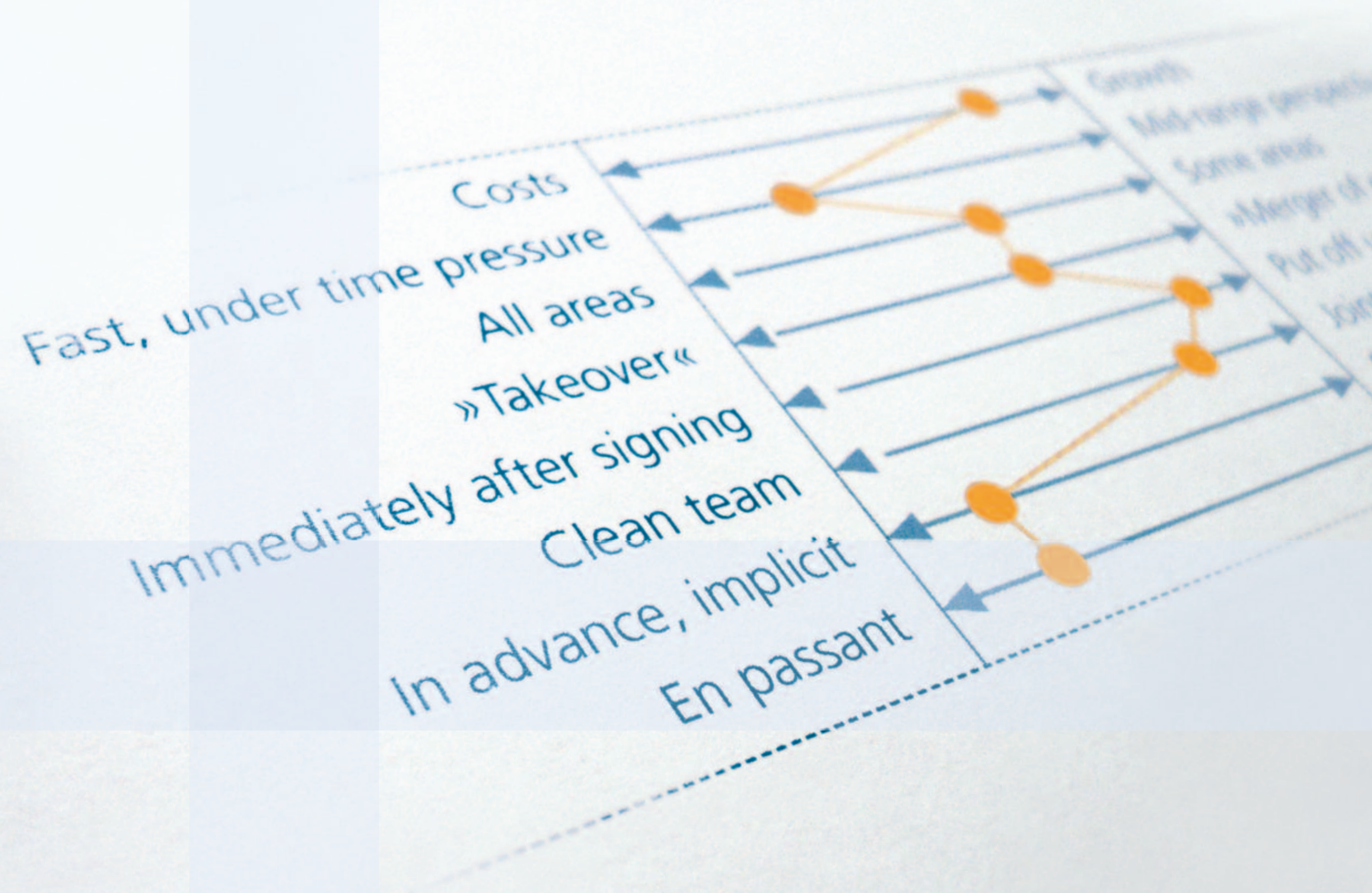
OLIVER WYMAN



Post-merger integration

A tailored approach to sustainable transaction success

MMC
MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Contents

Securing the added value of an acquisition

Name change, strategic realignment, integration of sales forces, consolidation of accounting, plant shutdowns, management audits – and every step done under tight deadlines and the watchful eye of employees, customers and the financial community. This is just a small sample of the challenges and tasks that managers must face after an acquisition. No other managerial project is as complex as a post-merger integration and poses such a high risk of error. Not even every second acquisition succeeds in generating its expected synergies and creating additional value.

Oliver Wyman has intensively examined M&A transactions with the aim of removing the complexity from post-merger integration and structuring the processes in order to provide security in a phase of extreme insecurity and to produce added value sustainably. Drawing on experience from hundreds of unique transactions, Oliver Wyman has pinpointed special patterns and success factors, mapping the »DNA« of successful mergers in the process.

The result is a solution based on a diagnostic tool that systematically addresses all factors, evaluates them and offers an optimal integration concept. Given the uniqueness of each merger, this concept must be customized. Such an approach eliminates hasty »gut decisions« after a merger. This is because it considers all company divisions affected by a transaction, sets priorities and defines the optimal schedule for the integration. The comprehensive approach taken by Oliver Wyman also sidesteps the typical mistakes made after an acquisition, including the delay of painful decisions, the neglect of critical issues and even the premature termination of the integration process.

