

# **THE COMPLETE GUIDE TO MERGERS AND ACQUISITIONS**

**PROCESS TOOLS TO SUPPORT M&A INTEGRATION AT  
EVERY LEVEL, 3<sup>RD</sup> EDITION**

**BY TIMOTHY J. GALPIN AND MARK HERNDON**

## Contents

Exhibit 1.1	5
Exhibit 1.2	6
Rapid Assessment Tool	7
Exhibit 2.1	9
Exhibit 2.2	10
Exhibit 2.3	12
Exhibit 2.4	13
Exhibit 2.5	14
Exhibit 2.6	15
Exhibit 2.7	16
Exhibit 2.8	17
Exhibit 2.9	18
Exhibit 2.10	19
Exhibit 2.11	20
Exhibit 2.12	21
Rapid Assessment Tool	22
Exhibit 3.1	24
Exhibit 3.2	27
Exhibit 3.3	28
Exhibit 3.4	29
Exhibit 3.5	30
Exhibit 3.6	31
Rapid Assessment Tool	32
Exhibit 4.1	34
Exhibit 4.2	35
Exhibit 4.3	36
Rapid Assessment Tool	37
Exhibit 5.1	39
Exhibit 5.2	40
Exhibit 5.3	42
Exhibit 5.4	43
Rapid Assessment Tool	44
Exhibit 6.1	46
Exhibit 6.2	47

Exhibit 6.3	49
Exhibit 6.4	50
Exhibit 6.5	51
Exhibit 6.6	52
Exhibit 6.7	53
Exhibit 6.8	54
Exhibit 6.9	55
Exhibit 6.10	56
Rapid Assessment Tool	58
Exhibit 7.1	61
Exhibit 7.2	62
Exhibit 7.3	62
Exhibit 7.4	63
Exhibit 7.5	64
Exhibit 7.6	65
Exhibit 7.7	66
Exhibit 7.8	67
Rapid Assessment Tool	68
Exhibit 8.1	70
Exhibit 8.2	71
Exhibit 8.3	72
Exhibit 8.4	77
Rapid Assessment Tool	78
Exhibit 9.1	80
Exhibit 9.2	83
Exhibit 9.3	84
Exhibit 9.4	85
Exhibit 9.5	86
Exhibit 9.6	87
Exhibit 9.7	88
Exhibit 9.8	90
Exhibit 9.9	91
Exhibit 9.10	92
Exhibit 9.11	93
Rapid Assessment Tool	94
Exhibit 10.1	97

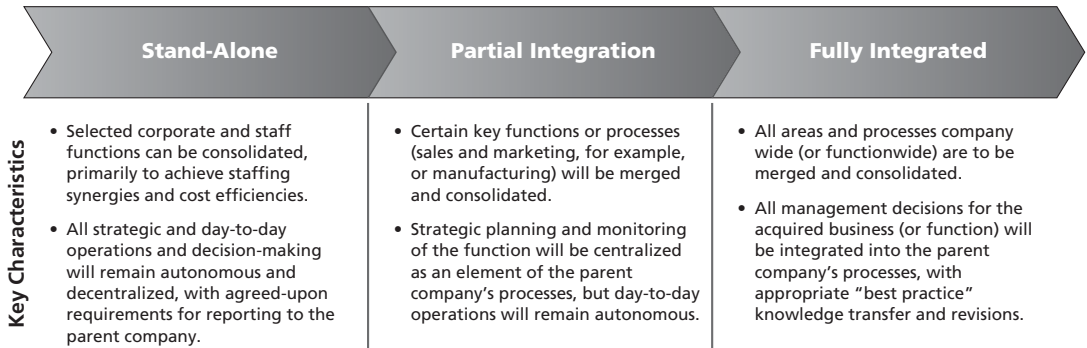
Exhibit 10.2	98
Exhibit 10.3	102
Exhibit 10.4	103
Exhibit 10.5	108
Exhibit 10.6	109
Exhibit 10.7	110
Exhibit 10.8	111
Rapid Assessment Tool	114
Exhibit 11.1	116
Exhibit 11.2	117
Exhibit 11.3	118
Rapid Assessment Tool	119
Exhibit 12.1	121
Exhibit 12.2	122
Exhibit 12.3	123
Rapid Assessment Tool	124
Exhibit 13.1	126
Exhibit 13.2	130
Exhibit 13.3	131
Rapid Assessment Tool	133
Exhibit 14.1	135
Exhibit 14.2	136
Rapid Assessment Tool	137
Resource A	140
Resource B	147
Resource C	166

**Exhibit 1.1**  
**Deals Then and Now**

---

	<b>1980s and 90s</b>	<b>Now</b>
Reasons	<ul style="list-style-type: none"><li>• Financial play</li></ul>	<ul style="list-style-type: none"><li>• Operational leap</li></ul>
Risks	<ul style="list-style-type: none"><li>• Over-leveraging</li></ul>	<ul style="list-style-type: none"><li>• Integration</li></ul>
Targets	<ul style="list-style-type: none"><li>• Diverse</li></ul>	<ul style="list-style-type: none"><li>• Similar/Complementary</li></ul>
Prizes	<ul style="list-style-type: none"><li>• Hard assets</li></ul>	<ul style="list-style-type: none"><li>• "The Eight Cs"</li></ul>
Mandate	<ul style="list-style-type: none"><li>• Stabilize</li></ul>	<ul style="list-style-type: none"><li>• Exploit instability</li></ul>
Market	<ul style="list-style-type: none"><li>• Forgiving</li></ul>	<ul style="list-style-type: none"><li>• Merciless</li></ul>

**Exhibit 1.2**  
**Spectrum of Integration**



## RAPID ASSESSMENT TOOL

---

### **Realizing Deal Value: Rapid Assessment**

Completing the following scorecard will provide a quick, high-level view of how your firm strategically approaches transactions, and how well your organization performs M&A integrations.

#### **Steps to complete the assessment:**

1. Rate each item on a scale of 0 (poor) to 10 (excellent).
2. Make notes for each item to explain the rationale for the numerical rating.
3. Add all ten scores to get a TOTAL SCORE (maximum score = 100).

**Rating scale:**

0–20 = Poor (significant improvement needed)

21–40 = Below Average (improvement needed in several areas)

41–60 = Average (identify areas of weakness and adjust)

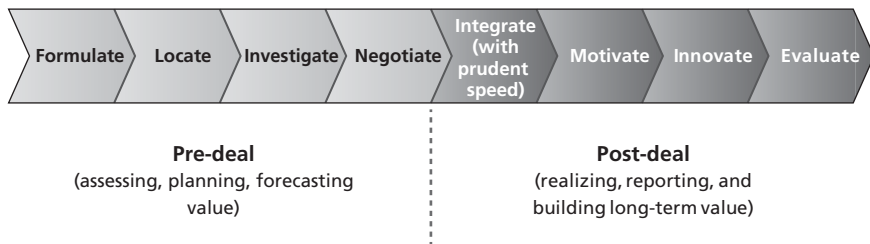
61–80 = Above Average (identify areas that can still be improved)

81–100 = Excellent (continuously review and refine each component as the firm's M&A efforts evolve)

Component	Rating (0 = poor, 10 = excellent)	Notes/ Rationale
1. We have a clearly articulated M&A strategy.		
2. We know the areas where M&A would augment the firm's capabilities.		
3. We know the types of partner firms that should be targeted.		
4. We know the volume of M&A that we will pursue.		
5. We have successfully used M&As as a key part of our growth strategy.		
6. We do a good job of identifying the level of integration that is required to achieve the maximum value for each deal.		
7. We have been successful at integrating our transactions to gain maximum value from each one.		
8. We do a good job of <i>assessing</i> the human capital and cultural fit of target firms during each deal.		
9. We do a good job of <i>integrating</i> the cultural and human capital aspects during each deal.		
10. We avoid using the killer phrases.		
<b>TOTAL SCORE</b>		

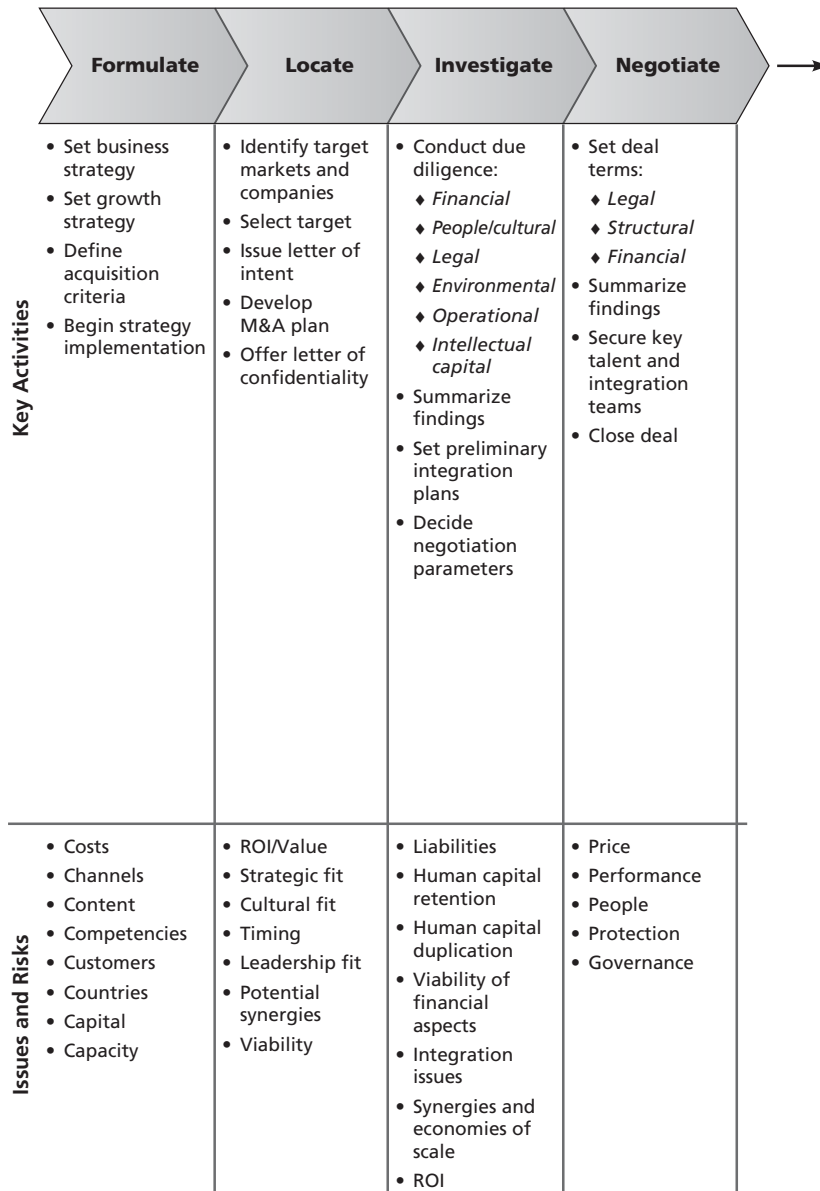


## Exhibit 2.1 The Deal Flow Model



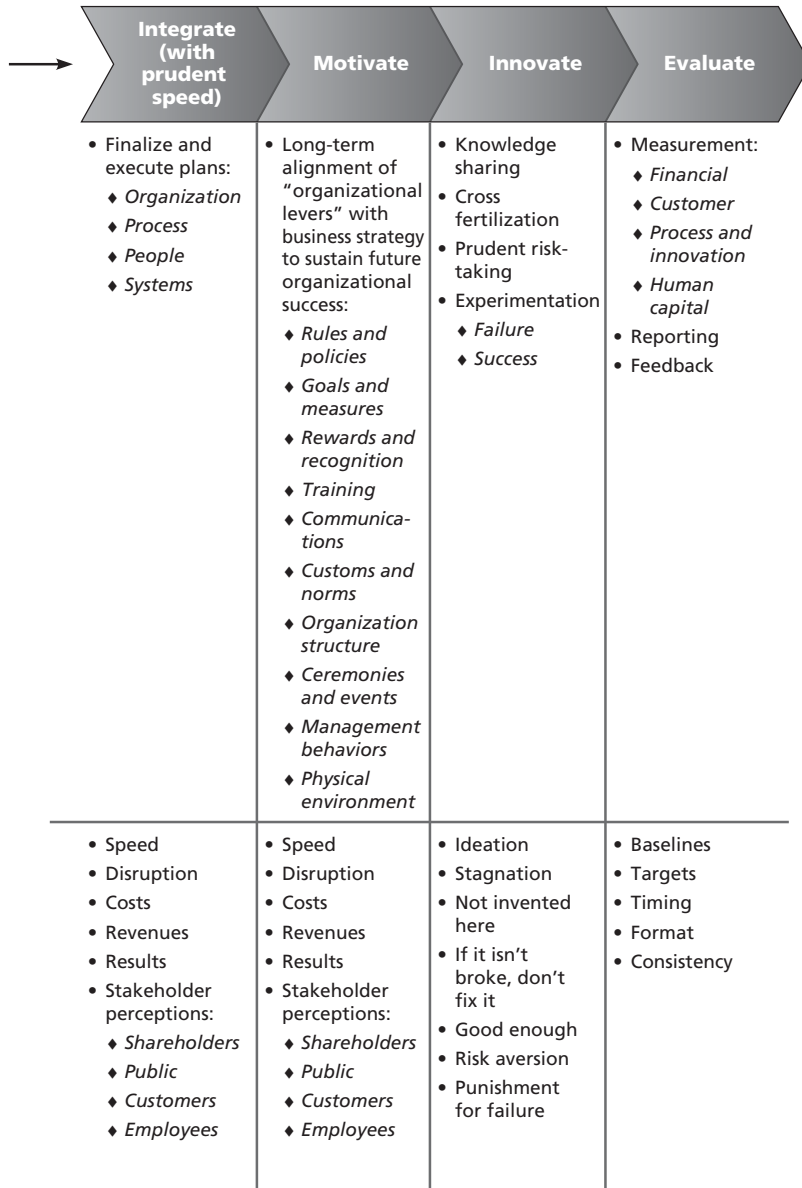
## Exhibit 2.2

### Map of M&A Process Stages and Issues



*(continued)*

## Exhibit 2.2 (Continued)

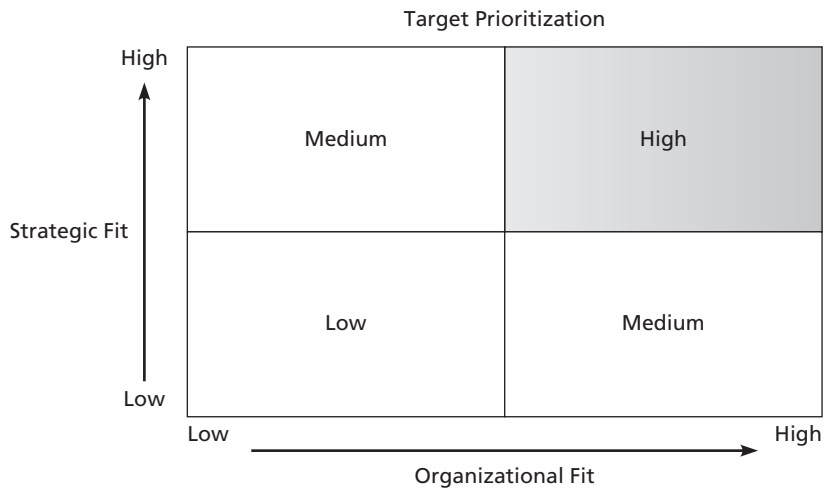


### Exhibit 2.3

#### Pitfalls and Best Practices of the Formulate Stage

Pitfalls	Best Practices
Limited analysis and understanding of internal firm capabilities, to identify those that can be supplemented through M&As	Assess and prioritize internal firm capabilities that can be supplemented through M&As:
Limited analysis and understanding of potential future industry consolidation	<ul style="list-style-type: none"> <li>• Products and services</li> <li>• Technology</li> <li>• Operational processes</li> <li>• Human capital</li> <li>• Patents</li> <li>• R&amp;D</li> </ul>
Conducting opportunistic versus strategic M&As	
Not basing due diligence and integration on the strategic intent of each transaction	<p>Identify potential industry consolidation among competitors</p> <p>Use the firm's M&amp;A strategy to drive due diligence and integration</p>

## Exhibit 2.4 Target Company Prioritization Matrix



**Exhibit 2.5**  
**Pitfalls and Best Practices of the Locate Stage**

<b>Pitfalls</b>	<b>Best Practices</b>
Limited analysis and under-standing of target firms' strategic and organizational fit  Management disregard for the importance of organizational fit to transaction performance	Locate targets with good strategic fit: <ul style="list-style-type: none"><li>• Horizontal fit: firms closely related in the products or services they produce, with both companies operating in the same market</li><li>• Vertical fit: firms with a potential or existing buyer/seller relationship</li></ul> Locate targets with a high degree of organizational fit: <ul style="list-style-type: none"><li>• Cultures</li><li>• Top management styles</li><li>• Reward and evaluation systems</li><li>• Espoused values</li><li>• Organizational structure</li></ul>

## Exhibit 2.6

### Pitfalls and Best Practices of the Investigate Stage

Pitfalls	Best Practices
<p>Minimizing the importance of organizational (that is, culture and human capital) due diligence</p> <p>Management's assumption that they know the potential partner firm well, and as a result, not conducting thorough due diligence across all key areas (such as financial, legal, technical, operational, and organizational)</p>	<p>Conduct a detailed assessment of targets' operational capabilities, such as:</p> <ul style="list-style-type: none"> <li>• Financial</li> <li>• Legal</li> <li>• Technical</li> <li>• Operational</li> </ul> <p>Conduct a detailed assessment of targets' organizational capabilities, including:</p> <ul style="list-style-type: none"> <li>• Cultures</li> <li>• Top management styles</li> <li>• Reward and evaluation systems</li> <li>• Espoused values</li> <li>• Organizational structure</li> </ul>

## Exhibit 2.7

### Pitfalls and Best Practices of the Negotiate Stage

Pitfalls	Best Practices
<p>Not making full use of the information gathered during due diligence (the investigate stage) during the negotiate stage</p> <p>Attempting to build hostile deal value around integration and synergy capture, rather than on restructuring or breaking up the acquired firm</p> <p>Overestimating synergy potential in combining the firms' operations, products, and/or services, resulting in paying too much</p> <p>Not gaining a good understanding of the culture differences of the other negotiating parties</p>	<p>Ensure a thorough handoff of information from the people conducting due diligence to those involved in deal negotiations</p> <p>Identify key findings from the due diligence conducted during the investigate stage that will be material during negotiations</p> <p>Agree on terms and conditions of transition services, such as:</p> <ul style="list-style-type: none"> <li>• Information technology</li> <li>• Financial reporting</li> <li>• Payroll</li> <li>• Benefits administration</li> </ul> <p>Base deal price on <i>private</i> and <i>unique</i> information during friendly negotiations</p> <p>Gain a solid understanding of cultural differences with the other negotiating parties</p>



## Exhibit 2.8

### Pitfalls and Best Practices of the Integrate Stage

---

Pitfalls	Best Practices
Waiting to begin integration planning until after transaction close	Clearly define the required level of integration to achieve desired synergies
Not appointing a capable integration manager	Start integration planning early, before the deal closes
Ignoring project management disciplines	Allocate adequate integration resources and keep them available throughout the integration effort
Not clearly defining and/or communicating integration success expectations to the people involved in integration	Develop and execute detailed integration plans
Not making management decisions regarding the integration in a timely and coordinated manner	Ensure that communications are clear and consistent throughout the integration process
	Regularly measure, track, and report integration progress

## Exhibit 2.9

### Pitfalls and Best Practices of Prudent Speed During Integration

Pitfalls	Best Practices
<p>Delaying the integration of the combining firms' business processes and systems</p> <p>Taking too long to provide answers to management and employee questions about pay, benefits, positions, location, and reporting relationships</p> <p>Not identifying the key talent (that is, the people most important to combined company performance) in a timely manner</p> <p>Not developing and executing a key talent retention and reengagement plan quickly, before key talent become disgruntled and leave</p>	<p>Quickly identify the firms' business processes and systems that, combined, will have the most positive effect on desired deal synergies</p> <p>Assign resources to integration planning early, during the investigate stage</p> <p>Identify key talent early in the deal process, during the investigate stage</p> <p>Develop a key talent retention and reengagement plan well before deal close, during the investigate stage</p> <p>Make announcements regarding management and employee questions about pay, benefits, positions, location, and reporting relationships early in the integration implementation process (immediately after close, if possible)</p>

**Exhibit 2.10**  
**Pitfalls and Best Practices of the Motivate Stage**

Pitfalls	Best Practices
<p>Minimizing the importance of key talent retention and reengagement to M&amp;A success</p> <p>Not identifying the key talent who, based on specific business need criteria, are essential to transaction success</p> <p>Not having a well-developed plan for key talent retention and reengagement, as part of the overall M&amp;A integration planning effort</p> <p>Using only “stay bonuses” as the sole means of key talent retention</p>	<p>Identify key talent who, based on specific business need criteria, are essential to the combined entity’s success</p> <p>Use retention and reengagement actions from four categories:</p> <ul style="list-style-type: none"> <li>• Perception</li> <li>• Interaction and involvement</li> <li>• Status</li> <li>• Rewards</li> </ul> <p>Have a backup plan prepared, in case key individuals do leave</p>

## Exhibit 2.11

### Pitfalls and Best Practices of the Innovate Stage

Pitfalls	Best Practices
<p>Assuming that the R&amp;D functions of the combined firm will automatically exchange information</p> <p>Not using proven integration mechanisms that facilitate innovation and learning between the combined firms</p> <p>Attempting to combine rival firms' R&amp;D functions without significant attention to eliminating the preexisting competitiveness of the functions' management and employees</p> <p>Not encouraging NewCo managers and employees to take prudent risks to attempt to solve customer issues or improve processes; worse, punishing those who do take prudent risks</p>	<p>Lower overall innovation costs by combining the firms' R&amp;D functions</p> <p>Choose nonrival firms as M&amp;A partners, when possible</p> <p>Address preexisting competitiveness of the R&amp;D functions' management and employees</p> <p>Establish mechanisms that create a culture of innovation across the NewCo, such as:</p> <ul style="list-style-type: none"> <li>• Regularly communicating the importance of innovation to the NewCo</li> <li>• Establishing measures of innovation</li> <li>• Recognizing and rewarding managers and employees who demonstrate prudent risk-taking and innovative behaviors</li> </ul>

## Exhibit 2.12

### Pitfalls and Best Practices of the Evaluate Stage

Pitfalls	Best Practices
<p>Not linking performance measures back to the strategic rationale for the transaction</p> <p>Limited tracking or reporting of performance measurement</p> <p>Using only one or two transaction performance measures</p> <p>Ignoring performance measures that are important to various transaction stakeholders (such as employees, customers, suppliers, creditors, and shareholders)</p>	<p>Set regular intervals for transaction performance tracking and reporting</p> <p>Use the four major categories of M&amp;A performance measurement:</p> <ul style="list-style-type: none"> <li>• Subjective performance assessments obtained from managers involved in the acquisition</li> <li>• External expert informants, such as stock market analysts and financial reporters</li> <li>• Objective measures, including the acquirer's stock market returns or profitability gains</li> <li>• Whether the acquired firm is subsequently divested</li> </ul> <p>Employ a range of specific performance measures, which can include:</p> <ul style="list-style-type: none"> <li>• Integration process performance</li> <li>• Employee retention</li> <li>• Customer retention</li> <li>• Knowledge transfer</li> <li>• Innovation performance</li> <li>• Systems conversion</li> <li>• Accounting performance</li> <li>• Short-term financial performance</li> <li>• Long-term financial performance</li> <li>• Variation in market share</li> <li>• Acquisition survival</li> </ul>

## **RAPID ASSESSMENT TOOL**

---

### **The Deal Flow Model: Rapid Assessment**

Completing the following scorecard will provide a quick, high-level view of the degree of readiness your organization has across the Deal Flow Model.

#### **Steps to complete the assessment:**

1. Rate each item on a scale of 0 (poor) to 10 (excellent).
2. Make notes for each item to explain the rationale for the numerical rating.
3. Add all ten scores to get a TOTAL SCORE (maximum score = 100).

**Rating scale:**

0–20 = Poor (significant improvement needed)

21–40 = Below Average (improvement needed in several areas)

41–60 = Average (identify areas of weakness and adjust)

61–80 = Above Average (identify areas that can still be improved)

81–100 = Excellent (continuously review and refine each component as the firm's M&A efforts evolve)

Component	Rating (0 = poor, 10 = excellent)	Notes/ Rationale
<hr/>		
Our organization has developed a clear and well-documented M&A methodology for each of the deal phases...		
1. Formulate		
2. Locate		
3. Investigate		
4. Negotiate		
5. Integrate		
6. Motivate		
7. Innovate		
8. Evaluate		
9. We typically have smooth handoffs of information between the deal stages and between the parties involved in each deal stage.		
10. We have clearly defined roles and responsibilities for people who participate in each of the deal stages, and have trained talent who can be made available for each deal stage.		
<b>TOTAL SCORE</b>		
<hr/>		

### Exhibit 3.1 Thirteen Key Areas of Due Diligence

DD Area	Focus	Example Components	Question Answered
Strategic	The NewCo business model	<ul style="list-style-type: none"> <li>• Market position</li> <li>• Competitive position</li> <li>• Unanticipated strategic issues</li> <li>• Scenario analysis</li> </ul>	Why do this deal?
Financial	Value	<ul style="list-style-type: none"> <li>• Financial statements</li> <li>• Intangible assets</li> <li>• Unusual revenue recognition policies</li> <li>• Accruals</li> <li>• Tax</li> <li>• Valuation</li> </ul>	How much are we willing to pay?
Operational	Processes	<ul style="list-style-type: none"> <li>• Plant</li> <li>• Equipment</li> <li>• Processes</li> <li>• Staffing</li> <li>• Service</li> <li>• Cycle time</li> </ul>	What will it take to integrate operations?
Technology	Systems	<ul style="list-style-type: none"> <li>• Sales</li> <li>• HR</li> <li>• Finance</li> <li>• Purchasing</li> <li>• Facilities</li> <li>• Operations</li> <li>• Project management</li> <li>• Enterprise management</li> </ul>	What will it take to integrate technologies?
Sales and Marketing	Revenue generation	<ul style="list-style-type: none"> <li>• Customers</li> <li>• Pricing</li> <li>• Marketing approach and plans</li> <li>• Sales model</li> <li>• Alliances and joint ventures</li> </ul>	What will it take to integrate sales and marketing approaches?

*(continued)*



**Exhibit 3.1**  
**(Continued)**

DD Area	Focus	Example Components	Question Answered
Human Resources*	Processes	<ul style="list-style-type: none"> <li>• Payroll</li> <li>• Benefits</li> <li>• Unfunded liabilities</li> <li>• HRIS</li> <li>• Structure and staffing</li> </ul>	What will it take to integrate HR processes?
Culture*	Fit	<ul style="list-style-type: none"> <li>• Values</li> <li>• Organization structure</li> <li>• Staffing and selection</li> <li>• Communication</li> <li>• Training</li> <li>• Rules and policies</li> <li>• Goals and measures</li> <li>• Rewards and recognition</li> <li>• Decision making</li> <li>• Physical environment</li> <li>• Ceremonies and events</li> </ul>	How similar/different are we?
Human Capital*	People	<ul style="list-style-type: none"> <li>• Management</li> <li>• Key talent</li> </ul>	Who are we buying/partnering with?
Research & Development	Innovation	<ul style="list-style-type: none"> <li>• Process</li> <li>• Productivity</li> <li>• Past, current, and planned projects</li> </ul>	What new products and/or services do they bring?
Legal	Regulations and contracts	<ul style="list-style-type: none"> <li>• Contracts/leases</li> <li>• Patents/intellectual property</li> <li>• Current/pending lawsuits</li> <li>• Anti-trust</li> <li>• Future risks</li> </ul>	What exposure do they bring?

