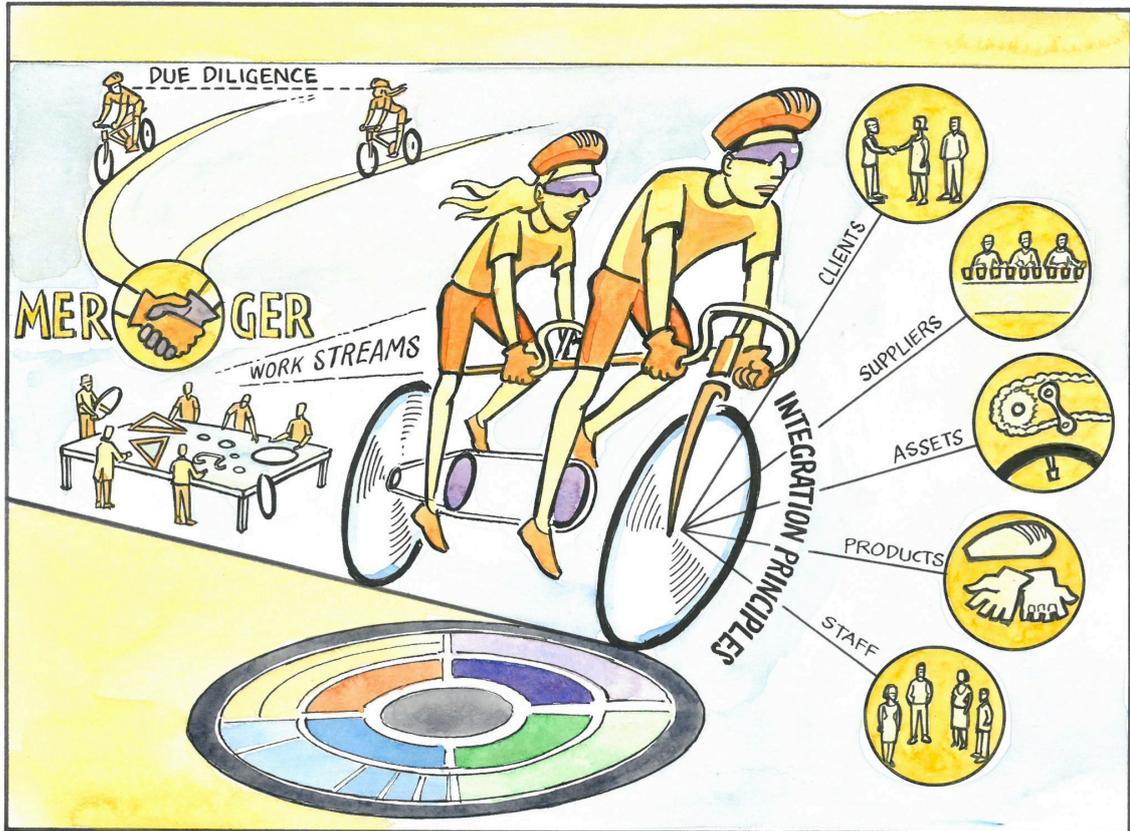


Complex Project: Merger and Acquisition Integration



Client: Multinational Telecommunication Industry

Type of project: Integration Project

Introduction

Client acquired the remaining shareholding they held in their biggest independent dealers. The requirement was to integrate these entities totally into holding company. The project team was established to handle the entire integration/merger relating to the following aspects:

- Staff – HR component
- Assets
- Supplier Contracts
- Leases
- Client base
- Software systems
- Financial accounting systems
- Physical Store integration / closure

Bizmod Consulting provided resources to deal with the following components of the Programme:

- Change Management
- HR Management
- Assets integration
- Leases Management
- Software systems – Point of Sale system

Business Challenge

- The Dealers acquired had to be integrated without losing the clients and employees as these formed part of the critical reasons for integration
- Both entities had to operate in parallel whilst the integration of the acquired businesses was being done
- It was critical to ensure that the value proposition bought was not lost or diminished during the acquisition and merger process
- The People component was of very high importance they wanted to keep the skilled operational employees understanding the Telco industry. With the HR component always being the most fragile in such Projects – high focus was required relating to this component
- Time was of the essence as Telco stock has a short lifespan and time lost in relation to the stock assets transfer and or sale caused a depreciation of the value of the stock