As a result of this approach, every acquisition can succeed regardless of its aims, size or sector. It ensures that the transaction generates crucial added value.

Best regards,

Thomas Kautzsch   Henning Thormählen

The formula for success in post-merger integration

Successful post-merger integration is the key to generating sustainable added value for companies. Every merger is unique and requires a customized solution.

» Oliver Wyman's approach makes the complexity of an integration manageable and, as a result, creates security at a time of intense stress. «

Thomas Kautzsch, Partner

Every second acquisition fails

There were about 30,000 company acquisitions annually in recent years. That amounts to 80 transactions a day. The high number of acquisitions was the result of many factors. Globalization and the ensuing need to have a global presence were some of them, just as accelerated technological change and cost pressures in saturated markets were. Yet every second acquisition failed to achieve the desired results. Instead of generating synergies, the transaction drove down enterprise value. The success of an acquisition does not arise from skilled negotiations or the purchase price. The critical issue is the correct, tailored approach to post-merger integration. The reason for this is clear: Every merger is unique. The expected synergies can be generated and additional growth achieved only if two companies do indeed become one.

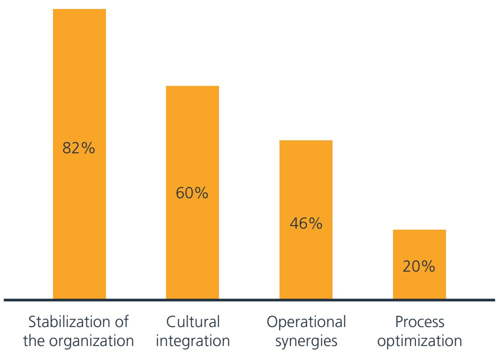
In retrospect, all parties clearly realize this. In a survey that Business Week conducted among merger-seasoned managers in the United States, nearly 40 percent blamed the PMI process for the transaction's failure. Only 27 percent faulted the price of the acquisition and only 15 percent cited the particular company that they selected. The problems with the integration process were primarily triggered by »soft« factors to which insufficient consideration had been given.

The contradiction between the high number of failed acquisitions and the understanding of the challenge posed by PMI can be resolved by examining three factors: Every acquisition is unique in terms of its goals and implementation. It is a first-time experience for most of the parties involved. And this complex process is subject to enormous stress, high expectations and intense time pressure – and the entire transaction must be carried out on top of normal business operations.

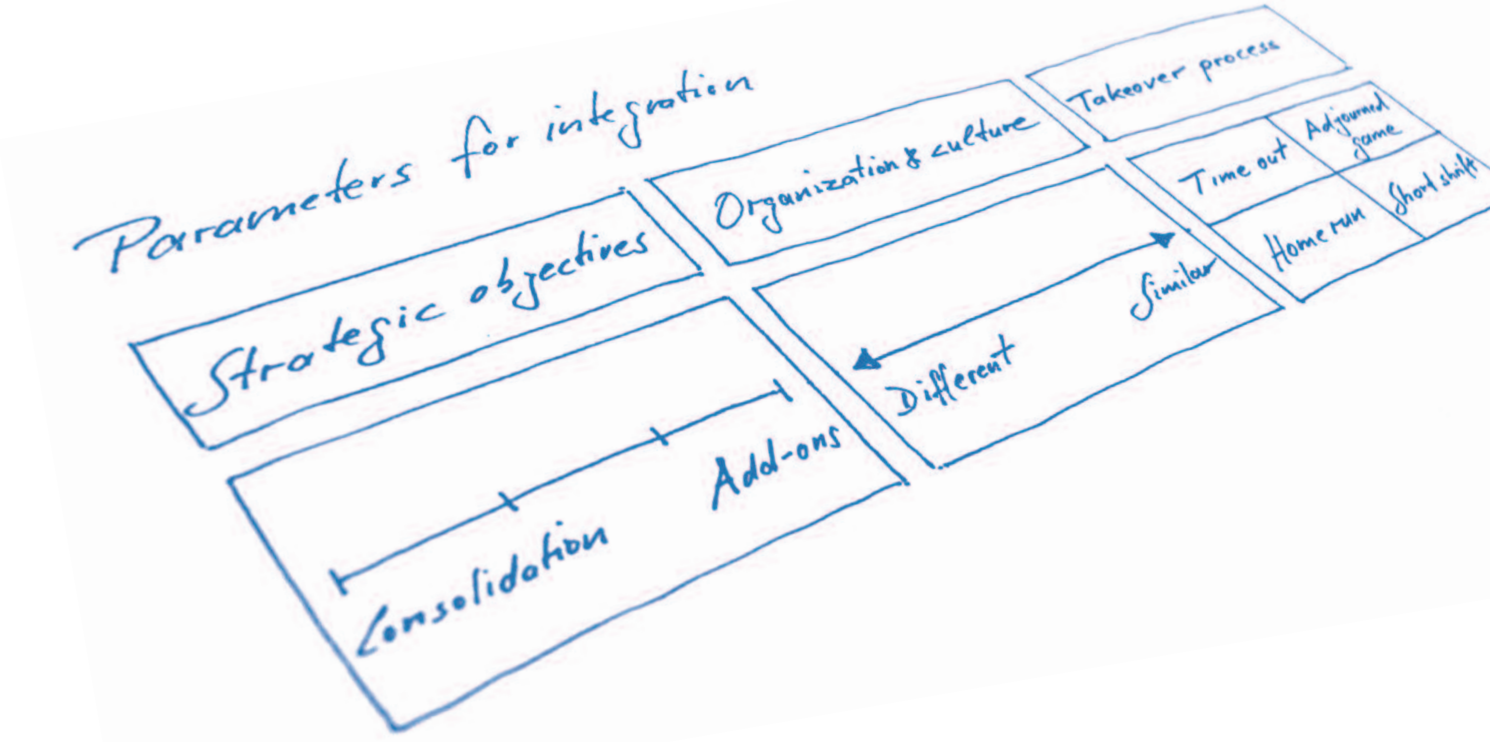
Structured analysis makes the complexity manageable

