WPAdvisory

Case Study – Technology and Manufacturing Company Integration

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WP Advisory provides best-in-class merger integration consulting services and related solutions. We are a small team of senior executives with significant industry experience.

Summary

- A global technology and manufacturing company with multiple business units providing automated solutions to the building controls and safety & security industries, acquired another company with a global footprint and complementary products and services across several of the acquiring company's business units.

- The business units of the acquired company were integrated into the global business structure of the acquiring company based on the products and services that best fit those business units.

- Although the primary objective for the acquisition was to drive growth, the financial rationale was dependent on driving cost synergies equivalent to 10% of the acquired company's sales through leveraging the combined organization's size to renegotiate supplier agreements, optimizing the physical global footprint, streamlining logistics, and eliminating redundant investments in R&D and capital expenditures, and combining support services.

- The integration timeline was 6 months with the following deliverables:
    1. Completion of full organizational and functional integration
    2. Specific projects to generate the target synergies or concrete plans in place to begin execution within 12 months of the acquisition date

Role and Responsibilities

Roles

- Finance Lead in Merger Integration Office comprised of business unit and functional representatives (35 individuals).

Responsibilities

- Integration planning with 30/60/90/180 day deliverables including risk identification and contingency options
- Development of high-level synergy targets by business unit and function prior to final acquisition – review and acceptance by leadership team
- Weekly project team reviews conducted by business/function – emphasis on risks and contingency actions
- Detail tracking on synergy actions – focus on execution and results vs. targets
- Monthly senior leadership reviews on progress
- Formal hand-off process between the integration team and business/ functional organization to signify project completion

Challenges

- Combining two businesses with different organizational design and operating structure presented significant challenges to the integration. The acquiring company was organized by global business units based on the products and services that served their markets. The acquired company was organized geographically with responsibility for all products and services in the region served.

- The original acquisition price was increased significantly to respond to a competitive bid for the acquired company, which required finding an additional 40% of synergies. The acquiring company had only identified 60% of the final targeted synergies through the due diligence process.

- Ownership for achieving the synergy target was challenging, as it was spread over several business units. Forty percent of the target was a “go get”, and how the acquired company would fit into the business unit structure was not fully defined.

Outcome

- Exceeded total targeted synergies for the transaction, business executed 50% of targeted synergies within 6 months of the acquisition
- Integration success exceeded senior leadership's expectations and set the benchmark for future acquisitions
- Full business unit/functional integration completed ahead of schedule
- Business unit and functional detail plans completed ahead of the acquisition – 30/60/90/180 day deliverables
- During the integration, successfully divested 7 businesses that were considered non-core and did not fit into the acquiring company's business unit structure

Contact

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