**Exhibit 3.1**  
**(Continued)**

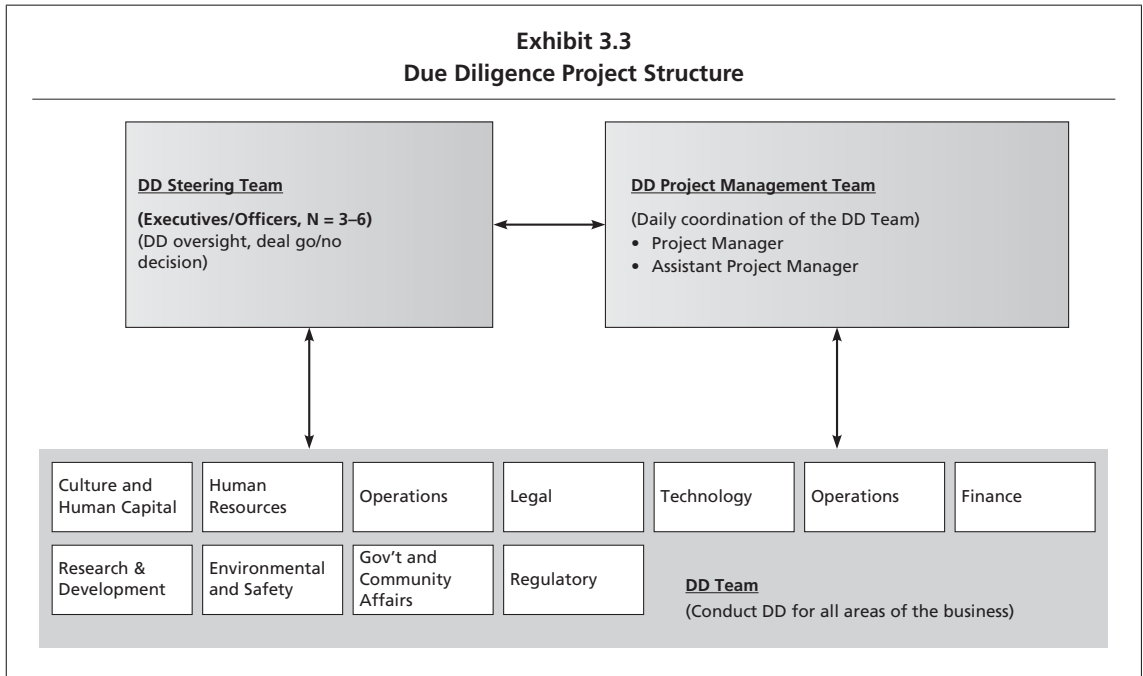
DD Area	Focus	Example Components	Question Answered
Environmental and Safety	Risks	<ul style="list-style-type: none"> <li>• Current sites</li> <li>• Past problems</li> <li>• Future risks</li> </ul>	What risks do they bring?
Governmental and Community Affairs	Community relations and governing structures	<ul style="list-style-type: none"> <li>• Key individuals and groups within community/state/country</li> <li>• Important considerations to the community</li> <li>• Governmental structure</li> <li>• Franchise agreements</li> </ul>	How will we fit into the new community and its governing structures?
Regulatory	Rules and regulations	<ul style="list-style-type: none"> <li>• Key decisions</li> <li>• Key regulatory agreements</li> <li>• Tariffs</li> <li>• Country-specific laws</li> </ul>	What regulatory issues might we encounter for this transaction?

\*Key areas typically missed during due diligence

### Exhibit 3.2 Iterative Process of Due Diligence

Phase	Responsible Parties	Purpose
Target verification	<ul style="list-style-type: none"> <li>Executive Team</li> <li>Strategy/Corp Dev/BD</li> </ul>	<ul style="list-style-type: none"> <li>Capturing public-domain information and industry knowledge</li> <li>Determining whether a specific target is worth serious consideration</li> </ul>
Initial synergy identification	<ul style="list-style-type: none"> <li>Executive Team</li> <li>Strategy/Corp Dev/BD</li> <li>DD Project Manager</li> </ul>	<ul style="list-style-type: none"> <li>Detailed brainstorming, planning, research, and validation of potential deal synergies</li> <li>Leading to a Letter of Intent (LOI)</li> </ul>
Detailed investigation	<ul style="list-style-type: none"> <li>DD Project Manager</li> <li>DD Team</li> </ul>	<ul style="list-style-type: none"> <li>Detailed review and analysis of assets, processes, and functions</li> <li>Reliable estimates of value and integration considerations</li> </ul>
Transition to integration planning	<ul style="list-style-type: none"> <li>DD Project Manager</li> <li>DD Team</li> <li>Integration Project Management Team</li> <li>Integration Task Forces</li> </ul>	<ul style="list-style-type: none"> <li>Knowledge transfer and as-is analysis of target's business processes</li> <li>Best-practice design recommendations</li> </ul>

### Exhibit 3.3 Due Diligence Project Structure

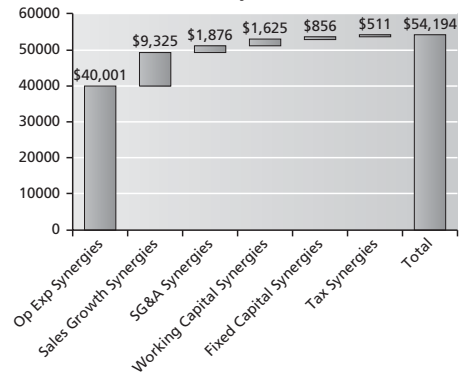


### Exhibit 3.4 Integration Synergy Prioritization

Value by Synergy (MM)

Synergies	Value (\$MM)
<b>Sales Growth %</b>	
1 Sales Excellence	3,320
2 Cross-Selling	5,551
3 New Segments Initiative	1,546
4 New Products	883
5 Brand Management	220
6 Lost Sales	(2,196)
Total Sales Growth Synergies	9,325
<b>Operating Expenses</b>	
9 Purchasing: Raw Materials	21,377
10 Purchasing: Other	1,069
11 In-Plant Cost Reduction	1,804
12 Plant Consolidation	12,024
13 Technology Transfer & Reformulation	1,336
14 Distribution Savings	3,340
15 Site Remediation	(587)
16 Manufacturing HR Costs	(186)
17 Manufacturing IT Costs	(176)
Total Op. Exp. Synergies	40,001
<b>Selling, General &amp; Administrative Costs</b>	
18 Management Redundancy	4,008
19 Administrative IT Costs	(176)
20 Customer Retention Marketing Expenses	(1,336)
21 Transaction Costs	(620)
Total SG&A Synergies	1,876
<b>Cash Tax %</b>	
22 1-Time Investment Tax Credit	511
<b>Incremental Fixed Capital %</b>	
23 Sell Unproductive Assets	856
<b>Incremental Working Capital %</b>	
24 Financial Excellence	1,625

Value by Driver (MM)



**Integration Task Forces  
Prioritization**

### Exhibit 3.5 Cultural Comparison Matrix

Cultural Lever	Company A	Company V	Key Similarities	Key Differences	Notes
	<ul style="list-style-type: none"> <li>• Description: <ul style="list-style-type: none"> <li>– Content</li> <li>– Process</li> <li>– People</li> <li>– Other</li> </ul> </li> <li>• Metrics: <ul style="list-style-type: none"> <li>– Frequency</li> <li>– Cycle-time</li> <li>– Cost</li> <li>– Other</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Description: <ul style="list-style-type: none"> <li>– Content</li> <li>– Process</li> <li>– People</li> <li>– Other</li> </ul> </li> <li>• Metrics: <ul style="list-style-type: none"> <li>– Frequency</li> <li>– Cycle-time</li> <li>– Cost</li> <li>– Other</li> </ul> </li> </ul>			
1. Strategy 2. Values 3. Staffing and Selection 4. Communications 5. Training 6. Rules and Policies 7. Goals and Measures 8. Rewards and Recognition 9. Decision-making 10. Organization Structure 11. Physical Environment 12. Leadership Behaviors 13. Customs and Norms 14. Ceremonies and Events					

**Exhibit 3.6**  
**Key Talent Identification Matrix**

---

<b>Key People and/or Groups</b>	<b>Impact of Loss (monetize where possible)</b>	<b>Notes</b>
1. Sales		
2. Operations		
3. R&D		
4. IT		
5. Person A		
6. Person B		
7. Person C		

## RAPID ASSESSMENT TOOL

---

### Due Diligence: Rapid Assessment

Completing the following scorecard will provide a quick, high-level view of how well your organization performs due diligence.

#### Steps to complete the assessment:

1. Rate each item on a scale of 0 (poor) to 10 (excellent).
2. Make notes for each item to explain the rationale for the numerical rating.
3. Add all ten scores to get a TOTAL SCORE (maximum score = 100).

#### Rating scale:

0–20 = Poor (significant improvement needed)

21–40 = Below Average (improvement needed in several areas)

41–60 = Average (identify areas of weakness and adjust)

61–80 = Above Average (identify areas that can still be improved)

81–100 = Excellent (continuously review and refine each component as the firm's M&A efforts evolve)

Component	Rating (0 = poor, 10 = excellent)	Notes/ Rationale
For each transaction...		
1. We use a clearly defined due diligence approach.		
2. We establish a clear due diligence project structure.		
3. We use a trained and experienced due diligence project manager and team members.		

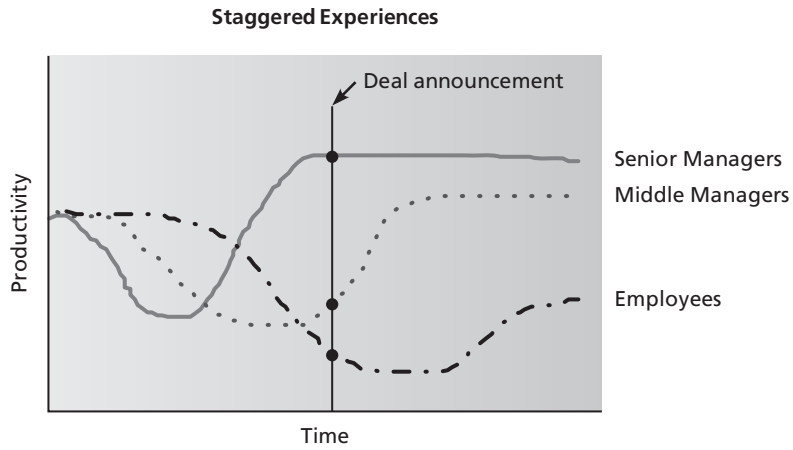


Component	Rating (0 = poor, 10 = excellent)	Notes/ Rationale
<p>4. We address all areas of due diligence—strategic, operational, technology, culture, and human capital.</p> <p>5. We use clear checklists and data request templates for each area of due diligence.</p> <p>6. We use a secure due diligence electronic data room or data exchange.</p> <p>7. We have target or partner participation in due diligence (as much as is possible).</p> <p>8. We approach due diligence as an iterative process, with repeated data gathering, as necessary and practicable.</p> <p>9. We do a good job of summarizing our due diligence findings, across all areas, and presenting the findings to executives and the board</p> <p>10. We do a good job of seamlessly transitioning due diligence team members and data to the integration project management team and task forces.</p>		
<b>TOTAL SCORE</b>		

### Exhibit 4.1

#### Staggered Pattern of Declining Productivity, Morale, and Performance

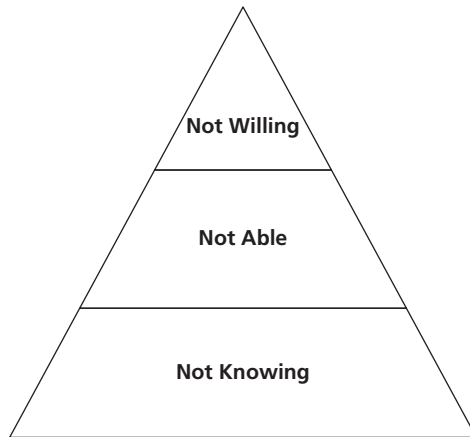
---



## **Exhibit 4.2**

### **The Resistance Pyramid**

---

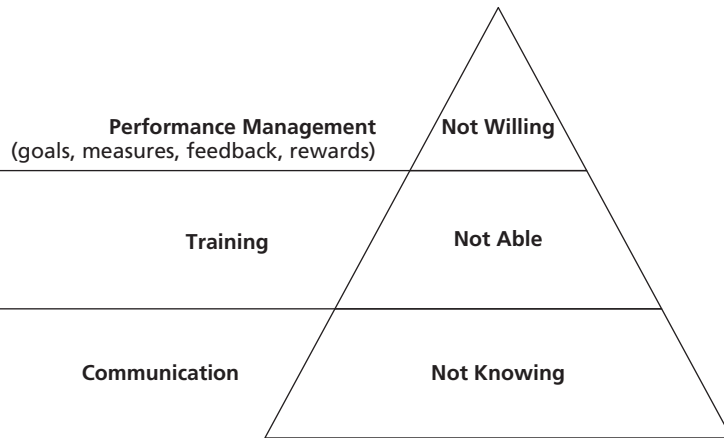


*Source:* Adapted from Galpin (1996a).

### **Exhibit 4.3**

## **Meeting Resistance with Action**

---



## RAPID ASSESSMENT TOOL

---

### M&A Change Management: Rapid Assessment

Completing the following scorecard will provide a quick, high-level view of how well your organization performs M&A change management.

#### Steps to complete the assessment:

1. Rate each item on a scale of 0 (poor) to 10 (excellent).
2. Make notes for each item to explain the rationale for the numerical rating.
3. Add all ten scores to get a TOTAL SCORE (maximum score = 100).

#### Rating scale:

0–20 = Poor (significant improvement needed)

21–40 = Below Average (improvement needed in several areas)

41–60 = Average (identify areas of weakness and adjust)

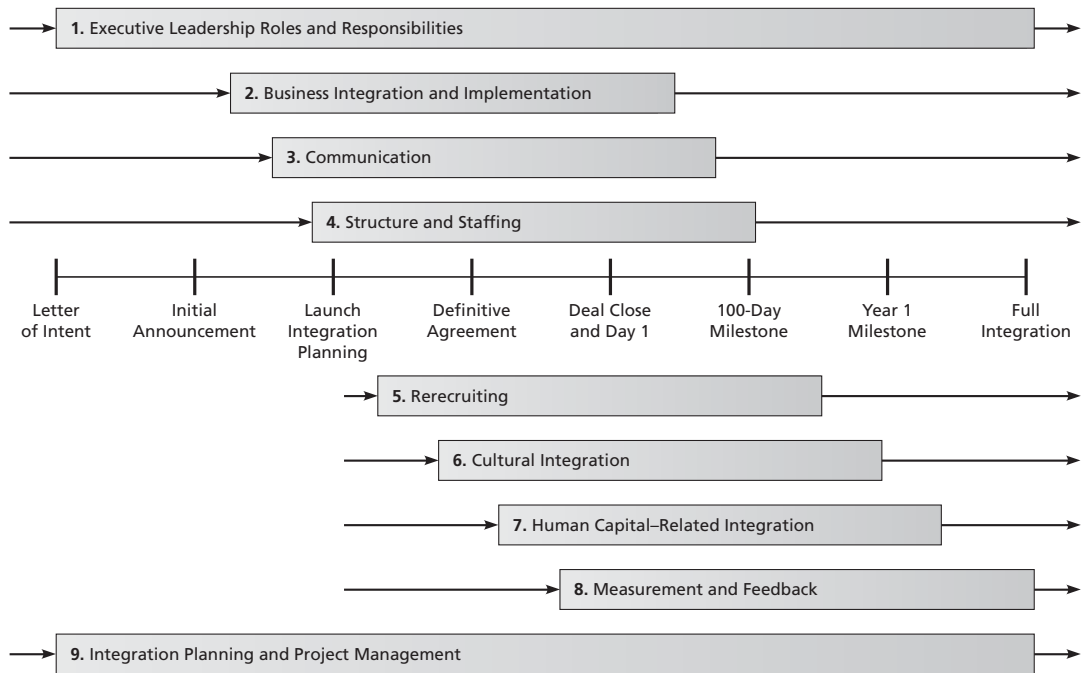
61–80 = Above Average (identify areas that can still be improved)

81–100 = Excellent (continuously review and refine each component as the firm's M&A efforts evolve)

Component	Rating (0 = poor, 10 = excellent)	Notes/ Rationale
For each transaction...		
1. We use a clearly defined M&A change management approach.		
2. We use trained and experienced M&A change management resources.		
3. Senior management actively participate in the M&A change management process.		

Component	Rating (0 = poor, 10 = excellent)	Notes/ Rationale
4. We do a good job of addressing the “me” issues of management and employees in both organizations.		
5. We do a good job of addressing the base level of resistance—not knowing.		
6. We do a good job of addressing the middle level of resistance—not able.		
7. We do a good job of addressing the top level of resistance—not willing.		
8. We do a good job of coordinating potentially disparate integration initiatives.		
9. We do a good job of making timely integration decisions.		
10. We do a good job of identifying and selecting a skilled integration project leader.		
<b>TOTAL SCORE</b>		

**Exhibit 5.1**  
**The Merger Integration Work Streams Model**



## Exhibit 5.2

### Key Work Stream Components

Work Stream	Key Components	Impact
1. Executive leadership roles and responsibilities	Initial strategic planning; identification of top-level leadership; change leadership; business and technical expertise	Ensures that integration issues are considered during initial deal making. Ensures that integration becomes part of overall transaction process.
2. Business integration and implementation	Integration task force infrastructure; charters; subteam work process; transition and synergy-capture plans	Establishes and coordinates consistent process for all functions and business units to follow. Ensures thorough planning and fast implementation.
3. Communication	Overall communications strategy; ongoing processes and feed back channels; special meetings and events	Manages rumors. Ensures fast two-way flow of facts and perceptions. Engages the entire organization in the integration. Helps the organization embrace the change.
4. Structure and staffing	Creation, approval, and support of the processes for determining the organization structure and staffing decisions	Ensures that the organization is "set" quickly. Ensures that the "best player" wins the job. Minimizes cronyism and favoritism.
5. Rerecruiting	Specific policies, processes, or tools to identify key talent and gain their commitment to stay with the NewCo organization	Retains key talent. Increases short-term commitment. Refocuses attention on longer-term opportunities.

*(continued)*

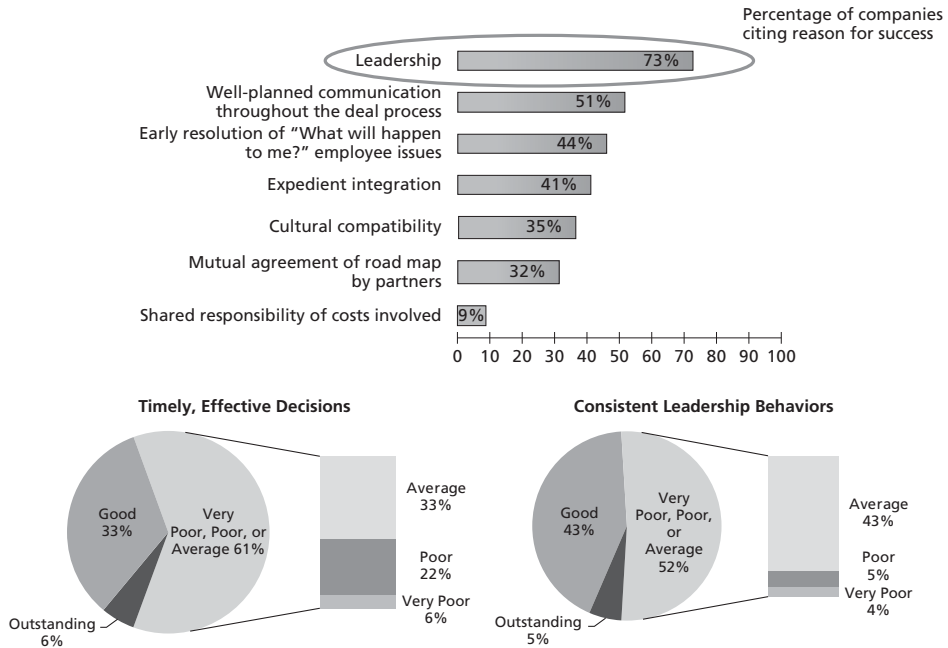


**Exhibit 5.2**  
**(Continued)**

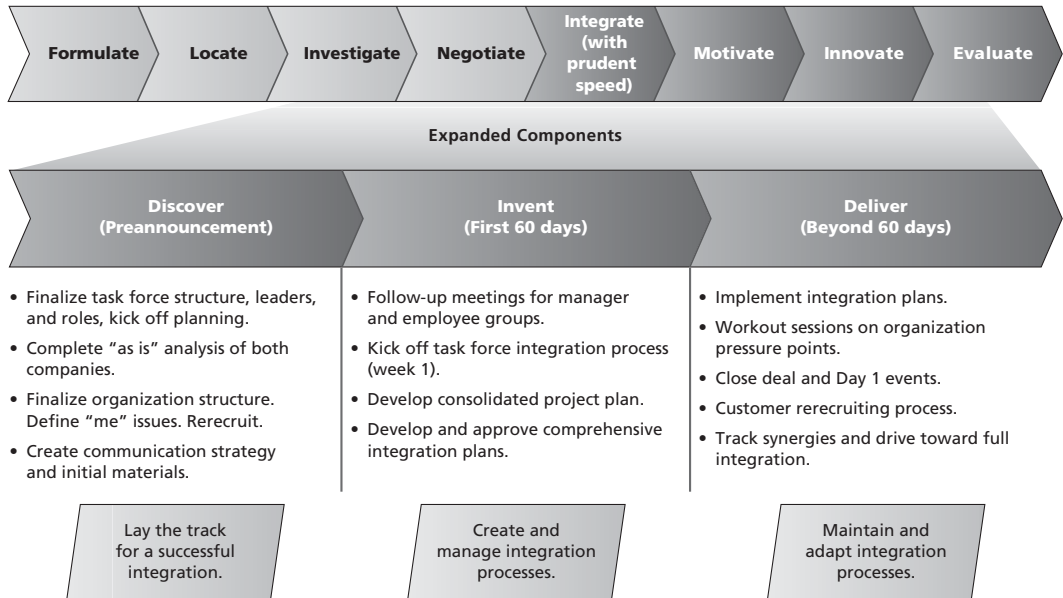
<b>Work Stream</b>	<b>Key Components</b>	<b>Impact</b>
6. Cultural integration	Structured approach to identify and clarify key management processes that establish how we will do things in the NewCo organization	Deals proactively with major failure factors. Takes an analytical approach to specific issues for culture change and alignment. Provides early-warning process.
7. Human capital-related integration	Targeted alignment and rationalization of all people processes to more directly support the NewCo organization's business objectives	Eliminates proliferation of practices that no longer support business needs. Quickly and powerfully reinforces desired NewCo culture. Drives employee behavior toward key objectives.
8. Measurement and feedback	Merger integration scorecard; synergy planning and tracking; integration process feedback	Tracks and reports key operational, financial, customer, and organizational issues most subject to merger-related disruption and risk.
9. Integration planning and project management	Consolidated project plan; contact rosters; information-distribution protocols; key action items for core team and executive attention	Links all efforts to specific milestones and account abilities. Ensures continued focus on timely completion of tasks.

### Exhibit 5.3

#### Leadership Is a Top Success Criteria but Often Ineffective



**Exhibit 5.4**  
**Customized Deployment of the Work Streams Model**



## RAPID ASSESSMENT TOOL

---

### **Merger Integration Work Streams**

Completing the following scorecard will provide a quick, high-level view of how well your organization applies a merger integration work streams model.

#### **Steps to complete the assessment:**

1. Rate each item on a scale of 0 (poor) to 10 (excellent).
2. Make notes for each item to explain the rationale for the numerical rating.
3. Add all ten scores to get a TOTAL SCORE (maximum score = 100).

#### **Rating scale:**

0–20 = Poor (significant improvement needed)

21–40 = Below Average (improvement needed in several areas)

41–60 = Average (identify areas of weakness and adjust)

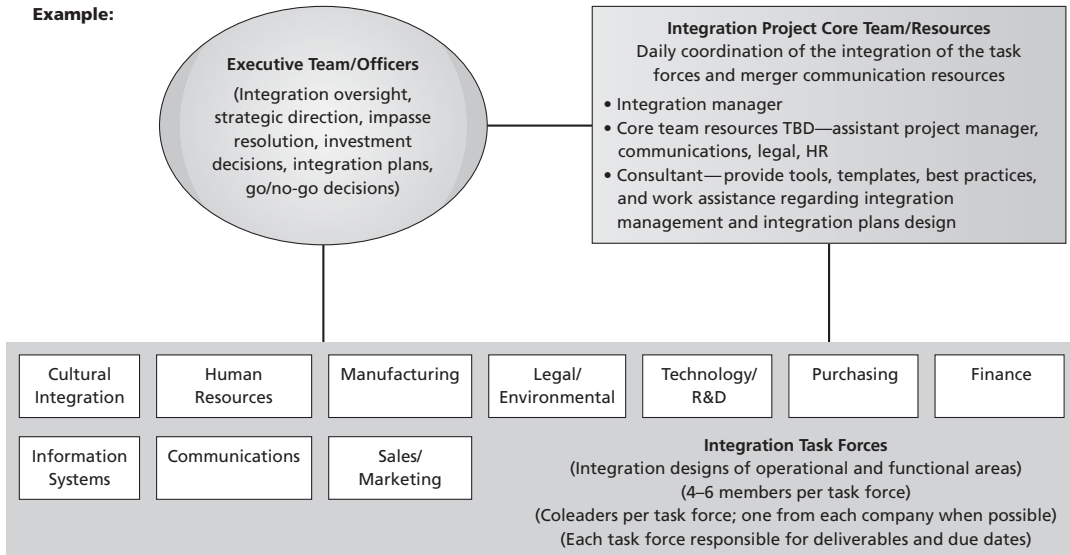
61–80 = Above Average (identify areas that can still be improved)

81–100 = Excellent (continuously review and refine each component as the firm's M&A efforts evolve)

Component	Rating (0 = poor, 10 = excellent)	Notes/ Rationale
For each transaction...		
1. We use a comprehensive integration process methodology.		
2. We effectively address all major work streams.		
3. We have a customized set of principles for integration success.		
4. We develop a comprehensive integration strategy framework prior to launching integration planning.		
5. Our leaders make timely, effective integration decisions.		
6. Our leaders consistently demonstrate the desired behaviors and cultural expectations during integration.		
7. We launch our integration planning effort through a coordinated event.		
8. We conduct an on-boarding and alignment meeting with leaders early in the process.		
9. We use an executive steering committee comprising senior-level functional and business unit leaders to collaboratively decide major issues.		
10. The overall pace of our integration planning and implementation is generally considered to be about right.		
<b>TOTAL SCORE</b>		

## Exhibit 6.1 Common Integration Team Governance Model

**Example:**



## **Exhibit 6.2**

### **Position Description for a Task Force Leader**

---

#### **Integration Process Task Force Leader Position Description**

##### *Task Force Leader Objectives*

The task force leader is a focal point for accomplishing all task force work, including development of transition/integration plans; coordinating issues, as needed, with other task forces; producing detailed integration recommendations for approval of the integration team and officer group; and overseeing the implementation of integration activities.