Oliver Wyman focuses on these three points with its PMI approach and its supporting diagnostic tool. Thanks to its long years of experience with M&A transactions, Oliver Wyman has been able to crack the »DNA code« of successful acquisitions and to distill this unknown into a formula: y=f (x). Here, the in-depth analysis of the parameters, the input factors x, enables the transaction-specific value of the success-defining levers (y) to be determined. This formula is the basis for a tailor-made PMI concept. The analysis of the parameters addresses three factors: the business-related logic of a merger, the organizational and cultural barriers as

The challenges of a PMI
The »soft« factors determine success



Source: Business Week survey



well as the sequence of the acquisition process. From the analysis of these parameters, Oliver Wyman draws the correct conclusions for a tailor-made PMI concept. While the consolidation of a sector generally is associated with the creation of high cost synergies and related job cuts and, as a result, requires fast decisions and »clear statements,« expansion into new business areas has a significantly lower impact on the organization and culture of the participating companies. The PMI is carried out more moderately.

Eight levers for PMI success

Based on the specific parameters, Oliver Wyman determines the explicit, critical »settings« for the integration on the basis of eight levers. A determination is made about the type of synergies to be achieved, the speed, the extent and the spirit of the integration, the starting point of the integration work, the composition of the integration team, the approach to making fundamental decisions as well as the degree of communication and change management. The individual settings form the boundaries of the PMI process and define the focal points of a successful integration. The structured approach prevents important parameters from being overlooked or being incorrectly calibrated as part of an effort that may have had the best intentions but results in fatal consequences. A good example is the decision concerning the spirit of the integration. Companies frequently call an acquisition a »merger of equals« simply because it is presumably easier to communicate. This arouses expectations among employees, customers and suppliers in terms of equal treatment and continuation of past forms of activities. In many cases, however, the new company is forced to quickly find pragmatic solutions instead of conducting drawn-out discussions on ways to preserve the best of both companies. Frequently, the buyer also has certain business guidelines that he does not want to abandon. In such instances, the expectations raised at the acquired company can be crushed, and employees and executives can become agitated. The result is often inner and actual resignations as well as a paralyzed integration process.

Boosting enterprise value

Oliver Wyman addresses all relevant aspects of successful post-merger integration, systematically determines the fundamental decisions for success and defines a tailor-made integration concept – because every merger is unique. This makes the complexity of a post-merger integration manageable. From the start of the integration process, it prevents wrong decisions and omissions that cannot be reversed or can be corrected only at a high effort. As a result, this approach lays the foundation for successfully creating synergies and generating sustainable additional value.

Structured analysis of the parameters

What has to be integrated in what way? What are the risks? How is the integration process to be carried out? Oliver Wyman provides answers to these success-defining questions through its systematic analysis of the parameters. Experience shows that the direction for success is set at an early stage.

» If you fail to systematically analyze the parameters, you will overlook opportunities and risks. Omissions frequently cannot be corrected later. «

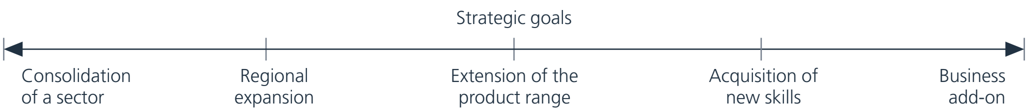
Henning Thormählen, Associate Partner

Oliver Wyman launches the PMI process even while due diligence is being conducted by analyzing the critical parameters of a deal: the business-related logic, the organizational and cultural barriers as well as the sequence of the acquisition process. This work ensures that all parties involved in the transaction understand the challenges and limiting factors, and make the best possible decisions.

»A new dawn« or »redistribution of the existing?«

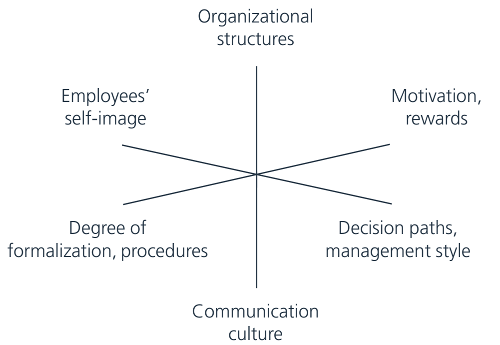
In terms of the business-related logic that underlies a deal, Oliver Wyman distinguishes among five strategic objectives. The various impacts on the PMI can be illustrated most clearly by both extreme forms: the consolidation of a sector and the entry into new business fields. In saturated markets, companies with similar business activities merge in order to generate economies of scale and to expand their market position. The objective of such mergers is to produce cost synergies in all company divisions. This endeavor usually means job cuts, unsettles the affected people from the very start, and triggers protests among employees and unions. For this reason, a successful integration must be carried out quickly and completely. In a time of major uncertainty, fast decisions must be made and responsibilities assigned at the very start. This is the only way to avoid paralysis and effectively generate the synergies. The approach is completely different during an expansion to new business fields. The goal here is to unlock additional sales and earnings potential. The company's organization remains basically intact. The focus of a successful PMI lies in adapting fundamental corporate governance functions and in developing optimal conditions for long-term sales and earnings growth.

