



Roland Berger
Strategy Consultants



2nd After Work Buffet

Zurich, June 2nd, 2009

Agenda for today

- 19:00 Welcome and Introduction to PMI**
(Dr. Carsten B. Henkel, Managing Director Roland Berger Switzerland)
- 19:30 ABB – Planning for Growth**
(Andy Heiz, Head of Corporate Strategy ABB)
- 20:00 Swiss Post Solutions – The Development of a new Business Unit**
(Dr. Sandro Principe, Head of Marketing & Business Dev. Swiss Post Solutions)
- 20:30 Discussion and Networking**



Welcome and Introduction: The Strategic Planner Circle

The Strategic Planner Circle: Exchange of ideas and opinions in the field of strategy across different industries

The Strategic Planner Circle's philosophy

Exclusive circle aimed at the members of the **corporate development/ corporate strategy community** in Switzerland

Enables an **exchange of ideas and opinions in the field of strategy** across different industries

Topics are centered around "**what keeps strategists awake at night?**"

Members do decide on the subject of the upcoming After Work Buffet and thus **actively shape the content of the events**

Informal atmosphere to **share experience** and enable **inspiring discussions**

1st After Work Buffet has been a success – 2nd event has the ingredients to be even better

1st After Work Buffet – Nov. 18, 2008

- > **30+** participants
- > Lively speech by Prof. von Krogh on "**Growth Strategies**"
- > Many exiting **discussions** and new **contacts**
- > You have asked for
 - **Stronger engagement**
 - Post Merger Integration at 2nd event

2nd After Work Buffet

- > Attractive location, **open end**
- > **40+** participants
- > Two attractive speakers on **Post Merger Integration**
 - **Andy Heiz**, Head Corp. Strategy ABB Ltd.
 - **Dr. Sandro Principe**, Head of Marketing & Business Development Swiss Post Solutions AG

Homepage will be released soon – Surf-by for information on next events and downloads of presentation

www.rolandberger.ch/spc

Introduction to the
SPC

Information on
next event

Download of
presentations

Registration for
new participants

Roland Berger
Strategy Consultants

Company Office Careers Publications Press News **Events**

What keeps strategists awake at night?

Switzerland

Strategic Planner Circle

- Events
- Registration
- Contact

Strategic Planner Circle

The Strategic Planner Circle is an initiative aimed exclusively at the members of the corporate development/corporate strategy community of major Swiss companies. This networking platform enables an exchange of ideas and opinions across different industries, focusing on "what keeps strategists awake at night?"

In a rather informal atmosphere, we meet twice a year at an apéro to share experiences and dive into inspiring discussions. The members shape the content of the events actively by jointly deciding on the subject of the evening.

Interested in being part of the Strategic Planner Circle and meeting colleagues who deal with similar challenges in the same or a different business industry? Please register in the section "Registration" or contact Sven Siepen at strategicplannercircle@ch.rolandberger.com

Sprechen Sie Deutsch?
Click here for our new recruiting website for German speakers!

Roland Berger Strategic Planner Circle

COUNTERPARTS

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Tonight's representatives of Roland Berger Strategy Consultants



