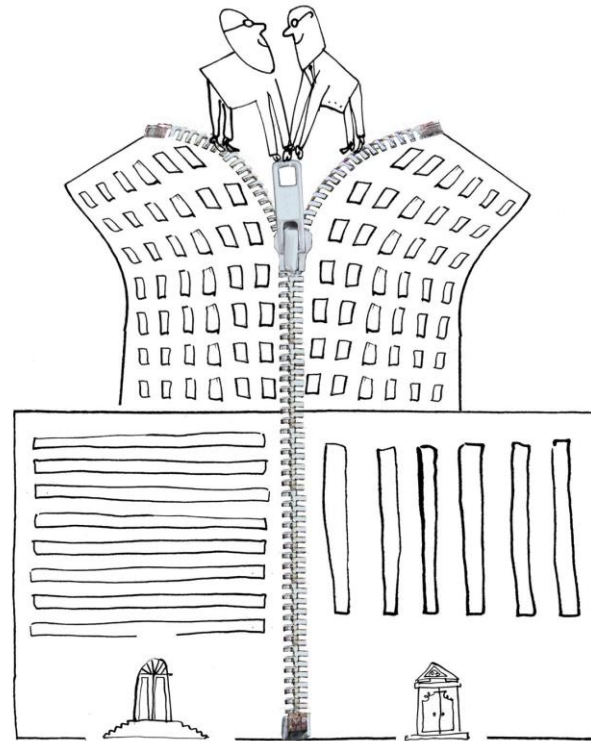




goetzpartners

STRATEGY | M&A | TRANSFORMATION

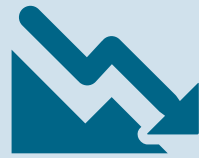


1 + 1 = 3

Paving your path through Post-Merger Integration

# Many post-merger integrations do not meet expectations, given their inherent complexity

## WHAT



2 out of 5

... **deals have adverse effects** on shareholder returns



1 out of 3

... senior executives confirm that the Post-Merger Integration **fell short of success**



4 out of 5

... companies would **speed up** the pace of integration for the next deal

## WHY

- Lack of clear direction
- Insufficient synergy definition
- PMO not in the driver seat
- Missing organizational readiness
- Lack of thorough day 1 planning
- Human aspects not considered

## HOW

Integration success rates can be increased significantly with a comprehensive and professionally led PMI approach

# Managing the PMI process properly along six key dimensions is critical for success

## EXECUTIVE SUMMARY

**1 Integration strategy:** Set the direction in a mutually agreed upon deal rationale to guide the integration process from the beginning.

**2 PMO<sup>[1]</sup>:** Get in the driver's seat with a content-heavy PMO that enables the organization to accelerate implementation and foster potential to overachieve targets.

**3 Synergy and value creation:** Define sufficient synergy measures based on detailed knowledge and apply critical analysis to realize the full potential.

**4 Organizational design:** Shape the future by setting the new organizational model fast to avoid chaos, and actively engage and recruit key employees for the target.

**5 Functional enablement:** Stay ahead of Day 1 with thorough preparation involving all stakeholders to ensure business continuity.

**6 Culture and communications:** Create momentum and invest significantly to break down cultural barriers and foster acceptance of the target culture.

## goetzpartners – Paving your path through PMI

[1] Program Management Office  
Source: goetzpartners

## OUR PROMISE

goetzpartners supports a PMI along all process stages with in-depth knowledge in all functional areas.

We have a profound PMI experience with more than 45 PMIs for both national and international clients.

As a result, we understand the fears, risks and obstacles companies face after a merger.

We emphasize the cultural dimension of PMI that is generally underestimated, but critical for success.

We partner with our clients, working together in one team as equals in all stages of the transformation.

AUTHORS:  
Robert Sannig, Senior Manager  
Dominik Herz, Manager  
Paul Nuscheler, Consultant