Business logic



»Soul mates« or »from different planets?«
A merger can be smoothly carried out only after one grasps the written and unwritten rules that govern a company. For this reason, Oliver Wyman also analyzes the »soft«, behavior-shaping factors and searches for answers to such questions as: In which organizational structures and processes do executives and employees act? What is the leadership culture like? How are decisions made? What type of incentive systems impact employees' work? The diagnosis tool structurally examines the elusive and creates a secure base for upcoming decisions.

Organization and culture



The typical example of a takeover of a mid-sized company by a major corporation illustrates the importance of organizational and cultural barriers. Generally, mid-sized companies bear the mark of an entrepreneur. The owner serves as a company's information-providing and decision-making center, and there is no need for any type of formal structure. On the contrary: In the operational business, regional or divisional managers are given ad-hoc instructions. When such an organization encounters the formalized processes of a corporation, conflicts and frustration are pre-programmed, unless the PMI solution precisely addresses these points, builds bridges for the employees of the mid-sized company that enable them to make the transition to the new business culture and prevents typical corporate actions that would cause paralysis.

»Condemned to wait« or »invited to act?«
In an ideal world, every merger would be a »home run.« Negotiations would be conducted quickly. Both management teams would work together. And neither antitrust officials nor critical investors would slow the final closing. Every PMI process would quickly and smoothly start before the closing. Fundamental decisions would be made very early and unanimously. The integration planning could be done promptly in joint teams, with full insight into the other company's information. But, frequently, months pass between the takeover offer, the signing and the closing – as a result of antitrust reviews or, in many cases, of the doubtful or even hostile attitude of management. It is just such instances that the PMI process must address from the very start. The time must be used optimally until closing. Even if the other side refuses to cooperate or if an exchange of information is not yet possible, the acquiring company can approve a package of measures designed to prepare for Day Zero. From the start, Oliver Wyman considers potential barriers to the acquisition process, systematically explores options for action, and identifies the correct programs and decisions that will result in a successful integration.

Takeover process

Types	Home run	Timeout	Adjourned game	Short shrift
Characteristics	-Integration process begins immediately -Open exchange of information from the start - Initial decisions can be made before the closing	-Joint integration planning -Initial team building -Preparation of guidelines, decisions only after the closing	-One-sided integration planning -Clear directions for Day Zero and the integration -Stabilization of business is the top priority	-Integration process must start at once -Dynamic and strong leadership by the acquiring company
Attitude of management	Open, friendly		Defensive, destructive	
Sequence of transaction	Closing immediately follows the signing	Break between signing and closing		Closing immediately follows the signing

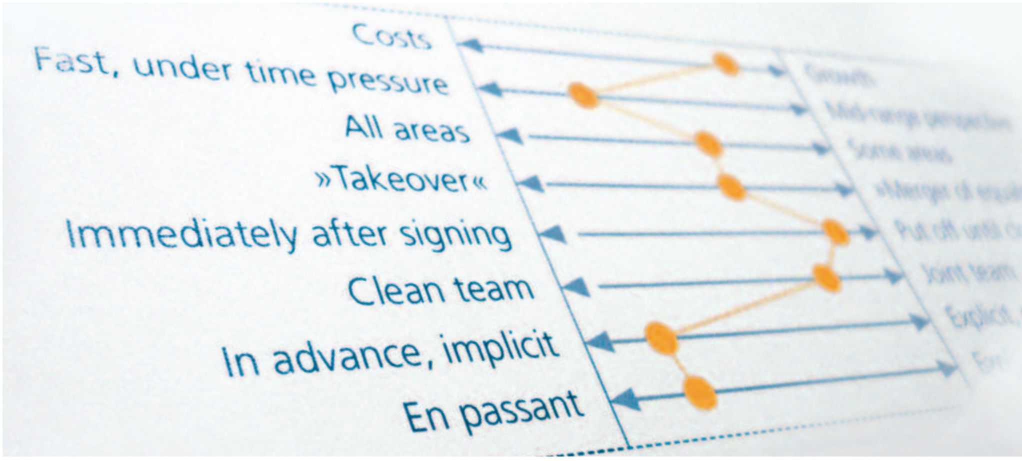
The success guarantees
of post-merger integration:

Eight conscious decisions

Oliver Wyman has identified eight fundamental decisions that must be explicitly made before the start of the integration in order to ensure a tailor-made, successful PMI process.

