

Service Snapshot: Post-Merger Integration

A successful merger is a race against time and to win requires preparation. Our thorough but rapid approach deals effectively with the hard factors as well as the more difficult soft ones.

Challenge

Unfortunately, at least half the companies entering into a merger will generate horror stories.

This is no secret and when the process is considered rationally, it is hardly surprising that so few mergers turn out they way they are meant to.

For a start, prior to the merger it is only possible to do so much due diligence, such as cash flow forecasts and balance sheet analysis. Just like an iceberg, the bits you can see appear quite harmless, but lurking below the surface is a raft of factors that will need to be addressed after the merger has taken place.

On the face of it merging with other organisations seems like a very risky business. Companies take these risks for sound commercial reasons: to buy into new technologies and markets, to reduce costs by improving the scale of their operations.

The risk element increases after the deal is concluded because it is only then that the company can start work on trying to realise the hoped for added value.

The process of merging burns a lot of emotional energy and managerial time. This results in a reduced focus on running the business on a day-to-day basis. Turf wars, negotiating and uncertainty abound.

To be one of the two mergers that create value requires a lot of preparation and a clear understanding of what hurdles need to be tackled, what must be done, how it must be done and by when.

Solution

Experience has shown us that while the acquiring company will normally have to pay a premium over market value, as long as the premium is not excessive it will be the so called soft factors which will make or break the merger. These though are the very elements that most managers shy away from as they feel more comfortable working with the rational, hard factors.

We have also seen that as a merger comes to fruition the businesses involved tend to experience a slow down. Key stakeholders are uncertain as employees speculate about their future and customers pick up on this anxiety and, in turn, themselves may well hold off some of their planned purchases. This is frequently compounded by a feeling that once the deal is done the merger work is completed and "it's back to business as usual".

At Penumbra we recognise that to be successful the hard and soft factors must both be tackled and, very importantly, quickly.

Hard factors

- Evaluate planned for synergies
- Develop cash-flow analysis and financial plan
- Design integration programme

Soft factors

- Develop communications
- Identify management compatibility

What sets us apart is our focus on Management Compatibility as it is probably the single most important

influence on merger success or failure. But extensive research into mergers indicates that while elements such as channels, technologies, distribution systems, etc. are often compatible, the way managers in different organisations operate is frequently at odds. And where merged groups operate significantly differently the results are increased cost, low staff retention, deteriorating market share and general performance decline.

Most failed mergers cite incompatibility in their management teams as being a major contributor to failure – think of DaimlerChrysler and you have a worst case scenario.

Conversely, massive benefits can be realised through positive management interaction and by teams working well together – which is why a little time spent understanding team compatibilities in merged organisations pays dividends.

Our Eclipse product suite uses a diagnostic tool that can be applied quickly and simply to 'map' organisation compatibility– providing clear, quantified comparative feedback of how and where teams will work well together, and where they won't; where value adding behaviours are being demonstrated, and where they aren't.

Benefits

- Comprehensive approach to merger integration.
- Major focus on aligning management behaviours which is key to success.

strategy people performance

Penumbra is a strategic business consultancy. We bring clarity by using research to drive understanding and direction. We deliver success by balancing experience and innovative thinking.

Whatever your aspiration, we'll provide the tools, information and analysis to turn your strategy into operational reality, in a way that motivates your people to outperform the market.

Overview

Our expertise lies in helping our clients to execute robust strategies and deliver results.

We achieve this by combining a robust management planning system with a focus on people which drives alignment and commitment

We work in partnership with talented and committed leadership teams to help organisations build corporate value with a wide range of customised, cross-functional advisory programmes and services delivered from four complementary service groups:

Strategy

(Development, formulation, implementation and alignment)

Our innovative **Penumbra Balance** approach creates dynamism, drives and sustains momentum and makes strategy real for stakeholders

Organisational Development

(Behavioural issues)

We call our holistic approach **Balanced Motivation** which encompasses activities that improve performance both for the organisation and the individual

Research and Insight

Our stimulating **Clarity** approach draws on our business consulting skills to deliver a mix of business analysis and market research which provides compelling insights for winning decisions.

Operations

The Operations group brings all of our hands-on practical experience to bear on execution and delivery of results.

Our technology enabling approach called **Totality** facilitates business focussed services and solutions, aligned to business needs, for people, processes and tools.

Why Us?

Organisations turn to us when they:

- Want to find a new strategic direction
- Have created a strategy and now need to execute it
- Need to drive more value from existing initiatives
- Have a big issue to resolve, usually dependent on lasting employee buy-in
- Need to explore new ways to drive value
- Need a breakthrough result
- Are seeking measurable results

Our Experience

We have real world experience spanning 20 years with our clients. This includes working with:

BP, Citibank, Morgan Chase, WestLB, RBS, UBS, Bankers Trust, Kleinwort Benson, Coutts, Natwest, Intel, Nokia, Adobe, Kall-Kwik, Glaxo Smith Kline, Dupont, Pfizer, Savills, British Council, Clifford Chance, British Airways, Gillette, Unilever, Shell, Volvo,

Vauxhall, British Gas, TradeStation, MWB Business Exchange, Investors in People, University of Cambridge

On projects such as:

Strategic Planning, Strategy development and implementation, Culture change, Post-Merger Integration, Vision, Purpose and Values, Current State Analysis, Organisation Re-design, Transformational Change, Client Focus Strategies, Perception Studies, Client and Staff Engagement surveys, Global Rebranding, Know your Customer, Market Forecasting, Consumer Insight, Market Segmentation, Process optimisation, Lean/Six Sigma, Project Management, ERP Systems Roll-out, Market Research, Financial Modelling, Franchise Start-up Evaluation models, Cost Benefit Analysis, Implementation Alignment, Strategic Alignment, Complex Database development, Custom Application development, Supply Chain Optimisation

Covering diverse sectors such as:

Financial Services, Pharmaceuticals, Manufacturing, Energy, Mobile Telecoms, Travel and Tourism, Aviation, Property, Hi-tech and Business Services