# A lack of structure creates chaos: Successful integrators orchestrate complexity over time

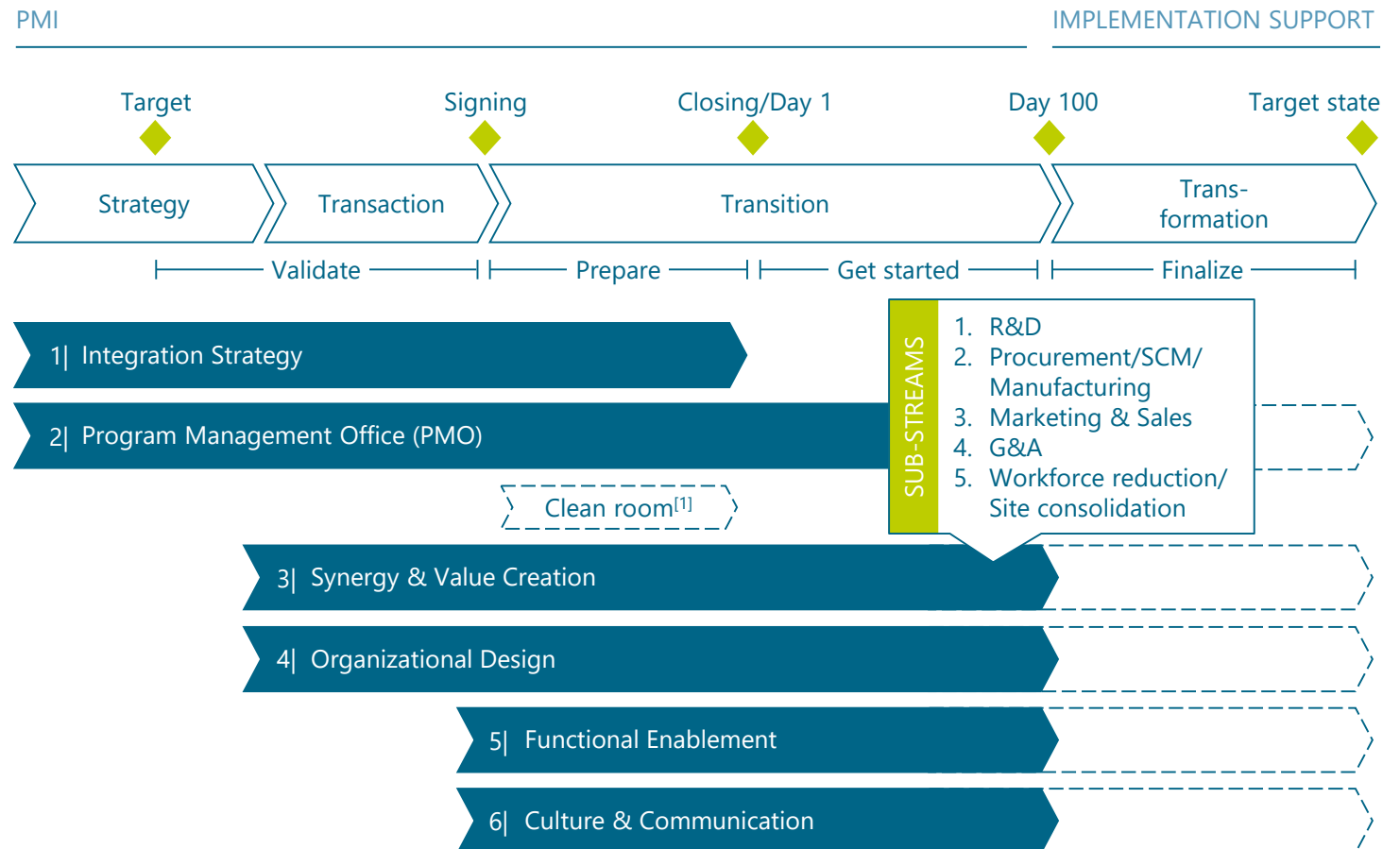
## AT A GLANCE

A comprehensive PMI approach raises the chance of a successful PMI significantly.

Our efficient approach considers six work streams – from integration strategy to culture and communication. This reduces complexity and gives a clear direction.

The six work streams need to be aligned to tap their highest potential without losing sight of the overall integration objectives.

## GOETZPARTNERS COMPREHENSIVE PMI APPROACH



[1] If required  
Source: goetzpartners

# Guiding the integration from the very beginning: Everybody steering in the same direction

## Strategy | 1

### GUARDRAILS AND CHARACTERISTICS OF INTEGRATION STRATEGY

INTEGRATION GUARDRAILS		CHARACTERISTICS			
		NO INTEGRATION		FULL INTEGRATION	
GENERAL APPROACH	■ Integration approach	Keep separate	Take over	Best of both	Transform
	■ Integration pace	Get detailed answers		Faster is better	
	■ Role of integration leader	Micro-manager		Macro-manager	
	■ Integration decision-making	Bottom-up		Top-down	
VALUE CREATION	■ Source of value creation	Cost reduction	Selected redesign	Transformation	
	■ Pursuit of opportunities	Conservative		Stretch, fast-paced	
ORGA-NIZATION & PEOPLE	■ Structure, processes, systems	Keep separate	Choose best	Merge	New
	■ Leadership & staff selection	Acquirer in dominant role		Best of both worlds	
	■ Retention programs	Passive & selective		Active & targeted	
VALUES & CULTURE	■ Intervention in cultural change	Passive & reflective		Proactive & forward-looking	
	■ Targeted culture	Keep separate	One to dominate	Craft new culture	
	■ Communication style	Only facts and decisions		Open points, status of work	

### KEY TAKEAWAYS

An integration strategy is dependent on deal size, level of industry relationship and potential synergies, but also unintended consequences.

Understanding how the merger will create competitive advantages and value should guide the integration approach. Thus, a clear and **consistent framework** should be imposed top-down on the overall organization.

Early planning and rapid execution of the diverse activities are critical factors in order to achieve integration success.

**Well-prepared communication** is key to both internal and external stakeholders to build trust and manage expectations.

## 2 | PMO

# Integration managers are in the driver's seat, speeding up process and removing roadblocks

### AT A GLANCE

Content-centric steering, a cooperative working mode and a focus on implementation support are essential parts of the goetzpartners PMO.

Key activities during the integration process should focus on:

#### Competence "hand"

Delivering methodical soundness by employing proven tools and leveraging a hands-on mentality.