» Oliver Wyman devises a tailored solution. Using eight levers, the PMI process and the integration concept drawn from it are brought to a successful conclusion.«

Eric J. Vratimos, Partner



Drawing on its long years of experience with M&A transactions, Oliver Wyman has pinpointed the most important decisions that must be made after the analysis of the parameters and before the integration. They can be condensed into eight levers. As a result of the correct positioning of these levers, the fundamental factors of the PMI process can be set. Oliver Wyman develops the tailored solution from them. Here, the levers are described in their most extreme form, even though the pure extremes are rarely seen in practice. The integration concept derived from them can succeed because it sets the correct course through conscious decisions.

1 Type of synergies

Restructuring or growth?

At the start of integration planning, clarity about the type of synergies to be generated must be created. In the case of cost synergies, all divisions of both companies are to be subjected to a rigorous review of potential cost savings. From the very start, it must be clearly communicated that unpleasant decisions must be made and layoffs carried out. At the end of the day, such an integration effort does not differ substantially from a cost-cutting, restructuring or turnaround program. A completely different approach is needed to exploit growth potential. In such instances, the integration is more like a strategy or growth project. The nature of the integration is »forward-looking« – the focus is placed on understanding customer needs, evaluating market opportunities and generating new business ideas in a creative process.

Cost synergies ◄——●——► Growth synergies

Oliver Wyman ensures that that the basic question involving the type of synergies is consciously defined at the very beginning and rigorously converted into corresponding actions.

2 Speed

Lightning fast or slow and steady?

Most managers would spontaneously say that every post-merger integration should be carried out as rapidly as possible so that the focus can be completely shifted back to the operational business. Quick integration certainly has its benefits and is the approach that the financial community expects to see. But it is also clear that such speed results in decisions being made with increased uncertainty and that no fine tuning can be done under intense time pressure. But there is hardly any other alternative during hostile takeovers or in mergers that will result in extensive layoffs. In other instances – during a friendly takeover or an expansion into new business fields – a slower pace can significantly raise the chances for success. And the reason is clear: This approach reduces miscalculation risk and eliminates opposition from those affected.

Fast, under time pressure ←—●—→ Mid-range perspective

The approach employed by Oliver Wyman determines at an early stage how much time a company wants to or can devote to post-merger integration. With this information in hand, a realistic schedule for the process can be put together. This is the only way to ensure reasonable expectation management and to prevent a company from unnecessarily being put under time pressure and from having to apologize both internally and externally for delays.

3 Extent of integration

Everything or just parts?

The rule of thumb is: The more intense the focus on cost synergies, the more extensive the PMI process. In such cases, the process encompasses all functions and all regions. An enormous workload is added to everyday business activities. The organization becomes wrapped up in its own concerns and runs the risk of losing sight of the customer. In such instances, massive amounts of additional resources must be committed to the integration in order to identify »hot spots« of the integration at an early stage and to set clear priorities. Less effort is required for a partial integration, which is typical of takeovers in which new products are to be acquired or new customer segments added. In such instances, the only steps that need to be taken frequently are the consolidation of sales or a realignment of finance and HR processes. However, many companies choose to carry out a partial integration instead of the complete one that is needed because it appears to be simpler and less controversial. Painful decisions can be skirted by ignoring areas of conflict. This is a major mistake because the organizations simply exist side by side and wear down each other by maintaining the status quo. Synergies are not achieved. The »marriage made in heaven« quickly falls apart and destroys enormous amounts of value.

All areas ←—●—→ No or partial integration

At an early stage, Oliver Wyman makes a determination about the extent of necessary integration and identifies areas of conflict from the very start. With this knowledge in hand, a company can succeed in balancing its daily business activities and the PMI even in the context of a rapid, complete integration.

4 Integration spirit

Takeover or merger of equals?

A merger of equals sounds great, but is fraught with dangers – because this term awakens high expectations among the parties involved: that current practices will remain largely intact and that the affected parties will be heard when the pros and cons of decisions are debated. In the end, though, companies generally must quickly decide on a solution and rarely can afford the luxury of distilling a new solution from the best of both worlds. The expectations awakened in the past will not be so easily forgotten. The results are disappointment, frustration and mental resignation. Still, the communication during today's mergers frequently focuses on bonding the best of companies. Oliver Wyman's experience has shown that the fundamental reason for this is that it makes communication with all participating parties much easier over the short term. In other words: The actual cause is fear of conflict. Yet such decisions exact their price over time. The unresolved conflicts continue to simmer and deepen as a result of the raised expectations. In contrast to this approach, a declaration in support of a takeover is a clear statement, but places high demands on conduct. The company being acquired watches the acquiring company with mistrust and fears the worst. As a result of misunderstood strengths, the acquiring company frequently acts like the »lord of the manor« and forces the employees of the company being taken over to go into inner exile or to resign.

Takeover — Merger of equals

The PMI approach taken by Oliver Wyman defines the proper »integration spirit« and the suitable communication strategy at an early stage. »Sensors« are built into the integration process to identify issues and to take necessary countermeasures at an early point.

5 Start of integration

Immediate or deferred?

