

Post-Merger Integration

Roch Tay, Senior M&A Consultant, ASEAN



M&A process overview

The “M&A Rings” Analogy

Typical M&A process



Relating the M&A process to our life...



Engagement
“Ring”



Wedding
“Ring”

INTEGRATION



Suffer”Ring”



Endu”Ring”



Bo”Ring”

Key integration activities



Mercer's point of view...

1

Level of integration depends on your DEAL RATIONALE

- Determines your overall integration strategy and planning
- Optimizes your limited resources to focus only on critical activities

2

Cultural differences can derail your integration process

- Failure to recognize cultural differences leads to inaction
- Deal success may be compromised, resulting in loss in deal value

3

Employee engagement and communication is critical

- Disengaged employees = low productivity
 - High turnover and loss of critical talents impact business performance
-

Mercer's point of view...

1

Level of integration depends on your DEAL RATIONALE

- Determines your overall integration strategy and planning
- Optimizes your limited resources to focus only on critical activities

2

Cultural differences can derail your integration process

- Failure to recognize cultural differences leads to inaction
- Deal success may be compromised leading to loss in deal value

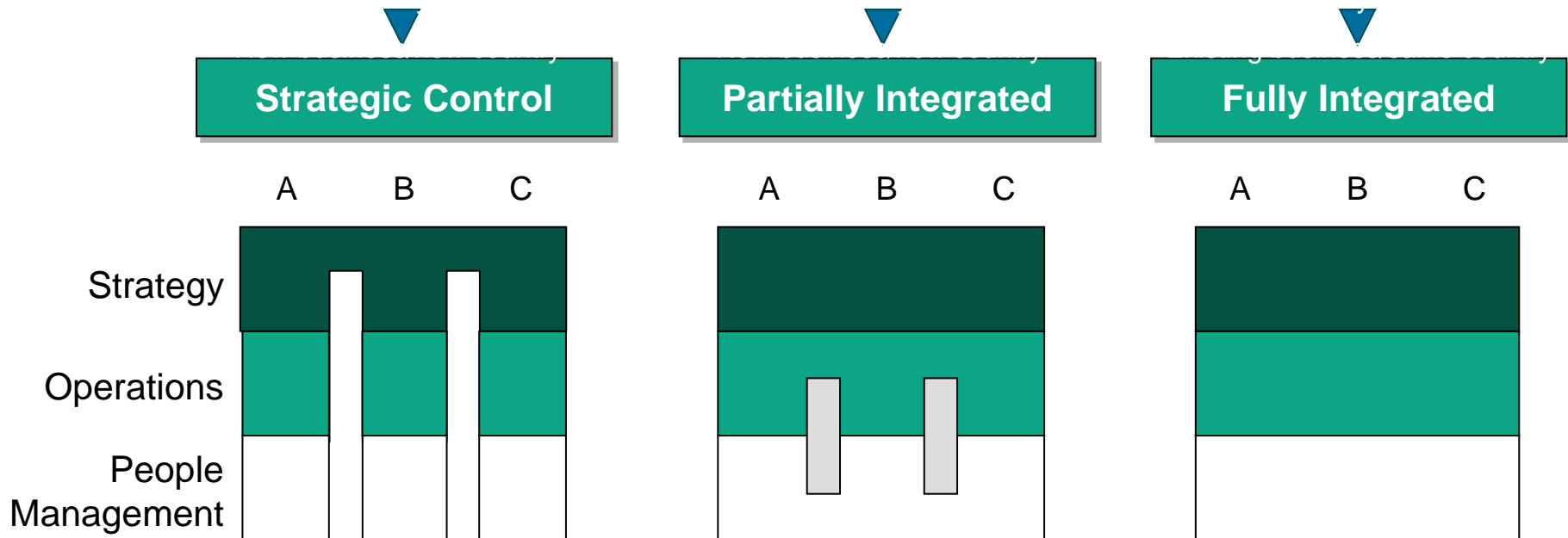
3

Employee engagement and communication is critical

- Disengaged employees = low productivity
 - High turnover and loss of critical talents impact business performance
-