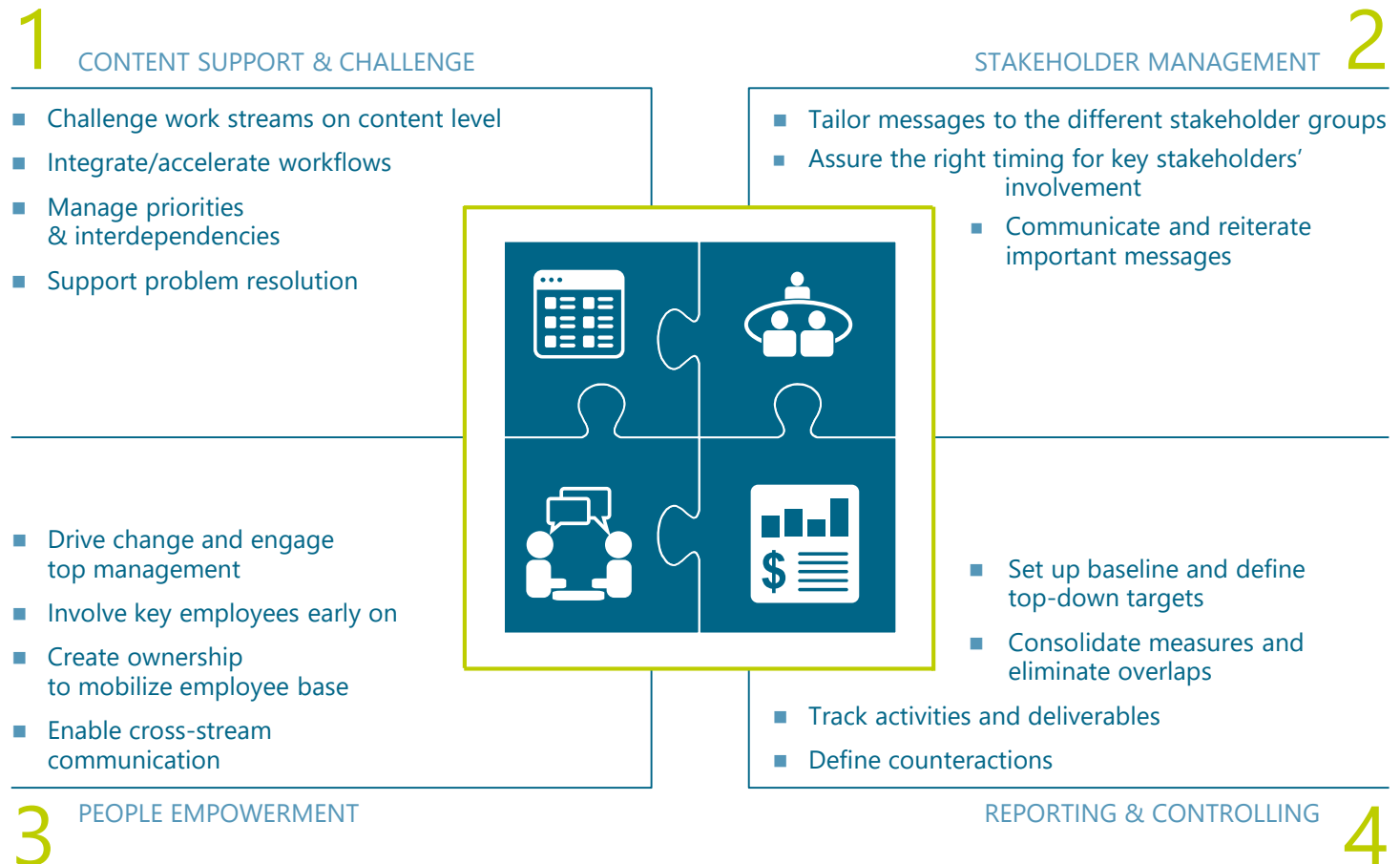
#### Concept "head"

Achieving strategic excellence by constantly challenging and supporting work streams on a content level.

#### Collaboration "heart"

Driving change collectively throughout the organization by ensuring the right employee mindset.