Dr. Carsten B. Henkel

Partner

Managing Partner,
Strategy



Beatrix Morath

Partner

Consumer Goods &
Retail, Corporate Finance



Olaf Toepfer

Partner

Financial Services



Daniel Gresch

Partner

Financial Services



Sven Siepen

Principal

Engineered Products,
Telecommunications



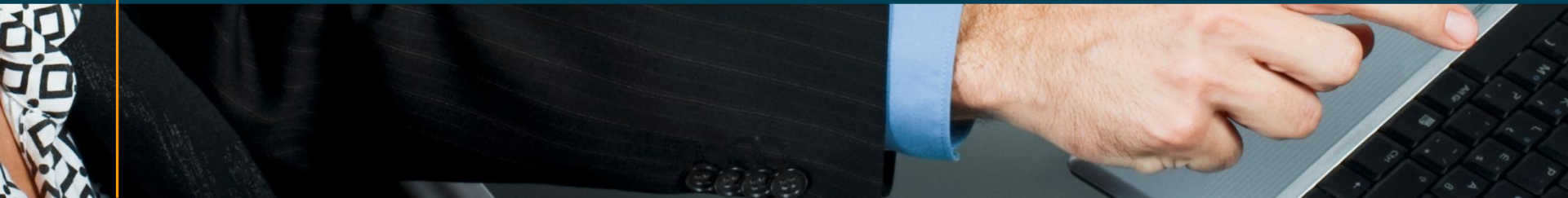
Stefan Krieger

Consultant

Engineered Products,
Transportation

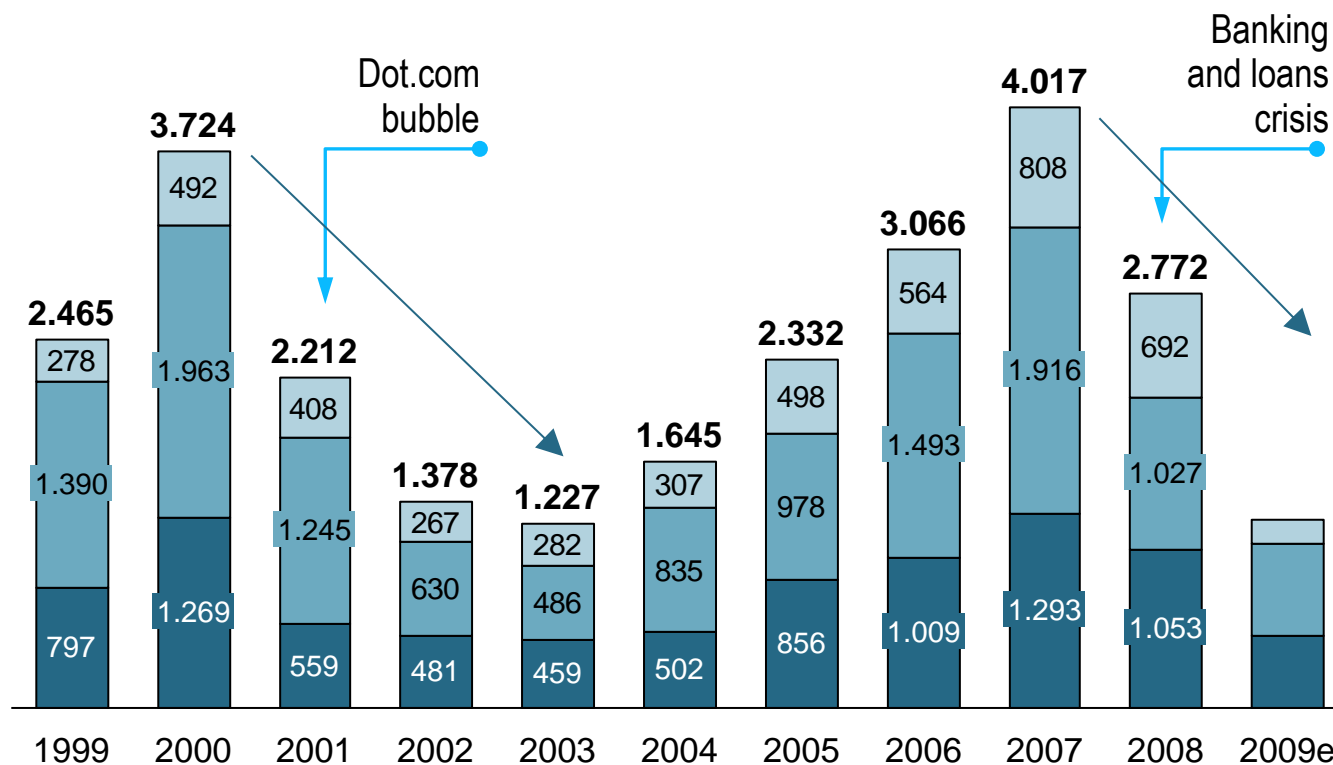


B. Post Merger Integration – The Critical Success Factors



The field of M&A and accompanying PMI is volatile but will always stay high on our companies' agendas

Worldwide M&A transaction volume, 1999-2009 [USD bn]



Decline expected, but still high on the agenda

Drivers:

- Economies of scale
- New mgmt. technol.
- Globalization
- Regulatory policy
- Capital market demand

■ = Western Europe ■ = North America ■ = Rest of the world

Post Merger Integration – 1/3 of all Mergers fail

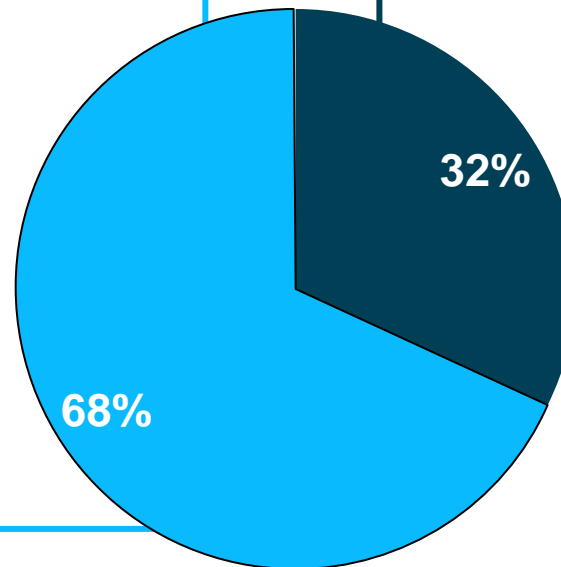
We asked the experts – Were their last merger(s) successful and, if so – why?

YES, BECAUSE ...

