Twenty Questions for Every M&A: Improving Postmerger Integration Performance

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MERGER INTEGRATION IN EMERGING MARKET BANKS
Realising the Benefits of M&A

London        Washington DC        Singapore

GLOBAL EXPERIENCE, PRACTICAL
WHY DOES MOST M&A ACTIVITY FAIL TO DELIVER SHAREHOLDER VALUE?

- Failure to engage in disciplined strategic planning prior to transaction
- Inadequate planning and preparation for post-merger integration
- Underestimation of the difficulty and costs of executing a successful merger
- Shortage of the necessary financial or human resources
- Insufficient consideration of the “people side of change”
- Obsession with cost savings at the expense of revenue growth
## PLANNING FOR POST-MERGER: PRIORITISING ACTIVITIES

<table>
<thead>
<tr>
<th>Type of Integration</th>
<th>Merger of equals</th>
<th>Acquirer dominant</th>
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<tbody>
<tr>
<td><strong>Revenue focus</strong></td>
<td>Customer: drive income growth</td>
<td>Sales focus: capitalise on franchise</td>
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<td></td>
<td>• Integration of marketing function</td>
<td>• Mobilisation and motivation of sales force</td>
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<td></td>
<td>• Customer communication</td>
<td>• Development of cross sales capability</td>
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<td></td>
<td>• Customer MI</td>
<td>• Harmonisation of product development</td>
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<td><strong>Cost focus</strong></td>
<td>Internal: rationalise shared functions</td>
<td>Cost benefits: leverage scale benefits</td>
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<td></td>
<td>• HR strategy and organisation structure</td>
<td>• Network rationalisation</td>
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<td></td>
<td>• Operations and IT strategy</td>
<td>• Supplier management</td>
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<td></td>
<td>• Harmonisation of risk management</td>
<td>• Manpower planning</td>
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<td>• Corporate finance</td>
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PRE-TRANSACTION: STRATEGY IS A CASCADE OF CHOICES

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MANAGEMENT INFORMATION: CRUCIAL TO STRATEGY & BUSINESS EXECUTION

1. Setting staff day-to-day business targets with measures linked directly to strategic objectives
2. Staff behaviour and activities are aligned to drive business results and support strategy
3. MI provides feedback on the relative success of strategy and the performance of staff
4. Feedback and reward to staff depending on performance against targets
WHY DO PEOPLE MAKE THINGS SO DIFFICULT?

- Why are my staff so resistant to change?
- How can we make our customers loyal to the company rather than individuals?
- How can we motivate our top sales staff and retain key staff?
- How can we incentivise staff to work towards shared strategic goals?
- Why won’t different departments work together better?
- Why won’t my staff make decisions and are always delegating upwards?
RESISTANCE TO CHANGE: THE ‘GOOD NEWS’ CURVE

- Informed certainty (confidence AND satisfaction)
- Uninformed certainty (confidence)
- Realistic concern (hope)

Highest value destruction risk:
- Loss of key people
- Staff demotivated
- Customer attrition

Change Programme Implementation (Time)