##### **Task Force Leader Responsibilities**

- Serve as a member of the integration project core team, and report task force progress and issues to the integration project core team
- Ensure completion of and adherence to the task force charter
- Coordinate overall activities of the task force
- Participation in a common communication process, and use tools for exchanging information among task force members and among other task forces
- Coordinate task force meetings, ensuring meetings take place as often as necessary, and ensuring participation from both owner companies throughout
- Arrange for appropriate meeting notes to be summarized into specific action items/responsibilities, and distribute to members
- Submit weekly, one-page e-mail progress reports to the integration manager in advance of the weekly integration project core team meetings
- Ensure appropriate links to other task forces for overlap and coordination issues

##### **Selection Criteria**

- Senior-manager level
- Technical expertise/credibility in area

*(continued)*

### **Exhibit 6.2 (Continued)**

---

- Strong leadership competence
- Conceptual and analytical abilities
- Comfort with ambiguity
- Sense of urgency/action orientation
- Strong people and relationship skills
- Facilitation/group-process skills



### **Exhibit 6.3**

#### **Sample Kickoff Meeting Agenda**

---

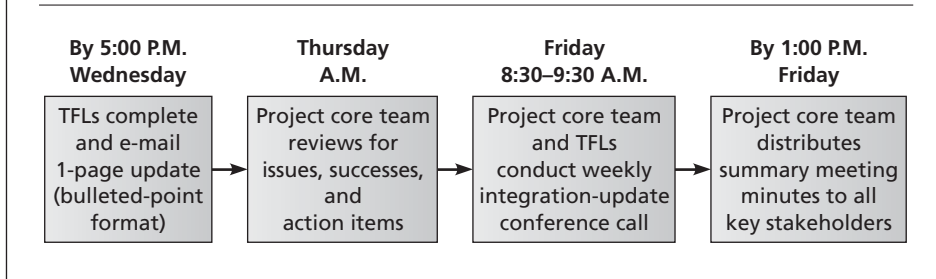
1. Welcome and Orientation
  - Project goals and milestones
  - Project structure, roles, responsibilities
2. Strategic Business Case
  - Opportunities and challenges of the deal
  - Synergy review and discussion
3. Legal Briefing
  - Antitrust
  - Communication issues
4. Human Resources Briefing: status update on pay, benefits, and staffing
5. Integration Process Work Steps and Deliverables
  - Task force work-steps model
  - Deliverables and due dates
  - Task force status updates
  - Instructions for initial working session
6. Initial Team Leader Planning — Complete Draft Charter:
  - Verifying synergy assignments
  - Identifying issues
  - Determining subteam resources required
  - Identifying data/inputs needed
  - Establishing task force logistics (meeting locations, times)
7. Group Debrief Session
  - Review progress and issues
  - Clarify next steps
  - Closing comments

## Exhibit 6.4

### Task Force Planning Process

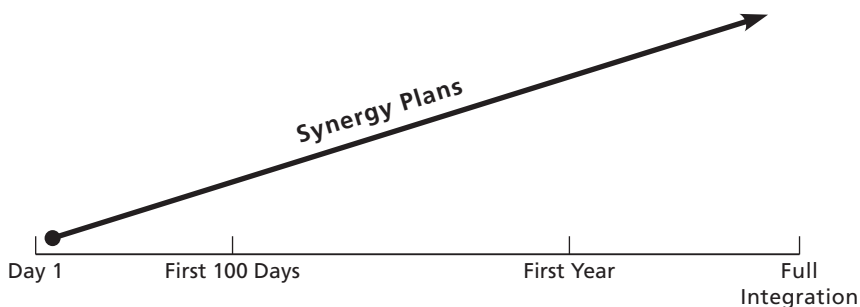
<b>STEP ONE</b>	<b>Action:</b> Conduct “as is” analysis <b>Output:</b> Basic understanding of the current situation	<b>Where Are We?</b>
<b>STEP TWO</b>	<b>Action:</b> Collect data <b>Output:</b> Information, process maps (if applicable), and measures	
<b>STEP THREE</b>	<b>Action:</b> Identify solutions <b>Output:</b> Integration designs	<b>Where Are We Going?</b>
<b>STEP FOUR</b>	<b>Action:</b> Develop integration plans <b>Output:</b> Road map for installation	<b>How Do We Get There?</b>
<b>STEP FIVE</b>	<b>Action:</b> Gain approval <b>Output:</b> Go-ahead from steering committee and/or merger team	<b>Are We in Agreement?</b>
<b>STEP SIX</b>	<b>Action:</b> Prepare detailed installation <b>Output:</b> Announcements, training materials, logistics, scheduling	<b>Are We Ready?</b>
<b>STEP SEVEN</b>	<b>Action:</b> Conduct installation activities <b>Output:</b> Training, moves, announcements	<b>Go</b>
<b>STEP EIGHT</b>	<b>Action:</b> Measure and monitor, adjust <b>Output:</b> Progress reports, process adjustment	<b>Course Corrections</b>
<b>STEP NINE</b>	<b>Action:</b> Hand off to local management <b>Output:</b> Management ownership	<b>Finish</b>
<b>STEP TEN</b>	<b>Action:</b> Complete project <b>Output:</b> Celebration	

### Exhibit 6.5 Process for Weekly Updates



## Exhibit 6.6

### Determine the Level of Detail for Task Force Plans



#### Primary Integration Objectives:

##### Day 1:

- Strategy clarification
- Seamless Day-1 operations
- Core business functionality
- Command and control protocols
- Communication and coordination between separate business processes
- Specific transition business process rules and work flow
- Establish measures and baselines
- Key-employee retention

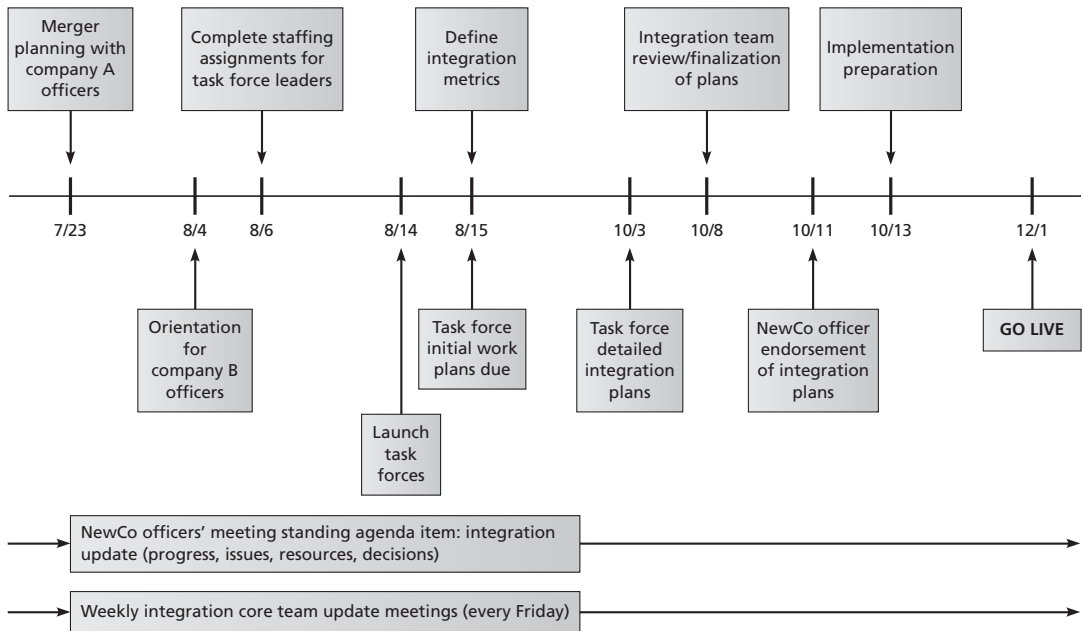
##### First 100 Days:

- Staffing and structure decisions
- Synergies: "quick hits and low-hanging fruit" only
- Validate initial systems and facilities requirements
- Full integration timelines, budgets, and targets
- Recommended business process integration and system integration plans
- Customer retention

##### First Year to Full Integration:

- Long-term cost synergies and revenue enhancing synergies
- Manage-out of specific business process and system integration projects
- Transition to integrated business process and systems
- Cultural alignment
- Integration debrief assessment

### Exhibit 6.7 High-Level Summary Timeline



## Exhibit 6.8

### High-Level Summary Timeline: First 120 Days

December	January	February	March
<ul style="list-style-type: none"> <li>• Day 1! 12/1</li> <li>• Launch brochure and advertising campaign to customers</li> <li>• Conversion of product specs to process</li> <li>• Product-line consolidation plan approved</li> <li>• Critical control policies, including capital and expenditure approval process</li> <li>• Define short-term crisis management organization and notification system</li> <li>• Begin legacy maintenance, ongoing</li> <li>• Vision and values rollout</li> <li>• Product certification process</li> <li>• First official publication of synergy scorecard</li> </ul>	<ul style="list-style-type: none"> <li>• Dynamic fleet-management model completed</li> <li>• Terminal capability study</li> <li>• Test-run process finalized</li> <li>• Completion of basic product training for sales and customer service (including legacy systems, processes, products, customers)</li> <li>• Materials-management design rolled out to plants</li> <li>• Butane cracking online</li> <li>• Sales territory transitions</li> <li>• Year-end accounting for owners</li> <li>• National agreements negotiated with suppliers</li> <li>• Completion of companywide facility-siting strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Order entry fully operable</li> <li>• Advanced polymer process control strategy finalized</li> <li>• Finalize 2007 R&amp;D programs</li> <li>• Final SAP configuration complete</li> <li>• New railroad freight contract negotiated</li> </ul>	<ul style="list-style-type: none"> <li>• Develop pipeline optimization plan</li> <li>• Phase 1 best practices identified by technology centers</li> <li>• Maintenance purchase savings opportunities and action plan approved</li> <li>• Transition to long-term legacy system support process (post IT retention date)</li> <li>• Logistics, S&amp;OP, credit functionality</li> <li>• Quality management functionality at appropriate remote sites</li> <li>• Order fulfillment functionality</li> </ul>

**Exhibit 6.9**  
**Sample Consolidated Project Plan**

ID	Task Name	Finish	Percentage Complete	Resource Names													2004
					A	M	J	J	A	S	O	N	D	J	F		
1	Purchased Safety Services	Fri 6/30/05	32%		<div></div>												
2	Complete detailed analysis and prioritization of current purchased services	Fri 8/14/03	100%	R. Smith/B. Jones	<div></div> 100%												
3	Generate updated synergy target based on above	Tue 9/1/03	40%	R. Smith/B. Jones	<div></div> 40%												
4	Consolidate purchases identified in target, as contracts permit	Fri 6/30/05	25%	R. Smith/B. Jones	<div></div>												
5	Provide functional support to achieve target (ongoing)	Fri 6/30/05	25%	R. Smith/B. Jones	<div></div>												
6	Corporate Safety Consolidation	Mon 2/1/04	41%		<div></div>												
7	Develop organization plan and headcount recommendation	Tue 9/1/03	100%	P. Baker/J. Thomas	<div></div> 100%												
8	Review above with appropriate officers	Tue 9/15/03	100%	P. Baker/J. Thomas	<div></div> 100%												
9	Modify and finalize plan, as necessary	Thur 10/1/03	85%	P. Baker/J. Thomas	<div></div> 85%												
10	Develop consolidated safety-management philosophy and programs	Mon 2/1/03	10%	P. Baker/J. Thomas	<div></div> 10%												
11	Implement	Wed 7/1/03	50%	P. Baker/J. Thomas	<div></div> 50%												
12	Regional Safety Consolidation	Tue 9/1/03	50%		<div></div> 50%												
13	Confirm organization plan and headcount recommendation	Tue 9/1/03	20%	P. Baker	<div></div> 20%												

**Exhibit 6.10**  
**List of Oversight Vehicles**

<b>Vehicle/(Contact)</b>	<b>Value Added</b>	<b>Owner Use</b>
<b>1. Consolidated project plan</b> (responsibility) A. Detailed timeline by functional area B. Executive roll-up chart	<ul style="list-style-type: none"> <li>Identifies functional critical path and milestones</li> <li>Facilitates tracking of progress and task force emphasis</li> </ul>	<ul style="list-style-type: none"> <li>Review for <i>Completeness</i> <i>Focus on appropriate elements</i> <i>Owner decisions needed</i></li> <li>Discuss gaps and inquiries with appropriate NewCo officer</li> </ul>
<b>2. Integration key action items list</b> (responsibility) C. Major strategic D. Key tactical items	<ul style="list-style-type: none"> <li>Identifies major issues related to achievement of milestones</li> <li>Identifies major themes</li> </ul>	<ul style="list-style-type: none"> <li>Review to identify <i>Emerging decisions</i> <i>Potential obstacles owners can address or remove on NewCo's behalf</i></li> <li>Discuss gaps and inquiries with appropriate NewCo officer</li> </ul>
<b>3. Synergy report card</b> (responsibility)	<ul style="list-style-type: none"> <li>Creates task force focus</li> <li>Provides baseline for tracking</li> </ul>	<ul style="list-style-type: none"> <li>Review for progress</li> <li>Discuss gaps and inquiries with appropriate NewCo officer</li> </ul>
<b>4. Business plan</b> (responsibility)	<ul style="list-style-type: none"> <li>Enumerates <i>Base economic assumptions</i> <i>Industry analysis and scenarios</i> <i>Business strategies and drivers</i> <i>Tactical execution items</i></li> <li>Identifies desired business results and means of measurement</li> </ul>	<ul style="list-style-type: none"> <li>Review for <i>Strategic direction</i> <i>Completeness</i> <i>Goals to be achieved</i> <i>Owner decisions needed</i></li> <li>"Pressure Test"</li> <li>Discuss gaps and inquiries with appropriate NewCo officer</li> </ul>

*(continued)*



**Exhibit 6.10**  
**(Continued)**

Vehicle/(Contact)	Value Added	Owner Use
5. <b>NewCo officer meeting agendas and minutes</b> (responsibility)	<ul style="list-style-type: none"> <li>Provides insight into strategic focus areas of the NewCo officers</li> </ul>	<ul style="list-style-type: none"> <li>Identify emerging issues, major decisions, priorities</li> <li>Inform NewCo officers of missing owner requirements</li> </ul>
6. <b>Closing status and responsibility-checklist</b> (responsibility)	<ul style="list-style-type: none"> <li>Identifies critical-path milestones</li> <li>Enables progress tracking</li> </ul>	<ul style="list-style-type: none"> <li>Determine whether deal closing is on track</li> <li>Identify potential obstacles</li> <li>Inform NewCo of missing owner requirements</li> </ul>
7. <b>Weekly integration task force leader meeting notes</b> (responsibility)	<ul style="list-style-type: none"> <li>Communicates highlights for individual task forces: <i>Actions</i> <i>Successes</i> <i>Issues</i> <i>Assistance needed</i></li> </ul>	<ul style="list-style-type: none"> <li>Understand scope and objectives of activities</li> <li>Assist where possible in removing obstacles or identifying additional owner needs</li> </ul>

## **RAPID ASSESSMENT TOOL**

---

### **Organizing, Involving, and Coordinating Integration Task Forces**

Completing the following scorecard will provide a quick, high-level view of how well your organization manages its integration task forces.

#### **Steps to complete the assessment:**

1. Rate each item on a scale of 0 (poor) to 10 (excellent).
2. Make notes for each item to explain the rationale for the numerical rating.
3. Add all ten scores to get a TOTAL SCORE (maximum score = 100).

#### **Rating scale:**

0–20 = Poor (significant improvement needed)

21–40 = Below Average (improvement needed in several areas)

41–60 = Average (identify areas of weakness and adjust)

61–80 = Above Average (identify areas that can still be improved)

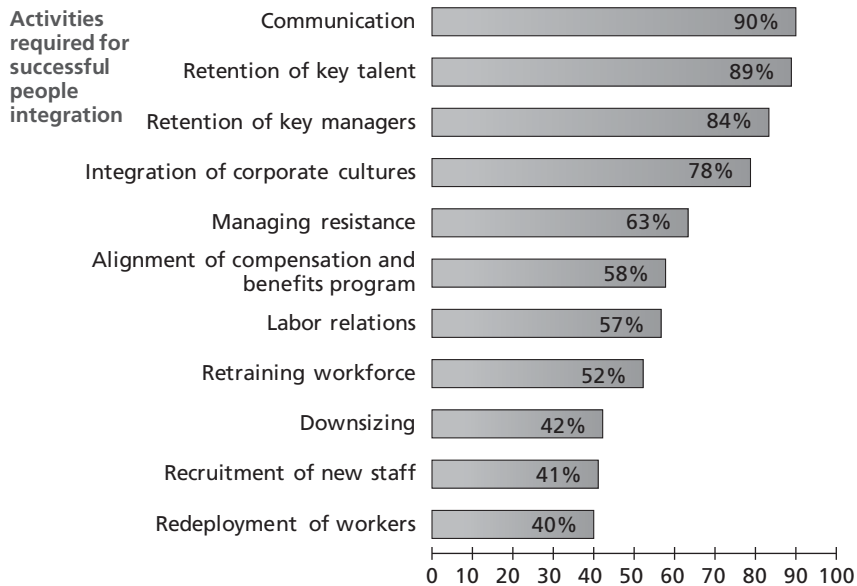
81–100 = Excellent (continuously review and refine each component as the firm's M&A efforts evolve)

Component	Rating (0 = poor, 10 = excellent)	Notes/ Rationale
For each transaction...		
1. An executive deal sponsor is assigned to have principal accountability for success.		
2. A highly experienced integration leader is appointed on a full-time basis.		
3. An integration management office is established, with dedicated staff from the target company and support functions such as project management, communications, and both change-management and external advisors.		
4. The executive steering team is empowered to make direct functional and cross-functional decisions needed for the integration.		
5. Our task forces are structured to include teams responsible for essential integration objectives in addition to functional teams.		
6. Our integration leader is selected through a robust and disciplined process versus an ad hoc or black-box approach.		
7. We effectively maximize the integration planning process during the time period from initial deal announcement through closing.		

Component	Rating (0 = poor, 10 = excellent)	Notes/ Rationale
8. A formal training process or program is provided to those executives, managers, or task force members involved in the integration.		
9. All integration task force personnel are briefed on the legal risks of pre-close integration planning and understand the protocols for handling discussions or information exchange with the acquired company prior to closing.		
10. Our integration tools, templates, and cloud-based solutions adequately support our anticipated future requirements.		
<b>TOTAL SCORE</b>		

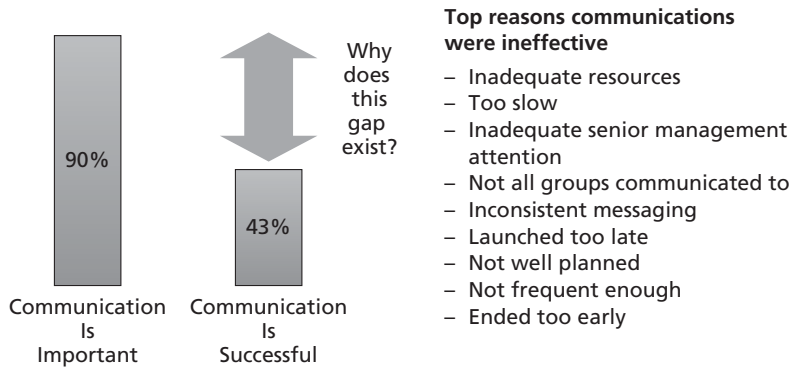
### Exhibit 7.1

#### Importance of Communication for Successful Integration



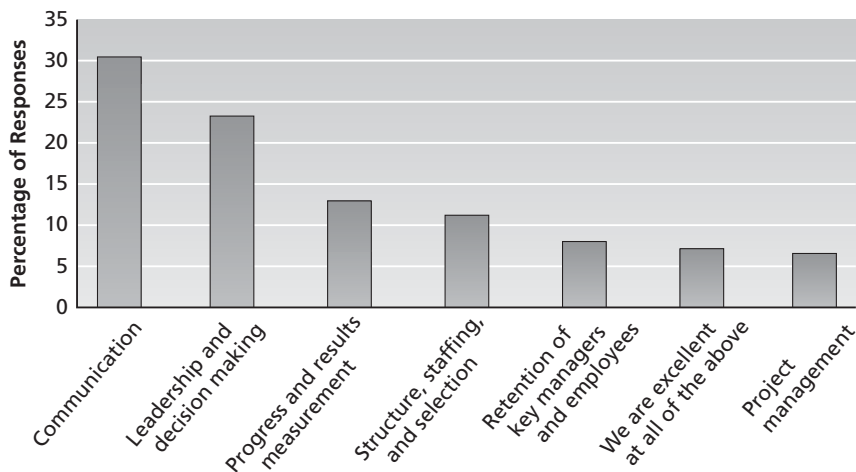
## Exhibit 7.2

### Communication Importance versus Effectiveness



## Exhibit 7.3

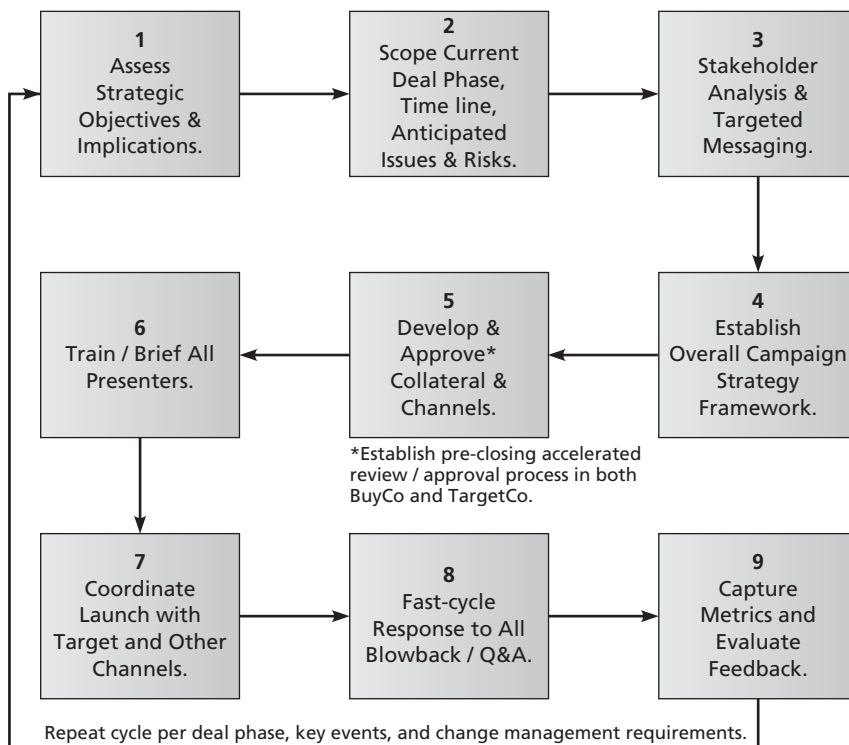
### Integration Areas Most Needing Improvement



**The One Area** my current company can improve to make our M&A integration efforts better is . . .

## Exhibit 7.4

### M&A Partners' Communications Planning Framework



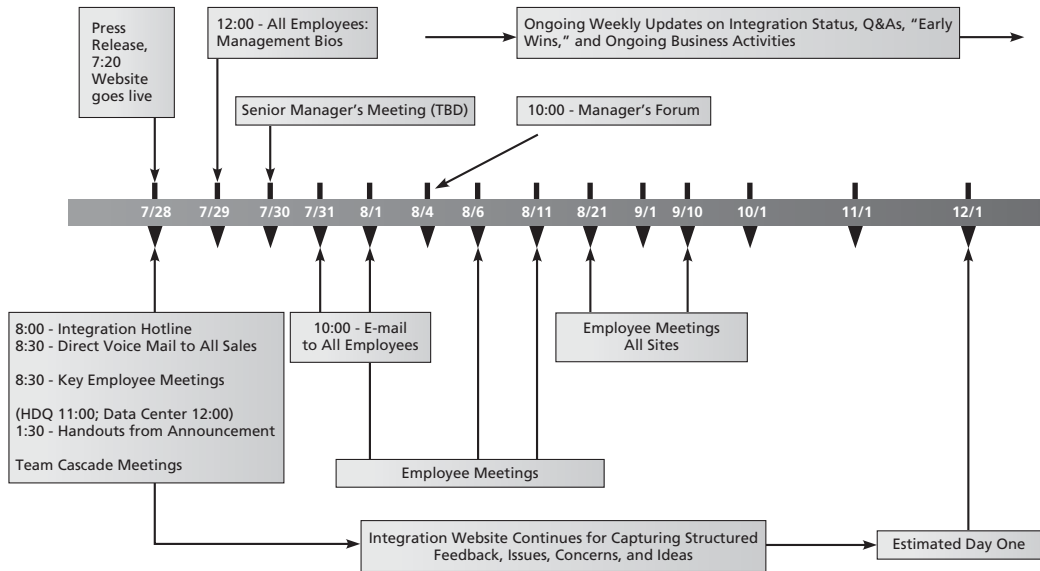
## Exhibit 7.5 Stakeholder Assessment and Key Messages

Integration Communications Plan:					Deal Phase: Initial Announcement				
Stakeholder Groups and Subsets (who)	Issues and Concerns (list for each stakeholder group)	Key Messages (What must we get them to understand, support, or accept?)	Communication Tactics and Delivery Vehicles (How can we best reach each group with these messages?)	Campaign Plan (Timing and materials needed)	Owners (Accountability and contact points for delivery and implementation)				
			Communication Objectives and Core Messages:						
			Employees and Staff	Channel Partners	Customers (sort by segment)	Agencies and Officials	Suppliers		
			Goal:	Goal:	Goal:	Goal:	Goal:		
			Issues and Concerns:	Issues and Concerns:	Issues and Concerns:	Issues and Concerns:	Issues and Concerns:		
			Core Messages:	Core Messages:	Core Messages:	Core Messages:	Core Messages:		

*Note:* Communications strategy, stakeholder analysis, and tactical planning must be repeated at key deal phases and events.



## Exhibit 7.6 Sample Communications Campaign Plan

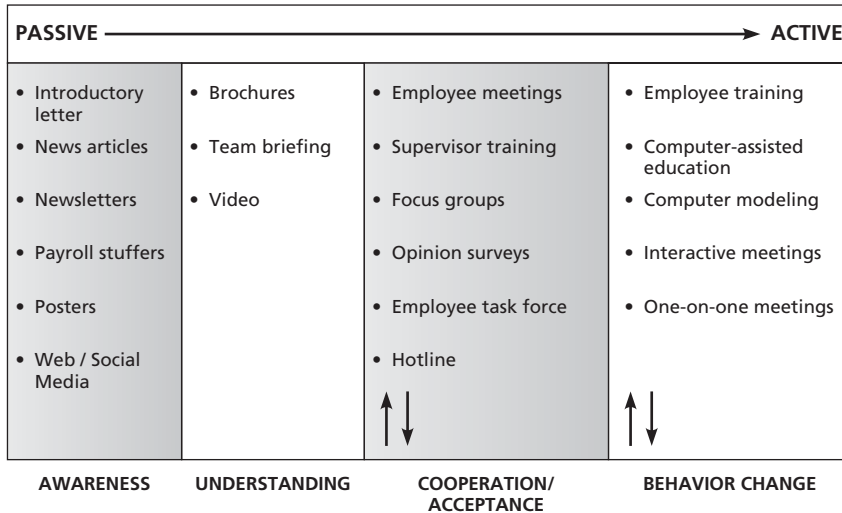


**"Communication, like war, must be waged."**

*Note: A communications campaign framework helps balance timing, events, channels, and ongoing processes.*

## Exhibit 7.7

### Multiple Methods Maximize Impact



**Exhibit 7.8**  
**Example of a FRANK Integration Update**

---

<i>F</i>	<i>R</i>	<i>A</i>	<i>N</i>	<i>K</i>
----------	----------	----------	----------	----------

*An electronic news service for employees. Updated weekly or more frequently as news becomes available.*

---

HELLO, I'M FRANK. You and I will be getting to know each other in the coming weeks. First of all, you need to know that my name is no accident. In the days ahead, it will be my job, along with your supervisor, to communicate with you openly, frequently, and candidly about the changes under way at our company.

I'll be giving you information as early as I can—information you need to make better decisions. I'll tell you what I know about any aspect of the new venture. And if I don't know, I'll say that and get back to you as soon as I can. I'll tell you the good news and the bad. I'll help you tell the difference between rumor and truth.

I won't promise that you will always be satisfied with what I have to say, but I am committed to talking to you plainly, without any corporate double-speak. In short, I'll treat you with respect and honesty.

---

## RAPID ASSESSMENT TOOL

---

### Waging the Communications Campaign: Rapid Assessment

Completing the following scorecard will provide a quick, high-level view of how well your organization wages the communications campaign.

#### Steps to complete the assessment:

1. Rate each item on a scale of 0 (poor) to 10 (excellent).
2. Make notes for each item to explain the rationale for the numerical rating.
3. Add all ten scores to get a TOTAL SCORE (maximum score = 100).

#### Rating scale:

0–20 = Poor (significant improvement needed)

21–40 = Below Average (improvement needed in several areas)

41–60 = Average (identify areas of weakness and adjust)

61–80 = Above Average (identify areas that can still be improved)

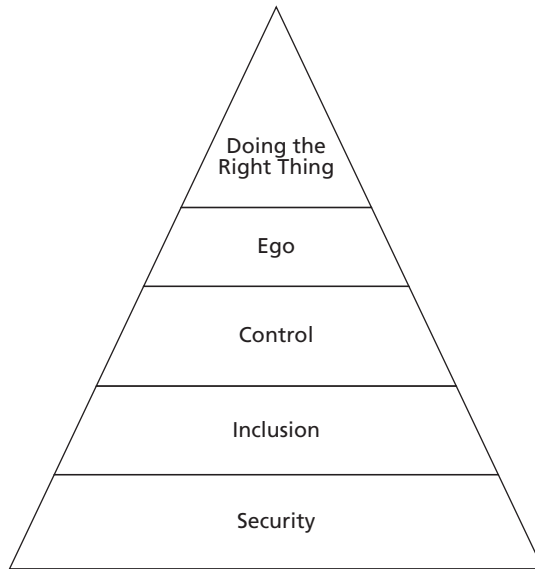
81–100 = Excellent (continuously review and refine each component as the firm's M&A efforts evolve)

Component	Rating (0 = poor, 10 = excellent)	Notes/ Rationale
Please answer each item based on your current experiences and capabilities with M&A communications.		
Our current M&A communications approach...		
1. ... consistently delivers timely, meaningful, and ongoing communications to all stakeholder groups.		

