic to real independence in governance.

1. Buffett's "Two Advisers" Model is a Category Error

- **Creates artificial conflict:** M&A isn't about gladiatorial debate between a cheerleader and a critic.
 - **Oversimplifies risk:** Value in M&A isn't binary "good deal/bad deal" but a continuum — tax, accounting, operational, legal, and cultural dimensions all matter.
 - **Ignores integration complexity:** The real battlefield is *post-merger integration* — which requires coordination, not opposition.
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2. The Role of Due Diligence

- **Economic viability testing:**
 - Validate revenue, EBITDA, and cash-flow assumptions.
 - Identify value destroyers (hidden liabilities, overestimated synergies).
- **Risk adjustment mechanisms:**
 - *Material Adverse Change (MAC) clauses.*
 - *Collar instruments* to protect against stock volatility.
 - *Contingent Value Rights (CVRs)* or *earn-outs* to bridge valuation gaps.
 - *Purchase price adjustments at closing* to reflect working capital, debt, or unforeseen defects.
- **Unified team approach:** Lawyers, tax specialists, accountants, project managers, and technical experts (including cybersecurity,

ESG, and antitrust specialists) collaborate to apportion risk and ensure deal viability.

In short: **the “anti” team Buffett imagines is in fact the due diligence apparatus** that stress-tests every assumption, not a debating society.

3. Buffett's Misunderstanding of M&A Practice

- **Centralized judgment:** At Berkshire, Buffett alone effectively decides acquisitions. This *excludes the multidisciplinary rigor* of real M&A.
 - **Subsidiary growth bottleneck:** If GEICO or BNSF or Berkshire Hathaway Energy wanted to pursue industry-specific takeovers, Buffett's gatekeeping makes them dependent on his singular worldview.
 - **No scalable framework:** A single person — no matter how intelligent — cannot replicate the integrated expertise of corporate attorneys, tax advisors, valuation experts, cultural analysts, etc.
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4. The Structural Problem

- **Conglomerate chokehold:**
 - Subsidiaries with appetite for M&A (like GEICO consolidating insurers in North America, or BNSF expanding in Mexico/Canada) can't act independently.
 - Buffett positions himself as both *allocator of capital* and *M&A czar*.

- **Contrast with professional M&A:** In real practice, risk and value are apportioned through structured processes, *not genius intuition*.
 - **Governance contradiction:** He critiques boards for being too soft — yet imposes a system where *no one challenges him*, creating a bottleneck and governance blind spot.
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✓ **Bottom line:**

Buffett's adversarial model of "one pro vs. one anti" adviser trivializes M&A. Real M&A is a **systemic, multidisciplinary process** of risk allocation, structuring, and integration. By monopolizing M&A decision-making, Buffett prevents subsidiaries like GEICO, BNSF, or Berkshire Hathaway Energy from independently pursuing growth through sophisticated deal pipelines. He presents himself as doing the work of *entire teams of experts* — an impossible task, and a governance flaw disguised as investment genius.

Buffett's M&A philosophy is **deliberately myopic**: he frames it as a binary (good husbandry vs. Wall Street excess). But in doing so, he ignores the **spectrum of modern corporate restructuring** that could cure Berkshire's bloated, unwieldy conglomerate structure. His model depends on centralized judgment and cash hoarding, while disciplined M&A could systematically build, restructure, and unlock shareholder value.

Warren Buffett Has a Problem With 'Independent' Directors

Yes, Warren Buffett has voiced strong concerns about the effectiveness and true independence of independent directors on public company boards. His critique is rooted in decades of

experience—he's served on 21 public boards—and he's not shy about pointing out systemic flaws.

Here's a breakdown of his key criticisms:

□ Independence in Name Only

- Buffett argues that many so-called “independent” directors aren't truly independent. If a director earns \$250,000–\$300,000 per board seat—and sits on multiple boards—they may be reluctant to challenge management and risk losing that income stream.
- He and Charlie Munger have questioned whether someone who relies on board fees for meaningful income can genuinely push back against CEOs on issues like compensation or acquisitions.

💰 Misaligned Incentives

- Director compensation, especially when tied to stock options or performance metrics, can compromise objectivity. Buffett believes this weakens the duty of care and loyalty that directors owe shareholders.

📉 Oversight Weaknesses

- Audit committees often fail to counteract CEOs who “play with the numbers” to meet quarterly expectations. Buffett sees this as a failure to protect long-term value.
- Compensation committees have become overly reliant on consultants, leading to complex and sometimes unjustifiable pay structures.

🏢 Rubber-Stamping Deals

- He's critical of how acquisitions are often pre-packaged by management, leaving little room for genuine board debate or scrutiny.

□ Governance Drift

- Buffett laments that boards increasingly delegate responsibilities to outside professionals (lawyers, accountants), which dilutes their accountability. He cites disasters like Enron and WorldCom as cautionary tales.

Despite these critiques, Buffett does support some governance reforms, such as Executive Session rules that allow directors to meet without management present.

Would you like to explore how these views influence Berkshire Hathaway's own board structure or investment decisions?



Berkshire Hathaway's Board: A Buffett Blueprint

Buffett's board design reflects his belief that true value comes from long-term alignment, not superficial independence:

1. Minimal Committees, Maximum Trust

- Berkshire's board is famously lean. It avoids the proliferation of committees seen in most public companies.
- Buffett believes in empowering directors who understand the business deeply rather than relying on consultants or external advisors.

2. Director Selection Based on Integrity and Devotion

- Buffett emphasizes that the "bedrock challenge" for any board is selecting a CEO with integrity and lifelong devotion to the company.
- This principle extends to directors: he prefers individuals who are personally invested in Berkshire's success, not just collecting board fees.

3. Long Tenures and Deep Familiarity

- Many Berkshire directors have served for decades. This continuity fosters institutional memory and strategic consistency.
- Buffett values directors who think like owners—many hold substantial Berkshire stock, aligning their incentives with shareholders.

4. Skepticism Toward Acquisitions

- Buffett has criticized boards for rubber-stamping CEO-driven acquisitions. At Berkshire, directors are expected to scrutinize deals rigorously.
- He's said: "I have yet to see a CEO who craves an acquisition bring in an informed and articulate critic to argue against it."

□ Investment Implications: Governance as a Filter

Buffett's views on governance influence how Berkshire invests:

- **Avoids Companies with Weak Boards:** He's wary of businesses where directors are beholden to management or lack skin in the game.
- **Prefers Owner-Operators:** Many Berkshire acquisitions involve companies with strong internal governance and founder-led cultures.
- **Long-Term Focus:** Berkshire's board structure supports patient capital allocation, resisting short-term pressures from Wall Street.