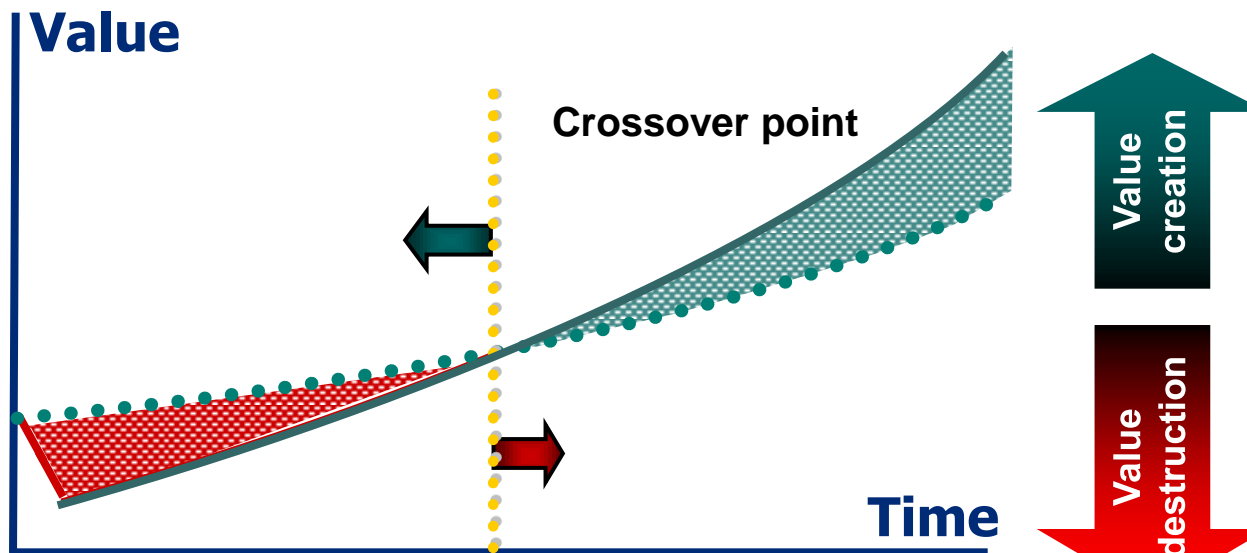
Types of Integration Models

CONCEPTUAL



Integration strategy and mechanisms based on business context and structures (corporate objectives, shareholding structure, type of business, etc.)

Focus on critical activities to ensure value is preserved and further enhanced



••••• = Current value

———— = Post-event value

Value creation
Drivers include: <ul style="list-style-type: none"> • Employee/customer experience • Sales forces alignment • Talent assessment/retention • Strong leadership • Thorough due diligence • Smooth integration aligned with M&A objectives • Effective project management
Value destruction
Drivers include: <ul style="list-style-type: none"> • Employee/customer disenfranchisement • Renegade/cannibalistic sales forces • Talent exodus • Leadership void • Lack of thorough due diligence • Undiscovered liabilities/risks • Integration as an afterthought

Mercer's point of view...

1

Level of integration depends on your DEAL RATIONALE

- Determines your overall integration strategy and planning
- Optimizes your limited resources to focus only on critical activities

2

Cultural differences can derail your integration process

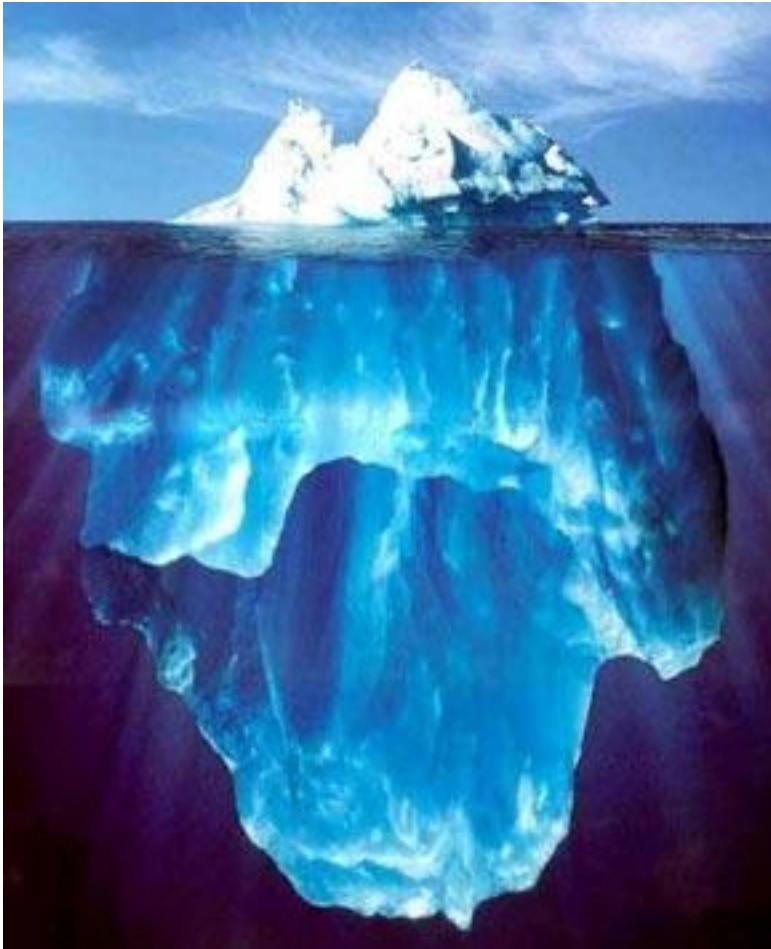
- Failure to recognize cultural differences leads to inaction
- Deal success may be compromised leading to loss in deal value