Component	Rating (0 = poor, 10 = excellent)	Notes/ Rationale
2. ... is guided by expert resources who really understand the unique challenges of M&A and the business.		
3. ... enables our communications lead to directly interface with senior leaders, lawyers, the deal team, and the integration team early in the process.		
4. ... effectively identifies, analyzes, and plans communications needs, strategic messaging, and tactics for all stakeholder groups.		
5. ... uses a variety of media, tactics, and events in a compressed fashion to wage an effective campaign.		
6. ... uses a mix of passive or information transmittal methods and active or engagement methods and events.		
7. ... establishes clear roles, responsibilities, coordination and service level agreements for all those involved in the review, editing, and approval and coordinated launch of communications.		
8. ... provides training and support for all presenters and managers involved in communicating.		
9. ... responds quickly and effectively to all blowback, questions, and issues.		
10. ... captures both quantitative and qualitative feedback to help us determine effectiveness and improvements going forward.		
<b>TOTAL SCORE</b>		

**Exhibit 8.1**  
**The Rerecruitment Needs Pyramid**

---



**Exhibit 8.2**  
**Retention and Rerecruitment Planning Matrix**

Key People and/or Groups	Impact of Loss (monetize where possible)	Key Motivators	Retention and Rerecruitment Actions	Responsibility	Timing	Back-up Plan In Case They Do Leave	Notes
1. Sales							
2. Operations							
3. R&D							
4. IT							
5. Person A							
6. Person B							
7. Person C							

## **Exhibit 8.3**

### **Manager's Guide to Retention and Rerecruitment**

---

#### **Use of This Guide**

Among the best ways to retain and rerecruit people are involvement and communication: regularly explaining what is going on and why decisions are made. Ongoing rerecruitment in all areas of the organization is a tangible way to begin and to continually apply our vision and values. In short, we need to make our people feel a part of the new company.

This guide is designed to assist managers in their integration-related retention and rerecruitment efforts. It lays out a straightforward seven-step process that can be applied to all areas of the enterprise. If you have any questions about the use of this guide, please stop by the integration team office located at \_\_\_\_\_ or call \_\_\_\_\_.

#### **Rerecruitment**

The term *rerecruitment* applies not simply to efforts aimed at retaining people, but also to actions that help regain people's commitment of to the organization. Loss of interest and commitment can be at least as devastating to performance as actual loss of people to competitors or other organizations.

##### *I. Why rerecruit?*

- Prevent loss of key people.
- Proactively approach people who are more receptive to headhunter calls at this time.
- Address increased safety risks.
- Anticipate a drop in productivity.
- Address reduced work quality.



### Exhibit 8.3 (Continued)

- Anticipate the discouragement of those who haven't left by those who have.
- Prevent the loss of organizational knowledge, talent, and resources.
- Prevent an increase in search, hiring, and training costs.

List other reasons you can think of for your area or the company in general:

II. *What has been the impact so far?*

We already have positions open.

Many people have not accepted offers to be a part of the NewCo.

In my area there are [number of exits/resignations to date]. These are only the actual resignations so far. How many people are mentally checking out or may be part of a second wave of exits?

III. *What do people want?* Place a check mark next to the items that you feel may still be concerns for at least some of the people in your area:

- ☐ Security (a job, pay, benefits)
- ☐ Inclusion (timely knowledge of what's occurring, involvement in task forces/initiatives, ability to ask questions and get timely answers, access to managers' time and attention)
- ☐ Control (ability to make or influence decisions, latitude to make the call without multiple approvals)
- ☐ Recognition (recognition of achievements, pats on the back, thank-yous)

IV. *Who am I concerned about?* List the people or groups in your area who you may be concerned are at risk for leaving, or who may not be rerecruited into the company yet:

*People or Groups*

*People or Groups*

V. *What if they leave?* For the people or groups you listed, what will be the impact on your area if they leave, or if their organizational commitment is not what you need it to be?

(continued)

### Exhibit 8.3 (Continued)

<i>People or Groups</i>		<i>Impact of Loss/Lack of Commitment</i>		
VI. <i>What have I done so far?</i> List the actions that you have taken to date to rerecruit your people into the company.				
<i>Rerecruitment Actions to Date</i>		<i>Approximate Completion Date</i>		
VII. <i>What more can I do?</i> List the actions that you will take to further rerecruit your people into the company.				
<i>Rerecruitment</i>	<i>Help Needed</i>	<i>People or Groups</i>	<i>Date/Timing From</i>	<i>Whom?</i>
<i>Actions</i>				

**Remember:** We can spend the time, effort, and money now to rerecruit current knowledge and talent, or we can spend *more* time, effort, and money later to try to replace that knowledge and talent.

#### **Rerecruitment Suggestions, Ideas, and Thought Starters**

##### *Security (a job, pay, benefits)*

Tell people they have a job, *and* paint a bright, important vision of their role in the future of the company.

##### **Inclusion (timely knowledge of what's occurring)**

- Stress involvement in task forces/initiatives, ability to ask questions and get timely answers, access to managers' time and attention).
- Conduct *many* face-to-face team discussions with you, regularly schedule them (such as every Tuesday morning), include Q&A two-way dialogue, discuss company information, discuss your management style, discuss expectations of your area (productivity, financials, safety).
- Tell people why decisions are being made the way they are: "This is the rationale."

### Exhibit 8.3 (Continued)

- Set a specific two-hour open-door office time each week when you will be available for people to have access to you, and keep the scheduled time.
- Hold timely special meetings to communicate and discuss “hot news” (such as organizational announcements).
- Bring people to the new location for community visits; include family and spouse activities.
- Conduct spouse-to-spouse activities; have spouses communicate with each other to “sell” the community and the move to a new locale.

#### **Control (ability to make or influence decisions, latitude to make the call without multiple approvals)**

- Clearly tell people what decisions you want to be involved in, and let them make decisions and inform you later about everything else.
- Discuss learning opportunities from mistakes made: what you would have done differently or what should be done the next time.

#### **Recognition (recognition of achievements, pats on the back, thank-yous)**

- Hold formal recognition events and meetings.
- Include recognition comments at the beginning or end of each of your team meetings.
- Give people something (a lunch, awards).
- Tell people they have done something well *when they do it*, not days after the fact.
- Use the element of surprise; unexpected recognition demonstrates a leader’s interest and initiative.

#### **Special Notes:**

- *Be creative* in your rerecruitment actions.
- *Involve others* (officers, spouses) to help you rerecruit, as necessary.

(continued)

### Exhibit 8.3 (*Continued*)

---

- *Don't delegate* rerecruitment: your actions and presence have a greater impact than the actions and presence of those ranked below you.
- *Follow up* your words with actions; actions do speak louder than words.
- *Be persistent*; remember that just because you have done something once doesn't mean you shouldn't do it again — and again.

## Exhibit 8.4

### Retention and Rerecruitment Options

Example Retention/ Rerecruitment Options	Features/Considerations
Retention Bonus	Tie to performance, Tie to time, Additional expense
Title	Inflation or deflation, Equity, Personal loss, Low cost
Base compensation	Equity, Exceptions, Short-term motivator, Easily matched by competitors, Additional expense
Benefits	Equity, Additional expense, Loss versus gain, More or less choice, Perceived value
Bonus or profit sharing	Additional expense, Equity, Loss versus gain
Position and role	Equity, Status, Autonomy or decision-making authority, Responsibility and influence, Psychological income (stimulation), Learning and growth opportunities
Location	Move or not move preference, Business need considerations, Cost of relocation, Quality-of-life issues
Reporting relationship, manager	Respect, Fit, Psychological income, Business need versus individual preference
Change in control provision	Potential additional expense, Security, Mix of components
Perks	Additional expense, Equity, Individual preference versus need, Wide range of options
Involvement in the integration effort	Psychological income, Business need versus individual preference, Sense of involvement, Low cost, Alignment with integration goals
Communication	Psychological income, Security, Sense of involvement, Low cost, Alignment with NewCo strategy

## RAPID ASSESSMENT TOOL

---

### **Retention and Rerecruitment: Rapid Assessment**

Completing the following scorecard will provide a quick, high-level view of how well your organization performs retention and rerecruitment.

#### **Steps to complete the assessment:**

1. Rate each item on a scale of 0 (poor) to 10 (excellent).
2. Make notes for each item to explain the rationale for the numerical rating.
3. Add all ten scores to get a TOTAL SCORE (maximum score = 100).

#### **Rating scale:**

0–20 = Poor (significant improvement needed)

21–40 = Below Average (improvement needed in several areas)

41–60 = Average (identify areas of weakness and adjust)

61–80 = Above Average (identify areas that can still be improved)

81–100 = Excellent (continuously review and refine each component as the firm's M&A efforts evolve)

Component	Rating (0 = poor, 10 = excellent)	Notes/ Rationale
For each transaction...		
1. We use a clearly defined approach to the retention and rerecruitment of key talent.		
2. We clearly identify the criteria for designating someone as key talent.		
3. We do a good job of identifying key talent in the target or partner company.		
4. We identify key talent at all levels of the target or partner firm.		
5. We identify key talent in our own organization who might be at risk of leaving or ending their commitment.		
6. We use a variety of retention and rerecruitment actions (beyond stay bonuses) for identified key talent.		
7. We designate clear accountabilities for people to deliver planned retention and rerecruitment actions.		
8. We designate clear time lines for the delivery of planned retention and rerecruitment actions.		
9. We create backup plans in case identified key talent does leave.		
10. We measure our success with regard to retaining and rerecruiting key talent.		
<b>TOTAL SCORE</b>		

## Exhibit 9.1

### Organization Design Parameters

Design Parameter	Definition	Considerations
Strategic business focus	The specific strengths, capabilities, or business drivers that uniquely distinguish a particular department or unit from another.	Is the strategic business focus of the organization sufficiently clear to indicate the specific responsibilities, tasks, deliverables, and resources required of this particular function or job?
Reporting structure	The formal reporting relationship or arrangement for an individual, process team, or function.	Is a process activity "owned" by as few managers as possible? Is process completion established to cut across as few organization boundaries as possible?
Departmentation	The process of clustering work activities into business unit or departmental areas of responsibility.	Activities performed by a subunit or individual should directly contribute to that area's mission and purpose. Have all possibilities for grouping fundamentally similar work been considered? (For example, standardized tasks, redundant tasks, opportunities to reduce decision-making cycle time, economies of scale.)
Staffing level	The quantity of personnel (FTEs) occupying the same job, same process, same team, same function, and so on.	Have strategic and customer value-added processes been staffed sufficiently to ensure no risk of poor work quality or service gaps? Have essential support processes been staffed sufficiently to avoid bottlenecks and service gaps? Have all nonstrategic and administrative services been outsourced?

(continued)



### Exhibit 9.1 (Continued)

Design Parameter	Definition	Considerations
Depth of control	The number of levels in the organizational structure. The number of levels or steps of review, endorsement, and approval in an organization.	Has the number of levels been minimized, to the extent practical? Have jobs been designed so that the distance between information generation and decision making is minimized?
Span of control	A reflection of the number of individuals who report to a manager or supervisor.	Has the number of direct reports been maximized to support the manager's breadth of responsibilities? Have adequate processes and protocols been established so that managers can effectively operate larger spans of control?
Job content—vesting	The degree to which the responsibility for completing an activity is specified, understood, and accepted by an individual, team, or function.	Has responsibility for completing an activity been vested in one (and only one) individual (a single point of accountability)?
Job content—breadth	The degree to which an individual performs a broad array of activities.	Have jobs been optimized to allow individuals to perform the broadest possible array of activities within an area of responsibility or skills? Has the number of individuals performing activities within any one process been minimized?

Alignment of responsibility and authority	The degree to which the level of authority granted to an individual, team, or function is sufficient to accomplish the majority of tasks.	Have unnecessary review, endorsement, and approval steps been eliminated? Have the jobs been provided a sufficient level of authority to enable the work to be completed as quickly as possible, without major interruptions for review steps? Have sufficient oversight processes been established?
Geographical location	The specific physical location of a job, process, or location and the people performing the work.	Has work been organized to maximize face-to-face communication? Is work location planned to facilitate adjacent or linear process steps by those nearby?
Integration	The extent to which business units, departments, or individuals share information, gain cross-functional involvement and responsibility, and coordinate decision making with other units.	Have we optimized jobs that will benefit from cross-functional collaboration and open access to communication between units, departments, or individuals? Have we identified processes or mechanisms to maintain effective cross-functional coordination and communication, even when work is not in the same geographical area?
Personnel capabilities	The set of competencies and skills required to perform the job.	Have we identified an objective staffing process with sufficient structure and parameters to ensure that jobs are actually filled by individuals with the skills and competencies needed to successfully perform the work?
Bench strength	The degree to which individuals with the right skills or competencies are available to back up or fill positions in both a short-term and a long-term need.	Have we provided sufficient job rotation, cross-training, flexibility, and developmental “stretch” assignments to broaden skills?

## Exhibit 9.2

### Effective Communications Matrix: Finance Function

	Functional Management	Geographic Management
Who	Direct manager Global functional team Direct employees	Geographic business team
What to communicate	Core functional work and reports Advisories/requests for information (for example, financial impact of strike; items having financial impact on business) Information sharing and best-practice networking	
How to communicate, what format	E-mail Voice mail Conference calls Video teleconferences Face-to-face meetings Paper reports	
Timing/frequency	Reports (monthly) CFO meetings (monthly) Biweekly conference calls (regional controllers)	
Notes and comments Primary role distinction	Technical expert	Business adviser or consultant to team

### Exhibit 9.3 Staffing Calendar Matrix

Direct	Business Unit 1	Business Unit 2	Business Unit 3	Business Unit 4	Business Unit 5	Business Unit 6	Business Function 1	Business Function 2	Business Function 3	Business Function 4	Business Function 5
Report to:											
CEO/COO (Level 1)	28 Jul	28 Jul	28 Jul	28 Jul	28 Jul						
Director/ Manager (Level 3)	07 Aug	07 Aug									
Department Unit											
Organization											
Total											
Headcount											
Prior to JV											
After JV											
Variance											

## Exhibit 9.4

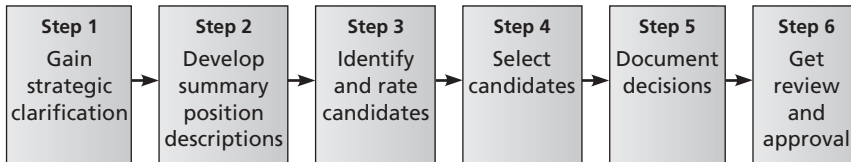
### Recruiting Tips for Merger Staffing

---

- **Develop Summary Position Descriptions**
  - Verify compensation and benefit plan specifics with HR rep.
  - Take your best shot—don't over negotiate must-haves.
  - Outline and review your offer conversation.
- **Strategic Fit and Professional Context**
  - Watch out for the forest-for-the-trees syndrome.
  - People need to be reminded of the compelling business opportunity and the fact that they are an important part of that.
- **Interpersonal and Reporting Relationships**
  - People want to like their boss and those they will be working with.
  - Do something for the family, especially if relocation is involved.
- **The Schmooze Factor**
  - People want to be wanted ... this is a "fraternity rush."
  - Give a realistic job preview, especially now; people need to know what it's really like (for example, "Will have typical plant-level discretion").
  - Don't mislead or dangle unrealistic future possibilities.
- **Coach Candidates Through the Issues**
  - Get their concerns on the table and deal with them honestly.
  - Share your personal insights and encouragement, but stay out of getting them embroiled in your personal agenda.
- **Close the Sale**
  - Every marketer knows you have to follow up hot leads while they're hot. The longer you wait with no contact, the more likely they are to lose interest.
  - Know your "wiggle room," and be creative with extras.
- **Surround 'em with Allies**
  - Pull out the stops—ask other colleagues to tactfully reinforce your offer (the opportunity).
  - Be prepared for second-guessing.
  - Do anything to keep the conversation going if they start to vacillate or back out.
- **Tailor Your Efforts**
  - Rerecruiting and management efforts should be customized to preferences and needs of individuals. What's most important to them? (Secure retirement, location, influence and authority, professional development, respect and recognition, and so on.)

**Exhibit 9.5**  
**Streamlined Staffing Process Model**

---



## Exhibit 9.6

### Summary Position Description

Position Title: \_\_\_\_\_

Supervisor's Title: \_\_\_\_\_

Department: \_\_\_\_\_

Location: \_\_\_\_\_

**BASIC FUNCTION:** Write a brief statement indicating why the job exists. Clearly define the specific role of the position in the organization.

**JOB SPECIFICATIONS:** Define the typical knowledge and experience required for the job. Include technical or specialized knowledge and experience, supervisory or managerial skills, human relations skills, and any professional certification or licensing required.

**RESPONSIBILITIES AND ACCOUNTABILITIES:** Please state the key responsibilities and accountabilities of the position.

- 
- 
- 
- 
- 
- 
- 

**DIMENSIONS:** Provide any appropriate indicators of the scope of the position. Dimensions should relate to the business results the job affects. Data should be current. They need not be exact—estimates are fine.

Annual operation budget   \$ \_\_\_\_\_   Employees supervised \_\_\_\_\_

Revenues produced         \$ \_\_\_\_\_   Product volumes         \_\_\_\_\_

Capital expenditures        \$ \_\_\_\_\_

REVIEW:	
Line manager	Date
Human resources consultant	Date

## Exhibit 9.7

### NewCo Rating Form

**CANDIDATE PROFILE RECORD:** For each dimension, please rate each candidate as follows: H= High match; M=Medium match; L=Low match.

#### CORE COMPETENCIES:

**Communication:** Demonstrates effective oral and written communication skills that enable others to clearly receive and act on the message. Provides input and feedback in a timely, direct, and candid manner. Uses active listening to enhance understanding of information or direction given.

**Initiative:** Proactively seeks opportunities for continuous improvement in order to meet and exceed business objectives. Motivated and interested in the success of the company as well as in professional development. Takes on challenging assignments and is willing to work on long-range objectives. Maintains high standards to ensure customer satisfaction and excellent business performance. Demonstrates honesty and integrity in all actions.

**Work Planning:** Determines what needs to be done and how it can be achieved in a logical, systematic, and cost-effective way. Evaluates priorities and coordinates required resources, actions, and methods to ensure successful completion. Measures progress and effectiveness of actions against plan.

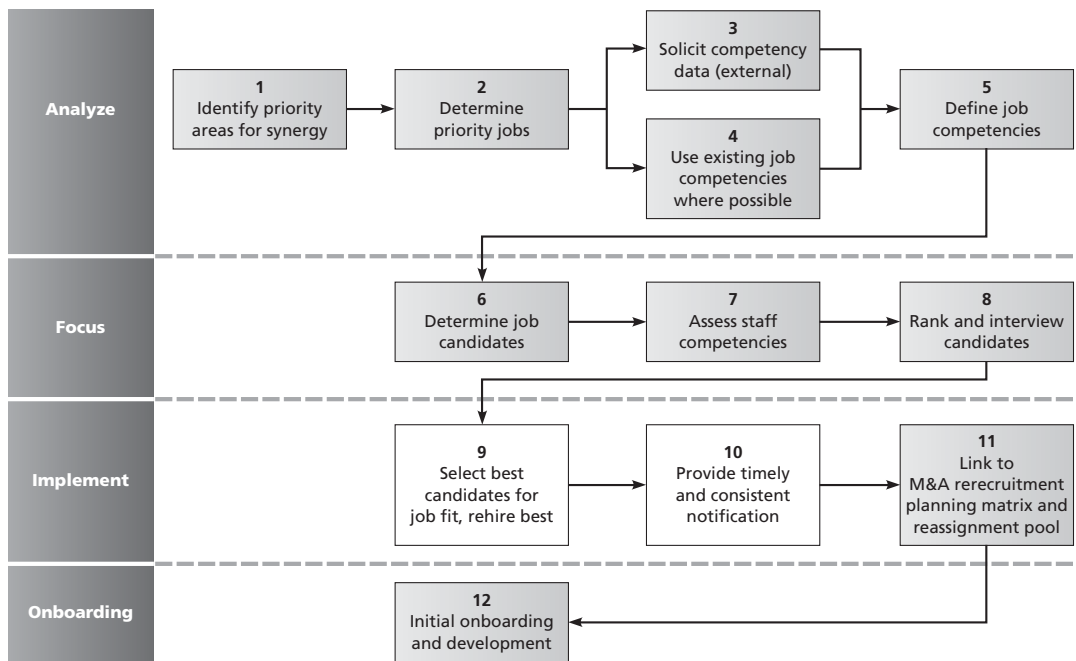
**Problem Solving:** Employs sound, creative thought processes to arrive at innovative solutions or breakthroughs. Bases recommendations on facts and logical assumptions, balancing customer needs with business priorities. Displays a bias for action.

**Leadership:** Takes charge and leads in a facilitative manner. Achieves desired results while balancing the needs of the company, group, and individuals. Collaborates with others to accomplish organizational goals. Acknowledges and communicates appreciation to others for their contributions.





**Exhibit 9.8**  
**Comprehensive Staffing Process Model**



## Exhibit 9.9

### Sample Page from Assessment Survey

#### 7. Strategic Vision

The strategic vision of NewCo is the road map for our people, identifying our destination. It takes the support and ingenuity of all employees to reach our destination with a “can do” attitude and a commitment to the vision, mission, and values of the organization. NewCo lives the vision—through our actions and decisions and by keeping our eye on the road.

**Rating scale:**

5 = Always 4 = Usually 3 = Occasionally 2 = Seldom 1 = Rarely, if ever

7.1 Recognizes potential challenges and turns them into opportunities	1	2	3	4	5
7.2 Connects the vision to daily job activities and decisions	1	2	3	4	5
7.3 Demonstrates a “can do” attitude	1	2	3	4	5
7.4 Leads by example, showing consistency between words and actions	1	2	3	4	5
7.5 Demonstrates commitment to and celebrates organizational success	1	2	3	4	5

Add the columns cumulatively (if you have circled three 2s, then they total 6).

<b>Strategic Vision Total</b>	=	+	+	+	+	+
<b>Strategic Vision Average</b>	=	(Total ÷ 5)				

**Exhibit 9.10**  
**Sample Page from Score Sheet Matrix**

FIRST-RANKING CORE COMPETENCY ASSESSMENT MATRIX

SUPERVISOR: \_\_\_\_\_

DATE: \_\_\_\_\_

DEPARTMENT: \_\_\_\_\_

CONSULTANT: \_\_\_\_\_

COMPANY:      ☐ Company A    ☐ Company B

Rank	Employee Name	Job Title	Consensus Rating								Average Score	Comments/Justification
			1	2	3	4	5	6	7	8		

**Competencies:**      1 = Agility                      4 = Customer focus                      7 = Strategic vision  
                                  2 = Business knowledge                      5 = Decision making                      8 = Teamwork  
                                  3 = Communication                      6 = Human energy

## Exhibit 9.11

### Sample Page from Interview Guide

---

#### 4. Customer Focus

Serving the customer is the heart of NewCo. The core of our business is to make our customers happy both in and outside NewCo. Employees who are committed to satisfying the customer are enterprising, making that extra effort to provide quality service. It is the right thing to do.

#### Interview Questions:

1. Tell me about a time when a customer (internal or external) was dissatisfied with your service. What was the situation, and what did you do to remedy the situation?
2. What process have you used to determine your customers' expectations?
3. How would you define quality customer service?

#### Look for evidence that the candidate:

- Contributes to improving processes for better satisfying customers
- Demonstrates a commitment to providing high-quality products and services to both internal and external customers
- Seeks to exceed customers' expectations

Situation	Action Taken	Result/Outcome

#### Competency rating: Circle the number that best describes the candidate's competency.

5 = Exceptional

4 = Usually demonstrates competency

3 = Occasionally demonstrates competency

2 = Seldom demonstrates competency

1 = Not exceptional; rarely, if ever, demonstrates competency

## RAPID ASSESSMENT TOOL

---

### Structure and Staffing Decisions

Completing the following scorecard will provide a quick, high-level view of how well your organization plans and conducts structure and staffing decisions.

#### Steps to complete the assessment:

1. Rate each item on a scale of 0 (poor) to 10 (excellent).
2. Make notes for each item to explain the rationale for the numerical rating.
3. Add all ten scores to get a TOTAL SCORE (maximum score = 100).

#### Rating scale:

0–20 = Poor (significant improvement needed)

21–40 = Below Average (improvement needed in several areas)

41–60 = Average (identify areas of weakness and adjust)

61–80 = Above Average (identify areas that can still be improved)

81–100 = Excellent (continuously review and refine each component as the firm's M&A efforts evolve)

Component	Rating (0 = poor, 10 = excellent)	Notes/ Rationale
<p>Our approach for determining post-closing organization design, restructuring, staffing, or selection decisions...</p> <ol style="list-style-type: none"> <li>1. ... is developed, well documented, approved, and ready for use in a future M&amp;A integration.</li> <li>2. ... effectively incorporates financial implications of staffing decisions and accurately forecasts realistic costs, synergies, and risks.</li> <li>3. ... is adequately addressed during due diligence and produces the information and perspectives required for effective decision making.</li> <li>4. ... includes all internal and external expertise in a timely fashion to confirm and guide the right decisions with minimal liabilities and loss in business value.</li> <li>5. ... is directly linked to and driven by the strategic requirements of each deal and integration objectives that must be achieved.</li> <li>6. ... achieves our need for quickly and effectively setting the organization.</li> <li>7. ... achieves our need for ensuring an optimal amount of process discipline, oversight and accountability to verify the right decisions are made based on the right factors.</li> <li>8. ... is transparent, well communicated, and generally perceived to be an objective and fair process.</li> </ol>		

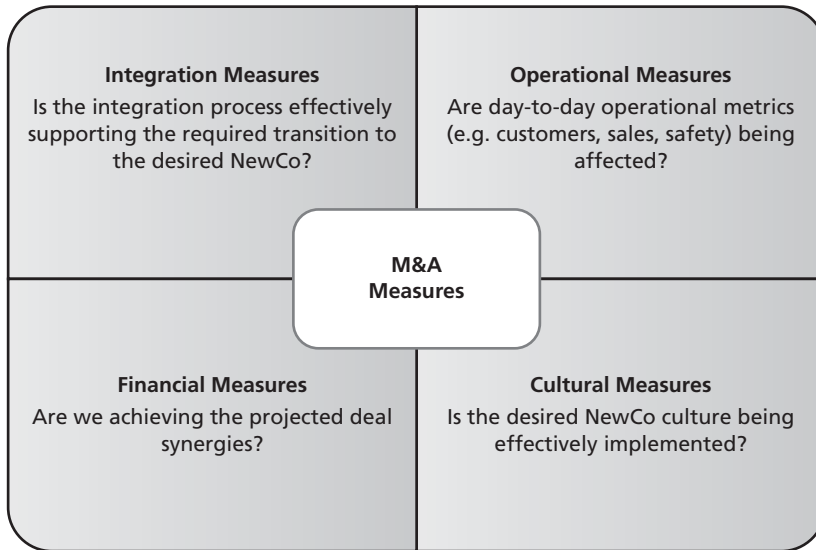
Component	Rating (0 = poor, 10 = excellent)	Notes/ Rationale
9. ... provides adequate training for leaders and managers responsible for making, communicating, and implementing organizational decisions.		
10. ... has a demonstrated track record of producing highly credible staffing decisions based on competencies, desired cultural attributes, and results.		
<b>TOTAL SCORE</b>		



## Exhibit 10.1

### Four Areas for M&A Measurement

---



## Exhibit 10.2

### Integration Process Assessment

In general, please indicate how well you believe the integration of ABC Co. and XYZ Co. has progressed in the following areas. To date...