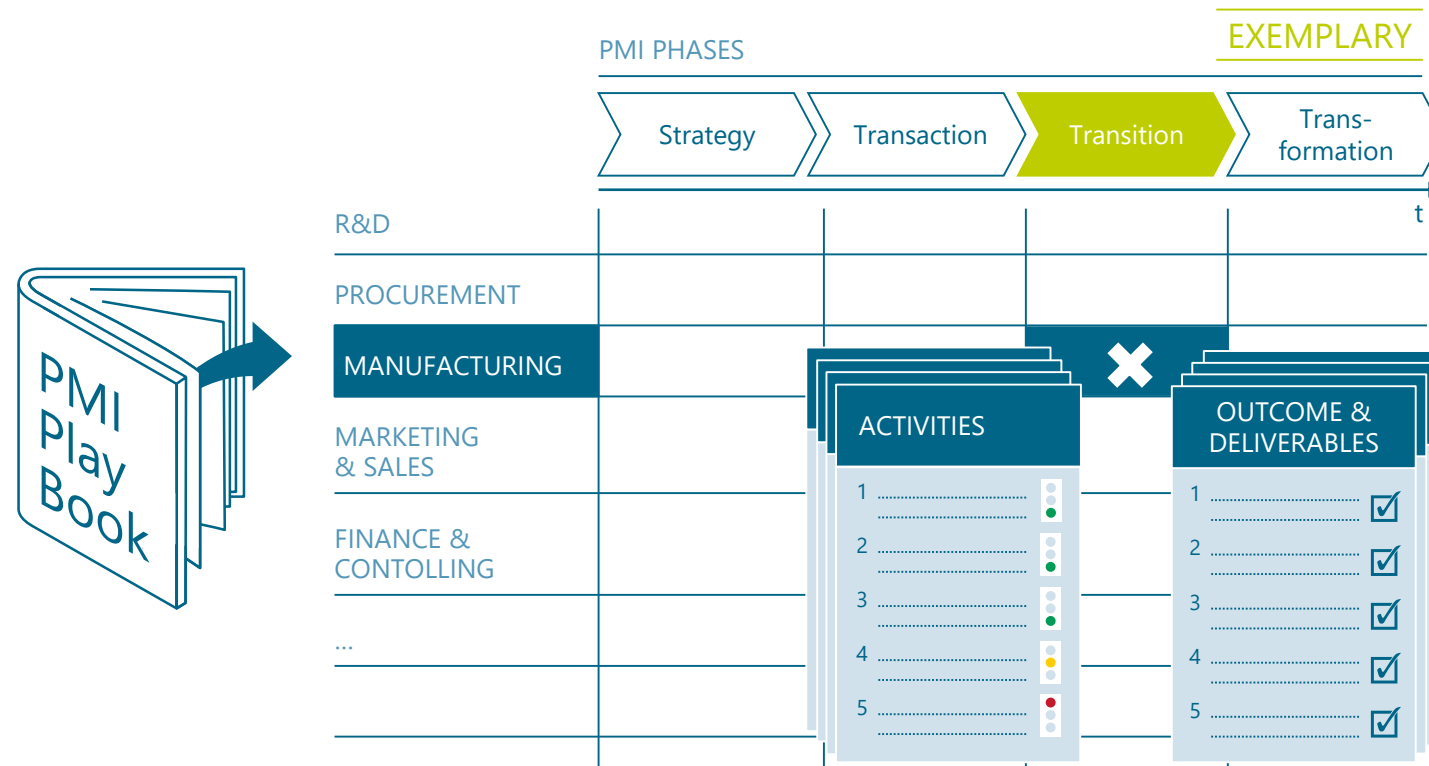
### CONTENT-HEAVY PROJECT MANAGEMENT OFFICE FOR PMI



# Nobody makes a multi-million-dollar movie without an existing script

## Synergy | 3

### GOETZPARTNERS PMI PLAYBOOK



**Our PMI playbook is designed as the comprehensive script to your integration story – enabling people to deliver their best and bring all the threads together**

### AT A GLANCE

**“Practice Makes Perfect”** – this saying holds true especially in the context of merger integration.

There is not one pre-defined answer for every situation. We do not offer a fixed solution, but we know exactly what to do in each phase throughout the integration.

We use our expertise flexibly to best support the specific situations that our clients face.

We identify and address critical success factors, deal with key risks, and know which stakeholders to involve at the right time.