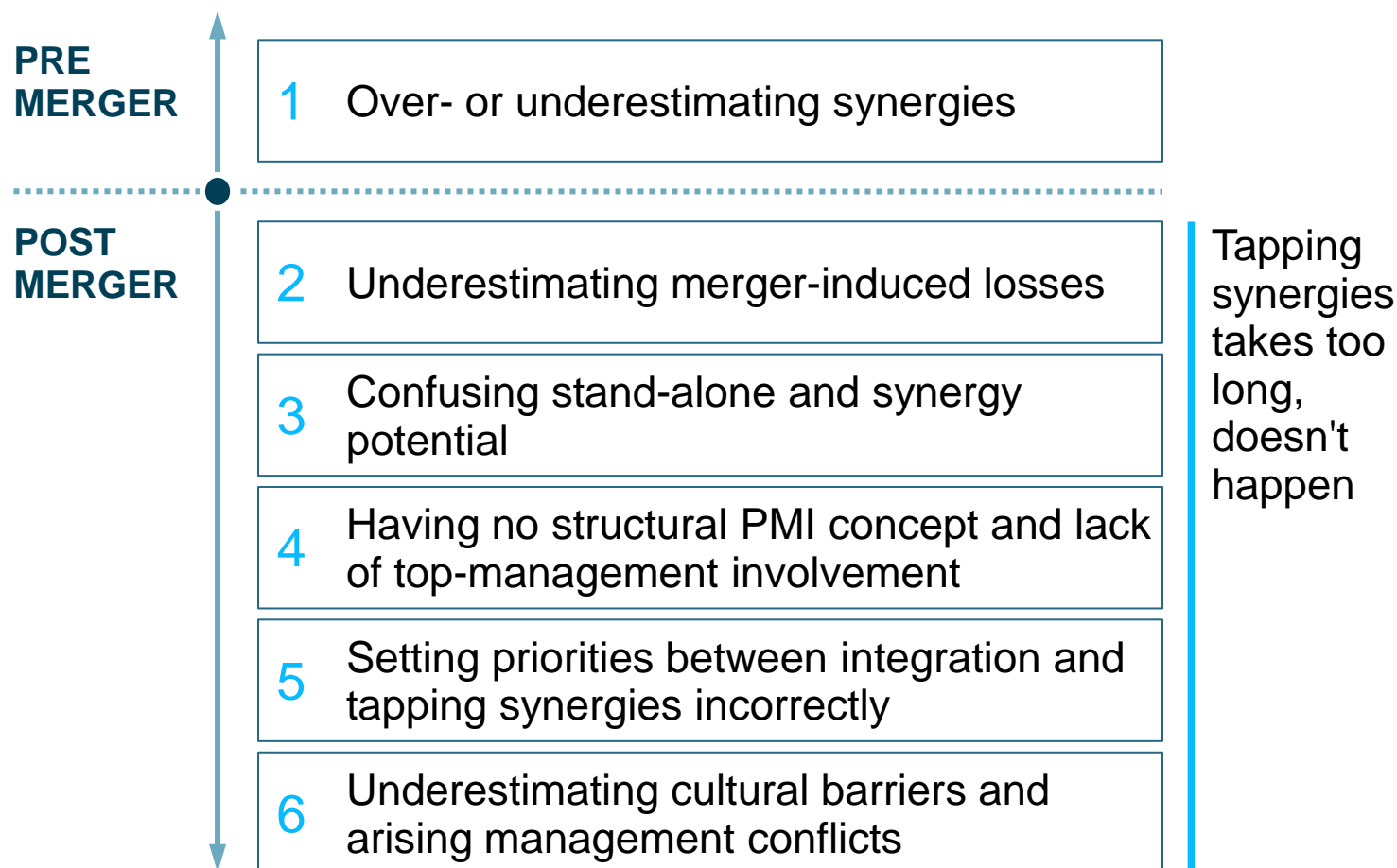
- ... we outperformed the stock market
- ... synergies were realized/company value increased
- ... market share rose
- integration smoothly completed

PARTLY/NO ...

- ... mix of hard and soft factors responsible!

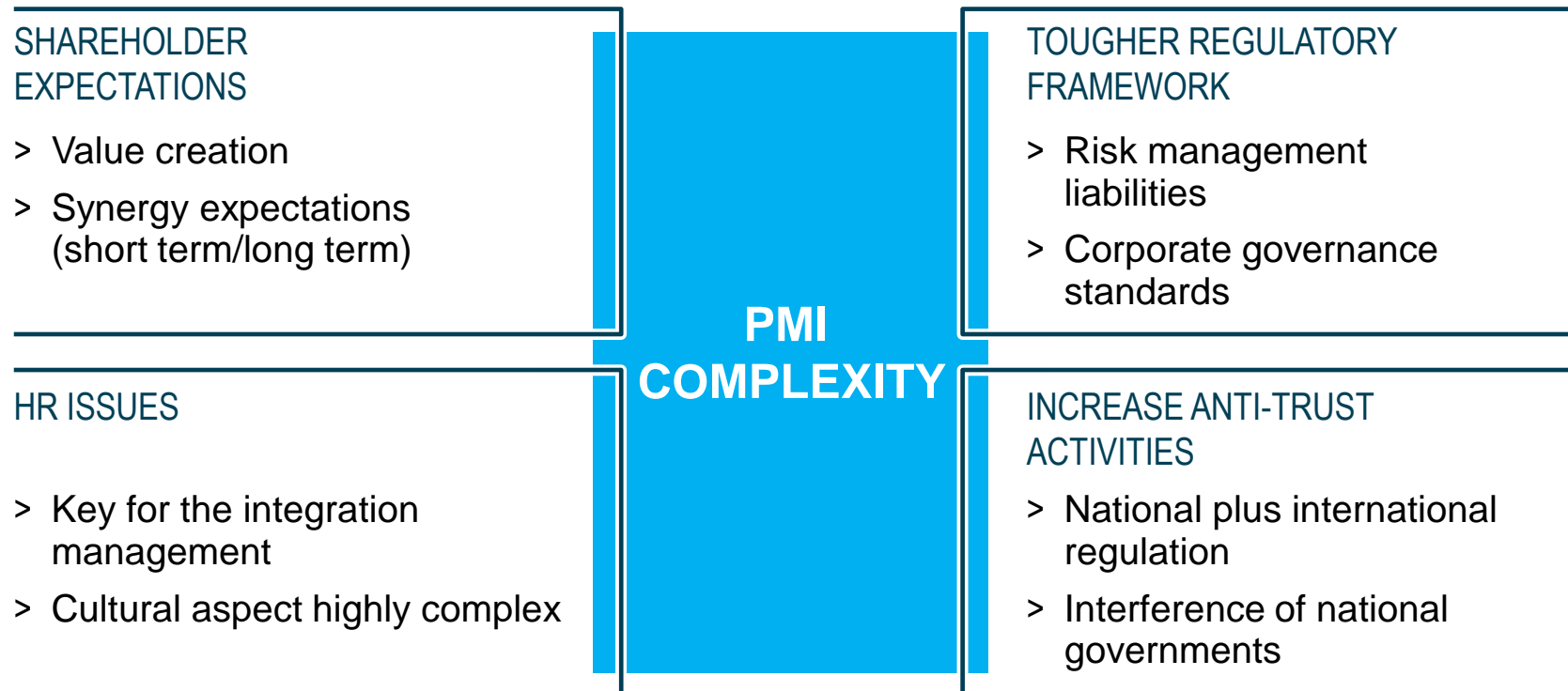


Failure is not a given – Six typical mistakes to be avoid in the merger process



Managing mergers is getting more complex – Driven by increasing expectations from stakeholders

Top PMI complexity drivers today



PLUS: increasing share of cross-border transactions!