	Poor		Adequate		Excellent	
1. Overall employee communications about the process have been...	1	2	3	4	5	6 7
Comments/Suggestions:	<div style="border-bottom: 1px solid black; height: 20px; margin-bottom: 5px;"></div> <div style="border-bottom: 1px solid black; height: 20px; margin-bottom: 5px;"></div>					
2. The amount and quality of <i>personal information transfer</i> from managers to their respective direct reports have been...	1	2	3	4	5	6 7
Comments/Suggestions:	<div style="border-bottom: 1px solid black; height: 20px; margin-bottom: 5px;"></div> <div style="border-bottom: 1px solid black; height: 20px; margin-bottom: 5px;"></div>					
3. The understanding of NewCo <i>vision, values, and business strategy</i> by management and employees has been...	1	2	3	4	5	6 7
Comments/Suggestions:	<div style="border-bottom: 1px solid black; height: 20px; margin-bottom: 5px;"></div> <div style="border-bottom: 1px solid black; height: 20px; margin-bottom: 5px;"></div>					
4. The progress of the <i>operational integration</i> (how effectively we have merged our business practices) has been...	1	2	3	4	5	6 7
Comments/Suggestions:	<div style="border-bottom: 1px solid black; height: 20px; margin-bottom: 5px;"></div> <div style="border-bottom: 1px solid black; height: 20px; margin-bottom: 5px;"></div>					

**Exhibit 10.2**  
**(Continued)**

- 
- |  |   |   |   |   |   |   |   |
|--|---|---|---|---|---|---|---|
| 5. The processes used for making and managing NewCo <i>staffing, rerecruiting, and relocation decisions</i> have been... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|--|---|---|---|---|---|---|---|
- Comments/Suggestions:
- 
- 

- |  |   |   |   |   |   |   |   |
|--|---|---|---|---|---|---|---|
| 6. The way “me” <i>issues</i> (benefits, pay, job responsibilities, reporting relationships) are handled has been... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|--|---|---|---|---|---|---|---|
- Comments/Suggestions:
- 
- 

- |   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|
| 7. The focus on preserving/enhancing <i>safety, ongoing operations, sales, and customer service</i> has been... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
- Comments/Suggestions:
- 
- 

- |   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|
| 8. The effectiveness of processes for <i>making decisions and knowing whom to go to</i> has been... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
- Comments/Suggestions:
- 
- 

**The next series of questions pertains to the mechanics of the task force integration process and various project management disciplines used.**

*(continued)*

**Exhibit 10.2**  
**(Continued)**

9. Please rate the effectiveness of the following integration events and processes:

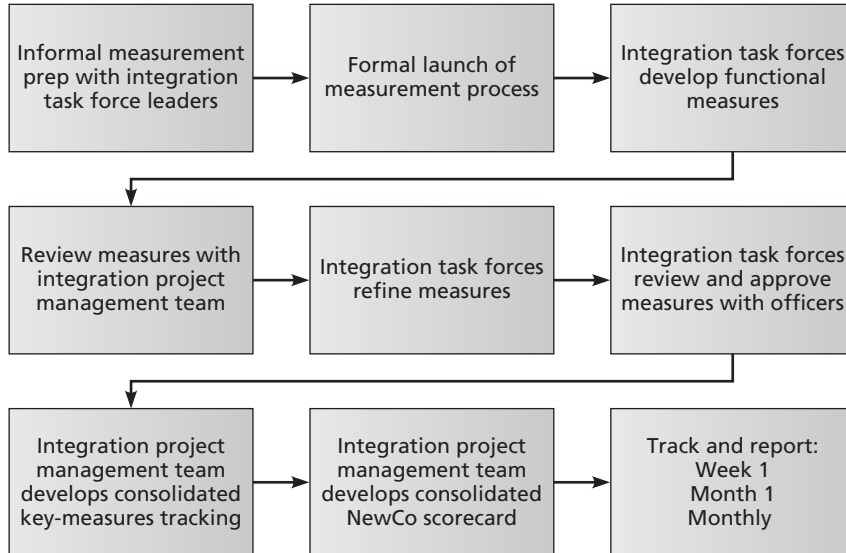
	<b>Poor</b>		<b>Adequate</b>			<b>Excellent</b>	
	1	2	3	4	5	6	7
A. Deal announcement/initial planning							
Comments/Suggestions:	<hr/> <hr/>						
B. Task force kickoff meeting							
Comments/Suggestions:	<hr/> <hr/>						
C. Weekly conference calls and meeting notes							
Comments/Suggestions:	<hr/> <hr/>						
D. Task force report/deliverables							
Comments/Suggestions:	<hr/> <hr/>						
E. Timeline/project plan							
Comments/Suggestions:	<hr/> <hr/>						
F. Task force follow-up meetings							
Comments/Suggestions:	<hr/> <hr/>						

**Exhibit 10.2**  
**(Continued)**

	<b>Poor</b>		<b>Adequate</b>		<b>Excellent</b>	
G. Toll-free hotline	1	2	3	4	5	6
Comments/Suggestions:						
<hr/>						
H. Day 1 events and process	1	2	3	4	5	6
Comments/Suggestions:						
<hr/>						
I. Other	1	2	3	4	5	6
Comments/Suggestions:						
<hr/>						
<p>10. What other ideas or recommendations do you have for ensuring the success of other potential integration efforts in the future? (What else worked well and should be used again? What are new ideas or processes we should try? What did not work and needs to be deleted or upgraded?)</p> <p>Comments/Suggestions:</p> <hr/> <hr/> <hr/> <hr/> <hr/>						

**Exhibit 10.3**  
**Development Process for Measuring the NewCo Organization's Basic Operations**

---



## Exhibit 10.4

### Cultural Progress Check

---

**Please circle the previous employer organization you are from:**

XYZ Co.

ABC Co.

#### **Instructions:**

1. Briefly review the “NewCo Way” document (attached), which outlines the future desired culture, values, and strategic focus for our organization.
2. Rate each cultural dimension listed below according to how effectively this “lever” is currently being used to drive the desired culture.
3. Note any specific examples, concerns, major discrepancies, or suggestions in the space provided.

#### **Cultural Dimensions**

##### **1. Information Transfer**

To what extent is information readily disseminated throughout the organization? (Considerations: Financial performance? Operating performance? Meeting notes and outcomes? What is routinely communicated? held back? Employee perceptions of open information sharing and access to news?)

**Lesser Extent**

**Greater Extent**

1   2   3   4   5   6   7   8   9   10

Comments/Suggestions:

---

---

##### **2. Feedback and Interpersonal Communication**

To what degree do individuals receive appropriate feedback regarding objectives, instructions, and performance? (Considerations: Regularly scheduled meetings or informal conversations? Sufficient two-way dialogues? Open access to higher levels of management for communication and assistance?)

*(continued)*

### Exhibit 10.4 (Continued)

	Inadequate								Adequate	
	1	2	3	4	5	6	7	8	9	10
Comments/Suggestions:										
<hr/>										
<hr/>										

#### 3. Decision-Making Processes and Authority

To what degree are decisions made through streamlined and effective processes? (*Considerations:* Are responsibility and authority provided for the appropriate individuals and groups? Are decision processes well defined and understood? Is there agreement on what types of decisions should be directed versus delegated? To what degree are consensus building and multiple inputs expected?)

	Ineffective								Effective	
	1	2	3	4	5	6	7	8	9	10
Comments/Suggestions:										
<hr/>										
<hr/>										

#### 4. Leadership and Managerial Behavior

To what extent do managers consistently demonstrate desired behaviors and values? (*Considerations:* What percentage of time do managers lead through a coaching/facilitative approach versus an autocratic approach? How is desired leadership behavior factored into decisions for selection, rewards, and advancement?)

	Inconsistent								Consistent	
	1	2	3	4	5	6	7	8	9	10
Comments/Suggestions:										
<hr/>										
<hr/>										



## Exhibit 10.4 (Continued)

### 5. Policies, Rules, and Procedures

To what degree are policies, rules, and procedures appropriately defined? (*Considerations:* What level of detail is optimum? What protocols are required for low-risk procedures—other than compliance, safety, and the like? What degree of flexibility do supervisors have in applying policies?)

	Less Structure					More Structure				
	1	2	3	4	5	6	7	8	9	10
Comments/Suggestions:										

### 6. Time-Based Advantage

To what degree are speed and a sense of urgency considered essential to success? (*Considerations:* Controls on length of meetings? Short review and approval processes? 80/20 principle? General expectations?)

	Lesser Degree					Greater Degree				
	1	2	3	4	5	6	7	8	9	10
Comments/Suggestions:										

### 7. Customer Focus

To what extent is the organization focused on meeting the needs of customers (internal and external)? (*Considerations:* Customer satisfaction goals and measures that are widely known and communicated throughout the organization? Customer satisfaction metrics linked to broad performance rewards and incentives?)

(continued)

### Exhibit 10.4 (Continued)

	Lesser Extent					Greater Extent				
	1	2	3	4	5	6	7	8	9	10
Comments/Suggestions:										

8. High Performance

To what degree are employees sensitized and committed to continuous improvement in organizational and personal performance? (*Considerations:* How are organizational goals and objectives set and cascaded down to the team and individual levels? How are employees linked to these goals through rewards and recognition, communication, development and advancement opportunities?)

	Lesser Degree					Greater Degree				
	1	2	3	4	5	6	7	8	9	10
Comments/Suggestions:										

9. Employee Involvement

To what extent is employee involvement used for productivity improvements and/or positive employee relations? (*Considerations:* How widespread are employee teams? What roles and responsibilities do employee teams have, and at what levels? Are employees able to get involved with planning and managing activities like communications, social events, sports, or special committees and task forces?)

	Less Involved					More Involved				
	1	2	3	4	5	6	7	8	9	10
Comments/Suggestions:										

**Exhibit 10.4**  
**(Continued)**

10. Training and Continuous Learning

What degree of importance has the organization established for development, training, and continuous learning? (*Considerations:* Actual use of training programs, learning resources, structured curricula, access to outside training, and educational reimbursements?)

**Lesser Degree**

**Greater Degree**

1   2   3   4   5   6   7   8   9   10

Comments/Suggestions:

---

---

11. Customs, Norms, and Ceremonies

To what extent has the organization defined ongoing events or processes to support the desired culture? (*Considerations:* What recognition processes exist to reinforce values-based behavior? What opportunities exist for the organization to celebrate successes and key learning?)

**Lesser Extent**

**Greater Extent**

1   2   3   4   5   6   7   8   9   10

Comments/Suggestions:

---

---

12. Other: Please specify.

---

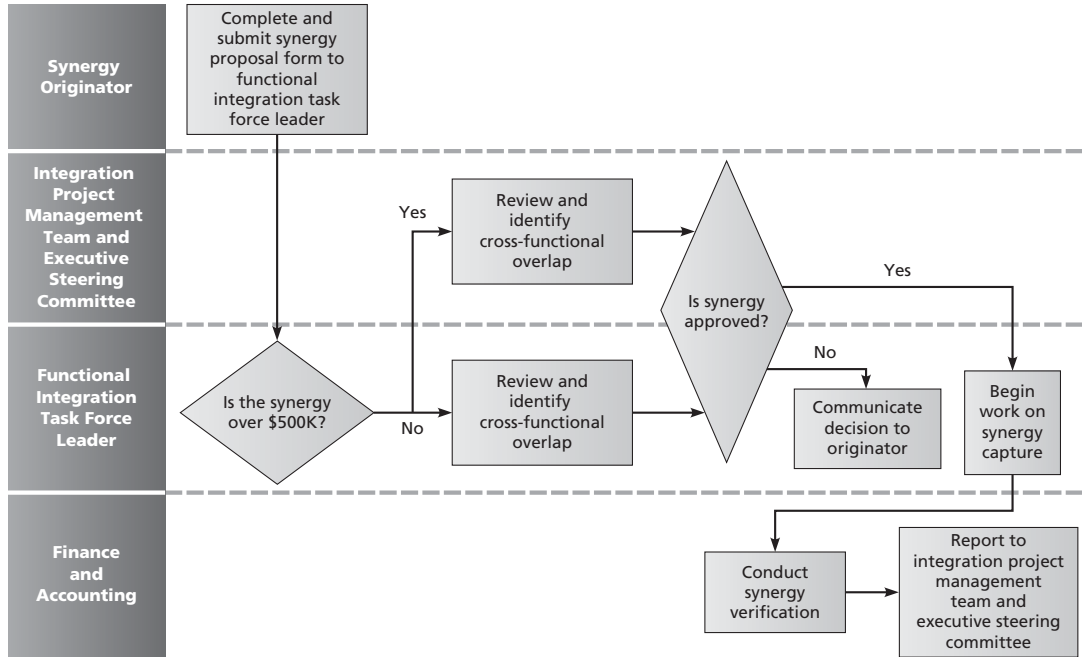
---

---

---

---

**Exhibit 10.5**  
**Streamlined Synergy Project Verification Process**



## Exhibit 10.6

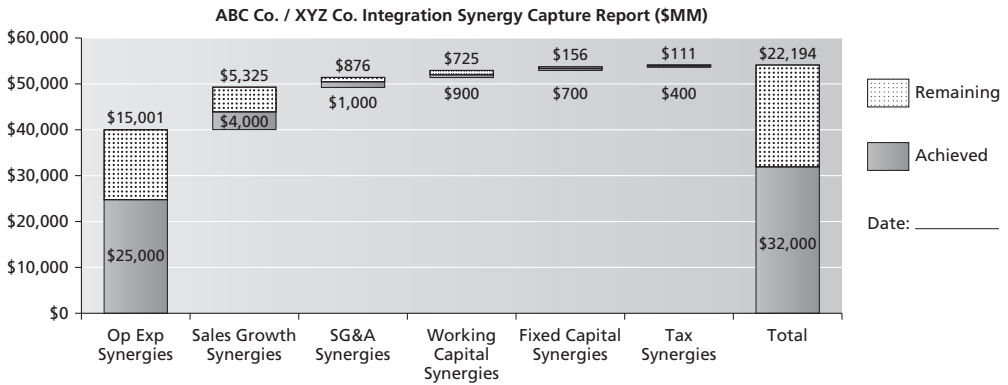
### Example Master Synergy-Tracking Matrix

#### DIVISION NAME

(All amounts in millions of dollars)










Synergy Description	Probability	One-Time		Recurring	
		P&L	P&L	Non-P&L	Total
Near Term (pre-12/07)					
Business Unit 1	Low	—	2.0	—	2.0
Business Unit 2	Medium	—	1.5	—	1.5
Business Unit 3	Medium	—	0.2	—	0.2
Process 1	High	—	1.0	—	1.0
Process 2	Medium	—	1.5	—	1.5
Process 3	Medium	—	0.1	—	0.1
Process 4	High	—	0.1	—	0.1
Staff Function 1	Medium	—	0.6	—	0.6
Subtotal		—	7.0	—	7.0
Long Term (post-12/07)					
Business Unit 1	Low	—	5.0	—	5.0
Business Unit 2	Low	—	4.0	—	4.0
Process 1	High	—	1.0	—	1.0
Process 2	Medium	—	10.0	—	10.0
Process 3	Medium	—	2.0	—	2.0
All others	High	—	0.3	—	0.3
Sales force approach to market	High	—	1.0	—	1.0
Subtotal		—	23.3	—	23.3
Total Task Force Synergies		—	30.3	—	30.3

### Exhibit 10.7 Example One-Page Synergy Capture Report









## Exhibit 10.8

### Merger Integration Scorecard

	Indicators	Rating	Comments
Customer	Relationship with key accounts		For polymers, system breakdowns initially forced internal versus external focus. The “simpler” petrochemical allowed for more frequent customer contact.
	Effectiveness of our order and delivery services		Breakdown in our transactional order-fulfillment process quickly noticed by our customers. Seeing results from actions initiated in 3/06.
Financial	Timely receipt of cash		Trends (average days late, total past-due dollars) increased 11/05–3/06, with April showing improvements. Pulled together cross-functional team to address pricing issues.
	Organization’s focus on capturing all identified synergies		Ahead of budget. Concern NewCo II may delay business-case development on petrochemical and feed-stock projects.
	Timely and accurate performance reporting		Lack of SAP datamart resulting in manual calculations for close. Business not getting concise information for decision making because systems not understood.
	Disbursements made to vendors on timely basis		On-time payment rate averaging 85% versus industry best of 90%.
Indicator Rating Scale:		 Ahead  On Track  Behind	

*(continued)*

## Exhibit 10.8 (Continued)

Operational	Indicators	Rating	Comments
	Accessibility to partner company's legacy system		Complexity of MPC systems under-estimated. Move to one box improved efficiency. Still at fragile stage. Pricing biggest gap. Unexpected downtime has caused delays.
	Are we purging the nice-to-haves? (Are we doing what is important and urgent?)		Business process and infrastructure gaps creating inefficiencies, resulting in work overload.
	Personnel permanently relocated?		Physical relocations complete. New approach expected to improve feasibility, schedule, cost on construction schedule.
	Integration time lines meeting original schedule?		77% of items completed. Remaining items relate to communicating how we work and to improving processes.
	Is SAP implementation on schedule for 10/5?		All modules finalized design for 4/1. Tabletops highlighting gaps. Rollout communication and training needs nearing completion.
	Ability of infrastructure to handle workload		Lack of automated systems caused delay in 4/1 salary-adjustment timing. Large number of uncommitted IS requests.



**Exhibit 10.8**  
**(Continued)**

	Indicators	Rating	Comments
People	Number of second-wave resignations	●	In Nov.-Dec. had eight; two R&D and two sales.
	Training being completed on a timely basis	○	Focus needs to be on completing transition-related training only; learning curve still steep. Many started out knowing only 50% of the jobs.
	Are we rewarding and recognizing what we said we would?	◐	Too early to judge.
	Number of site-to-site transfers	●	Manufacturing actively working opportunities.
Organizational	Number and frequency of "FRANK" and other communication vehicles	●	"FRANK" and monthly employee meetings well received.
	Dialogue and information transfer flowing up, down, and across organization	○	Too "siloed." Problem resolution will improve with use of more cross-functional workout groups.
	Are we creating the NewCo Way?	◐	We are bridging cultures.
	Are we involving enough employees in the process?	◐	Begin driving synergy work lower into the organization.
	"How we work" process broadly understood by the organization?	◐	Materials Management and IS roadshows big help. Planning process next on the list.
	Critical business processes well documented?	○	Beginning to double back and do this.

## RAPID ASSESSMENT TOOL

---

### M&A Measurement: Rapid Assessment

Completing the following scorecard will provide a quick, high-level view of how well your organization performs M&A measurement.

#### Steps to complete the assessment:

1. Rate each item on a scale of 0 (poor) to 10 (excellent).
2. Make notes for each item to explain the rationale for the numerical rating.
3. Add all ten scores to get a TOTAL SCORE (maximum score = 100).

Rating scale:

0–20 = Poor (significant improvement needed)

21–40 = Below Average (improvement needed in several areas)

41–60 = Average (identify areas of weakness and adjust)

61–80 = Above Average (identify areas that can still be improved)

81–100 = Excellent (continuously review and refine each component as the firm's M&A efforts evolve)

Component	Rating (0 = poor, 10 = excellent)	Notes/ Rationale
For each transaction...		
1. We use a clearly defined M&A measurement approach.		

Component	Rating (0 = poor, 10 = excellent)	Notes/ Rationale
2. We use trained and experienced M&A measurement resources.		
3. Senior management actively participate in the M&A measurement process.		
4. We use the strategic deal rationale as the foundation for the design of our measures.		
5. We use a comprehensive M&A "scorecard" that includes assessments relevant to all stakeholders: employees, customers, suppliers, creditors, and shareholders.		
6. We do a good job of integration process measurement.		
7. We do a good job of operational measurement.		
8. We do a good job of cultural measurement.		
9. We do a good job of financial measurement.		
10. We do a good job of using the measurement information collected to make "course corrections" throughout the integration process.		
<b>TOTAL SCORE</b>		

# Exhibit 11.1

## Cultural Integration Planning Matrix

Cultural Lever	Company A	Company B	Key Similarities	Key Differences	Integration Actions	Integration Timing (short-, medium-, long-term)	Integration Responsibility
1. Strategy	<ul style="list-style-type: none"> <li>• Description:               <ul style="list-style-type: none"> <li>– Content</li> <li>– Process</li> <li>– People</li> <li>– Other</li> </ul> </li> <li>• Metrics:               <ul style="list-style-type: none"> <li>– Frequency</li> <li>– Cycle-time</li> <li>– Cost</li> <li>– Other</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Description:               <ul style="list-style-type: none"> <li>– Content</li> <li>– Process</li> <li>– People</li> <li>– Other</li> </ul> </li> <li>• Metrics:               <ul style="list-style-type: none"> <li>– Frequency</li> <li>– Cycle-time</li> <li>– Cost</li> <li>– Other</li> </ul> </li> </ul>					
2. Values							
3. Staffing and Selection							
4. Communications							
5. Training							
6. Rules and Policies							
7. Goals and Measures							
8. Rewards and Recognition							
9. Decision-making							
10. Organization Structure							
11. Physical Environment							
12. Leadership Behaviors							
13. Customs and Norms							
14. Ceremonies and Events							

## Exhibit 11.2 "3D" Approach to Cultural Integration

Timing (illustrative)	4 Weeks		4 Weeks	Ongoing	
	Discover		Design	Deliver	
Steps for each of the fourteen levers  Core questions, information needs	Step 1 Needs analysis What business strategy and values (the "cultural anchors") do we need to drive? For example: <ul style="list-style-type: none"><li>• Low-cost operations</li><li>• Service orientation</li><li>• Innovation</li><li>• Safety and reliability</li><li>• Global perspective</li></ul>	Step 2 "As is" assessment What is our current culture (levers) design? "As is" assessment for both companies : <ul style="list-style-type: none"><li>• What is done?</li><li>• Who does it?</li><li>• How is it done?</li><li>• Where is it done?</li><li>• Resources used?</li><li>• Costs?</li><li>• Metrics?</li></ul> Alignment and gap analysis: How does each lever currently support or not support the strategy and values?	Step 3 Levers design or redesign Based on our desired strategy and values (from step 1) and what we currently do (from step 2), for each lever: <ul style="list-style-type: none"><li>• What components should we continue?</li><li>• What components should we eliminate?</li><li>• What components need to be redesigned?</li><li>• What components need to be designed and added?</li><li>• What are our priorities; which components need to be addressed or redesigned first?</li><li>• Are there "quick hit" components that can be easily implemented to establish early momentum?</li></ul> What do the redesigns look like?	Step 4 Implementation What are the implementation time frames and milestones? What communications about changes to the levers need to occur? What education about changes to the levers needs to occur? For management? For employees?	Step 5 Tracking and refinement What should our success measures be for the redesigned levers? How do we collect the measures? Who collects them? How often? Who reports progress? How do we make needed adjustments?

## **Exhibit 11.3**

### **Driving Cultural Integration with Redesigned Organizational Levers**

---

#### **Strategy**

- Establish a clear NewCo strategy.
- Base all subsequent organizational levers redesign on the NewCo strategy.

#### **Values**

- Establish NewCo values that are aligned with the chosen strategy.
- Keep the number of values manageable (e.g. 5–7 values).
- Articulate the behaviors that each value entails.

#### **Staffing and selection**

- Establish a staffing, hiring, and promotion process that sources and promotes the type of people needed to drive the NewCo strategy and values. (For example, identify and hire people with proven sales and service experience and orientation.)

#### **Communications**

- Eliminate communication that reinforces the old ways of operating. Replace it with communication that reinforces the new operating model.
- Deliver communication in new ways to show commitment to the NewCo way of operating.
- Use multiple channels to deliver consistent messages in a continuous manner.
- Make communications two-way by soliciting regular feedback from management and employees about the changes being made.

#### **Training**

- Eliminate training that reinforces the old ways of operating. Replace it with training that reinforces the desired NewCo strategy and values.
- Deliver training “just in time” so people can apply it immediately.
- Develop training that provides real-time, hands-on experience with new processes and procedures.

#### **Rules and policies**

- Eliminate rules and policies that do not support the NewCo strategy and values.
  - Create new rules and policies that reinforce desired ways of operating the NewCo organization.
  - Develop and document new standard operating procedures.
-

## RAPID ASSESSMENT TOOL

---

### Cultural Integration: Rapid Assessment

Completing the following scorecard will provide a quick, high-level view of how well your organization performs cultural integration.

#### Steps to complete the assessment:

1. Rate each item on a scale of 0 (poor) to 10 (excellent).
2. Make notes for each item to explain the rationale for the numerical rating.
3. Add all ten scores to get a TOTAL SCORE (maximum score = 100).

#### Rating scale:

0–20 = Poor (significant improvement needed)

21–40 = Below Average (improvement needed in several areas)

41–60 = Average (identify areas of weakness and adjust)

61–80 = Above Average (identify areas that can still be improved)

81–100 = Excellent (continuously review and refine each component as the firm's M&A efforts evolve)

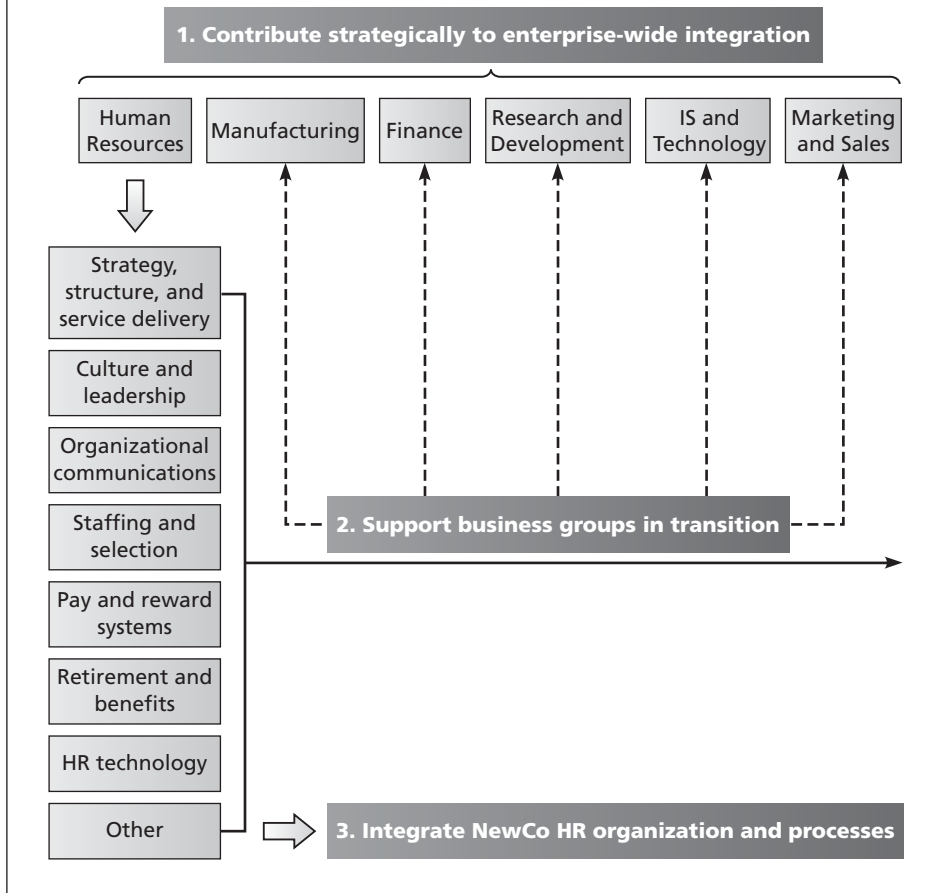
Component	Rating (0 = poor, 10 = excellent)	Notes/ Rationale
For each transaction...		
1. We use a clearly defined cultural integration approach.		
2. We use a trained and experienced cultural integration team.		
3. Senior management actively participate in the cultural integration effort.		
4. We address all or most of the fourteen "cultural levers" when conducting cultural integration.		

Component	Rating (0 = poor, 10 = excellent)	Notes/ Rationale
5. The cultural comparison information we collect during due diligence is used to develop a cultural integration plan.		
6. After initial implementation, we continually manage each cultural lever.		
7. We use the NewCo strategy and values as the foundation for the design of each of the other twelve cultural levers.		
8. We do a good job of developing a detailed implementation plan for each redesigned cultural lever.		
9. We do a good job of identifying short-, medium-, and long-term cultural integration actions for each lever.		
10. We do a good job of measuring the effectiveness of our cultural integration efforts.		
<b>TOTAL SCORE</b>		



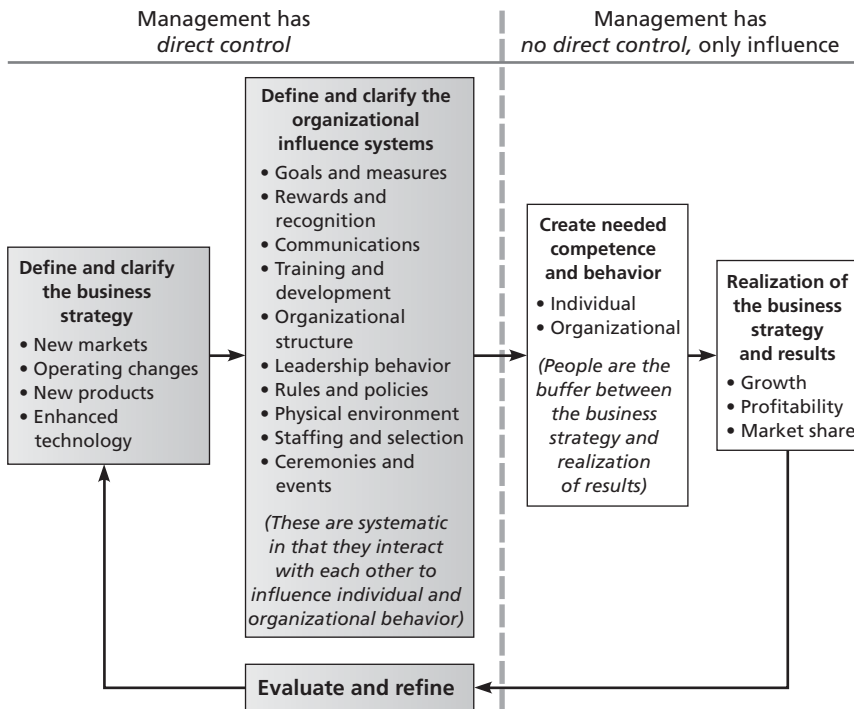
## Exhibit 12.1

### Integration Roles for the Human Resources Function

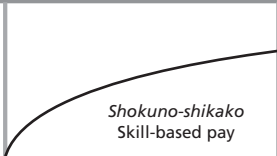
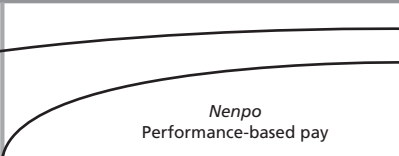


## Exhibit 12.2

### The “Making Strategy Work” Model



**Exhibit 12.3**  
**Trends in Japanese Compensation**

Period	1960s	1970s	1980s	1990s–2000s
Type of system	Job and seniority	 <i>Shokuno-shikako</i> Skill-based pay	 <i>Nenpo</i> Performance-based pay	
Objective	Control cost of blue collar	Compensate lack of job posts	Secure high-potential individual Control cost of white collar	
Component example	Base: 6 grades by job, no maximum + Addition: base up + Family and other allowances	Skill-based: compensation tables by skill grades + Age-based: maximum at 45–50 years old Allowance of title: decided by job grade + Family and other allowances	Base: no base up no regular increase + Job responsibility-based: increased or reduced by job responsibilities + Performance bonus	
Evaluation	Not linked with evaluation	Decided by evaluation of attitude, skill, and results	Decided by management by objectives, review	

## RAPID ASSESSMENT TOOL

---

### Human Capital Integration and the HR Function

Completing the following scorecard will provide a quick, high-level view of how your organization views the importance of the HR function as a success factor in M&A.