### 3 | Synergy

# Realizing the financial goals of an integration requires rigorous transparency and follow-ups

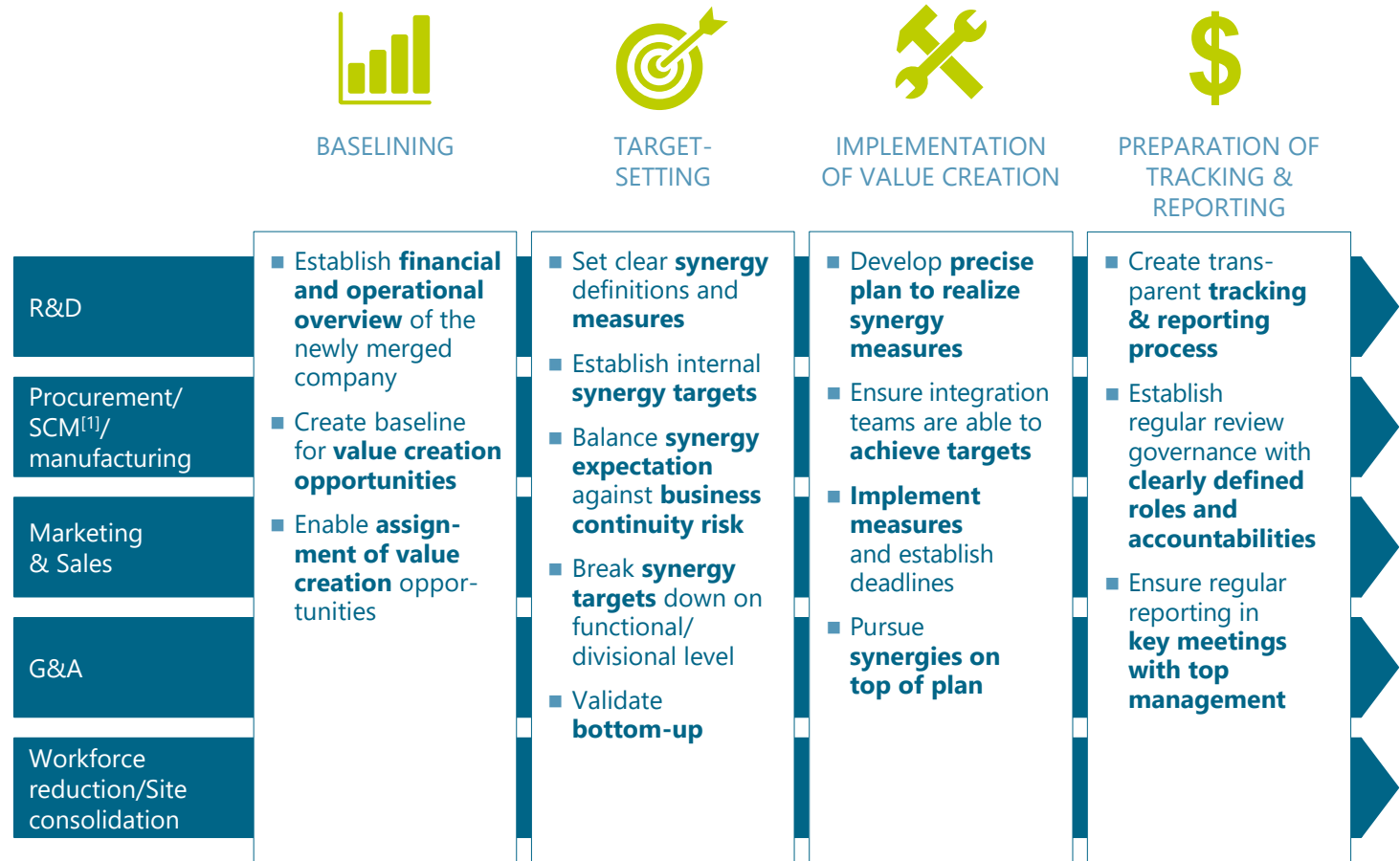
#### AT A GLANCE

Many unsuccessful integration projects can be traced back to a small number of core problems in the set-up phase.

All too often, measures are not allocated to a clear, individual cost baseline. This inevitably leads to measure impacts being double- and triple-counted. The gap to the P&L remains a mystery and there is no way to retrospectively reconcile the gaps.

The goetzpartners approach not only ensures mutually exclusive and collectively exhaustive baselining via the Color Books®, but it also links measure impact to actual financial performance through a dedicated P&L linking process.

#### SYNERGY AND VALUE CREATION APPROACH



[1] Supply Chain Management  
Source: goetzpartners



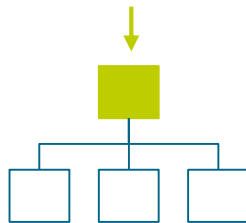
# Enablement and clear accountability are key team characteristics in shaping a joint future

## Organization | 4

### DEFINING ROLES & RESPONSIBILITIES FOR ORGANIZATIONAL DESIGN

#### LAYERS

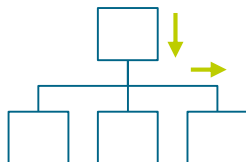
**“Drive the change and engage top management”**



#### PEOPLE AND MANAGEMENT PROCESSES

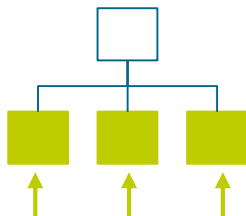
- Underpin the case for change
- Craft the vision and set the direction
- Ensure rigorous consequence management
- Avoid uncertainty and chaos
- Build the leadership team
- Mobilize stakeholders

**“Cascade down and overcome barriers”**



- Encourage new ideas
- Create cross-functional teams
- Pick the change leaders
- Empower the change leaders
- Ensure performance-driven approach
- Set clear signals
- Cascade down and motivate
- Communicate effectively

**“Mobilize the basis and create ownership”**



- Roll out a change program at the base
- Train the trainers
- Change key processes
- Measure the change
- Embrace learning and knowledge-sharing
- Manage bottom-up vs. top-down

### BEST PRACTICES

The target organization should be announced as quickly as possible to minimize rework associated with new executives revisiting decisions on the target operating model.

#### Acquirers need to

- Identify and retain top talent early on
- Recruit and “hire” the new employees in the target company actively
- Make sure that each company’s strengths and best practices are not lost when organizational components are mapped
- Use customer experience as the focal point for a powerful and less confrontational cultural change and process redesign