3

Employee engagement and communication is critical

- Disengaged employees = low productivity
 - High turnover and loss of critical talents impact business performance
-

What is organization culture?



Organization culture...

“...is the values, beliefs, and ways of doing things at an organization.”

Where does organizational culture come from?

National Culture



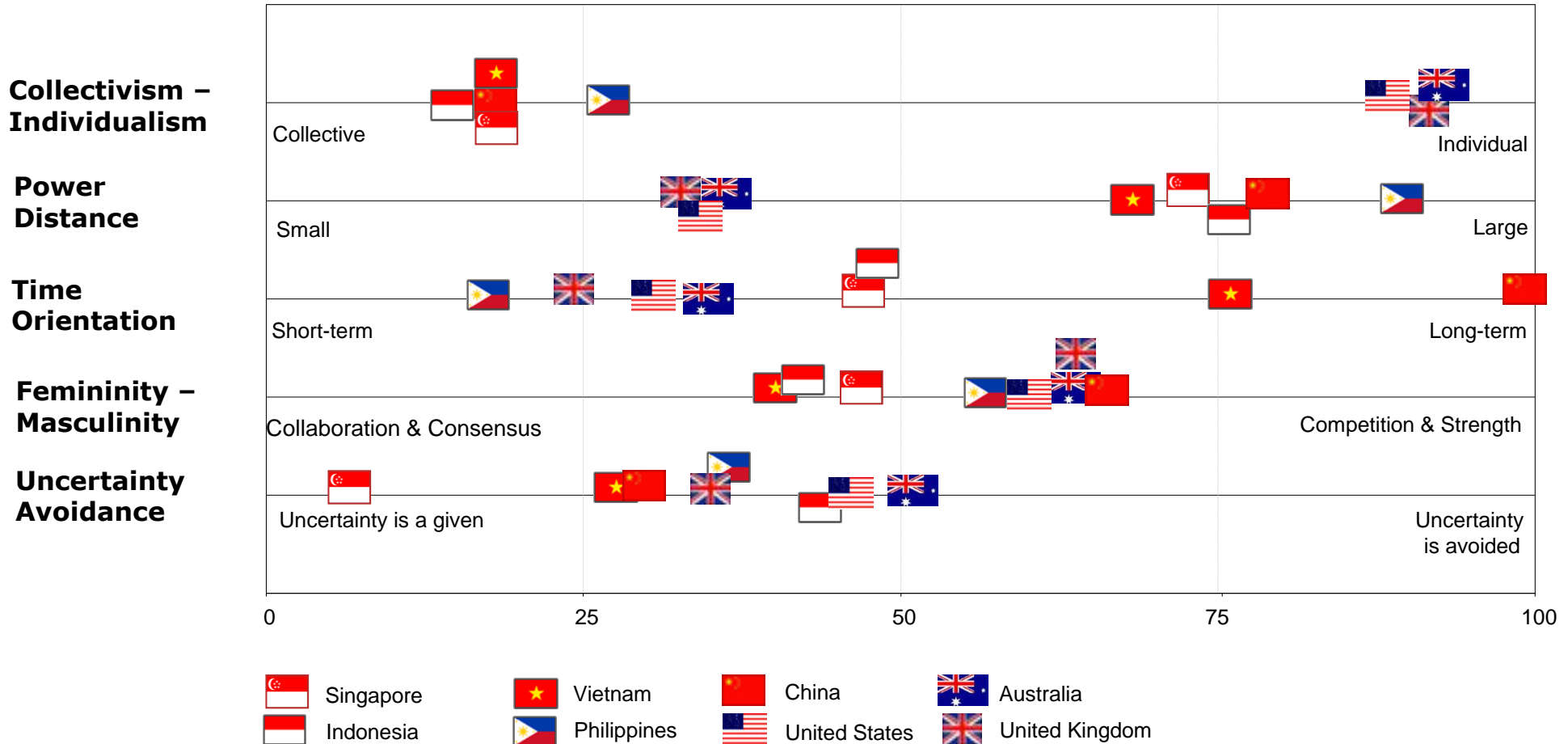
Corporate Culture *(Influenced by Industry Culture)*