#### Steps to complete the assessment:

1. Rate each item on a scale of 0 (poor) to 10 (excellent).
2. Make notes for each item to explain the rationale for the numerical rating.
3. Add all ten scores to get a TOTAL SCORE (maximum score = 100).

#### Rating scale:

0–20 = Poor (significant improvement needed)

21–40 = Below Average (improvement needed in several areas)

41–60 = Average (identify areas of weakness and adjust)

61–80 = Above Average (identify areas that can still be improved)

81–100 = Excellent (continuously review and refine each component as the firm's M&A efforts evolve)

Component	Rating (0= poor, 10=excellent)	Notes/ Rationale
In our current HR M&A approach...		
1. ... a well-developed and appropriately customized HR M&A process methodology is used to guide every M&A.		
2. ... HR leaders are adequately staffed to provide M&A services without disrupting other priorities.		

Component	Rating (0= poor, 10=excellent)	Notes/ Rationale
3. ... key HR leaders are well trained to provide M&A support and guidance.		
4. ... HR leaders are adequately involved in M&A strategy and target evaluation.		
5. ... HR leaders are adequately involved in due diligence and negotiations.		
6. ... HR leaders are adequately involved in all stages of integration planning and implementation.		
7. ... HR leaders have specific prior M&A experience to effectively perform their enterprise-wide integration role.		
8. ... HR leaders have specific prior M&A experience to effectively perform their business unit support role.		
9. ... HR leaders have specific prior M&A experience to effectively perform their internal HR functional integration role.		
10. ... HR is consistently rated among the most expert and highly effective M&A capabilities we have.		
<b>TOTAL SCORE</b>		

### Exhibit 13.1

#### Extended Troubled M&A Integrations

Deal	Commentary
AOL/Time Warner (2001)	"It's official: AOL is off the corporate name plate of the world's largest media company. But, Time Warner executives stressed their commitment to the corporate marriage of AOL and Time Warner—despite three turbulent years that followed the once-ballyhooed merger" (Joyce, 2003).
Citicorp/Travelers (1998)	The integration of the \$83 billion merger of Citicorp and Travelers to form Citigroup in 1998 is summarized as "A decade later, the dream of an all-purpose global financial conglomerate capable of selling insurance to New Jersey housewives and stocks to Thai investors lies in tatters weakened by years of in-fighting (and) poor management; the original sin of Citi's conception was that its diverse businesses were not properly integrated" (Guerrera, 2009).
Quaker Oats/ Snapple (1994)	"Quaker Oats' management thought it could leverage its relationships with supermarkets and large retailers; however, about half of Snapple's sales came from smaller channels, such as convenience stores, gas stations and related independent distributors. The acquiring management also fumbled on Snapple's advertising campaign, and the differing cultures translated into a disastrous marketing campaign for Snapple that was championed by managers not attuned to its branding sensitivities. Snapple's previously popular advertisements became diluted with inappropriate marketing signals to customers" (Investorpedia, 2009).
Norfolk Southern/Conrail (1999)	"What went wrong for a company that several years ago could do no wrong on Wall Street? The Conrail acquirers failed to deliver on their promises to sharply boost revenue. But, widespread service breakdowns caused many customers to switch shipments to trucks" (Brotherhood of Locomotive Engineers, 2001).

*(continued)*

## Exhibit 13.1 (Continued)

Deal	Commentary
Sprint/Nextel (2005)	“Sprint Nextel, the third largest US wireless carrier with 51.7m subscribers, has reorganized its senior management with chief operating officer Len Lauer leaving the company. Sprint Nextel, which is in the midst of a complicated integration process following the \$35bn acquisition of Nextel Communications by Sprint a year ago, said Mr. Lauer’s departure was due to a ‘change in the company’s organizational structure’ and declined to elaborate. The management changes come against a backdrop of disappointing results, slow customer growth and high customer ‘churn,’ all viewed by Wall Street as indicating merger execution problems. The company’s share price has fallen by almost 30 per cent during the past three months” (Taylor, 2006).
New York Central/ Pennsylvania Railroad (1968)	“The New York Central and Pennsylvania railroads merged to form Penn Central, which became the sixth largest corporation in America. But just two years later, the company shocked Wall Street by filing for bankruptcy protection, making it the largest corporate bankruptcy in American history at the time ... Problems included poor foresight and long-term planning on behalf of both companies’ management and boards, overly optimistic expectations for positive changes after the combination, culture clash, territorialism and poor execution of plans to integrate the companies’ differing processes and systems” (Investopedia, 2009).
Jean Coutu Group Inc./Eckerd (1999)	“Richard Hastings, senior retail sector analyst with Bernard Sands, said the Eckerd acquisition was challenging for Jean Coutu from the start. ‘Jean Coutu gobbled up more than they could digest,’ Hastings remarked. ‘There were significant issues with the Eckerd integration. Jean Coutu underestimated the issues facing Eckerd’s non-pharmacy business and its regional competitive threats. I’m not surprised they decided to sell it off’ ” (CNN Money, 2006).

**Exhibit 13.1**  
**(Continued)**

Deal	Commentary
WM Morrison/ Safeway (2004)	<p>"After 43 years of business, the Safeway logo will this week disappear in the UK as the conversion to the WM Morrison brand draws to a conclusion. It has been a troubled integration for WM Morrison, which bought the Safeway chain in March 2004. The task of combining the two stores has led to considerable expense, causing WM Morrison to issue a number of profit warnings and in October to post the first loss in its 106-year history. WM Morrison has now converted over 200 of the 479 Safeway stores and sold the remainder to rival retailers to comply with competition legislation. The few Safeway stores not being sold or converted will close on Saturday" (Retail Business Review, 2005).</p>
Daimler/Chrysler (1998)	<p>"Schrempp sold investors on the idea of an historic merger of mass with class. Together, Mercedes and Chrysler would have the money, clout, and knowhow needed to produce next-generation engine technologies. They would produce a series of small cars for the world's emerging middle classes. Chrysler would tap into Mercedes technology, and Chrysler would give Mercedes the ideal hedge in case the luxury car market plateaued. Synergies and cost savings would proliferate. Nothing worked out as planned. Far from being the perfect hedge, Chrysler proved to be a massive rescue job that sucked up billions and absorbed German management for years. Nearly seven years after Schrempp brought together Daimler and Chrysler, with the promise of building an auto maker with sufficient size to compete globally, the question that has dogged the merger from the beginning remains: Does this marriage make sense?" (Edmondson, Welch, Thornton, and Palmer, 2005).</p>

*(continued)*



### Exhibit 13.1 (Continued)

Deal	Commentary
General Reinsurance Corporation/ Berkshire Hathaway (1998)	A “disaster analysis framework” developed by Bruner (2005) was applied to the 1998 acquisition of the General Reinsurance Corporation (Gen Re) by Warren Buffet’s Berkshire Hathaway. Calandro notes, “The business press has extensively reported on Buffett’s acquisitions, including a number of notable successes ... Buffett has not, however, been immune to the occasional ‘Deal from Hell.’ One such deal was the 1998 acquisition of the General Reinsurance Corporation” (2008, p. 21). “The disaster framework is comprised of six dimensions: 1) Complexity—an aspect of the business or deal that makes it difficult to understand and/or value; 2) Tight coupling—limited or no flexibility to absorb miscalculations about the value of an acquisition; 3) Business not as usual—turmoil in the economic environment that produces or contributes to errors; 4) Cognitive biases—for example, over-confidence; 5) Adverse management choices—decisions that increase the risk of a deal; and 6) Operational team flaws—cultural differences, lack of candor, political infighting, and/or inconsistent leadership. Calandro’s analysis found that, on all six dimensions of Bruner’s framework, Berkshire Hathaway made serious mistakes which ultimately caused deal performance to suffer, with the company losing money for four straight years following the acquisition” (Calandro, 2008).

**Exhibit 13.2**  
**Ten Symptoms of a Company Needing Merger Repair**

---

1. *Service levels are suffering*—frontline employees are still using the merger as an excuse for not having answers for customers.
2. *Customers are confused and defecting*—they don't know which company they are buying from or how to get their questions answered.
3. *Performance targets have not been achieved*—key cost, revenue, product, and/or productivity targets built into the deal pro forma are missed.
4. *Stock price is languishing*—analysts blame the merger or acquisition for poor company performance.
5. *Integration project milestones have slipped*—key integration activities are behind schedule.
6. *The organization cannot handle additional acquisitions*—another transaction is identified, but management and employees are visibly and vocally confused and stretched thin dealing with the issues created by the previous acquisition.
7. *Roles and responsibilities overlap*—management and employees are confused about who should be performing which tasks.
8. *Key executives and employees are leaving*—from both the acquired and acquiring company.
9. *Company core values are not being demonstrated* by management and employees from the acquired company.
10. *Management and employees keep referring to “us and them”* when talking about people from the “other” organization.

### Exhibit 13.3

#### Merger Integration Process Assessment

Integration Actions	Rating					Comments/Repair Actions
Conducted thorough due diligence (operations, finances, systems, people)	1	2	3	4	5	Poor    Excellent
Began the integration planning process before the deal closed	1	2	3	4	5	Poor    Excellent
Assigned appropriate integration resources early and kept them available throughout the integration process (for example, integration manager, integration project management team, integration task force members from both organizations)	1	2	3	4	5	Poor    Excellent
Selected the best top team to run the NewCo	1	2	3	4	5	Poor    Excellent
Aligned executives around the deal goals and strategy	1	2	3	4	5	Poor    Excellent
Developed and executed detailed integration plans	1	2	3	4	5	Poor    Excellent
Measured, tracked, and reported the progress of implementation activities against the integration plans	1	2	3	4	5	Poor    Excellent
Top executives made and communicated key decisions as integration progressed in an efficient, timely, and coordinated manner	1	2	3	4	5	Poor    Excellent
Developed, tracked, and reported balanced integration performance measures	1	2	3	4	5	Poor    Excellent
Provided timely answers to workforce "me issues"	1	2	3	4	5	Poor    Excellent

**Exhibit 13.3**  
**(Continued)**

Integration Actions	Rating					Comments/Repair Actions
Employed a retention and "rerecruitment" plan to keep key talent	1	2	3	4	5	Poor    Excellent
Put in place a process to efficiently and fairly staff the NewCo	1	2	3	4	5	Poor    Excellent
Compared and integrated the companies' cultures	1	2	3	4	5	Poor    Excellent
Avoided using the phrases that can kill integration	1	2	3	4	5	Poor    Excellent
Addressed all of the integration action items in each location	1	2	3	4	5	Poor    Excellent
Began all of the integration action items within the first twelve months of deal close	1	2	3	4	5	Poor    Excellent

## RAPID ASSESSMENT TOOL

---

### **Merger Repair: Rapid Assessment**

Completing the following scorecard will provide a quick, high-level view of the extent to which your organization needs merger repair.

#### **Steps to complete the assessment:**

1. Rate each item on a scale of 0 (poor) to 10 (excellent).
2. Make notes for each item to explain the rationale for the numerical rating.
3. Add all ten scores to get a TOTAL SCORE (maximum score = 100).

**Rating scale:**

0–20 = Poor (significant repair needed)

21–40 = Below Average (repair needed in several areas)

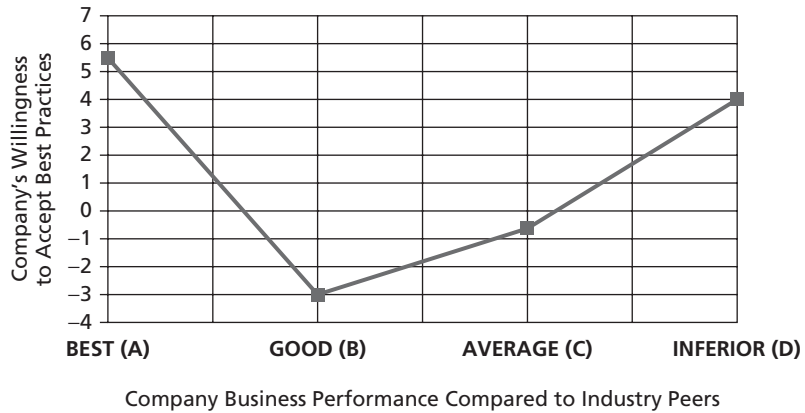
41–60 = Average (identify areas of weakness and adjust)

61–80 = Above Average (identify areas that can still be improved)

81–100 = Excellent (continuously review and refine each component as the firm's M&A efforts evolve)

Symptom	Rating	Notes
1. Service levels are suffering.	0 1 2 3 4 5 6 7 8 9 10 Danger Caution OK	
2. Customers are confused and exiting.	0 1 2 3 4 5 6 7 8 9 10 Danger Caution OK	
3. Performance targets have not been achieved.	0 1 2 3 4 5 6 7 8 9 10 Danger Caution OK	
4. Stock price is languishing.	0 1 2 3 4 5 6 7 8 9 10 Danger Caution OK	
5. Integration project milestones have slipped.	0 1 2 3 4 5 6 7 8 9 10 Danger Caution OK	
6. The organization cannot handle additional acquisitions.	0 1 2 3 4 5 6 7 8 9 10 Danger Caution OK	
7. Roles and responsibilities overlap.	0 1 2 3 4 5 6 7 8 9 10 Danger Caution OK	
8. Key executives and employees are leaving.	0 1 2 3 4 5 6 7 8 9 10 Danger Caution OK	
9. Company core values are not being demonstrated.	0 1 2 3 4 5 6 7 8 9 10 Danger Caution OK	
10. Management and employees keep referring to "us and them."	0 1 2 3 4 5 6 7 8 9 10 Danger Caution OK	
<b>TOTAL SCORE</b>		

**Exhibit 14.1**  
**The “Not Invented Here” Syndrome**



**Exhibit 14.2**  
**M&A Partners Enterprise-Level M&A Competency Model™**

<b>Strategy</b> <ul style="list-style-type: none"> <li>Deals driven by clear, compelling strategy and robust decision criteria</li> </ul>	<b>Governance</b> <ul style="list-style-type: none"> <li>Role clarity, accountability, and protocols to ensure timely, effective decisions throughout the deal life cycle</li> </ul>	<b>Transaction Discipline</b> <ul style="list-style-type: none"> <li>Ratio of deals analyzed to deals closed</li> <li>Triggers and discipline to stop deals that shouldn't get done</li> <li>Functional depth and negotiating strength to optimize pricing / terms</li> </ul>	<b>Methodology and Learning</b> <ul style="list-style-type: none"> <li>Process, playbook, tools</li> <li>Skills training and knowledge capture</li> <li>Cloud-based solutions</li> </ul>
<b>Advisor Team</b> <ul style="list-style-type: none"> <li>Aligned and coordinated to standardized processes and deal requirements</li> </ul>	<b>D-3 Diligence</b> <ul style="list-style-type: none"> <li>Diligence Management Office</li> <li>Core due diligence</li> <li>Strategic "Fit and Value Assessment"</li> <li>Talent, culture, and organization capabilities</li> </ul>	<b>Target Value Perspective</b> <ul style="list-style-type: none"> <li>Preserve, capture, optimize the unique capabilities of the target while minimizing value erosion</li> </ul>	<b>Integration Framework</b> <ul style="list-style-type: none"> <li>Preannouncement strategic direction to guide efforts and mitigate value erosion</li> </ul>
<b>S-3 Integration</b> <ul style="list-style-type: none"> <li>Stabilize the business, customers, and talent</li> <li>Use accountable speed</li> <li>Focus on synergies and key strategic outcomes</li> </ul>	<b>Functional and IMO Depth</b> <ul style="list-style-type: none"> <li>Functional M&amp;A processes</li> <li>Adequate resources to sustain core business and manage integration</li> <li>Proactive resolution of dependency issues</li> </ul>	<b>C-3 Change Management</b> <ul style="list-style-type: none"> <li>Communications</li> <li>Create high-performance cultural attributes and minimize flashpoints</li> <li>Change management competency adapted to M&amp;A specific dynamics</li> </ul>	<b>Effective Leadership</b> <ul style="list-style-type: none"> <li>Senior leadership involvement</li> <li>Personal commitment</li> <li>Competence and credibility</li> </ul>

© M&A Partners, 2013. All rights reserved. This content is the intellectual property of M&A Partners and may not be copied, modified, sold, or otherwise used without permission.



## RAPID ASSESSMENT TOOL

---

### **Taking Your M&A Game to the Next Level**

Completing the following scorecard will provide a quick, high-level view of how well your organization makes a high-level determination of potential obstacles to address to take your M&A game to the next level.

#### **Steps to complete the assessment:**

1. Rate each item on a scale of 0 (poor) to 10 (excellent).
2. Make notes for each item to explain the rationale for the numerical rating.
3. Add all ten scores to get a TOTAL SCORE (maximum score = 100).

#### **Rating scale:**

- 0–20 = Poor (significant improvement needed)
- 21–40 = Below Average (improvement needed in several areas)
- 41–60 = Average (identify areas of weakness and adjust)
- 61–80 = Above Average (identify areas that can still be improved)

81–100 = Excellent (continuously review and refine each component as the firm's M&A efforts evolve)

Component	Rating (0= poor, 10=excellent)	Notes/ Rationale
Please answer each item based on your current level of enterprise M&A competency.		
Our current M&A approach...		
1. ... is directly driven by a clear, compelling strategy and robust decision criteria.		
2. ... uses an effective governance model which enables us to make timely, effective decisions at every stage of the deal life cycle.		
3. ... is effectively able to stop deals that shouldn't get done, during either the targeting, transaction, or due diligence stage.		
4. ... includes a well-documented end-to-end process methodology, skills training, and sufficient knowledge content for each function and role.		
5. ... includes a diligence management office and conducts core, strategic, and capabilities oriented due diligence.		
6. ... effectively evaluates and preserves the unique elements of the target business that create value.		
7. ... establishes an integration strategy framework prior to announcement for every deal.		

Component	Rating (0= poor, 10=excellent)	Notes/ Rationale
8. ... focuses integration on stabilizing the business, using "accountable speed," and achieving the essential synergies and strategic result outcomes.		
9. ... effectively budgets for integration requirements and consistently provides adequate staffing resources to accomplish integration in a timely fashion.		
10. ... values change management, culture, communications, and the leaders' role in accomplishing the desired deal objectives.		
<b>TOTAL SCORE</b>		

## **RESOURCE A**

### **SAMPLE TASK FORCE CHARTER\***

Please complete each section with specific information relevant to your task force.

Team Name:

Overall Objective Statement:

Team Leaders:

#### **I. TEAM MEMBERS**

Please provide subteam resource names and contact information on the attached Task Force Subteam Members form. Please provide a final subteam organizational chart on the attached form, indicating any subteams or special project teams you will establish.

#### **II. SYNERGY TARGETS**

Please list the initial synergy assignments for your task force, along with any new or prospective synergies you intend to pursue. Synergies that are dependent on two or more task forces working together should also be noted.

\*This sample task force charter can be used to ensure a clear understanding of each team's integration scope and as an initial planning guide to launch the team's effort.

Synergy Number	Description	Value (\$MM)	Time Frame	Other Task Forces Involved

### III. DELIVERABLES

Item	Due Date	Description
1. Final task force charter	Friday, November 6	Synergy targets; subteam resources; high-level issues list; task force meeting logistics; data or documentation needed for planning
2. Initial transition plans	Wednesday, December 2	Recommendations to achieve short-term operational functionality; how work will get done; organizational charts, roles; service agreement requirements; facilities/systems support needs; estimate of transition costs; timeline
3. Full integration plans and synergy project plans	Friday, January 29, 2007	Review of business plan for necessary changes; detailed synergy project plans; high-level identification of processes to align; policy/practices alignment; revised facilities/systems needs; revised transition costs; comprehensive timeline

### IV. AS-IS ANALYSIS

Integration planning must begin with a careful review of each partner's business and processes. In order to avoid bogging down early in the integration planning, we recommend starting with a sufficiently high-level overview of key issues in

your functional area and then ask each project team or subteam to obtain more detailed information, as appropriate.

### **A. Data Collection**

Please list the relevant documentation and other information to help your task force gain an appropriate understanding of each organization's as-is status. The following list is only representative. Determine who will supply this information and when, and verify which items require legal counsel.

- ☐ Current operational plans and strategic direction
- ☐ Current long-range plans
- ☐ Budgets
- ☐ Number and locations of personnel
- ☐ Facilities (space, costs, locations, addresses)
- ☐ Organizational charts
- ☐ High-level process maps (for example, outlining who makes key decisions and how, inputs and outputs, organizational interdependence)
- ☐ Other:

### **B. Organizational Background**

Please list relevant issues pertaining to how each organization conducts business. The following list is only representative. We recommend that you discuss the relevant issues with your task force leader and combined task force members as early as practical during the first two weeks of the planning process.

- ☐ What are the key business drivers?
- ☐ What are the key elements of the business plan?
- ☐ What issues and barriers will have an impact on organizational performance?
- ☐ What major perceptions and obstacles will employees bring forward? What about managers?
- ☐ Is Information Systems functionality required and provided?
- ☐ What major legacy systems and functionality exist? What access to these systems is needed?
- ☐ Are there performance goals and measures? Are baselines identified?

- ☐ How are metrics linked to rewards and incentives?
- ☐ How do staff and line units relate to each other and get services and deliverables from each other?
- ☐ How do people access units or resources outside their immediate function?
- ☐ What degree of consensus or autonomy is typically expected in formulating decisions?
- ☐ To what degree are policies, rules, and procedures prescribed and formal rather than flexible?
- ☐ How widespread are employee teams or other methods of involvement?
- ☐ How are formal and informal communications conducted?
- ☐ Do people gain an understanding of relevant policies and procedures?
- ☐ Do people gain an understanding of culture, values, and leadership?
- ☐ Other:

## **V. INITIAL IDENTIFICATION OF ISSUES**

To ensure thorough planning and sufficient direction for subteams, please provide a detailed outline of issues for integration and transition planning in each area. The following items are presented as thought starters only; an initial list of issues should be an output of the working session.

### **A. Business Plan**

- ☐ What changes to our function's or unit's business plan might be necessary because of the integration?
- ☐ What assumptions, competing priorities, or resource constraints might also need to change?

### **B. Transition Costs and Synergy Projections**

- ☐ Create a plan or model documenting the total financial impact of integration synergies and transition costs.
- ☐ What assumptions from the original synergy estimate may need to be revised?
- ☐ What new synergy opportunities have been identified that were not previously considered, and in what time frame?

### **C. Business-Process Analysis**

- ☐ Short term: Define the processes to be used beginning on day one.
- ☐ Longer term: Continue to explore and identify changes to key business processes that drive value. What processes should continue as standalones? What processes should one company or the other adopt? What processes should be redesigned altogether? What are the general timing and priorities for our recommendations?

### **D. Organizational Structure and Staffing**

- ☐ What are the near-term and longer-term staffing requirements? When are structure and staffing decisions due? What ramp-up or ramp-down process and plan will be used to get to the desired staff level without disrupting operations?
- ☐ What processes will be used to select or deselect, communicate, and implement decisions?

### **E. Policies and Practices**

- ☐ What specific policies and practices will be used as we go forward?
- ☐ How and when will any revisions be endorsed and implemented?

### **F. Workstation and Facility Needs**

- ☐ What specific requirements will the new unit or function have for computing and telecommunications?
- ☐ What needs exist for colocation? What impacts on specific facilities are projected?
- ☐ What are the estimated costs and necessary timing?

### **G. Information-Transfer Plan**

- ☐ How will the department or function be informed of transition plan issues?
- ☐ How will people be trained for any new or expanded responsibilities?
- ☐ What processes will be used to keep staff and other key internal stakeholders informed on an ongoing basis?



## H. Integration Issues and Risks

- ☐ What issues could be showstoppers for our integration?
- ☐ What are our recommendations for addressing these concerns?
- ☐ What high-impact opportunities for major process redesign initiatives have been identified?

## I. Other Considerations

- ☐ What worksheets, reports, or supporting data will be necessary to establish the business case for our recommendations?
- ☐ How will we keep functional executive staff members informed and involved during integration planning and implementation?

## VI. TASK FORCE LOGISTICS AND COMMUNICATIONS

How and when will task forces and subteams be launched?

How and when will task force meetings be held?

How will subteams update task force leaders for the weekly report?

Who will manage and update the project plan's time line?

Are facilitation or support resources needed?

## VII. LINKS TO OTHER TASK FORCES

Please list key issues, other task forces to coordinate with, and those with primary responsibility.

Issues	Task Force	Primary Responsibility

**Attachment: Task Force Subteam Members**


## **RESOURCE B**

### **INTEGRATION PLANNING TEMPLATE\***

#### **AN OUTLINE FOR TASK FORCE INITIAL TRANSITION PLANS**

- I. Overall Work Flow and Key Operating Rules
- II. Synergies — “Quick Hits and Low-Hanging Fruit”
- III. Initial Systems and Facilities Requirements
- IV. Transition Cost Estimate
- V. Transition Timeline
- VI. Issues and Recommendations for the Executive Staff’s Attention

We believe these categories represent the minimum business requirements for successful transition and capture of initial synergies.

Although each task force’s requirements will be different, we ask your help with the following:

- Address each of the categories to the extent practical.
- Suggest other issues and areas needed for overall planning or for your specific task force requirements. Remember, the level of detailed planning is a key success factor.
- Be as specific as you can, given exchange restraints and lawful access to information. Be sure to contact counsel.

\*A detailed outline of expected deliverables, along with representative document formats and actual plans from previous integration projects, can be used to help task forces produce effective plans.

- Plans are iterative—they will likely need further clarification as we move to full integration and synergy project planning.
- Use the format and documentation most helpful for your team.
- The attached samples are illustrations and possibilities only.
- We will be building a consolidated time line and project plan in Microsoft Project.
- Our core team will support each task force in creating and periodically updating the document.

## **I. OVERALL WORK FLOW AND KEY OPERATING RULES**

- Purpose: Capture specific instructions and transition process recommendations to ensure seamless operations.
- Three samples have been provided.
  - Note level of drill-down detail.
  - These documents summarize the task force agreement on how work will get done and also serve as essential communication tools for the functional staff involved.
- Process roles and responsibilities:
  - Where certain roles and responsibilities have substantially changed, be sure to document key highlights.
  - Although actual process alignment and redesign will come later, some brief summary of transition process steps may be needed.
  - A contact roster of key staff members now involved, or added to the communications chain of command, may also be helpful.

### **Business Group 1**

#### **Example Transition Plan May 14, 2014**

1. **Services Required:** The Transition Services and Systems that follow will not be linked to installation of SAP at an anticipated date for the termination of such requirements. The new system will operate relatively independently of the old system, at least initially.

## Service

- Connectivity to base via T-1 line as of 6/1/14
- Continued access to plant data via intranet
- Maintenance of SQL server
- Configuration and mapping of existing PCs to access legacy system until after system merger
- Passwords and drivers installed and maintained to allow efficient data transfer
- Transfer of software licenses

## 2. Systems Requirements:

Services by	Duration
<ul style="list-style-type: none"><li>• Access to SQL server for database function</li></ul>	6/15
<ul style="list-style-type: none"><li>• LAN, WAN, e-mail, and Internet access</li></ul>	6/15
<ul style="list-style-type: none"><li>• Pricing database with independent data entry PC</li></ul>	6/15
<ul style="list-style-type: none"><li>• Independent PC for connectivity with modems</li></ul>	6/15

(See attachment 1 for details of “Computer System Support”)

## Continuing Services by

- PC for connectivity with common drive
- Programming models licensed for each plant
- LAN, WAN, e-mail, and internet access
- Pricing database
- Phone and fax access

## 3. Key Process Operating Rules:

- During Phase I, systems will continue to operate independently.
  - Make liberal use of phone, fax, and e-mail to gather product prices, to agree on inventory targets, and to generate plans and case runs.
  - Ensure that a common set of prices is being used for both systems.
  - Ensure weekly product price inputs from managers and verification of inventory targets.