Experienced managers pay (more) attention to cultural differences and strategic issues

UNDERSTANDING THE STRATEGIC CONTEXT

- > Have clear rules for assessing the strategic fit – Be prepared to stop the process
- > Clarify crucial issues prior to closure – Deeper due diligence
- > Have a master plan for integration ready – Derived from the strategic concept of the merger

"Differentiators"

FUNCTIONAL IMPLEMENTATION

- > Secure functional integration
- > Have standards for process and system reengineering as platform for integration
- > Keep strict synergy management with effects, responsibilities and milestones

"Basics"

MANAGING CULTURAL DYNAMICS

- > Anticipate complexity, concentrate on critical issues
- > Have early discussions/ constant communication with stakeholders
- > Focus on integration of different corporate cultures

"Differentiators"

Our conclusion – The people are the true value drivers for mergers

CONCLUSION

- > Synergies and speed are crucial
- > Mergers are getting more complex!
- > Manuals and instruments might help – But each case is unique!
- > Managing cultural issues is the key to success

STATEMENTS OF INTERVIEWEES

"Due Diligence, activity tracking and early HR-decisions are important"



"The numbers must fit, but success depends on the people"



"Get the people on board, and all will be good"

The key to PMI success – Manage the integration on three levels simultaneously

BUSINESS INTEGRATION

- > Define **strategic concept** (future market positioning, objectives)
- > Integrate **operations** (organization, processes, footprint/structure)
- > Realize **synergies** (business: cost/revenue, functional: efficiency)

FUNCTIONAL INTEGRATION

- > Secure **Day 1**-operations
- > Manage **speed** and **completeness** pragmatically (80/20-rule)
- > Safeguard smooth **migration process** (esp. top-management positions, HR-transfer, internal/external communication)

CULTURAL INTEGRATION

- > **Integrate** the two **cultures**, **overcome barriers**
- > **Manage conflicts** early
- > **Involve** the employees, **create positive momentum**

*Convincing
integration
concept
based on
acquisition
objectives*



B.1 ABB – Planning for Growth



Andy Heiz is Head of Corporate Strategy at ABB Ltd.

PROFESSIONAL ACTIVITIES

- > Since Sept. 2007 Head of Corporate Strategy at **ABB Ltd in Zurich**
- > 2001-2007 **McKinsey & Company in San Francisco, USA**, responsible for strategy projects in the industrial and high-tech sectors
- > 1995-1999 **ABB Alstom Power in Kuala Lumpur, Malaysia**, Area Sales Manager Turnkey Power Plants
- > **1993-1995 ABB Power Generation, Switzerland**, R&D



OTHER ACTIVITIES

- > **Studies of Electrical Engineering in Zurich**
- > **MBA from INSEAD in Fontainebleau, France**

Profitable growth – a few observations

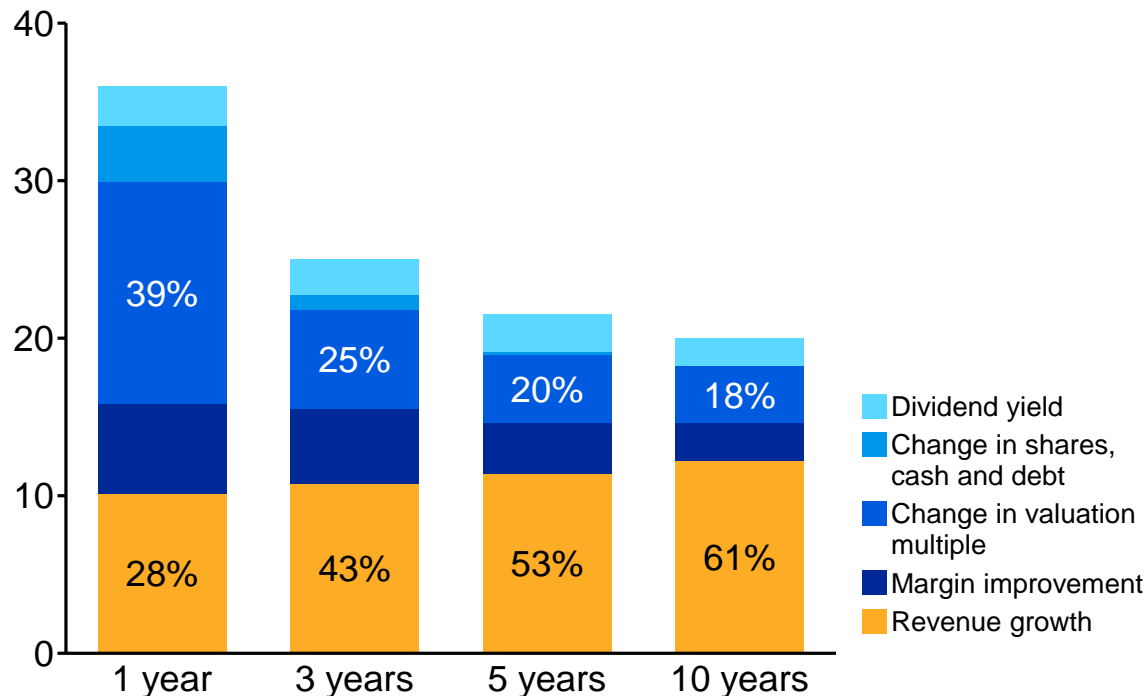
- 1 Growth is a key driver for long-term value creation
- 2 A strong market position is more important than the attractiveness of the market
- 3 Growing within core is in average more rewarding than diversification