Ideally, no antitrust review is needed, both management teams work constructively together, and the companies can start the integration process immediately after the agreement is reached. In this case, the parties must quickly get down to defining focal points, creating teams and starting work. One benefit is that the participants openly share information, and purposely address employees, customers and suppliers in order to eliminate concerns. In the real world, though, some time frequently passes between the takeover offer and the closing because, for instance, approval by antitrust officials is needed or the management of the company being acquired creates a roadblock. This period of waiting can and must be used to think ahead about the integration, to prepare the day of the closing and to formulate a detailed plan. During this period of forced waiting, employees, suppliers and, above all, customers can become unsettled, a situation that competitors frequently exploit. Intense communications are extremely important during this stage in order to bring stability to the situation and to positively influence it. Depending on the potential threat, customer-loyalty programs must be created and high-performing employees retained at the company through the use of suitable incentives.

Immediately after signing — Deferred until closing

Oliver Wyman ensures that the start of the integration is used optimally by employing farsighted planning, open communication and the consideration of risks.

6 Integration team

Clean or joint?

When antitrust officials take months to review a deal, the acquiring company can only work with »clean teams.« Such teams lay the groundwork for integration in cooperation with a third party. Because the exchange of information is subject to strict rules, the limitations of such clean teams must be understood from the start. If they are not understood, a high amount of »busy work« may be done. Frequently, a distorted or wrong picture is created, which, in the worst case, can form the basis for wrong decisions that may be difficult to correct or cannot be corrected at all. When the external parameters of the merger permit, it is much more beneficial to wait and begin the work with joint project teams. These teams' success is linked to adherence of certain basic rules. In addition to the right composition and the provision of the necessary capacity, these rules include involvement in the management organization, integration into the previously separated companies and the fastest possible transfer of the project work into the areas of responsibility of future managers.

Clean team — Joint team

The PMI approach of Oliver Wyman structures the things that seem obvious and provides for the correct project organization, the appropriate project members and suitable timing.

7 Basis for decisions

Informally in advance or explicitly after the fact?

The more dissimilar the cultures of both companies and the stronger the resistance of management to the takeover, the greater the need for definitive decisions, including detailed instructions from the acquiring company. Decisions must be prepared in detail and be made at or shortly after the start of the integration with various stakeholders explicitly being included in the process. In the context of a friendly takeover of a company with a similar way of thinking, this can be done during a preliminary stage. Here, decisions are frequently made about the new organization, future business policies and even personnel during informal meetings, often scribbled down on the famous »napkin.« In this case there is no need for extensive analysis and opinion-shaping processes.

In advance, implicit ← → Explicit, extensive

Oliver Wyman analyzes the situation, and defines the right mix of formal and informal approaches. In controversial takeovers, it is important to make conscious decisions at the right places about whether to rule out discussion and make a direction-setting decision, or whether a joint search for a solution will be undertaken.

8 Change management

Implicit or explicit?

During the takeover, statements are made to stress the importance of intense change management to the ultimate success of the transaction. After the initial euphoria expressed as part of sweeping communication activities fades, the change-management program frequently boils down to a few workshops and a sporadically updated intranet. This is not the result of evil intention, but of the complexity of a PMI process. The merger of two companies with similar backgrounds requires fewer explicit actions than one involving companies with dissimilar backgrounds. The key is for the appropriate employees to meet at an early stage and to share their experiences. In other cases, change management is the critical factor leading to the long-range success of a merger. Workshops, get-togethers, town-hall meetings, outdoor training sessions and many other measures must be employed over a longer period of time in order to form one company out of two. In this case, a rapid change process should not be expected.

En passant ← → Explicit, comprehensive

Oliver Wyman determines how much change management is required, defines the best form and provides tools to review the program.

Post-merger integration: Everything considered?

The PMI approach ensures that all fundamental decisions that determine the success of an integration are made in a timely manner and under consideration of all relevant factors. On the basis of decisions about the eight levers, Oliver Wyman works with its clients to create a tailor-made integration concept and to put it into action.

Synergies	Costs	Growth
Speed	Fast, under time pressure	Mid-range perspective
Extent	All areas	No or partial integration
Integration spirit	»Takeover«	»Merger of equals«
Integration start	Immediately after signing	Deferred until closing
Team structure	Clean team	Joint team
Fundamental decisions	In advance, implicit	Explicit, extensive
Change management	En passant	Explicit, comprehensive

Creating value in any case

The approach applied by Oliver Wyman facilitates successful post-merger integration in all sectors and under diverse conditions. A tailor-made integration concept makes for a sustained increase in enterprise value. This is reflected in two case studies involving plant construction and medical technology.

Consolidation in plant construction

Same objectives, different cultures
With the takeover of a French competitor, a German plant construction company sought to expand its leading market position and to fill out its product portfolio. The potential synergies in production, procurement, sales and administration were obvious. The prospect of merging with an economically healthy company with a similar background proved to be convincing arguments for the French management. These executives welcomed the takeover, and antitrust officials raised no objections. At first glance, the companies' cultures appeared to have few differences: Both were led by engineers, were technology driven and were successful players in the world market. But the PMI review conducted by Oliver Wyman uncovered significant organizational and cultural barriers resulting from the fact that a centrally managed company was merging with a regionally operated business with powerful heads of particular territories.