# 5 | Enablement Being ahead of the curve is pivotal: Full beam on Day 1

## AT A GLANCE

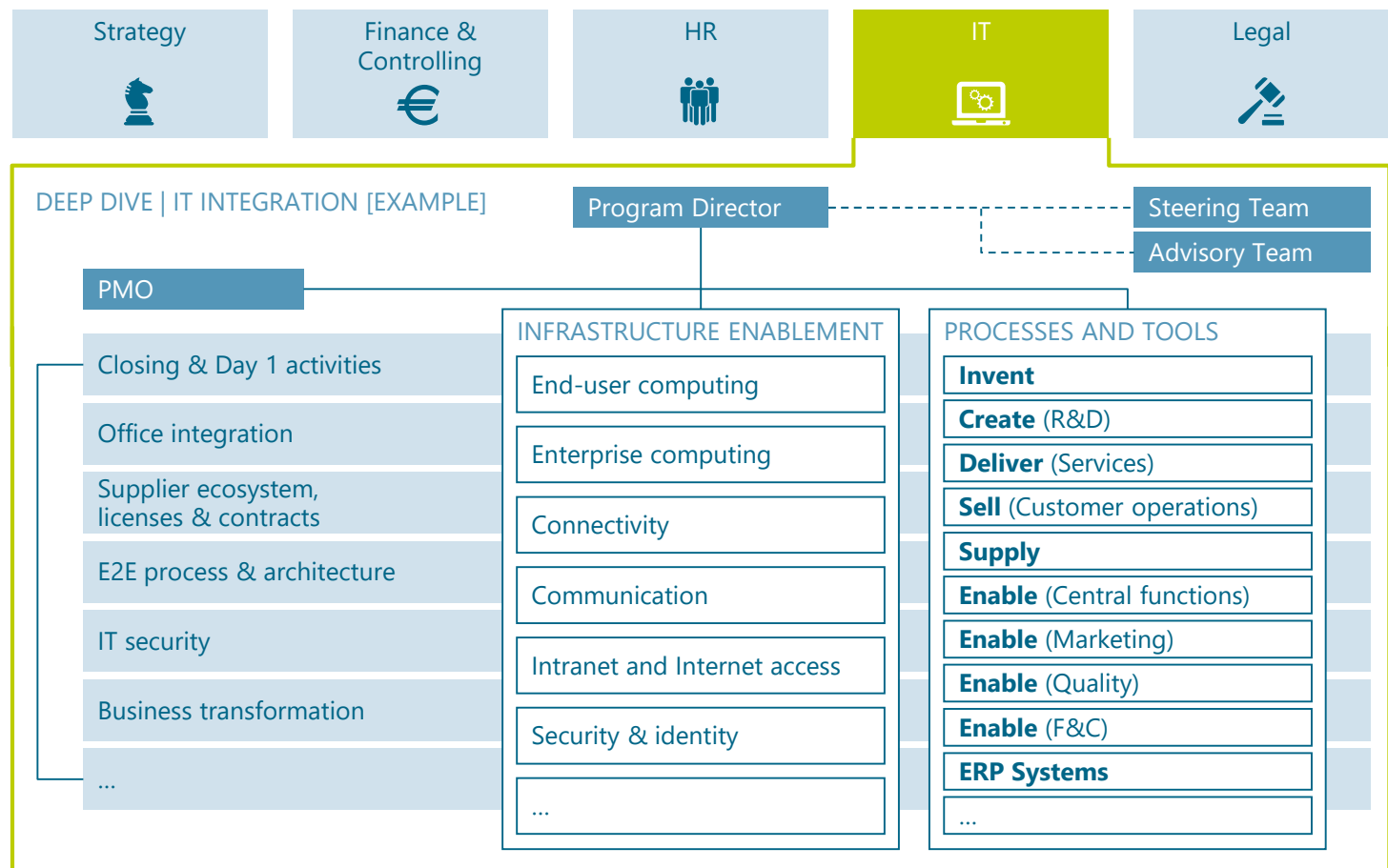
Integration enablers create the framework, basis and joint infrastructure for a successful integration.

Each integration enabler should have a dedicated project team staffed with subject matter experts.

goetzpartners recommends the following approach as best practice:

- Speed before accuracy on the detail level: Use 80:20 rule to update relevant processes and tools as quickly as possible
- Carefully approach "best of both worlds" when it comes to process structure; this is usually the most time-consuming approach to gaining efficiencies
- Define joint project plans with other building blocks to identify mutual dependencies

## FUNCTIONAL ENABLEMENT | EXAMPLE IT



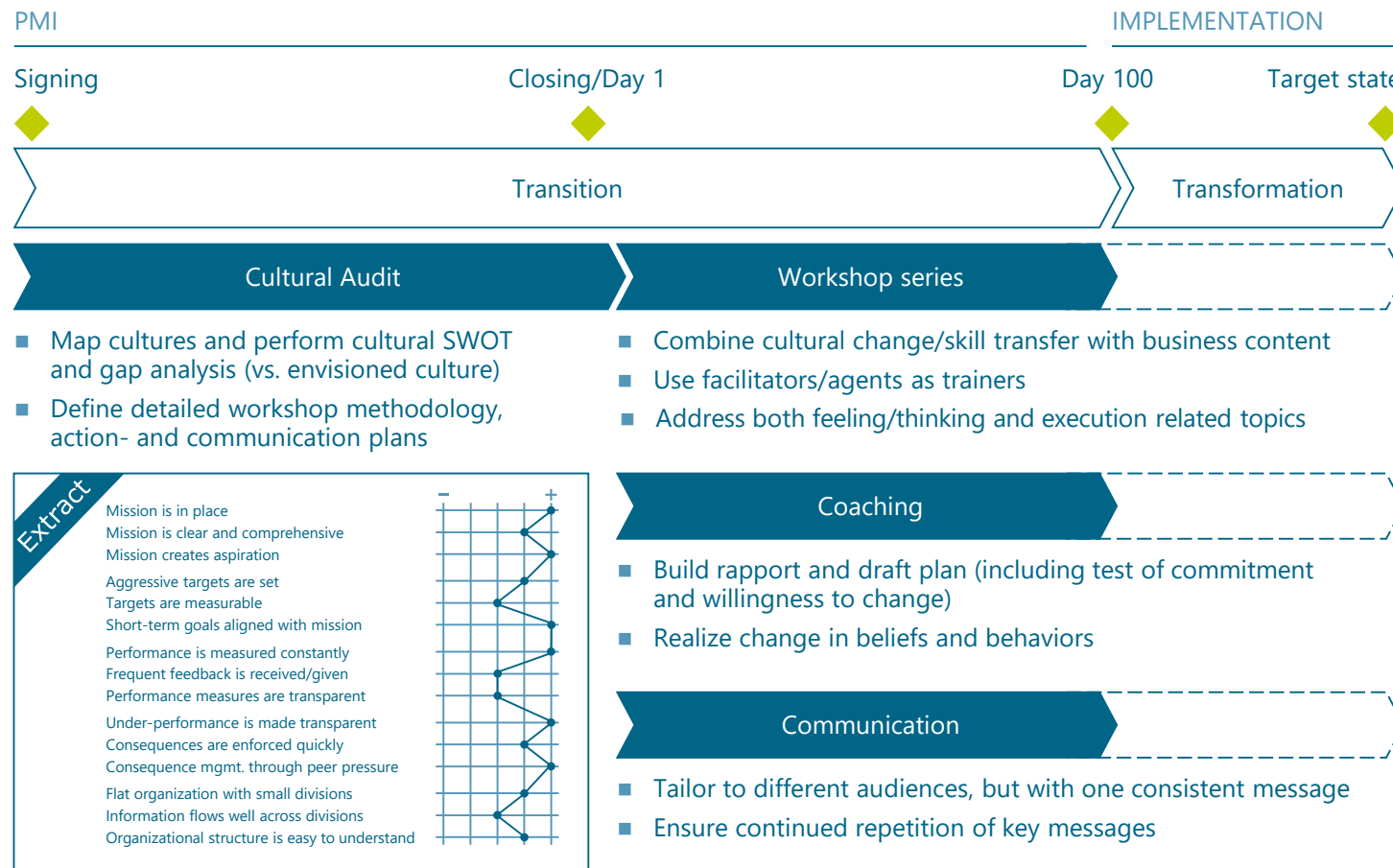
□ Workstreams   ■ Projects   ■ Program mgmt.