1

Growth is a key driver for long-term value creation

Sources of Total Shareholder Return (TSR) for top-quartile performers of US S&P 500 [1988-2006]

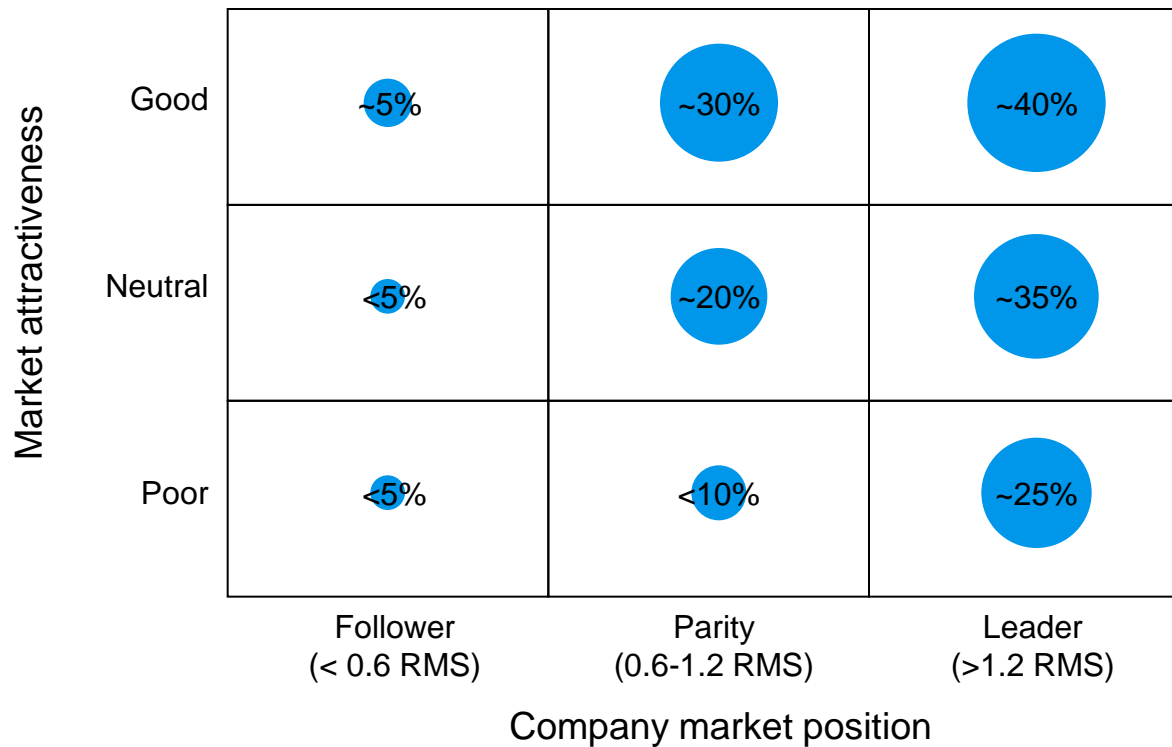
Average annual TSR
(%)



2

A strong market position is more important than the attractiveness of the market

Percentage of companies in each category which delivered sustained value creation