- Ensure runs generated for third week of the month are used for input to plant outlook process.
- Hold weekly meetings to share input and conduct meetings with other groups.
- Hold first case review meetings with supply managers.
- Conduct first strategy review meeting with broad spectrum of plant operations personnel and commercial functions.
- Open communication is encouraged, but focus product issues through product experts and local plant issues through plant engineers.
- Share ideas, successes, and failures openly for learning and validation.
- Develop common file of plant schematics; set aside time to cross-train personnel in all plant configurations.
- Ensure routine plant linkages via frequent direct phone contact between the analyst and plant engineer or the assigned plant contacts. In addition, ensure routine plant operating information is gathered as shown in the following list (as implemented, there will be opportunities to streamline this data-gathering process).
  - Shift notes via e-mail, plus phone contact
  - Daily calls; weekly summary via fax
  - Shift notes website, plus phone contact
  - Weekly phone contact
- Issue daily Break-Even Reports.
- Process new opportunities as follows:
  - Assay to B. Smith for initial classification
  - Sample to R. Peters for full composition analysis
  - Analytical results to T. Thompson
  - Plant review and acceptance, as required
  - Yield models run (both systems initially) and added to yield library
  - Relative values calculated, based on special or weekly case runs and reported back to initiator of process
- Conduct weekly case review with supply managers.

- Conduct semimonthly product strategy reviews to include plant operations participation as well as supply and management functions. Initially alternate meetings between teleconference and rotating plant sites.
  - Issue monthly plant production targets to plant engineers for use in their operations outlook as follows:
    - Special emphasis on product price input and inventory analysis to be expected during the third week of each month
    - LP runs for third week each month to be used for key production targets communicated to each plant
    - Plant engineers to generate a material balance for their site for the current month plus two and incorporate active plant constraints and known maintenance schedules
  - Roll up plant outlooks into global production plan—monthly (rolling three-month plan).
  - Hold weekly meetings to coordinate activities, identify issues, and encourage teamwork.
  - Focus on identifying and capturing synergies.
4. **Roles and Responsibilities:** See attached organizational charts, roles and responsibilities reviews, work flow chart, and contact directories.
5. **Payroll Accounting:**
- **A. Key Process Operating Rules:** The following rules are based on former employees becoming employees on 6/1/14 (the transfer date).
    - Until employee transfer date, all former employees will be paid under the new compensation plan.
    - From 6/1/14 through 12/31/14, R. Jones will process the payrolls for all former employees moving to the new location.
    - R. Jones will process the payroll based on their current pay schedule and pay practices except for changes to the short term disability, relocation policy, and transportation subsidy or deduction.
    - J. Paul will utilize a separate payroll company within their current payroll processing system using the person's Employer Identification Number.

- Paycheck printing will occur in the same printing locations as are currently being utilized until 12/31/14.
- John Doe will utilize a bank account at First National to fund the payroll.
- Jane Doe will provide all the necessary signatory requirements to management.
- B. Smith will take the necessary payroll deductions for employees, based on employee elections to support benefit plans.
- T. Ross will deduct the appropriate federal, FICA, state, and local taxes for employees.
- T. Ross will manually submit the periodic tax reports to ADP until the automated version is complete (estimated automation complete by end of June).
- Once the automation is complete, J. Paul will send the periodic file to ADP with each payroll processing.
- S. Jones will provide the quarterly file to ADP within the month following the close of a quarter (schedules are currently being worked through).
- ADP will participate in testing of the periodic and quarterly files.
- For the period from 1/1/14 through the date the employees become permanent employees, S. Jones will produce the W2s.
- ADP will produce W2s for employees who are transferred from the old site as of the transfer date through 12/31/14.
- P. Paul will participate in the transition of employees to the ADP payroll system to enable ADP to begin processing pay on 1/1/15.
- P. Paul will participate in the migration of the identified population from the old site to the new site.
- Plant personnel will update their personnel and payroll systems with necessary employee changes, including indicative data, salary changes, benefit deduction changes, benefit plan updates, and so on.
- Plant personnel will continue to remit garnishments and third-party payments on behalf of employees as deductions are taken.



- ADP will continue to perform electronic transmissions with encryption, computer check issue information, and recording of all manual checks, cancels, and stop payments to the bank account at First National. The payroll account will be reconciled monthly by T. Jones, and a copy of the reconciliation will be forwarded to the treasury department.
- T. Jones will provide information regarding funding and forecasting of payroll to the treasury department via fax.
- **B. Roles and Responsibilities:** Payroll processing for former Company A employees will be performed in accordance with a service agreement between ADP and NewCo. The service agreement is being finalized and will address the points outlined previously.
- **C. Transition Time line:**
  - 5/14—Employees remain Company A employees and will be paid by Company A Payroll Department using federal EIN and First Republic bank account.
  - 6/14—Employees become NewCo employees and will be paid by Payroll Department using federal EIN and First National bank account.
  - 10/14—Employees will be loaded into the system in preparation for “open enrollment” of benefits.
  - 1/15—Payroll Department begins paying former Company A employees.

#### 6. Customer Service Transition Plan:

- Build CSR staff from seven to twenty-four by Nov. 30.
- Train NewCo CSRs on processes, systems, and customers by Jan. 15.
- Maintain CS staff at twenty-four through Feb. 2 by supplementing with newly trained CSRs.
- From Oct. 15 through Nov. 15, communicate NewCo changes to CUSTOMERS.
- From Dec. 15 through Jan. 15, communicate “Transition-to-day one” to CUSTOMERS.
- From Oct. 1 through Nov. 15, survey CUSTOMERS by application area to determine components of “Benchmark Service.”

- From Jan. 1 through May 30, survey CUSTOMERS to determine service level achieved during transition and after day one using “Report Card” format.
- From “close” (Dec. 1) through Feb. 2, test Customer Service Center.
- From “close” (Dec. 1) to Feb. 2, run legacy businesses on legacy systems.
- From Feb. 2 through Feb. 27, transition Company A–based Customer Service business area by business area.
- From Feb. 2 to April 1, run legacy businesses on legacy systems at Location A.
- April 1 and thereafter, run all NewCo business on most current version.

### **Sample Attachment:**

### **Group Roles and Responsibilities**

#### **Corporate Analyst Roles**

- Identify, develop, and track synergies.
- Calculate break-evens.
- Evaluate opportunity feeds.
- Provide planning interface among management, supply, and manufacturing organizations.
- Perform model maintenance and structure changes.
- Provide project evaluation and interface.
- Support logistic activities (may include training of corporate transportation position).
- Maintain updates to global database.
- Provide supply and demand forecasts —by plant.
- Coordinate case study and hold strategy meetings; communicate results.
- Roll up production forecasts and communicate.
- Produce plant cost curves.
- Interface with technology vendors.

#### **Plant Engineer Roles**

- Provide direction for updating the pricing model, based on plant operation and constraints.

- Develop new operating targets as needed.
- Provide coordination with day-to-day issues with the plant and with corporate functions.
- Ensure optimum targets are implemented in the units.
- Provide understanding of the sensitivities of operating parameters on the profitability of the new unit, including communication with plant operators.
- Ensure that current operating limits and constraints are recognized and reflected in pricing models.
- Provide understanding of the functionality, capability, and limitations of the pricing models.
- Maintain and enhance the plant's pricing models.
- Maintain current incremental and product pricing as input.
- Maintain current composition information as input.
- Maintain the topology of the online system to accurately reflect the configuration of the plant.
- Acquire support, as necessary, to ensure high on-stream time for the online system.
- Monitor output of the models to ensure that targets remain stable and that both online models are consistent.
- Manage the furnace analyzer to ensure corrected pattern information is provided to update the models.
- Provide production outlooks and forecasts—define system for information flow and timing (joint effort with corporate function).
- Publish plant reliability report (“Actual vs. Attainable”).
- Use model for troubleshooting.
- Perform joint reconciliation (joint with corporate).
- Begin training in emerging role to handle plant online optimizer.
- Provide coordination with local refineries regarding refinery streams.

- Assist in developing supply emergency plans (joint with corporate and transportation).
- Document opportunity audits—yield verification.
- Provide local project interface.
- Coordinate operation of local, online systems.

**Sample Attachment:**

**Liquids Purchased Under an Alternate P.O.**

1. Manager–Domestic Supply or Manager–International Supply purchase feedstock for NewCo.
2. Manager–Domestic Supply or Manager–International Supply creates P.O. and contract and distributes to plant managers:
  - a. Corporate group
  - b. Transportation group
  - c. Plant group
  - d. Engineers
  - e. Director supply
  - f. Supply representative
  - g. Accounting
3. Invoice received by accounting
  - a. Invoice data entered into wire log
  - b. Pay date requirement (due date to accounts payable) assigned
4. Invoice routed to appropriate supply manager by fax
  - a. Supply manager verifies price
  - b. Supply manager assigns P.O. number
5. Invoice routed to accounting by fax
  - a. Invoice matched against accruals
  - b. Ledger codes added to invoice
6. Invoice routed to accounting
  - a. Invoice checked for completeness
  - b. Invoice held until pay date
7. Invoice routed to Accounts Payable

## II. SYNERGIES—“QUICK HITS AND LOW-HANGING FRUIT”

- Purpose: Focus short-term actions on immediately achievable synergies, and start the high-level planning on longer-term, high-impact projects.
- Sample:
  - Follow the general format provided.
  - Remember, the initial assignments are just a starting point.
  - Each needs to be verified, and further idea generation is highly recommended. Use your creativity and expertise to help us maximize the value of the deal.
  - Project plans for complex synergies need to include time lines, persons responsible, and so on.
  - Consider the cost-effectiveness of solutions.
  - Where exchange restraints limit access to sharing information, assign “homework” to an individual(s) from one partner company to independently start as much planning as possible.

Date:	Synergy No.	Area	Value	Rev
10/4/14	10	Manufacturing	\$2.13	0

**Synergy:** Supply all raw material for Site A and Site B from NewCo Site C by pipeline.

**Description:** NewCo Site C capacity exceeds raw material need to produce Product Z. Better coordination of pipeline use and raw material logistics to other locations will improve overall cost.

**Value:** Initial analysis targeted savings of \$2.13 MM.

**Primary Responsibility:** Business Management — Logistics — P. Smith.

### **Supporting Functions:**

- Business Management — Logistics.
- Management — Plants.

### **Approach and Milestones:**

- Establish the raw material supply chain from the raw material plants to customers constraining the Site D and Site A plants to use all pipeline-supplied raw material.

- Study the true capacity of the pipeline between Site E and Site A, assuming close coordination of use.
- Study the raw material fleet size and rationalize the number of railcars accordingly.

**Verification:**

- Establish the cost basis for supplying Site B the way it was done in 2014 (raw material freight; railcar lease, maintenance, and storage; fixed cost for unloading and maintaining the unloading facility).
- Compare actual experience of NewCo to that of the base (adjusted for needed capital and increased volume).
- Key measures — raw material freight cost; railcar lease, maintenance, and storage costs; plant fixed cost; size of raw material rail fleet.

### III. INITIAL SYSTEMS AND FACILITIES REQUIREMENTS

- Purpose: Minimize the disruption of relocations and new assignments by providing fast connectivity when and where it is needed.
- Sample:
  - Focus on who, what physical location (especially new people coming to NewCo location), when they will arrive.
  - Indicate basic connectivity needs (LAN connection, telephone, and all applications required).
  - Indicate colocation or adjacency needs by department or team name.

**Accounting Department  
Information System Requirements**

<b>Name: Please list specifically who the user names will be.</b>	<b>Location: Specify physical location. For example: Site A, which floor, etc.</b>	<b>System Access: Indicate which systems will need to be accessed.</b>
		OPBS; MSA G/L; NIC1CSP; NIIMSP; NITSO; RDS; Keymaster; CC:mail; TM1; all PC current desktop software

<b>Name: Please list specifically who the user names will be.</b>	<b>Location: Specify physical location. For example: Site A, which floor, etc.</b>	<b>System Access: Indicate which systems will need to be accessed.</b>
		OPBS; MSA G/L; NIC1CSP; NIIMSP; RDS; Keymaster; CC:mail; TM1; all PC current desktop
		Operations Cost Accounting System; MSA G/L; RDS; TM1, NIC1CSP; NIIMSP; NITSO; CC:mail; all PC current desktop software
		MSA G/L; MSA A/P; Operations Cost Accounting System; RDS; NITSO; TM1; CC:mail; NIIMSP; OPBS; all PC current desktop software
		OPBS; MSA G/L, NIC1CSP; NIIMSP; NITSO; RDS; Keymaster; CC:mail; TM1; and PC current desktop software

#### **IV. TRANSITION COST ESTIMATE**

- Purpose: Provide finance with best estimates for planning, and conduct the business transition in a cost-effective manner.
- Sample:
  - A general spreadsheet format has been identified to facilitate easier data roll-up.
  - Please indicate overall categories and line items appropriate to your function.
  - Please note basis for estimate.

<b>Functional Areas One-Time Formation Cost Estimate</b>	<b>Responsible Person</b>	<b>Cost (\$000)</b>	<b>Basis for Estimate</b>
<b>Office Setup</b> Remodeling and build out Furniture Rewiring, phone, systems Office phone and computer reconfigurations Stationery and supplies			
<b>Severance Expenses</b> Plant personnel Company A headquarters personnel Company B headquarters personnel			
<b>Relocation Expenses</b> Plant personnel Company A headquarters personnel Company B headquarters personnel			
<b>Plant Expenses</b> Data Systems setup and connectivity Emergency communications system setup Re-permitting			
<b>Legal Expenses</b> Registrations to do business Copyright and trademark registrations			
<b>Marketing and Sales</b> Packaging and labeling modifications Customer notifications			
<b>Purchasing and Supply Chain</b> Vendor notifications Develop and print purchasing policy manuals Company A POs with new terms and conditions			



<b>Functional Areas One-Time Formation Cost Estimate</b>	<b>Responsible Person</b>	<b>Cost (\$000)</b>	<b>Basis for Estimate</b>
<b>Finance</b> Consolidated reporting systems setup Cash collection system setup Payables system setup			
<b>Compensation and Benefits</b> Consultant assistance			
<b>Corporate Structuring; Start-up and Integration Planning</b> Consultant assistance			
<b>Total</b>			

## V. TRANSITION TIMELINE

- Purpose: Input to consolidated project plan. Will be used to communicate accountabilities to specific individuals and teams, and to track project status.
- Sample:
  - A representative Microsoft Project Plan is provided. Note outline format and approximate level of detail for key milestones, rather than all tasks required for each action item.
  - Specific transition and synergy project teams may choose to create their own overall detailed task lists.
  - An MS Word format is also provided. The Integration Core Team is available to support task forces by converting various timeline formats to our consolidated plan.
  - Please list start and finish dates and persons responsible for each item.

ID	Task Name	Start	Finish	Percentage Complete	2004											
					J	J	A	S	O	N	D	J	F	M		
1	HSE	Wed 7/1/03	Fri 6/30/05	32%												
2	Purchased Safety Services	Wed 7/1/03	Fri 6/30/05	28%												
3	Complete detailed analysis and prioritization of current	Wed 7/1/03	Fri 8/14/03	100%												
4	Generate updated synergy target based on above	Wed 7/1/03	Tue 9/1/03	40%												
5	Consolidate purchases identified in target—as contracts permit	Wed 7/1/03	Fri 6/30/05	25%												
6	Provide functional support to achieve target—ongoing	Wed 7/1/03	Fri 6/30/05	25%												
7	Corporate Safety Consolidation	Wed 7/1/03	Mon 2/1/04	41%												
8	Develop organization plan and headcount recommendation	Wed 7/1/03	Tue 9/1/03	100%												
9	Review above with appropriate officers	Tue 9/15/03	Tue 9/15/03	100%												
10	Modify and finalize plan as necessary	Thur 10/1/03	Thur 10/1/03	85%												
11	Develop consolidated safety management philosophy end	Thur 10/1/03	Mon 2/1/04	10%												
12	Implement	Wed 7/1/03	Wed 7/1/03	50%												

ID	Task Name	Start	Finish	Percentage Complete													2004		
					J	J	A	S	O	N	D	J	F	M					
13	Regional Safety Consolidation	Wed 7/1/03	Tue 9/1/03	60%	<div><div></div></div> 60%														
14	Confirm organization plan and headcount recommendation	Wed 7/1/03	Tue 9/1/03	20%	<div><div></div></div> 20%														
15	Gain Approval and Implement	Wed 7/1/03	Tue 9/1/03	60%	<div><div></div></div> 60%														
16	Corporate safety consolidation in place	Wed 7/1/03	Tue 9/1/03	100%	<div><div></div></div> 100%														
17	Common philosophies adopted	Wed 7/1/03	Tue 9/1/03	30%	<div><div></div></div> 30%														
18	Current synergies achieved	Wed 7/1/03	Tue 9/1/03	50%	<div><div></div></div> 50%														
19	Regional Plant Safety Consolidation	Wed 7/1/03	Tue 9/1/03	10%	<div><div></div></div> 10%														
20	Confirm organization plan and headcount recommendation	Wed 7/1/03	Tue 9/1/03	10%	<div><div></div></div> 10%														
21	Gain approval and implement dependent on potential	Wed 7/1/03	Tue 9/1/03	10%	<div><div></div></div> 10%														
22	Other Areas Nonquantified	Wed 7/1/03	Thur 12/31/03	50%	<div><div></div></div> 50%														
23	Medical	Wed 7/1/03	Wed 7/1/03	40%	<div><div></div></div> 40%														
24	Product safety	Fri 8/14/03	Thur 12/31/03	50%	<div><div></div></div> 50%														

### **Transition Timeline:**

- Prior Day one
  1. Define interim business process. 4/23 (All)
  2. Determine common reference price inputs and mechanism for product manager weekly price input. 4/24 (Team A)
  3. Meet with supply and product managers to determine deliverables and expectations. 4/28 (All)
  4. Review plant specifications for each site. 4/29 (Team A)
  5. Share plant constraints and impacts for each site. 4/29 (Team A)
  6. Determine list of common products and develop yields for same under both and complete yield modeling systems. 4/30 (Team B)
  7. Review plant engineer position descriptions with plant management personnel. 5/1 (Team B)
  8. Communicate organizational structure, description of roles, and expectations of individuals and the group. 5/5 (Team B)
  9. Move corporate personnel from Site A to NewCo site. 5/7 (Office Services)
- Day one
  1. Gather product prices from product managers. (All)
  2. Get inventory and production strategy from product manager. (Team C)
  3. Develop cost curves for each plant, based on common prices. (All)
  4. Begin comparison process of cost curves; determine if major discrepancies need to be addressed. (All)
- Week one
  1. Complete LP runs, based on common prices and feeds. (All)
  2. Develop break-even report format and begin distribution. (All)
  3. Conduct parametric review with supply and product managers, as appropriate. (All)
  4. Begin process of leveling plant operations on ethylene cost basis. (All)
- Month one
  1. Install T-1 line and provide functionality. (Team D)
  2. Move corporate personnel from Site A to NewCo Site. (Office Services/ IS Dept.)
  3. Relocate plant engineers to plant sites.

4. Begin semimonthly production strategy review meetings. (All)
  5. Provide economic rationale for start-up decision. (All)
- First 120 days
    1. Lock down synergies. (All)
    2. Develop synergy measurement and reporting format. (Team A)
    3. Develop long-term database options; establish conversion plan. (IS Dept./ All)
    4. Reassess and refocus, as appropriate. (All)
    5. Update plan and executive model.
    6. Participate in development of 1069 Operating Plan. (All)
    7. Develop business map and begin to mesh with global options. (All)

## **VI. ISSUES AND RECOMMENDATIONS FOR THE EXECUTIVE STAFF'S ATTENTION**

- Purpose: Clarify and prioritize essential issues that are beyond the immediate control of task forces or that have resource demands or other business impact that needs to be sorted at the executive staff level.
- Remember:
  - Brief summary bullets and supporting data as needed by specific issues.
  - This is only a communications and prioritization backstop to make sure all obstacles and barriers are effectively dealt with.
  - So don't wait till "report out" to start working the showstopper issues.
- Key issues for officer attention:
  - Legacy systems need to be upgraded in time for February 2015 start-up.
  - Must maintain the current legacy systems at Site A until we can operate on upgraded version.
- Other important issues:
  - Staffing and training of all employees in those functions and critical areas linked directly to the manufacturing process
  - Enough space at NewCo Site for all key supply personnel
  - 800 number continuity and assignment
  - Access to high-quality systems; conversion of old product spec. process to centralized, integrated approach

## **RESOURCE C**

### **EXECUTIVE SUMMARY—THE STATE OF M&A INTEGRATION EFFECTIVENESS SURVEY, 2014**

#### **OVERVIEW**

The objectives of this survey (the “Survey”) include:

- Determining the extent to which corporate acquirers are improving the results of M&A integration through development of more effective internal M&A capabilities
- Confirming the extent to which skilled acquirers apply common M&A integration best practices
- Identifying major remaining obstacles that are not yet consistently well-managed and that may limit future M&A integration effectiveness

The Survey consisted of a total of twenty-six questions, many of which included multiple answer components which enabled the study to sample approximately 75 different elements or specific dimensions which, in the authors’ view, are essential for integration success. The Survey was conducted in collaboration with principal cosponsors, the M&A Leadership Council ([www.macouncil.org](http://www.macouncil.org)) and publisher Jossey-Bass, an imprint of John Wiley & Sons, Inc. Unless specific permission has been granted, all responses will remain strictly confidential and anonymous.

We would like to thank our Survey Sponsors and each respondent for their contributions to this important study. Finally, to those participating organizations that share our convictions about the importance of developing “best-in-class” internal M&A capabilities—Cisco Systems, Microsoft, Dell, Intuit, Lockheed

Martin, MetLife, McAfee, and many others too numerous to mention—we thank you.

Sincerely,

Tim Galpin and Mark Herndon, Coauthors

## RESPONDENT DEMOGRAPHIC DATA

One hundred and fifty three executives and managers from approximately thirty different industry sectors responded to the Survey. Respondents' demographic data—including title or role level in their organizations, primary function, and industry sector—are shown in Exhibits C.1 through C.3.

Respondents' demographic data including their approximate annual global revenues (\$USD); typical number of M&A deals completed annually; and estimated total number of M&A deals completed during the prior five year period is summarized in Exhibits C.4 through C.6.

## ARE ACQUIRERS GETTING BETTER AT M&A INTEGRATION?

As previously illustrated, respondents in this data set generally include highly experienced acquirers. Additionally, many respondents were from best-in-class companies from their respective industry sectors that have historically applied

**Exhibit C.1**  
**Respondents by Title / Level**

---

**Title / Level:**

<b>Answer Options</b>	<b>Response Percent</b>
C-level	19.3%
EVP, SVP, VP	15.6%
Director	33.9%
Manager or Program Lead	25.7%
Individual Contributor	0.9%
Other (please specify)	4.6%

---

## Exhibit C.2

### Respondents by Function

<b>Primary Function:</b>	
<b>Answer Options</b>	<b>Response Percent</b>
Executive	17.4%
Corp. Dev, M&A, Strategy	37.6%
Finance / Accounting	9.2%
Legal	0.0%
IT	9.2%
HR/OD	10.1%
Sales / Marketing	4.6%
Engineering / R&D	0.0%
Manufacturing / Operations	1.8%
Other (please specify)	10.1%

a more purposeful approach in building internal M&A capabilities. While not a requirement of the Survey, many respondents were alumni of the M&A Leadership Council executive education workshops. The authors are encouraged by these indicative factors—deal count experience, an M&A competency viewpoint, and investment in M&A training and professional development—as evidence of meaningful progress toward improved integration processes and better business outcome results.

We offer the following process measures as proxies of more sophisticated integration methods. First, to what extent does the due diligence process provide an effective setup and handoff to integration planning (see Exhibit C.7.), and to what extent is integration planning launched early in the overall transaction time line, as opposed to waiting until after the transaction has closed (see Exhibit C.8). Respondents in this Survey report positive outcomes on both of these benchmarks, which are often quite opposite to these findings among less experienced acquirers.

To explore the perceived accomplishment of desired business outcomes (see Exhibit C.9.), we asked for a specific response to ten common result categories.



### Exhibit C.3 Respondents by Industry Sector

---

**Industry:**

---

<b>Answer Options</b>	<b>Response Percent</b>
Consumer Products	7.3%
Chemicals / Industrials	6.4%
Financial Services, Banking, & Real Estate	6.4%
Telecom	3.7%
Technology—Software, Web, Services	21.1%
IT and Business Services	6.4%
Energy, Mining, & Utilities	2.8%
Transportation	4.6%
Health Care, Pharma, Medical Devices	7.3%
Media & Entertainment	4.6%
Other (please specify)	29.4%

---

### Exhibit C.4 Acquirer's Size in Approximate Global Revenues (\$USD)

---

**Your company (the acquirer) size in approximate global revenues (\$USD):**

---

<b>Answer Options</b>	<b>Response Percent</b>
0–100 million	17.4%
100–500 million	13.8%
500–1.0 billion	11.0%
1.0–5.0 billion	29.4%
Greater than 5.0 billion	28.4%

---

### Exhibit C.5

#### Typical Number of M&A Deals Completed Annually

##### Typical number of deals completed annually:

Answer Options	Response Percent
0–2 deals	56.0%
3–5 deals	27.5%
6–8 deals	4.6%
9–10 deals	5.5%
More than 10 deals	6.4%

### Exhibit C.6

#### Estimated Number of M&A Deals Completed During Previous Five Years

##### Estimated number of total deals your company has completed during the prior 5 years:

Answer Options	Response Percent
0–10 deals	59.6%
11–20 deals	21.1%
21–30 deals	7.3%
31–40 deals	3.7%
41 or more deals	8.3%

Most studies of M&A integration indicate that most deals still fail to achieve the full results anticipated approximately 50–75 percent of the time. While there are still some result categories that stand out as not as successful, these findings would seem to indicate some positive impact of the experience of having completed multiple deals and the continued development of internal M&A integration skills,

### **Exhibit C.7**

#### **Effective Interface Between Due Diligence and Integration**

**Our due diligence process provides an effective setup and handoff to integration planning.**

<b>Answer Options</b>	<b>Response Percent</b>
Strongly disagree	3.5%
Disagree	28.4%
Agree	50.4%
Strongly agree	9.9%
Don't know / not applicable	7.8%

### **Exhibit C.8**

#### **Maximize Pre-Close Integration Planning**

**At what deal-phase does your company typically launch initial integration planning (not execution)?**

<b>Answer Options</b>	<b>Response Percent</b>
Pre-announcement	38.1%
Pre-close	37.3%
Immediately post-close	10.3%
Post-close, but after some interim "waiting period" where few, if any, changes are made	5.6%
Don't know / not applicable	8.7%

processes, and capabilities. At the same time, CEOs should be demanding more than a 50–60 percent chance of achieving cost synergies. These are usually the easiest benefits to achieve, and if viewed on a stand-alone basis, often would not singularly justify the direct costs, opportunity costs, and distraction that M&A represents unless other more strategic benefits are also achieved. As our colleagues

### Exhibit C.9

#### Self-Perceptions of Integration Success on Business and Strategic Outcomes

Please rate your perceptions of the success of your typical integration process in consistently meeting or exceeding the desired business or strategic results indicated below.

Answer Options	Typically no meaningful results or underperforms	Typically meets or exceeds
a. Cost reduction synergies	39.3%	60.7%
b. Revenue growth synergies	52.1%	47.9%
c. Strategic capability enhancements or process improvements	42.7%	57.3%
d. Increase market share	38.5%	61.5%
e. Innovation and development of new products, services or solutions not possible / not offered pre-deal	47.9%	52.1%
f. Create a higher performance organization culture	59.8%	40.2%
g. Upgrade talent	43.6%	56.4%
h. Retain and strengthen legacy customer / client relationships	26.5%	73.5%
i. Geographic expansion	26.5%	73.5%
i. Overall business results achieved	39.3%	60.7%

Ken Smith and Alexandra Reed Lajoux observe in their book *The Art of M&A Strategy* (McGraw-Hill, 2012), nearly \$1 trillion dollars in shareholder value has been destroyed by M&A deals and poor integration results in the last ten years alone.

