

Mergers & Acquisitions



The key objective of combining operations is, in general, to realize targeted synergies. After a combination, the total value generated should be greater than that from each component simply summed. Numerous studies over 30+ years of Merger and Acquisition (M&A) activity reveal 55% to 77% of completed M&As fail to meet the strategic and fiscal objectives that initially justified the acquisition. Not only is combined output not improved, the total cost often actually increases!

The root causes of M&A failure include:

- Initial assessment was too optimistic
- Market, economics, or technology changes during long integration
- No single leader for integration process (integration manager)
- No cross-functional team to allocate resources or manage the integration work
- Existing workload delays integration
- Inadequate preparation by the parties involved
- There is no recognition of critical integration barriers, especially cultural
- There is no systematic barrier removal process— instead there is an effort to *just make it fit*

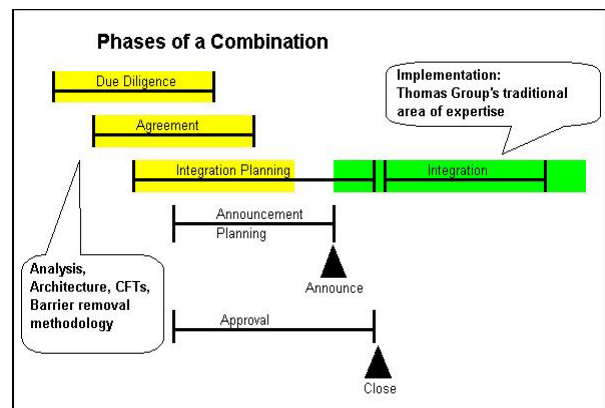
The focused application of Thomas Group process-based methodologies provides a powerful, systematic way to eliminate these barriers. We have proof, from numerous past

engagements, that process improvement methods, driven systematically across the enterprises of our clients, drive enormous improvements in results based on permanent linkages.

Beginning with an overall organization assessment, our *Process Value Management (PVM)* methodology, applied enterprise-wide, replaces the old functional silo concept with linked continuous processes. Barriers are identified and prioritized into action plans with rigorous accountability and timetables for resolution.

Linking technology is also often a critical part of organization integration. Many companies have made large investments in ERP systems as the means to accomplish a seamless linkage. The problem, however, is that many companies integrate technology platforms before fixing processes. Unfortunately, our experience reveals that automation of broken processes always fails.

At Thomas Group, we utilize our long experience in process design and implementation to solve complex business problems. Organization combinations and process linkage are prime examples of the application of our powerful techniques.



Successful M&A in Action: Real World Examples

Tier One Automotive Supplies

We recently worked with one of Europe's major tier-one suppliers of high technology automotive systems. Our client had purchased the European business of a major US



supplier with 14 plants located from France to the Balkans. Both the parent and the acquired company had highly functional structures with extreme differences between their cultures. Thomas Group led the formation of client cross-functional teams that created a process focus on both sides. Once these were mapped and metrics established, barriers to linkages between the two sets of processes were identified and systematically removed using Barrier Removal Teams.

Now, products and information move in a seamless flow across what were previously nearly impenetrable boundaries.

Electrical Motors

Our client is a leading manufacturer of micro-motors for automotive and consumer goods. It has 19,000 employees in 14 countries. The company had acquired major



production facilities in China that were managed in a traditional fashion with overseers who ruled with iron hands. Work was highly compartmented, and communication was actually forbidden. Quality was maintained with inspections at every step on the production line. There was no information or logistics link to the parent. Thomas Group led the formation of process teams in both the Chinese operation and the parent along with a process integration Cross Functional Team.

Work cells were created and substantial cross training conducted. Inspections were eliminated. Productivity improved 75%.

High Tech Engineered Products

A producer of engineered products that were supplied to OEMs had production and sales operations in most major markets of the world. The management board decided to shift to a global structure, more consistent with its customers' businesses. Product managers with worldwide profit responsibility were appointed, but they quickly found that they could not operate with the vertical regional organizations still in place. Thomas Group facilitated the formation of a senior globalization team that developed a new business plan.

New performance criteria were set along with a revised compensation system. Production planning and scheduling were centralized. Engineering teams were placed close to customers and products modularized to meet differing requirements in diverse markets.

High Tech Displays

A publicly traded company that designs and manufactures electronic displays decided to change its worldwide sales operation from independent and joint venture distributors to wholly owned subsidiaries. Investors and joint-venture partners had to be bought out but kept on as employees and a global sales process established. Thomas Group led the formation of a high-level Cross Functional Team that negotiated settlements with equity holders and created a compensation and incentive plan that fairly rewarded them and kept them on.

Revenue growth doubled and sale to order entry elapsed time reduced 75%. 