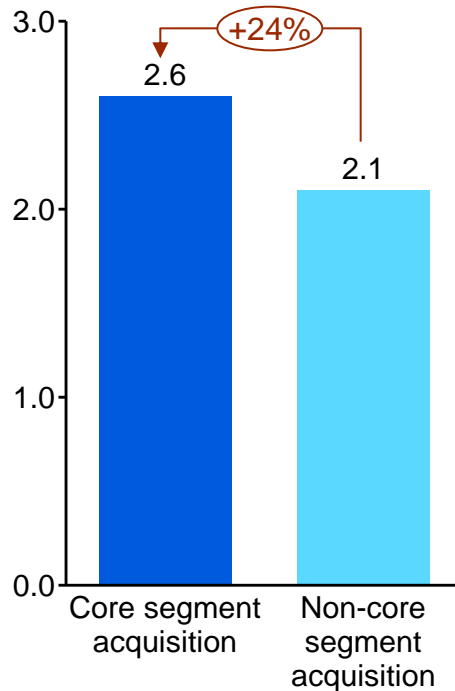


3

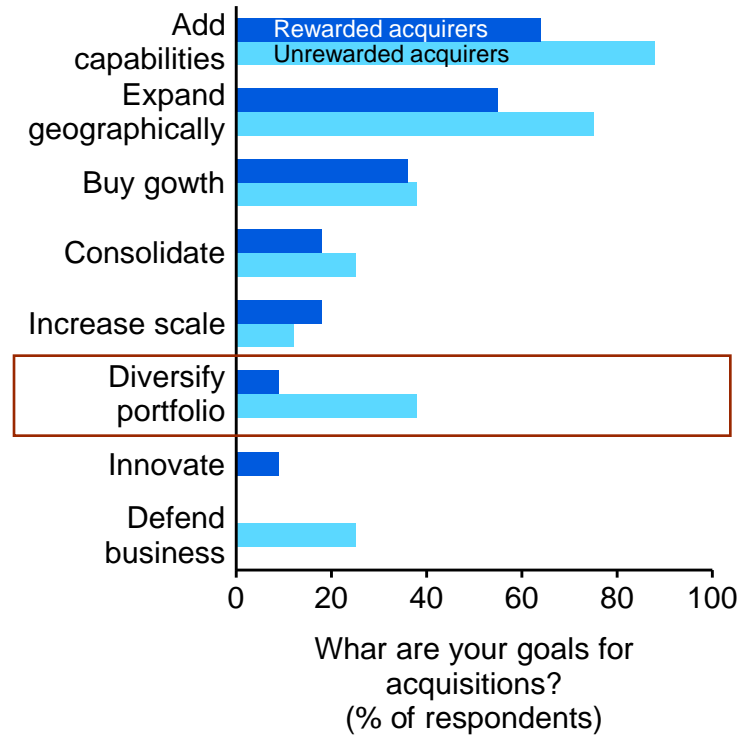
Growing within core is in average more rewarding than diversification

Strengthening the core business creates more value for the acquirer

Cumulative Abnormal Returns (%)



Rewarded acquirers target less often acquisitions to diversify



ABB's Growth Board Process

Concept

- > Identification of concrete growth opportunities building on Strategy 2011
- > Divisions and regions generate ideas, corporate coordinates process and challenges inputs
- > Systematic prioritization and focused action
- > Significantly enhanced momentum

Process

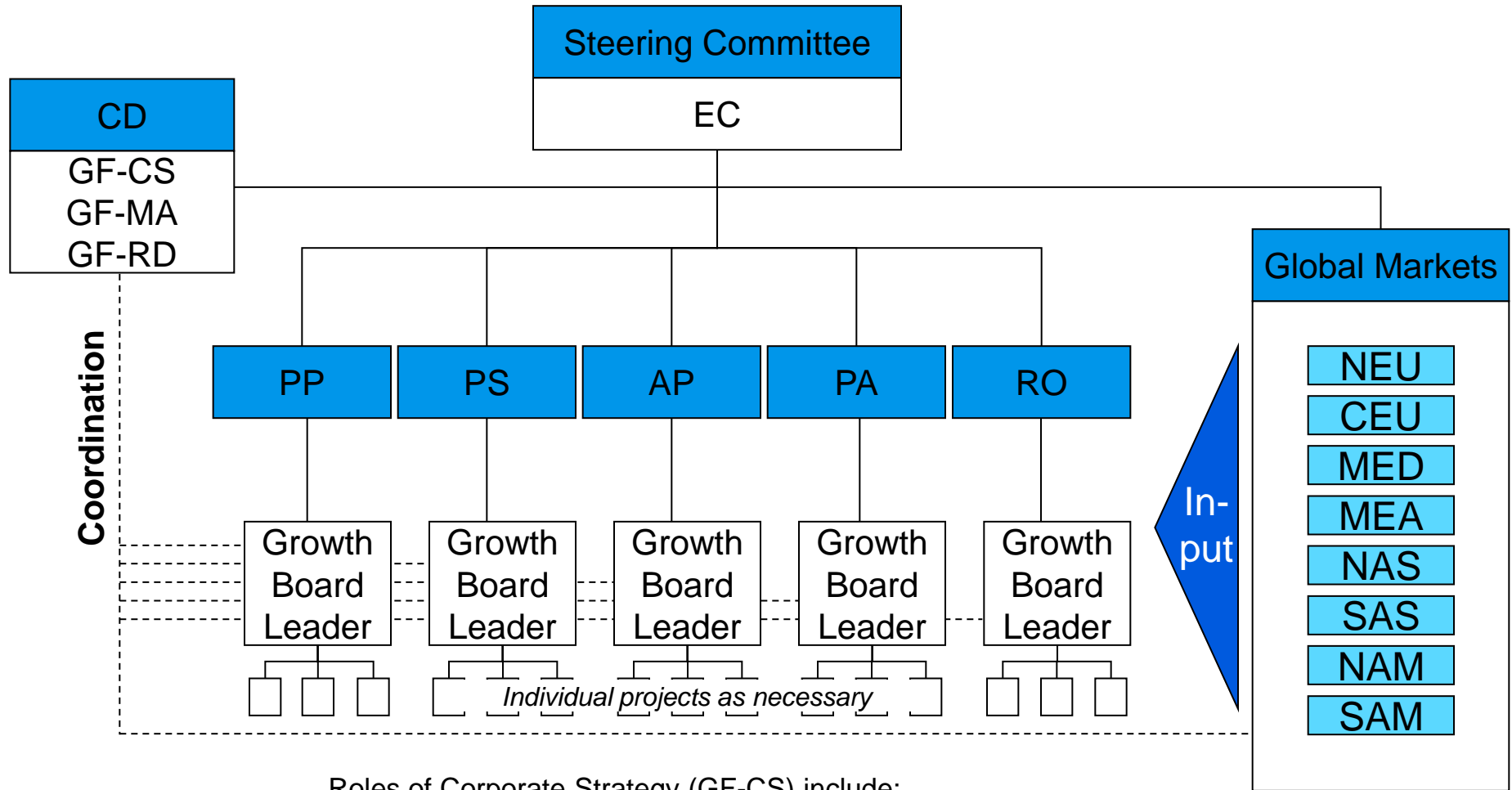
Systematic identification of strategic growth areas and related white/weak spots

*Prioritization
Decision if organic or inorganic means to fill white/weak spot
Launch of concrete projects*