Bizmod Involvement

HR Management

- Section 189, 197 Labour Law process
- Role Profile definition mapping
- Role profile percentage mapping reviews
- Integration into roles and structures
- Pension and benefits mapping and integration
- Letters of employment
- Retrenchment process

Physical Store Integration

- Review of what stores to be kept, closed or revamped
- Ensuring complete end to end management off all aspects at store level

This included:

- IT Equipment management
- Stock review and stock management process review and training
- Process review and training for new way of working
- Old store upgrading and revamping
- Store Branding
- Store closure

Contracts, Assets, Stock and Leases Integration

Contracts

- Ensuring all current contracts are either renewed or cancelled.
- Review all contracts to ensure best options to handle in terms of exit or renewals
- Budget Management around settlement clauses or exit costs
- New contracts put in place (Telkom, alarm systems)

Asset

- Asset transfer
- Asset sale of non-required Assets

Stock

- Stock Audit
- Old stock disposal
- Stock integration/transfer (Physical and financial)

Leases

- Lease negotiations on extensions and closures
- Financial management of lease closure settlements

Change Management

- End to end Change Management of acquired business
- Operational changes

Software Integration

Point of Sales system

- Hardware and software integration
- Training

Outcome of the project

The outcome was the complete merger of the acquired Businesses. The entities acquired at the end of integration effectively had no employees, assets and contracts. The only structure left was the finance structure left for tax and financial requirements.

- Acquired businesses' employees were integrated into similar roles or into new positions
- Acquired businesses' employees were moved over onto holding company medical aid and pension fund
- Acquired businesses' employees were provided with Letters of employment
- Some employees was retrenched due to various reasons
- Acquired Outlet Stores was either closed or rebranded and revamped
- All employees trained on new way of working
- New and current stock was provided to stores
- New stock management operational systems was set up
- All leases was transferred or settled and cancelled
- All Assets was either transferred or disposed of
- Retail stores operating systems replaced
- Training provided on new way of working

Lessons Learnt

Management

- Well planned and Executive level support for the program resulted in well executed delivery
- Leadership support and culture fit of acquired entity plays a big role during process of mergers
- Leadership's intent with the Merger defines the route of integration
 - If there is a clear requirement to integrate staff then this has a fast complexity impact
 - If the requirement is to obtain the asset value and not staff then this changes the complexity to lower and timeframes to faster, but can have a large cost implication on retrenchment packages
 - Independent Programme Management is essential. This ensures that acquired business's employees interest is protected. If the acquirer manages the process there is trust issues that causes huge complexities
- Very early engagement with acquired business and acquiring businesses. Team leads is needed to establish aligned goals and direction. This provides buy-in on Management level of action plans
- Ensure that the owners and Directors stay part of the acquisition process. Don't let them leave too soon if this is part of the acquisition terms. Their presence creates a sense of calmness and buy into the process
- The Due Diligence done before acquiring the business must form part of the information used to track against what was acquired and what is received. The Due Diligence is not just a document done once of and not looked at again
- Immature management in the acquired business must be identified early in the Project to ensure that support structures are put in place during the acquisition process. Delivery can soon become very poor if the specific area's is not managed properly
- A very controlled project approach is needed to ensure that value is not lost during the merger process
- Penalties for wilful and obstructive behaviour by executives and directors of the acquired business must be part of the purchase contract. This ensures that constructive value will be provided by Executives and Management during the merger

Cost & Timeframes

- The complexity to fully integrate and merge two entities is extensive and is more often than not underestimated
- The cost and timeframes to integrate was underestimated
- HR component of the project is the most important. Well executed HR process results in little impact on the acquired business

Communication

- Communication Management must be of high quality and consistent throughout the process. It is important not to allow the "grapevine" rumours to form due to lack of communication
- Create feedback communication channels to allow staff to raise questions and concerns throughout the integrations. Always respond promptly on the requests for information. As these projects do take some time employees can become despondent unless the communication channels is effectively managed and used

HR component

- Integrate the employees first. The other components of the business can be done subsequent. This is to ensure knowledge is not lost when some employees leaves during the process due to concerns or issues
- Ensure that the employees are aware their help on the integration is important and valued. The cost when employees resists and hide information can become costly

Legal

- Having a legal person as part of the Project Team ensures that legal disputes and concerns is quickly addressed and resolved. By having the acquiring company provide this legal services creates either one sided views or delays in resolving the issues