Regardless of encouraging incremental progress, most acquirers readily admit there's plenty of room for improvement. In fact, two key findings seem largely to

contradict the positive perceptions of the indicated results. “Value erosion” is a term that we have used throughout this book and in our prior writings to describe negative synergies, business disruption, or general productivity loss associated with delay, ambiguity, lack of timely and effective decisions, poor communications, distrust or other typical complications common during integration. Even though general perceptions of success in achieving desired business results were higher in this data set than in many studies, the authors were alarmed by the respondents’ acknowledgment that they experience some type of value erosion in a substantial percentage of deals. As illustrated in Exhibit C.10, over half of all respondents (55 percent) indicate that they experienced value erosion in 25 percent or more of M&A integrations.

Finally, as the respondents acknowledge, only 29 percent of these highly experienced acquirers rate themselves as good or outstanding with respect to their overall integration process effectiveness. As illustrated in Exhibit C.11, the authors asked respondents to rate their perceptions of the overall effectiveness level of their typical integration in each of twelve process-related objectives or milestones mission critical to any successful integration. The results are telling: they clearly indicate that although progress has been made, the ability to deliver consistent, reliable integration results will depend on closing gaps on these important proxy categories.

### **Exhibit C.10**

#### **Percentage of Integrations with Value Erosion**

**In what percentage of integrations does your company experience some type of “value erosion,” business disruption or other unanticipated negative synergies as a result of integration actions taken or not taken?**

<b>Answer Options</b>	<b>Response Percent</b>
From 0–25% of integrations	45%
From 26–50% of integrations	23%
From 51–75% of integrations	20%
More than 75% of integrations	12%

## Exhibit C.11

### Effectiveness Level of Process-Related Objectives or Milestones

Please rate your perceptions of the overall effectiveness level of your typical integration in each of the process-related objectives or milestones indicated below.

Answer Options	Very poor, poor or average	Good or Outstanding
a. Timely and effective decision making by executives	59.6%	40.4%
b. Communications and events on the day of initial deal announcement	43.0%	57.0%
c. An effective and timely launch of the integration planning process	54.4%	45.6%
d. Day 1 communications, training and events which enable the combined organization to coordinate and function effectively beginning immediately upon deal closing and without major disruptions to operations or customers	51.8%	48.2%
e. Timely, efficient and well-coordinated integration process that hits desired completion dates	66.7%	33.3%
f. Effective onboarding, orientation and training of newly acquired employees	57.0%	43.0%
g. Effective transition / implementation of core business processes, systems and practices	68.4%	31.6%
h. Effective coordination and resolution of cross-functional integration issues and requirements	70.2%	29.8%
i. Clarity, focus and on-time accomplishment of the essential outcomes required to declare "integration complete"	71.1%	28.9%
j. Tracking metrics, results and proxy measures of success	72.8%	27.2%
k. Capturing key learning, case studies, institutional knowledge and training for future integrations	77.2%	22.8%
l. Overall integration process effectiveness	71.1%	28.9%

## SEVEN ESSENTIAL M&A INTEGRATION IMPROVEMENTS EVERY SERIOUS ACQUIRER MUST ADDRESS

In addition to the quantitative data, this Survey generated literally hundreds of comments, inputs, best practice suggestions, and real-world experiences from a wide variety of acquirers and a wide variety of deals. As we study the data, we are impressed with two macro observations. First, there are clear and consistent challenges and obstacles resonating throughout the entire M&A community. Regardless of deal count, annual revenues, or the types of deals you tend to do, we hope these data and our observations serve as encouragement that you are not alone in these struggles. Our second observation is the holistic nature of what “good looks like,” to borrow a phrase from a recent client. As we argue throughout this book and in our other works, M&A should be viewed as an end-to-end business process and mission-critical enterprise competency. Deals still can and do fail at every phase of the M&A life cycle, not just integration, and for as many different reasons as there are deals. Mastering a single phase of the M&A life cycle—be it strategy, due diligence, or integration—guarantees nothing, except maybe a false sense of self-confidence. Without a significant leadership commitment to mastering these processes, then building and sustaining the skills required for M&A success, acquirers will likely continue to fail or underperform.

Those acquirers that consistently succeed at M&A do so through a commitment to two broad principles: enterprise competencies and readiness. Writing in their excellent book, *The Art of M&A Strategy*, our friends and colleagues Ken Smith and Alexandra Reed Lajoux capture these essential points: “It is no accident that most of the positive examples of success came from serial acquirers, companies for which M&A is a core business activity, or companies for which it became a core activity because of changes in the industry that created the necessity or opportunity to win through acquisition ... These serial acquirers have demonstrated best practices in M&A because when M&A is central to strategy, superior skills in M&A are central to success.”

Based on this core premise, and based on our analysis of the quantitative data combined with the qualitative inputs, we offer these seven essential M&A integration improvements every serious acquirer must address:

*Staffing and resourcing.* Develop a model that enables you to put your best resources on integration, where, when, and for however long they are needed.

*Strategic guidance.* Superior results are possible only through earlier, better strategic directional guidance prior to launching integration.

*Overall enterprise M&A capability and readiness.* Develop a comprehensive, end-to-end M&A methodology that specifies both responsibilities and requirements for each function or unit throughout the deal life cycle.

*Training.* Invest in building skills, insights, and confidence commensurate with the importance of M&A.

*Governance roles.* Clarify and deploy the optimal governance model to enable timely, effective decisions throughout the M&A life cycle.

*M&A software solutions.* Take costs, delay, frustration, and rework out of the process by leveraging appropriate M&A software solutions for due diligence and integration project management, task-level workflow assignments and notifications, tracking, and reporting.

*Competency with people-related and organizational integration requirements.* Consistent, superior results are impossible without mastering these fundamental M&A competencies.

## **SUMMARY RESULTS**

### **Staffing and Resourcing**

As we consult with acquirers and train M&A teams, the single most prevalent issue we hear in the field daily is the lack of available, expert resources. It came as no surprise to us that the single most prevalent response to both of the primary open response questions was “resourcing.” Based on in-depth content analysis of each comment provided by respondents, resourcing was identified both as one of the most “important breakthroughs” and one of the “greatest remaining obstacles.” A ranked summary of the two primary open response questions is provided in Exhibits C.12 and C.13 respectively, along with representative comments for each of the top ten most commonly indicated points.

Q: What breakthrough practices or lessons learned, if any, have enabled your organization to be more consistently successful at integration?

Q: What are the greatest remaining obstacles or challenges, if any, your company must overcome to be more consistently successful with integration?

These findings are consistent with the survey question illustrated in Exhibit C.14, which asked the prevalence of integration team members being asked to “do both” their normal day-job and integration work, as opposed to more productive and better models.



## Exhibit C.12

### Open Response Summary

What breakthrough practices or lessons learned, if any, have enabled your company to be more consistently successful at integration?

Ranking	Topic	Sample Responses
1	Resources	"Development of the IMO and assigned PMs has made a huge positive impact"; "a core full-time integration team with 50–100% dedicated partners in every functional area"
2	Integration Framework and Process	"Development of a more robust M&A process with clear definition of roles and responsibilities and deliverables"; "streamlined, disciplined, structured approach with six phases that is tightly interwoven with the Business Development group"
3	Governance/Leadership	"Establish strong governance"; "dedicated leaders"; "ensure that executive sponsors of the deal are fully engaged throughout the process"; "executive steering committee"
4	Integration Planning	"Start integration planning during due diligence"; "include IT and HR early in the planning process"; "establish a 100-day plan with specific tasks to be completed"
5	Integration Support Tools	"Developing an M&A Playbook"; "using project management tools"
6	Communication and Change Management	"Communication of all goals and objectives to all stakeholders prior to closing"; "over-communicate with new employees"; "adopting a Change Management framework"
7	Business Model/Value Drivers	"Doing our homework on the companies being merged"; "understand the value proposition before deciding on the integration plan"
8	Acquired Employee Experience/Onboarding	"Detailed planning for integrating new employees"; "dedicated HR team for M&A activities to help ensure a better employee experience"
9	Speed, Focus, and Accountability	"Increase integration speed and focus to harness expected synergies"; "deal accountability"; "faster IT conversion to our platforms"; "increased focus"
10	Lessons Learned/After Action Reviews	"Action Reviews to learn from previous acquisitions and improve the next ones"; "Center of Excellence to drive consistency into the process and institutionalize best practices"

### Exhibit C.13 Open Response Summary

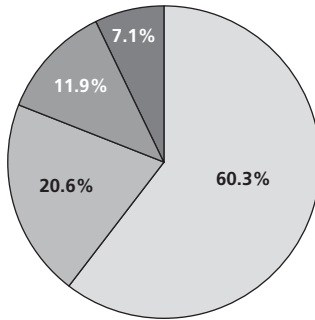
What are the greatest remaining obstacles or challenges, if any, your company must overcome to be more consistently successful with integration?

Ranking	Topic	Sample Responses
1	Resources/Conflicting Priorities	"Dedicated resources to support a successful integration"; "resources with conflicting priorities are always an issue"; "lack of experience M&A talent"; "more resources"
2	Integration Strategy Framework (Game Day)	"Need to develop a Game Day practice with executive buy-in"; "clarification of the acquired company's capabilities and where the synergies are supposed to come from"; "realize that one size does not fit all, especially smaller targets"; "executive management needs to better understand and define the end-state vision"
3	Culture	"Recognizing and adjusting to cultural differences"; "cultural integration"; "cultural integration by far #1"
4	Disciplined, Documented, End-to-End Process	"Siloed Due Diligence and Integration Teams"; "fully developing our end-to-end process down to the smallest details"
5	Integration Support Tools	"Build a more robust M&A Playbook"; "improving the understanding and adoption of tools"; "standard scorecards and reporting"
6	Communication and Change Management	"Communications to employees between Announce and Close"; "political obstacles and lack of leadership that suppress open and honest communication"
7	People Issues	"Better sensitivity to people issues"; "integration of managers post-close due to organizational design"; "we need to focus more on the people side of integration"
8	Integration Execution/Speed of Integration	"The speed to migrate the acquired client base to our products"; "flawless execution"; "more ownership at the functional level for accountability of outcomes"
9	Best Practices/Lessons Learned	"We need to leverage our best practices better across the decentralized organization"; "adherence to best practices and avoiding too many process exceptions"
10	Global Acquisitions/Cross-Border Deals	"Preparing for global acquisitions on the horizon when we don't have dedicated resources in all the areas"

## Exhibit C.14

### Integration Team Member Survey Question

Our typical approach to staffing an integration project team could be best described as:



- ☐ "Do both." Integration work is expected to be done in addition to your normal, day-to-day job.
- ☐ "Prioritize and backfill." Key functional leaders are primarily dedicated to integration work during key project phases, with adequate back-fill assigned to cover most day-to-day work.
- ☐ "Interim project resources." Each major function has a pool of experienced M&A "go-to" resources that are assigned to lead integration work on a full-time, but interim basis until complete, then return to other projects.
- ☐ "Permanent M&A resources." Each major function has its own full-time M&A resources and they handle most integration work on a permanent basis.

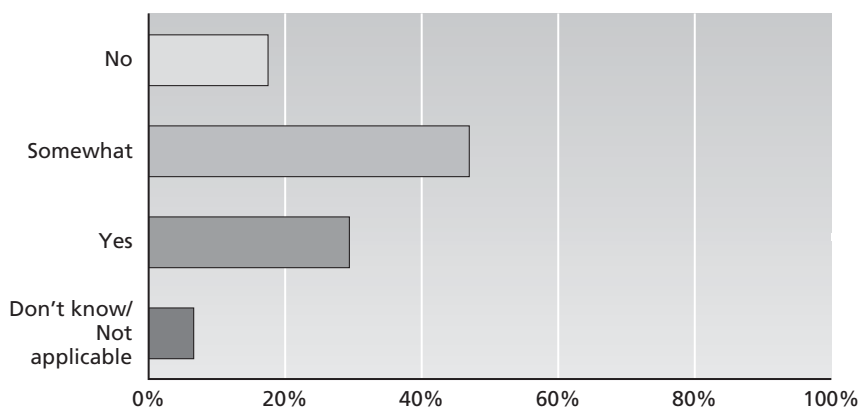
### Strategic Guidance

Our view is that M&A integration must be a top-down, strategy-led exercise, with superb functional and bottom-up execution. More often than not, however, once the transaction is well in hand, many executives move on to the next thing and let the function leads sort out the major integration issues. We believe this is a primary and persistent cause of much value erosion, ambiguity, confusion, and, often, outright integration failure, as well-intentioned function leaders merely go through the standard checklist without regard to the major value drivers or strategic requirements of the deal. We advocate a best-practice solution called Game Day Strategy Summit to provide essential preannouncement strategic clarification, executive alignment, and organizational readiness for a successful integration launch immediately upon announcement. This concept of providing adequate preannouncement strategic "directional guidance" for integration was the focus of a question, followed by a branched follow-up question depending on the respondent's first answer. We summarize these important findings in Exhibits C.15 through C.17.

A follow-up question served to those respondents answering "yes" inquired when this type of integration strategy framework was accomplished relative to the deal time line. Forty-nine percent indicate they complete this prior to

### Exhibit C.15

**Our Executive Team develops a comprehensive integration strategy framework before launching the integration planning process...**



### Exhibit C.16

**What is the impact of not having adequate strategic directional guidance on major integration issues...**

Since your executive team does not develop a comprehensive integration strategy framework before launching the integration process, what is the impact of not having adequate directional guidance on major integration issues? (Please select all that apply)

Answer Options	Response Percent
Integration planning is delayed while we wait for answers	52.4%
We make assumptions without knowing if those assumptions are valid	71.4%
Decisions are made, but then changed, causing a lot of re-work and frustration	76.2%
Executives make decisions individually, but collectively there is no alignment	57.1%
We appear to the target company not to know what we are doing	52.4%

**Exhibit C.17**  
**What categories of directional guidance are typically not  
provided when needed...**

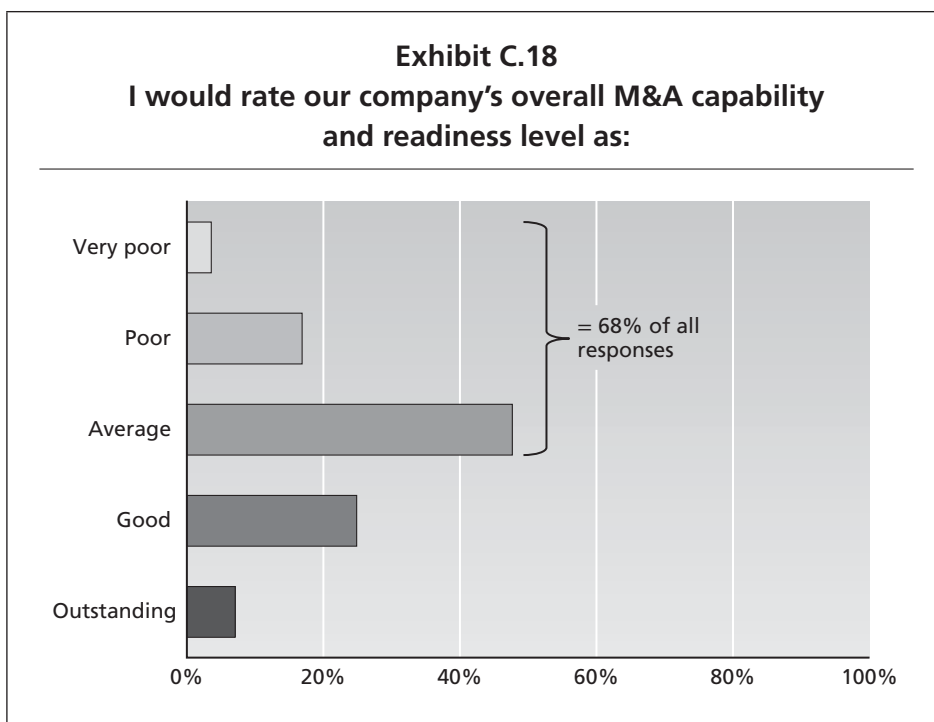
Since your executive team develops only “somewhat” of a comprehensive integration strategy framework before launching the integration planning process, what categories of directional guidance are typically *not* provided when needed? Check all that apply:

Answer Options	Response Percent
Major strategic decisions that are needed before adequate integration planning can begin	37.9%
Identification of specific goals, outcomes or results that must be achieved to call this deal a success	44.8%
Resolution of specific priority conflicts or resource constraints due to other projects already underway	60.3%
Commissioning of specific integration roles, responsibilities, time lines and milestones	43.1%
Communication messages for customers, employees and other key stakeholder groups	34.5%

announcement, with 32 percent completing this pre-close, while 19 percent complete this stage after deal closing.

Exhibit C.16. summarizes the responses from a follow-up question served to those respondents indicating that their leadership team did not develop an integration strategy framework prior to launching the integration planning process. Five representative responses were provided, based on the authors’ prior work experience and survey research, and respondents were allowed to select all answers that applied.

Exhibit C.17 summarizes the responses from a follow-up question served to those respondents indicating that their leadership team only developed somewhat of an integration strategy framework but with certain categories of directional guidance not provided prior to launching the integration planning process. Five representative responses were provided based on the authors’ prior work experience and survey research, and respondents were allowed to select all answers that applied.



### Overall Enterprise M&A Capability and Readiness

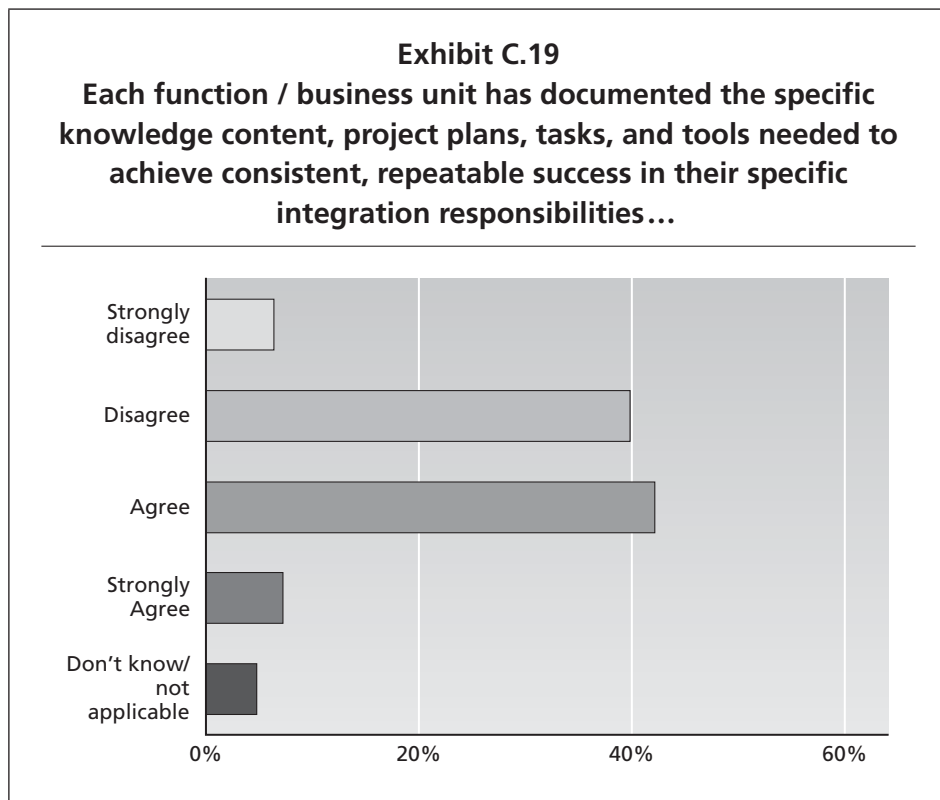
The Survey asked a variety of questions to evaluate the state of overall enterprise M&A capabilities and readiness. To begin with, we want to commend respondents for their outstanding work and demonstrable process improvements. Thirty-four percent of respondents indicated that during their tenure with the company the overall M&A capability level had improved substantially. Forty-eight percent indicated their internal M&A capabilities had improved somewhat, but “we still aren’t there yet.” This is confirmed in the very next question, summarized in Exhibit C.18, which asks the respondent to rate their company’s overall M&A capability and readiness level.

When asked to what extent the respondent’s organization has a documented, end-to-end M&A process that includes specific requirements such as events, tasks, action items, deliverables, and so on to guide each integration, only 40 percent answered affirmatively, while 24 percent had nothing at all and 36 percent had only parts and pieces. When queried further, of those organizations with a complete partial M&A process methodology, less than one-third (31 percent)

indicated their process covered the entire M&A life cycle from strategy through transaction and due diligence and through each of the major phases of integration. Most revealing, however, is the substantial number of acquirers that have not fully developed the same level of competency among and between each functional team or business unit. As illustrated in Exhibit C.19, there tends to be wide variance in skills and readiness between the groups most directly responsible for integration. This is an obvious “weakest link” challenge, particularly when considering the extremely important dependencies between functional groups. One weak link will almost certainly impact all other teams or units throughout the integration.

The fill-in comments on this question were particularly instructive. Representative comments included:

- “IT and some other functions are strong, but we are only as strong as our weakest link.”



- “One operating division may have more M&A experience than others, but that knowledge often doesn’t get translated or applied across the board.”
- “We don’t understand cross-functional requirements and dependencies.”
- “Our Playbook is so immense it is completely unfathomable.”
- “We have great process models, but not enough real-world ‘so what?’”

Finally, we refer readers to the data summarized previously in Exhibit C.11. This series of M&A capability questions goes straight to the heart of how effective the integration process is and the essential improvements needed to change the typical outcomes of value erosion and disruption. Four additional results should stand out as immediate development priorities for serious acquirers. Each represents a fundamentally important capability that must become institutionalized with deep skills and processes sufficient to deliver, even in the most complex integration efforts. Data are repeated here from Exhibit C.11 for emphasis.

---

**Please rate your perceptions of the overall effectiveness level of your typical integration in each of the process-related objectives or milestones indicated below.**

---

<b>Answer Options</b>	<b>Very poor, poor or average</b>
a. Timely and effective decision making by executives	59.6%
e. Timely, efficient and well-coordinated integration process that hits desired completion dates	66.7%
g. Effective transition / implementation of core business processes, systems and practices	68.4%
i. Clarity, focus and on-time accomplishment of the essential outcomes required to declare “integration complete”	71.1%

---

## Training

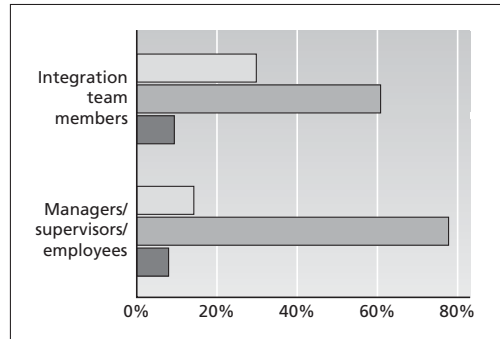
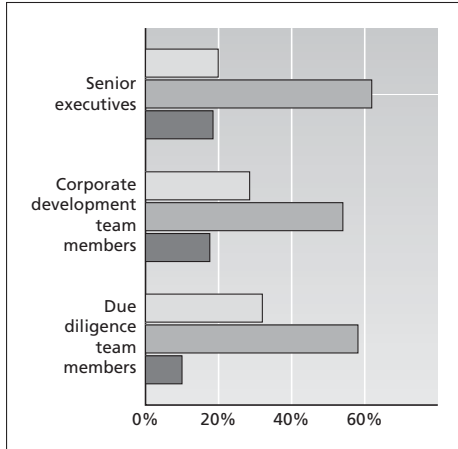
This line of questioning revealed one of the greatest surprises, one of the greatest leadership errors, and most likely one of the greatest causal failure factors in the entire Survey. There is a serious lack of formal training regarding M&A best practices, processes, and skills. This was true of the vast majority of organizations and across all organizational levels and roles queried by this Survey. Exhibit C.20 summarizes the key findings.



### Exhibit C.20

Our company provides formal training regarding M&A best practices, processes, and skills to:

Yes No Don't know/Not Applicable



## **Governance Roles**

Best practices research and practical experience have clearly demonstrated the importance of establishing the appropriate governance model to enable timely decisions, clear accountability, and effective resolution of integration issues, resourcing, and priority conflicts. Roles are now evolving to require more staffing continuity between stages of the transaction life cycle as a means to reduce common delays and value erosion as the due diligence team rolls off the project and the integration team gets onboarded. Additional dedicated full-time function leads are serving in an expanded capacity as adjunct members of corporate development to advise on deal strategy; lead and manage the due diligence; effectively transition their functional, enterprise, and cross-functional dependencies from diligence to integration; and launch their portion of the integration. Findings in this area of the Survey indicate that most organizations still have important development work to do in the area of governance. In particular, best-practice acquirers typically use a full-time, dedicated senior integration leader. Findings are summarized in Exhibit C.21.

## **M&A Software Solutions**

Another major surprise was revealed in the responses to the question, “Our company uses the following hosted or network-based technology solutions to accelerate and improve integration processes.” Our objective was to document the prevalence of a variety of network-based or web-based M&A software solutions, beyond virtual data rooms for due diligence purposes and a simple document repository, such as SharePoint. While we had anticipated a substantial majority of acquirers to already be using most of all of the solution types listed below, the data indicate substantial room for improvement in this category. Exhibit C.22 illustrates these findings.

## **People-Related and Organizational Integration Competencies**

Few executives would argue that M&A integration success is mutually dependent on getting the people-related and organizational integration issues right. Yet even among a highly experienced base of respondents in this Survey, we were struck by the reported difficulty of executing complex, emotional, and absolutely mission-critical people and organizational tasks. Executives leading their organizations through M&A must simply do much better in these categories if they hope to improve the strategic, business, and financial outcomes of the integration efforts they are leading (Exhibit C.23).

### Exhibit C.21

**Please indicate whether or not your company typically uses each of the following integration governance roles. Please consider the specific role description provided.**

	Don't know / not applicable	Never	Sometimes	Always
a. A member of corporate development (or the deal team) stays involved in each deal through the accomplishment of key post-closing integration or business result milestones.	7.94% 10	13.49% 17	40.48% 51	38.10% 48
b. A senior-level executive is appointed as "deal sponsor" with primary day-to-day responsibility for accomplishing both the business results and the integration of the target company.	7.94% 10	10.32% 13	28.57% 36	53.17% 67
c. An executive steering committee that is directly involved in resource planning, priority management and issue resolution (as opposed to general communications and advisory).	9.52% 12	15.08% 19	38.89% 49	36.51% 46
d. A dedicated, full-time integration leader who serves as the primary day-to-day point of contact for all integration issues and is principally responsible for integration success.	7.14% 9	11.90% 15	34.13% 43	46.83% 59
e. Senior-level function leaders with direct M&A experience and who are primarily dedicated to integration responsibilities during critical project phases.	7.94% 10	17.46% 22	44.44% 56	30.16% 38
f. An integration management office comprised of experienced project support resources performing roles such as: project management, communications, tracking synergies / metrics, and functional task force support.	7.14% 9	26.98% 34	33.33% 42	32.54% 41

**Exhibit C.22**  
**Prevalence of web-based integration solutions.**

**Our company uses the following hosted or network-based technology solutions to accelerate and improve integration processes (as opposed to emailing individual documents around, for example):**

<b>Answer Options</b>	<b>Never or Sometimes</b>	<b>Always</b>	<b>Don't know / not applicable</b>
a. An M&A playbook outlining the overall M&A process, objectives, tasks, roles, responsibilities, and dependencies throughout the entire M&A life cycle.	65.3%	22.9%	11.9%
b. An M&A playbook providing access to approved tools, templates, work samples, and best practices.	68.6%	20.3%	11.0%
c. A secure data storage and collaboration site to maintain sensitive integration data, manage access / distribution rights and store / access specific reference documents.	36.4%	56.8%	6.8%
d. A single, browser-based version of project plans, checklists, and progress tracking.	66.1%	24.6%	9.3%
e. Dashboards, automated reporting, or other graphical scoreboards demonstrating status or accomplishment of priority business and integration results and related proxy measures.	68.6%	22.9%	8.5%

### Exhibit C.23

#### How Effectiveness of Leadership Is Perceived

Please rate your perceptions of the overall effectiveness level of how you typically manage the people-related and organizational issues indicated below.

Answer Options	Very poor, Poor, or Average	Good or Outstanding
a. Our leaders and managers consistently demonstrate the desired leadership behaviors and cultural expectations.	52.2%	47.8%
b. Our communications process consistently delivers timely, meaningful and ongoing communications to all stakeholder groups.	60.2%	39.8%
c. We provide the training, skills and support systems to manage the typical “me issues” and other change-related stress.	67.3%	32.7%
d. We carefully compare cultures to avoid potential “flashpoints” and to architect the desired “to-be” cultural expectations.	77.0%	23.0%
e. We retain and “rerecruit” key talent throughout the organization using a variety of tools and solutions to cost-effectively meet specific retention needs.	67.3%	32.7%
f. We use an objective and well-managed process to decide and implement all organization restructuring, staffing, selection and exit decisions.	74.3%	25.7%