



# Synergy Management

A structured approach to capturing value in post-merger integration (PMI)



### Context

The success of a post-merger integration hinges primarily on the realisation of the targeted synergy potentials. However, ensuring that the combined enterprise value exceeds the sum of its parts is a complicated and timely process. Spanning the entire M&A cycle, synergy management encompasses the pre-deal estimation of synergy potentials and the subsequent post-deal re-evaluation and realisation.

The criticality of synergy management in post-merger integration cannot be overstated. Pre-deal estimations of synergy potentials are a key driver of the transaction value, and their realisation determines the success of management in creating shareholder value.

To support our clients in this critical process, Capgemini Consulting has proven methodologies and capabilities that ensure an accurate assessment of pre-deal synergies and provide structure, transparency and know-how for the post-deal realisation. For the most part, this support is embedded in a broader transaction or integration offering.

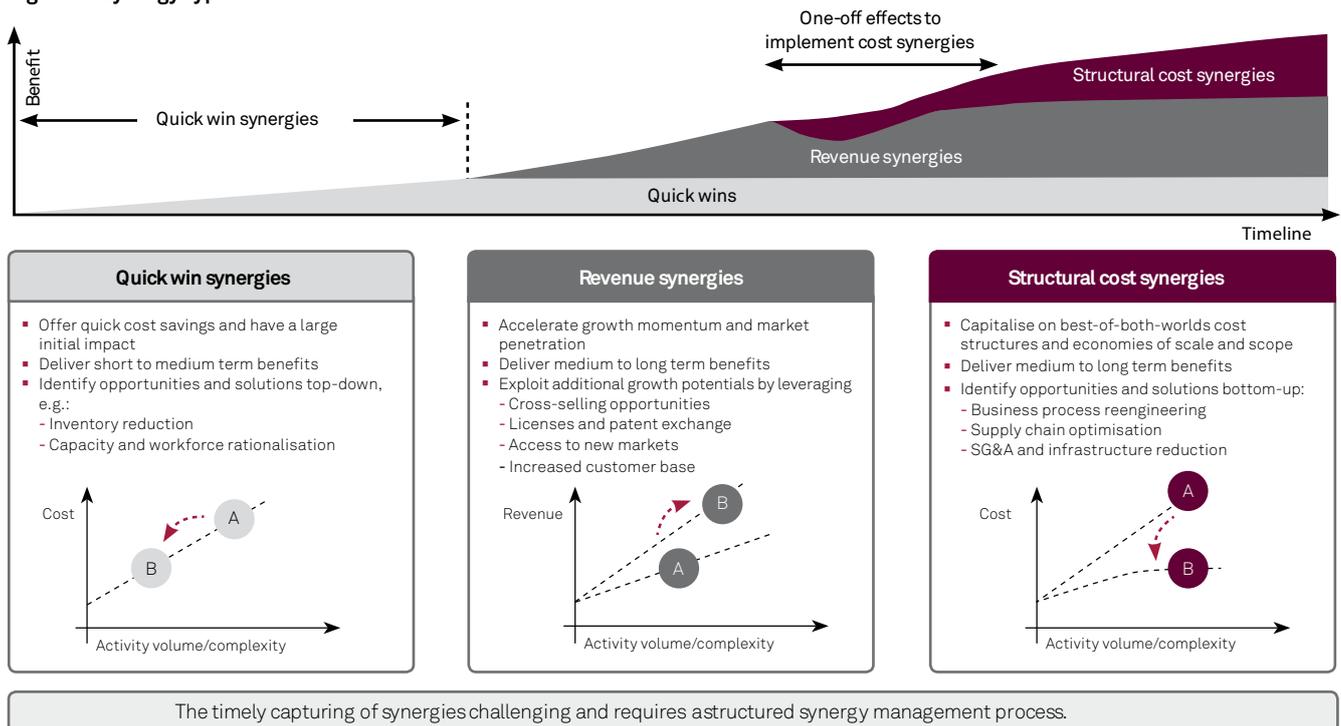
### Concept and purpose of synergy management

As an integral part of a post-merger integration, synergy management aims at combining the two merging entities as effectively as possible, thus releasing hitherto untapped value. However, effectively realising these synergies begins with a structured identification of synergy potentials prior to the actual deal. Verifying and leveraging such synergy opportunities after a merger is the job of a PMI synergy manager in close alignment with the business responsible for the actual implementation.