A quick, complete acquisition
The creation of one company from two so diverse organizations requires fast action. A joint team intensively began laying the groundwork for »closing readiness.« From the very start, the focus of communications was on a »fair takeover.« The acquiring company presented two non-negotiable points on the day of the closing, or Day 0: the principle of a global business and an organization based on business areas. As a result, the days of the autonomous regional bosses were largely over. In anticipation of opposition to the plan, the acquiring company launched an intensive communication campaign at all levels of the company. Shortly after the closing, the first worldwide integration conference was held. Its purpose was to gain the support of executives for the integration. Employees attended local »town hall meetings« where they could make up their own minds about the plan. In addition, »PMI ambassadors« went to work at all locations in an effort to drum up support for the new company. As a result of the numerous integration projects conducted around the world and the large cultural differences, a strong program management office was set up. It coached the integration teams, monitored implementation and served as the heart of the entire PMI process.

Surge in growth with lower costs
By eliminating organizational and cultural barriers, a joint culture with a uniform organization based on business areas was created much faster than anticipated. Within four weeks, decisions about the management organization and personnel had been made, enabling the focus to be placed on functional consolidation and the actual integration to be quickly handed over to the new line organization. Oliver Wyman made a significant contribution to the timely determination of the acquisition's spirit, defined the suitable approaches to solving the cultural and organizational challenges, and, as a result, removed »roadblocks.«

Expansion in medical technology

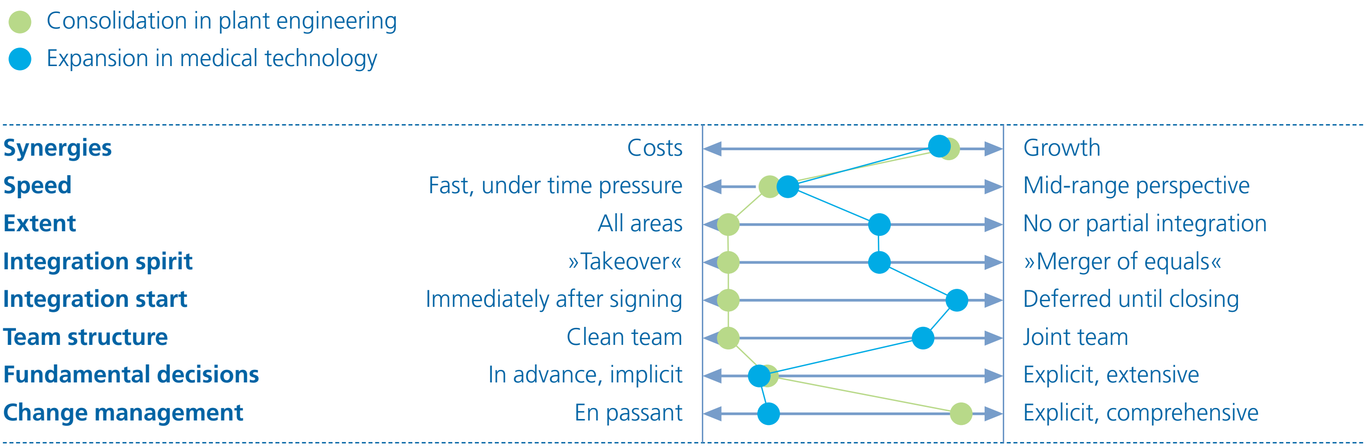
Delayed launch complicates integration
By acquiring a small listed competitor, a European medical technology company was able to move into a high-margin business field. Although the management of the company being acquired supported the transaction, six months passed between the signing and execution of the takeover. During this period, no active preparations for the integration were undertaken, and the competition lured away the first customers.

At the start of the work, Oliver Wyman talked to the company about the importance of customer loyalty. The diagnosis tool showed that the lever of growth synergies was closely linked to rapid integration of sales as well as the elimination of cultural differences. While the mid-sized company bore the stamp of an entrepreneurial personality, the acquiring company was organized according to the formal structures used in a group.

Focus on sales and marketing
The central focus of the PMI process involved the consolidation of the European sales organizations. The acquiring company was represented by subsidiaries in most countries. The mid-sized company, on the other hand, had a network of strong sales partners. The transfer of customers into the new organization as well as the retention of decision makers in the company being acquired through the use of a local incentive program yielded the most growth synergies. In an additional step, the products of the mid-sized company were introduced into growth markets outside Europe. The expansion into new markets, the integration into a strong direct-sales system, financial incentives and intensive communications convinced the employees of the mid-sized company. Just 10 weeks after the closing, they were acquainted with the respective country-specific PMI roadmap. The acquiring company carefully carried out the implementation in individual countries to avoid annoying customers and top employees. The positive attitude of sales representatives as well as the early dialogue about the benefits of the transaction proved to be successful. The number of resignations remained low.

Expansion into new markets
Despite the delayed start and the loss of some customers, the company succeeded in generating the expected growth synergies: Within three years, it boosted sales by 30 percent and improved its margins at the same time. Outside Europe in particular, the provider profited from its expanded range of products sold under a single brand. As a result of the work done by Oliver Wyman, the significance of sales integration was recognized and the necessary recommendations were defined even before the closing.

Project case studies of successful post-merger integration



Achieving long-term success in three steps

How can two companies be formed into one powerful organization with a shared mission amid intense time pressures, high expectations and the demands of the daily business world? Oliver Wyman creates an individual concept for each acquisition.

» The planning of the integration must be started as early as possible. The approach employed by Oliver Wyman ensures that the right priorities are set during every phase.«

On the basis of the analysis of parameters and the early decision about the eight levers, Oliver Wyman defines the individual and optimal integration concept.

