The Situation
Companies are increasingly operating in an environment of significant change – with M&A activities at the top of the agenda of many CEOs.

Industries such as financial services, and telecommunications are still rather fragmented, while other industries like energy & utilities are rather monolithic. Both are in need of transformation. Leaders will consistently look for ways in the future to capture market share and protect their turf by M&A activities.

Professional Post-Merger Integration (PMI) - a prerequisite for M&A success
With increasing M&A volumes and number of transactions, integration activities will not only face a higher complexity, but companies need to be integrated faster. Commitments to shareholders, customers, suppliers, employees, and communities need to be fulfilled and all interdependencies resolved, which requires careful planning and coordination.

A Capgemini survey on 835 operations shows that 55% of mergers fail (i.e. their stock price under-performs the index) along a 2-year period. A major reason for this is a lack of professional post-merger integration activities. Recent studies have shown a strong positive correlation between the speed at which integration is performed and its success.

How Capgemini can support your PMI activities
Holistic PMI approach needed
A merger opens a window of opportunities when change is generally expected and more easily accepted. It is crucial to use these opportunities to operate with a well aligned and holistic PMI approach covering all relevant aspects of the integration.

Capgemini can support you achieving this demanding target with its proven PMI methodology leading to on-time and above-expectations results.

Post-Merger Integration Management – its challenges and opportunities
Setting the strategic cornerstones of an acquisition and closing the deal is only the beginning of a hard and bumpy road. The integration of a newly acquired organization bears a number of challenges:

• the integration process has to be completed by a certain - usually ambitiously short - deadline
• integration activities must be kept in sync with legal merger steps
• synergies committed to shareholders have to be achieved
• integration costs are not allowed to spill over budget
• daily business must continue without disruptions despite the ongoing integration
• former competitors with different corporate cultures need to become one enterprise with a common set of shared values

An integration of organizations – irrespective of their size and geographical coverage – is always a highly complex process, affecting every single area of the organization.

The risks of mismanaged post-merger integration are versatile:

• extended project duration, resulting in skyrocketing costs
• loss of key staff
• loss of clients and business to competitors
• increased operational risk due to new, unfamiliar processes
• damaged image and bad press due to mismanaged external and internal communication

A well structured approach and strong project management skills are key to minimizing these risks and achieving a successful integration.

Further than only minimizing risks, a well planned and managed integration can even create additional value, leaving the new organization with

• a redefined, stronger competitive position,
• a strategy reflecting the joint companies’ strengths,
• a substantially improved cost/income ratio and
• staff that has teamed up, all ready to make the joint company prosper.

Using our proven PMI methodology, Capgemini has successfully supported clients from various industries such as financial services, energy & utilities, retail, and telecommunication during their integration processes.
The success or failure of an integration project is highly determined by the efficiency of this phase. A future vision and a strategy commonly embraced by top management is the very basic prerequisite of a successful integration. If done well, it can turn a challenging project into a success story.

To bring out the most of this critical phase in PMI, Capgemini offers a solution called Accelerated Solutions Environment (ASE). The ASE is Capgemini’s unique environment that enables you to guide large groups of executives through complex decision making processes and reach a consensus on questions like business strategy and operating model in an intense, tightly managed, three-days ASE workshop.

High-level synergy and cost effects based on the agreed to-be model are the basis for the business case of the integration.

The transformation plan describes the organizations’ development path from the As-is status to the agreed To-Be state.

Initiatives required for the implementation of the business and operations strategies, realization of envisaged synergies, organizational and technical merger, and identified quick wins need to be incorporated in a comprehensive, prioritized, and detailed transformation plan. A summary of interdependencies, full project staffing and a project budget complete the picture.

With the majority of staff now being affected by the transformation, extra effort must be made to ensure continuous buy-in for the transformation at hand.

Capgemini’s major value added in this phase is to bring in planning methodology and experiences from similar projects and contributing relevant industry and technical know-how. We support you in creating a comprehensive, transparent implementation plan, broken down into various work streams, with the necessary level of detail.

5. Implementation

Based on the transformation plan and initiated with another kick-off meeting, the nominated teams start to work on the implementation and regularly report their progress, budget utilization, synergy achievement and/or issues that need to be solved.

Consistent management of project progress and dependencies as well as timely, fact-based decision making build the basis for steering the overall project.

Keeping up the momentum, focus, and overview of the integration over an extended period of time, confronted with a large workload and a changing organization, is the key challenge in the implementation phase.

Capgemini can support you in consistently applying project management tools throughout the integration and keeping the information flow at an appropriate level. Together with you, we will also implement both, business and IT, transformation measures and share our industry and technology know-how.
Change Management

Change management is an ongoing process embracing all phases of an integration project.

Fluctuation of key players and general discontent of staff are frequent, unwanted side effects of mergers. If not addressed properly, they can quickly become a major issue for performing the integration and achieving the strategic goals.

Therefore, careful planning of retention measures, internal communication, and team building are “a must” for integration projects and should not be treated only as “nice to have”.

Company-wide information fairs, regular employee surveys and focus interviews, Q&A sessions for staff and facilitation of team building sessions – to name but a few of the tools, - are regularly applied by Capgemini change managers in PMI projects.

In a nutshell: PMI is not a myth, but a necessity. Done well, an integration can create sustainable added value; done badly, it can destroy value and ultimately can endanger a company’s existence.

Selected Capgemini PMI references from the past years:

In 2006/2007, Unicredit ran an integration program covering 14 CEE countries, with tasks ranging from re-branding to full-scale legal and technical mergers. Capgemini supported the central integration management unit with a full set of project management tools, helped coordinate the collaboration between head office and local banks, and provided on-site PMI expert support in a number of countries. We also supported program-wide change management. The integration was successfully completed in 2007, forming the number 1 banking group in CEE.

In 2006, Capgemini supported the Dutch health insurance Menzis to integrate three health insurance companies into one aligned organization and, at the same time, implement the new Dutch public health care system, the ‘Basisverzekering’. We delivered a business and IT vision, a business case, a selection of a single IT system, and transformation plan, and supported its realization. Having completed the parallel integration, system implementation and organizational re-alignment, the client reaps recurring annual benefits approx 10m as a result of reduction of personnel and ICT costs.

In 2005, the leading Swiss construction companies Zschokke and BATIGROUP decided to realise a long planned merger of equals. Capgemini’s task was to plan and coordinate the pre-closing and the post-closing integration phase. Expected savings communicated to the shareholders had to be secured and broken down to single actions. Capgemini identified and quantified cost cutting actions in all business units, developed a blueprint for the IT landscape, facilitated the process of management appointments, consolidated all HR units, and designed and managed the comprehensive external and internal communication program.

In 2002, Zürich Kosmos bought Winterthur in Austria. Winterthur had to be integrated into Zürich Kosmos’ Austrian entity. In parallel, the merged company had to be re-branded to “Zurich”. Capgemini supported in the definition of a joint future business model, the gap analysis, solution definition, as well as the development of an integration and re-branding plan. Zurich successfully implemented the integration in time and within budget. Smooth re-branding was achieved.

About Capgemini

Capgemini, one of the world’s foremost providers of Consulting, Technology and Outsourcing services, enables its clients to transform and perform through technologies. Capgemini provides its clients with insights and capabilities that boost their freedom to achieve superior results through a unique way of working, which it calls the “Collaborative Business Experience”.

Capgemini reported 2006 global revenues of EUR 7,700 million and employs approximately 80,000 people worldwide. More information is available at www.capgemini.com.

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