Source: goetzpartners

# It's all about people: Successful integrators invest in strengthening the cultural core

## Culture | 6

### KEY ELEMENTS OF GOETZPARTNERS CULTURAL INTEGRATION APPROACH



Source: goetzpartners

### AT A GLANCE

**“Culture isn’t just one aspect of the game – it is the game.”**  
(Lou Gerstner, long-time IBM CEO)

Allowing for the natural emergence of culture will not yield the required results. Integration effectiveness depends on the management of cultural differences.

**goetzpartners recommendation:**

- Be aware of cultural differences and communicate envisioned values to overcome challenges
- Evaluate the cultural impact of business decisions
- Implement the target culture by stressing new and desired attributes rather than deploring the loss of old ways of doing things

# Integration champions adhere to key principles during and after the merger

## AT A GLANCE

A structural and unified approach among the management team with clear guiding principles is key for target achievement.

### Key focus areas during the integration process

- Business continuity is number one priority
- Planning and driving synergies throughout the new organization
- Future target operating model and organizational setup
- Customer/stakeholder interaction

### Key guidelines for the integration process

- Structured and pragmatic approach
- Personnel responsibility and accountability
- Internal transparency



## Establish a **STRONG PMO**

to structure, drive and challenge integration initiatives



## Focus on **INTEGRATION SPEED**

to induce significant change in organization



## Persistently **DRIVE SYNERGIES**

and stimulate best-practice sharing to realize the full potential of the deal



## Positively **ENGAGE KEY STAKEHOLDERS**

early in the process (e.g. customers or suppliers)



## **ENABLE AND MOTIVATE** key talents

to drive the process and lead the joint organization

# We support the integration to drive and realize synergies as quickly as possible

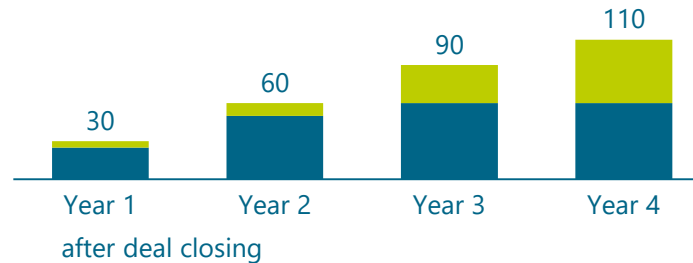
## CLIENT EXAMPLE: PMI PROJECT FOR A TECHNOLOGY CONGLOMERATE

### GOETZPARTNERS' ROLE

- Steer 15 integration streams together with the client leadership team
- Identify and validate quick wins, top-line and bottom-line synergies; track impact
- Define target setup of 20 business functions and roll out organizational set-up in five major markets

### RESULTS

#### EBIT impact of top and bottom-line synergies [mCHF]



#### Top-line levers

- > 15 synergy drivers identified to grow revenue by more than 20% within 4 years of the deal closing
- 2 portfolios combined in a new unique offering
- CHF ~50 m EBIT impact in Year 4

#### Bottom-line Levers

- >40 synergy drivers initiated to cut costs by more than 5% within 2 years of the deal closing (growth-adjusted)
- Optimization of global footprint, procurement and support functions as key driver
- CHF ~60 m EBIT impact in Year 4

## AT A GLANCE

### Initial situation

- Swiss high-tech industrial group to form a global leader by merging its largest division with a major competitor
- New division with combined annual revenues of CHF >1 bn and >100 locations world-wide

### Objective

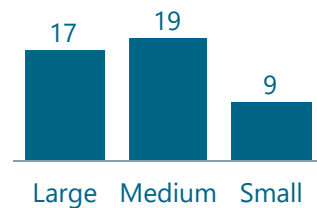
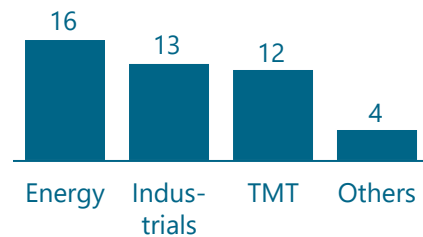
- Combine leading technologies
- Leverage complementary business models
- Increase access to end markets
- Utilize service footprint