Planning and execution of organic projects

Acquisition target identification, assessment and approach

Growth Board set-up – Corporate Strategy coordinates



Roles of Corporate Strategy (GF-CS) include:

- > Overall project lead
- > White-spot prioritization and approach to growth
- > For individual focus areas, co-lead with businesses:
 - Target identification and assessment together with businesses
 - Strategic fit and synergy assessments
 - PMI planning

Three strategic M&A focus areas

1 Completion of geographic reach

- > Important, large markets
- > Weak presence, entrenched competitors

2 Expansion of products, systems and service offering

- > Entering white spots, adjacencies or capability based diversification
- > Rather mature industries with established players

3 Driving for end-game in selected segments

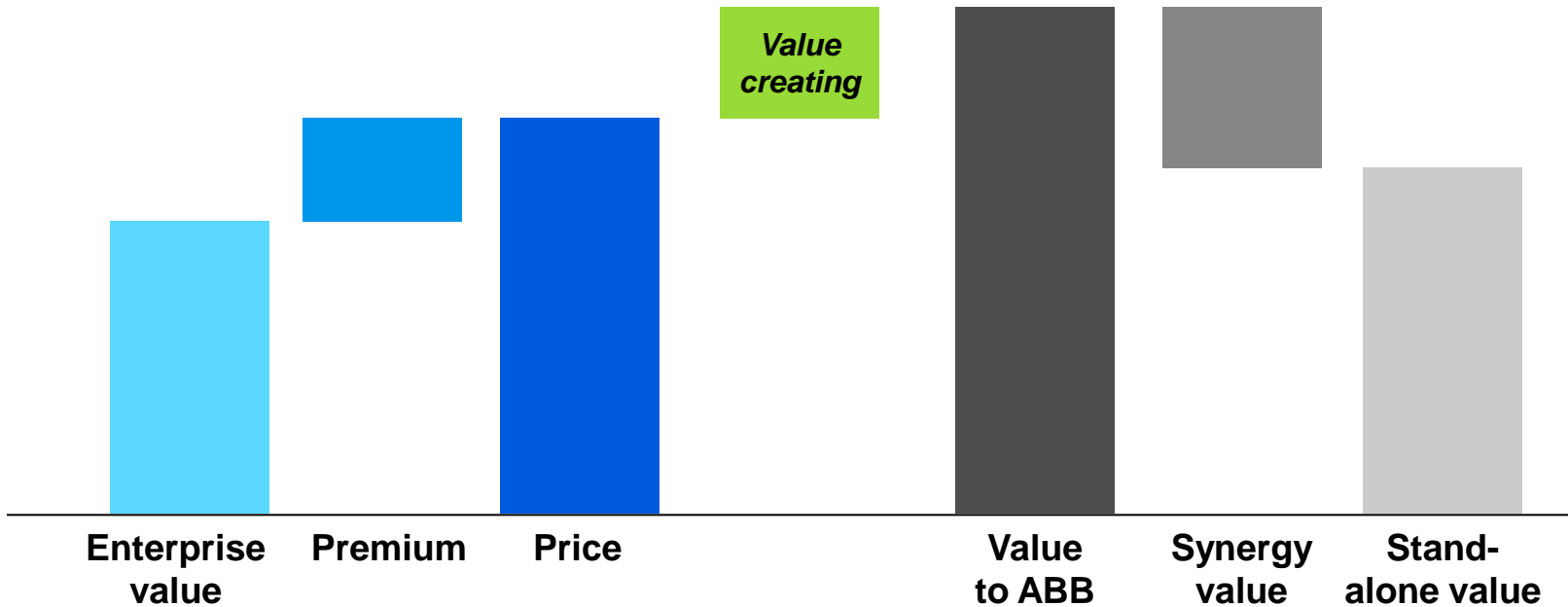
- > Consolidating industries
- > Achieving sustainable leadership returns through high, relative market share

In all cases quantifiable, tangible synergies required to justify acquisition premium

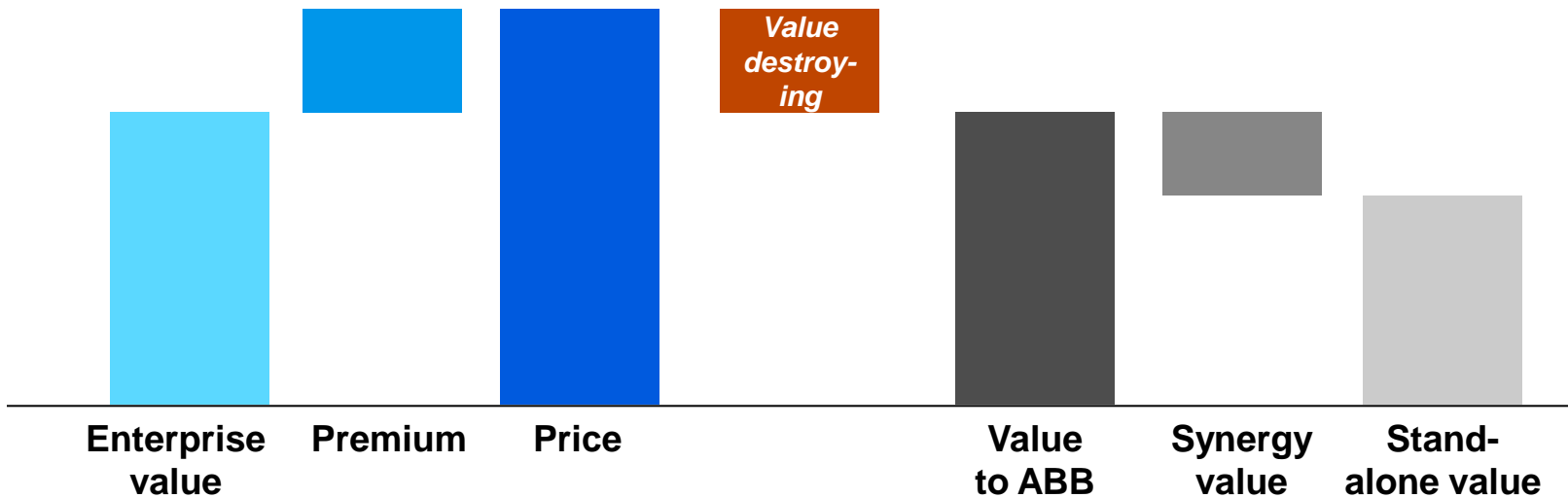
Qualitative target assessment – Criteria