1. The best possible preparation
Companies should start planning the post-merger integration as early and as thoroughly as possible, preferably before the closing, in order to be prepared to meet the challenges. Day 0 must be intensely prepared through the use of extensive readiness checklists. Other focal points include the strategic direction of the new company, the defining of objectives and decisions about managerial positions. Drawing on this basis of information, project teams can work out the integration concepts. They identify, prioritize and plan the necessary projects, including estimations about expected synergies that are discussed with the original planning of the M&A team. In this phase, identifying quick wins (e.g. volume bundling in procurement) plays a major role because they underscore the logic of the merger at an early stage and to all involved. In addition to these integration-related topics, the communication roadmap must be charted. It shows who will be informed at which time about which issues. Depending on the results of the cultural assessment the extent of change management and the necessary measures have to be defined. If high-performing employees are expected to resign, suitable retention programs should be created. Even though much information is lacking in this phase and an extensive amount of uncertainty exists, the diagnostic tool of Oliver Wyman enables a tailor-made integration plan to be systematically developed.

2. Operationalize the plans
Once the sales contract is concluded, the »hot phase« begins. Both companies can exchange all relevant information and, as a result of preliminary work, quickly make individual integration concepts ready for implementation. The expected synergies are broken down by region and department. A project-management office coordinates all activities, but increasingly integrates the line organization. Concerns among employees are to be quickly dispelled through the use of clear communications. As a result of the complexity of the first weeks and the intense external pressure, companies are tempted in this phase to put off, water down or simply ignore inevitable decisions. Oliver Wyman ensures that the fundamental decisions are made in a timely manner and that the progress achieved in the integration process is constantly monitored and documented.

3. Rigorous implementation
The appeal of the new fades after a few months. This is the exact point that determines whether a merger will generate sustainable added value. Now, the line organizations are introducing the integration function by function and country by country. In the process, they grow into a single unit. In this phase, every employee feels the effects of the changes. Frequently, the management has already mentally closed its book on the merger. The work by Oliver Wyman facilitates strict monitoring of progress and helps to ensure that the integration is not forgotten and that the goals are reached in the long term.

What are the pre-conditions of your next merger?

A merger adds many questions to the agenda. These include business logic, the merger processes themselves, organizational and cultural barriers, cost or growth synergies, merger of equals or takeover, as well as implicit and explicit change management. In a timely manner, the parameters and their impact on the eight levers are analyzed. From this analysis, Oliver Wyman derives the integration concept for a PMI project, which, on its own terms, is unique and complex.

Use this form to evaluate your PMI situation. We will be glad to talk to you about your considerations, and jointly define the parameters and success factors. Working with you, we will draw on our project experience to develop an initial tailored integration concept.

If you are interested in a non-binding workshop, we will be happy to assist you.

My PMI situation:

Synergies	Costs	←→	Growth
Speed	Fast, under time pressure	←→	Mid-range perspective
Extent	All areas	←→	No or partial integration
Integration spirit	»Takeover«	←→	»Merger of equals«
Integration start	Immediately after signing	←→	Deferred until closing
Team structure	Clean team	←→	Joint team
Fundamental decisions	In advance, implicit	←→	Explicit, extensive
Change management	En passant	←→	Explicit, comprehensive

With more than 2,900 professionals in over 40 cities around the globe, Oliver Wyman is an international management consulting firm that combines deep industry knowledge with specialized expertise in strategy, operations, risk management, organizational transformation, and leadership development. The firm helps clients optimize their businesses, improve their operations and risk profile, and accelerate their organizational performance to seize the most attractive opportunities. Oliver Wyman is part of Marsh & McLennan Companies [NYSE: MMC].

For more information, please visit:
www.oliverwyman.com

The PMI team has an interdepartmental function within the Oliver Wyman sector units. Our experts always work closely with sector specialists to find fast, market-ready solutions.

Contact

Munich
Thomas Kautzsch
thomas.kautzsch@oliverwyman.com
+49 89 939 49 460

Henning Thormählen
henning.thormaehlen@oliverwyman.com
+49 89 939 49 423

Oliver Wyman
Marstallstr. 11
80539 Munich
Germany

Chicago
Eric J. Vratimos
eric.vratimos@oliverwyman.com
+1 312 902 7972

Atlanta ▪ Barcelona ▪ Beijing ▪ Boston ▪ Calgary ▪ Chicago ▪ Cleveland ▪ Columbus ▪ Dallas ▪ Detroit ▪ Dubai ▪ Dusseldorf ▪ Frankfurt Hamburg ▪ Hong Kong ▪ Houston ▪ Istanbul ▪ Leatherhead ▪ Lisbon ▪ London ▪ Madrid ▪ Melville ▪ Mexico City ▪ Milan ▪ Milwaukee Montréal ▪ Munich ▪ New Delhi ▪ New York ▪ Paris ▪ Philadelphia ▪ Pittsburgh ▪ Portland ▪ Princeton ▪ San Francisco ▪ São Paulo ▪ Seoul Shanghai ▪ Singapore ▪ Stockholm ▪ Sydney ▪ Toronto ▪ Washington, D.C. ▪ Zurich

E 000 / 01/09