### Results

- Synergies with EBIT impact of CHF 110 m identified

# We have a proven track record in applying our experience for our clients' success

## PROJECTS BY INDUSTRY, SIZE AND SCOPE



## PROVEN PMI EXPERTISE | SELECTED REFERENCES

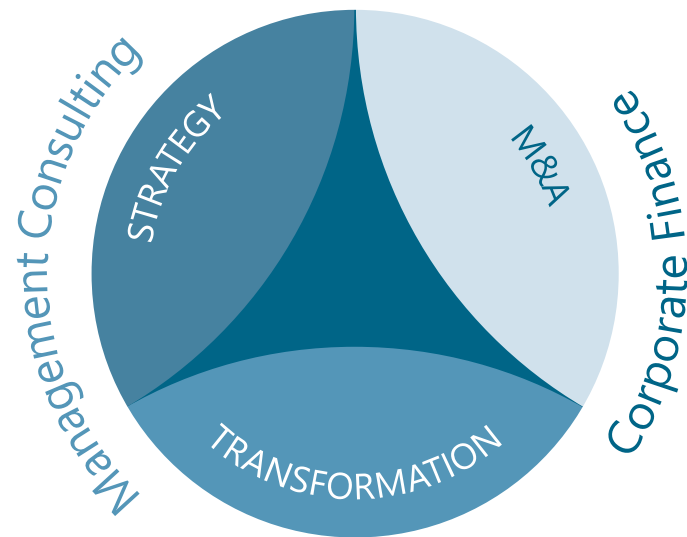
	SCOPE	KEY ACHIEVEMENTS
<b>American network developer</b>	<ul style="list-style-type: none"> <li>Plan to triplicate revenue in &lt;3 years</li> <li>Realization of cost and value synergies</li> </ul>	<ul style="list-style-type: none"> <li>Successful growth management</li> <li>US\$ &gt;15 m cost reduction (first year)</li> </ul>
<b>Global high-tech conglomerate</b>	<ul style="list-style-type: none"> <li>Integration of sales and operations</li> <li>Business model alignment</li> </ul>	<ul style="list-style-type: none"> <li>~20% revenue growth in +4 years</li> <li>€ &gt;60 m cost savings</li> </ul>
<b>Global telco provider</b>	<ul style="list-style-type: none"> <li>€ &gt;15 bn transaction value</li> <li>Definition of end-2-end portfolio scope and complementary portfolio offerings</li> </ul>	<ul style="list-style-type: none"> <li>Support realization of € &gt;900 m cost synergies</li> <li>Setup and run global PMO for overall integration activities</li> </ul>
<b>European automotive supplier</b>	<ul style="list-style-type: none"> <li>Integration of 15 factories acquired in several asset deals</li> <li>Merger to form a leading supplier in commercial vehicle segment</li> </ul>	<ul style="list-style-type: none"> <li>Performance-transparency across entire organization</li> <li>Integration &amp; communication masterplan</li> </ul>
<b>German cable network operator</b>	<ul style="list-style-type: none"> <li>Integration of two acquired competitors</li> <li>Transformation program for all central functions</li> </ul>	<ul style="list-style-type: none"> <li>~30% savings in OPEX; 20% in CAPEX</li> <li>~400 headcount reduction</li> </ul>

Source: goetzpartners

# About goetzpartners

## ADVISERS FOR STRATEGY, M&A AND TRANSFORMATION

goetzpartners is an independent advisory firm for all key issues of entrepreneurial activity: strategy, M&A and transformation. This unique approach makes clients measurably more successful. The combination of corporate finance and management consulting creates sustainable added value when determining valid courses of action, reaching decisions and implementing them. Boasting a vast wealth of business experience, goetzpartners advises clients in all key industries world-wide: Business Services, Energy, Infrastructure & Mobility, Financial Institutions, Healthcare, Industrials & Automotive, Retail & FMCG and TMT.



## CHALLENGERS WITH PERSONALITY

For the key business issues of strategy, M&A and transformation, standard solutions are rarely the right answer. On every project, goetzpartners ensures that there is always sufficient scope for proven methods to be combined with individual and client-specific approaches. Our consultants lay the foundations for excellent results by trusting their own opinions and experience and taking a strong stance on the entrepreneurial challenges to be resolved.

## NETWORKERS AT THE HIGHEST LEVEL

Our far-reaching network of contacts, grown over decades, involves top decision makers in business and politics, and produces extraordinary advisory outcomes. Our close working relationship with prominent members of society opens up wide-ranging new perspectives. goetzpartners thinks beyond borders and connects the right people with the right ideas. That way, goetzpartners creates valuable synergies for all involved.

## EXPERTS ON COURSE FOR SUCCESS

Founded in 1991 by Dr Stephan Goetz and Stefan Sanktjohanser, goetzpartners today ranks among the 10 best-performing advisory firms in Germany (Lünendonk®). goetzpartners has received awards four years in a row as part of the "Best of Consulting" contest by the renowned German magazine "WirtschaftsWoche". Internationally, the company operates in 11 countries out of 14 offices with more than 350 professionals.

### September 2018

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