Personal Style

Indicative characteristics of national cultures

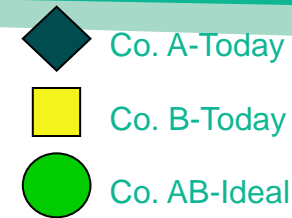
ASEAN, UK, US, Australia



*Data was unavailable for Indonesia and Malaysia for Time Orientation.

Source: Hofstede, R. M. (2001). *Culture's Consequences: Comparing Values, Behaviours, Institutions and Organizations Across Nations*, Thousand Oaks, California: Sage Publications.

Assessing Corporate Culture

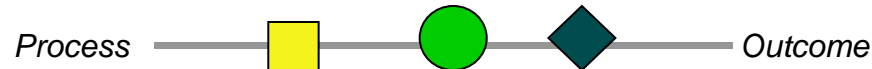


Achievement
Individual – Collective



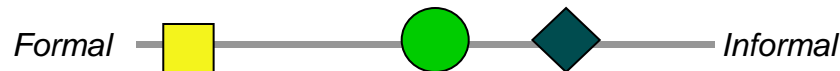
- Rewards
- Accountability
- Work
- Work-Life Integration

Environment
Process – Outcome



- Managerial Focus
- Decision Focus
- Production Focus
- Pace

Communications
Formal – Informal



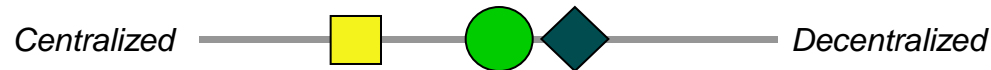
- Openness
- Direction
- Structure
- Distance

Perspective
Conservative – Innovative



- Action
- Timeframe
- Orientation

Power
Decentralized – Centralized



- Structure
- Conflict
- Autonomy
- Status
- Decisions

Risk
Avoided – Encouraged



- Decisions
- Innovation

Mercer's point of view...

1

Level of integration depends on your DEAL RATIONALE

- Determines your overall integration strategy and planning
- Optimizes your limited resources to focus only on critical activities

2

Cultural differences can derail your integration process

- Failure to recognize cultural differences leads to inaction
- Deal success may be compromised leading to loss in deal value

3

Employee engagement and communication is critical

- Disengaged employees = low productivity
 - High turnover and loss of critical talents impact business performance
-

Value can be eroded due to disengaged employees

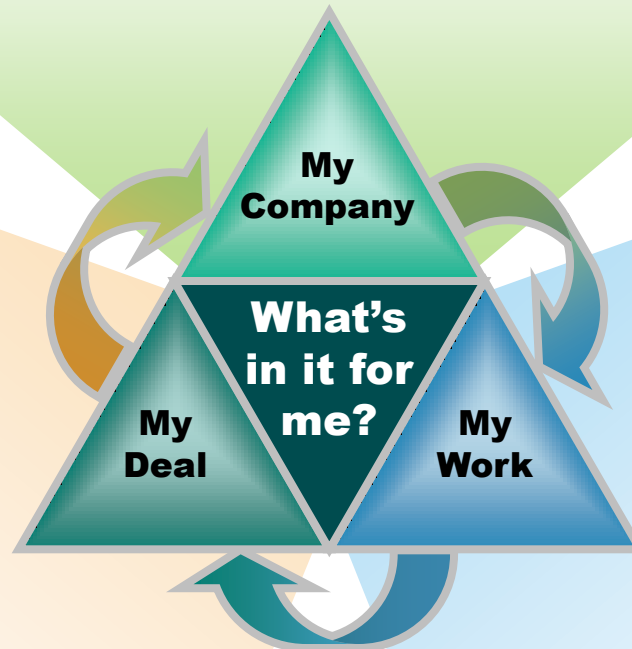
Employee have many concerns that need to be addressed in an M&A

My Company

- What's changing and why?
- Where are we headed?
- What are the likely outcomes or possible scenarios?
- What will this change do for us?