Addressing available integration synergies begins with identifying them in three broad classes:

- **Quick win synergies** – Quickly realised cost savings that have a large initial impact
- **Revenue synergies** – Medium to long term top-line growth through access to new markets or the leveraging of cross-selling opportunities
- **Structural cost synergies** – Medium to long term cost savings stemming

Figure 1: Synergy type and realization timeframe



After this initial evaluation of synergies potentials, the team proceeds with its analysis along the critical steps of the value chain. Once synergy potentials such as the bundling of purchasing volumes have been identified, quantified and verified within a larger audience, they are assigned to an employee responsible for their delivery.

### The Capgemini Consulting approach to synergy management

Capgemini Consulting has developed a 7-step approach to synergy management which helps to avoid common pitfalls and realise synergy potentials faster and more effectively. As shown in figure 2, our approach is designed to clearly distinguish between the pre-deal and post-deal activities, as these require different methods, tools, and actions.

The focus of the pre-deal phase is on developing a consistent synergy calculation logic and identifying available synergy potentials. The overall goal is to achieve a top-down estimation of the synergy potentials using specifically designed calculation tools. A set of industry-specific benchmarks helps to identify the right topics. Furthermore, the

synergy management team accesses an international pool of previously identified synergy potentials along different industry value chains. These guide the collaborative workshops of the first few weeks during which the synergy management team qualifies and quantifies synergies that ultimately feed into the overarching business case.

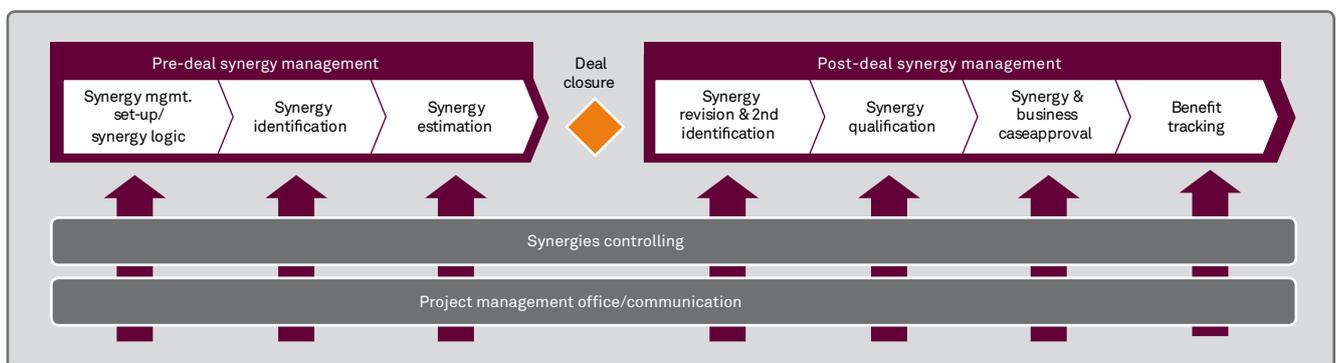
Once the right synergy levers have been identified and the deal is closed, synergy management has to verify and deliver the savings. Using company data that goes beyond the previously provided information, the team verifies the estimated synergy potentials. In addition, during the second in-depth identification and synergy classification, the synergy management team analyses four criteria that play a key role in prioritising and realising the synergy potentials: an initiative's effect, the speed of execution, its sustainability, and how well it fits the corporate culture. The business case is then finalised once the findings have been enriched by benchmark data from Capgemini Consulting. The final task completing our 7-step synergy management approach is benefit tracking.

Throughout the pre-deal and post-deal synergy management phases, the synergy management team is supported by the overarching synergy controlling stream. The synergy controlling team centrally quantifies and tracks the synergy estimation and realisation to prevent activities having a negative impact on other activities currently conducted. Furthermore, the synergy controlling team also ensures transparency for top management using a central quantified progress tracking.

### Synergy management as part of our comprehensive MI offering

Synergy management is a core component of our comprehensive post-merger integration offering. Capgemini Consulting has broad experience in supporting external growth initiatives throughout the entire deal cycle as well as in the divestment/carve-out area. Following our approach that is embedded in our modularised PMI framework, we always recommend supporting an integration with a tailored project management office (PMO) as well as other support activities such as change management or a focused IT approach. All of these elements are fully orchestrated to meet the overall objectives of the merger within the anticipated timeline.

Figure 2: Capgemini Consulting synergy management



#### Capgemini Consulting synergy management approach

- Structured in seven steps to realise sustainable synergies
- Clear distinction between pre-deal support and post-deal integration
- Overarching project management office, communication, and synergy controlling support functions
- Seamless integration in the M&A deal process
- The pre-deal process is characterised by a top-down estimation
- The post-deal process is concerned with bottom-up verification and realisation

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