My Deal

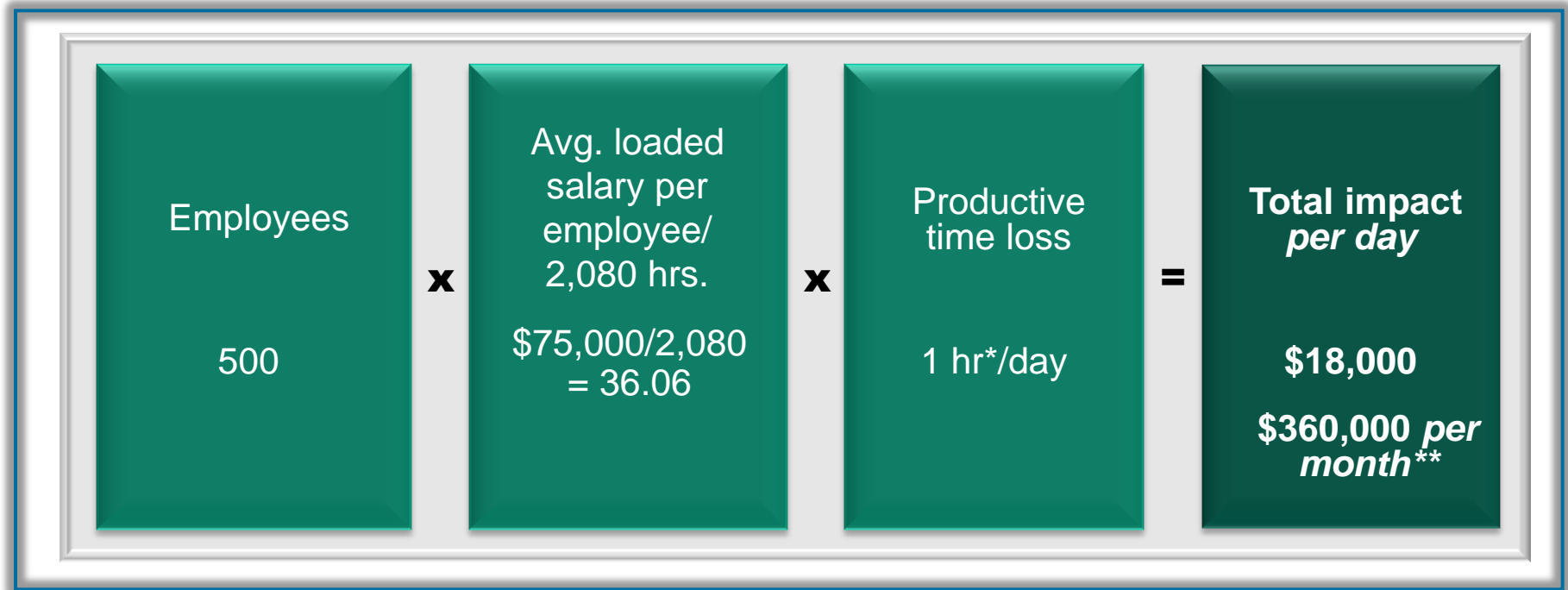
- Will I be better or worse off?
- How will my contributions be measured? Rewarded?
- Will my employment deal change? Is that attractive to me?
- What competencies or skills do I need to succeed?



My Work

- Will I have a job? What will my responsibilities be?
- How will my work and work environment change?
- Will I report to someone new? Who will be responsible for what?
- Must I follow new policies, processes or protocols?

Impact on the organization from loss of productivity



* US Bureau of Labor Statistics estimates one or more hours per day in lost productive time during periods of major change

** Based on 20 working days a month

Conclusion: Deal performance measures

Adopting a holistic perspective for a successful integration

FINANCIAL	PEOPLE
<ul style="list-style-type: none">• Revenue growth• Expense synergy• Profitability• Return on Investment• Cash flow	<ul style="list-style-type: none">• Staff retention• Employee engagement• Cultural integration• Employee productivity• Employee survey metrics
OPERATIONS / TECHNOLOGY	CUSTOMERS / PRODUCTS
<ul style="list-style-type: none">• Timing of operations integration compared to target• Number and quality of new products / services• Safety reports / near misses• Measurement of impact of risks identified pre-close as well as unidentified issues• Rationalisation of support activities	<ul style="list-style-type: none">• Customer satisfaction• Market share / market penetration• Sales per employee (or per team member)• Customer profitability• New business – success in new bids (before and after a transaction)

Thank you