Strategic fit	E.g. target offers complementary products that would strengthen our local presence with customers and that ABB could roll out globally, it provides access to new channels or customer segments, it optimizes our LCC footprint, ...
Synergy sources	E.g. top-line synergies like global roll-out of complementary products, pull-through of complementary ABB products into new customer segment etc. or cost synergies like leveraging ABB's purchasing power, consolidating R&D, ...
Operational stability	E.g. local competitiveness/market position, stability of operations, risk of losing volume after acquisition, target profitability, ...
Ease/cost of integration	E.g. scope of the company and businesses involved, need to divest parts of the company, restructuring needs to realize synergies, cultural fit and attitude towards ABB, potential compliance issues, capacity of relevant ABB units to integrate target, ...
Deal possibility	E.g. availability of target/indications of willingness to sell, likelihood of ABB to win a competitive bid, potential regulatory or legal issues, ...
Touch points with ABB	E.g. overlapping offering, areas of competition today, existing cooperations, ... (incl. BUs and geographies where these touch points exist)

Quantitative target assessment – Value creation...



Quantitative target assessment – ...not destruction



Integration Best Practices – Start early

1 Start integration ‘thinking’ as early as possible

- > Preliminary integration strategy should be outlined when the acquisition business case is developed
- > When synergies are estimated, the operational integration required to achieve the synergies must also be considered
- > The cost of achieving synergies should be included in the business case

2 Often cited, but rarely practiced, appoint the Integration Manager as early as possible

- > Ideally no later than the due diligence phase
- > The Integration Manager should have a combination of excellent project management and communication skills along with business acumen

3 Utilize the period between Signing and Closing

- > Integration is finally a joint effort between buyer and target
- > The period between Signing and Closing can be important for joint integration planning, especially Day 1 readiness

Roles & Responsibilities of Corporate Strategy in the PMI prep

PMI preparation phase:

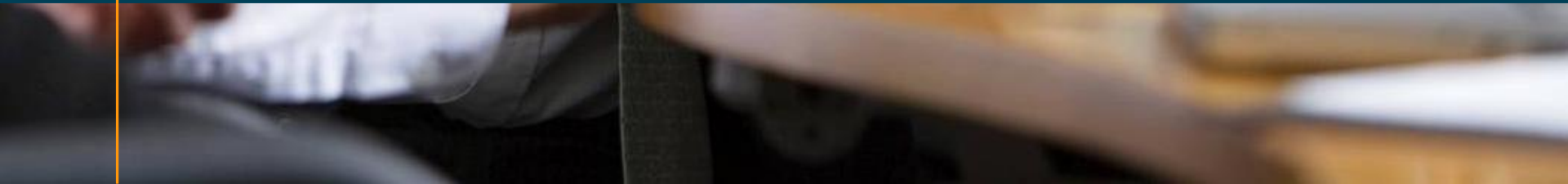
- > Clear identification of synergy sources and related key initiatives
- > Co-lead establishment of PMI team, integration plan / play-book development

PMI execution:

- > Varies depending on project size
- > Smaller projects: Structured hand-over to PMI team, ad-hoc support as necessary
- > Larger project: Provide PMO functions and co-leader to support integration manager (from the business)



Q&A – Session





B.2 Swiss Post Solution – The Development of a new Business Unit



Dr. Sandro C. Principe is Head of Marketing & Business Development / Member of the Board at Swiss Post Solutions

PROFESSIONAL ACTIVITIES

- > **Vivaldi Partners, Ltd., New York and Zurich**, Member of the Board and Managing Director
- > **BBDO Consulting AG, Zurich**, Country Managing Partner and CEO
- > **Accenture, Paris and Zurich**, Senior Manager Strategy & Business Architecture
- > **Novartis Pharma, Basel**, Finance and Strategy, Head Functional Controlling



OTHER ACTIVITIES

- > **Founder and Owner of lemonfrog GmbH** (babysitting24.ch, petsitting24.ch, tutor24.ch)
- > **Member of the Evaluation Board for Swiss Ventures** (venturekick.ch)
- > **Advisory Board of SPG SWISS Wealth Management Ltd.**
- > **Member of the Editorial Board of I.VW Trendmonitor – University of St. Gallen (HSG)**
- > **Member of Swiss Management Association, SMC-CMS, GfM, ASCO.**

Edward Deming
American Statistician,
Professor & Author



**"No one has to
change.
Survival is optional."**

Development of Swiss Post Solution (SPS)

The need for change



Situation Post

- > Mandate to provide basic postal services in CH
- > Liberalization of postal markets
- > Volume and margin erosion in traditional postal businesses



Key Market Trends

- > Changing customer behavior (anytime, anywhere, secure)
- > Increased electronic B-B communication (but co-existence of physical mail)
- > Multi-national process optimization
- > IT as an enabler



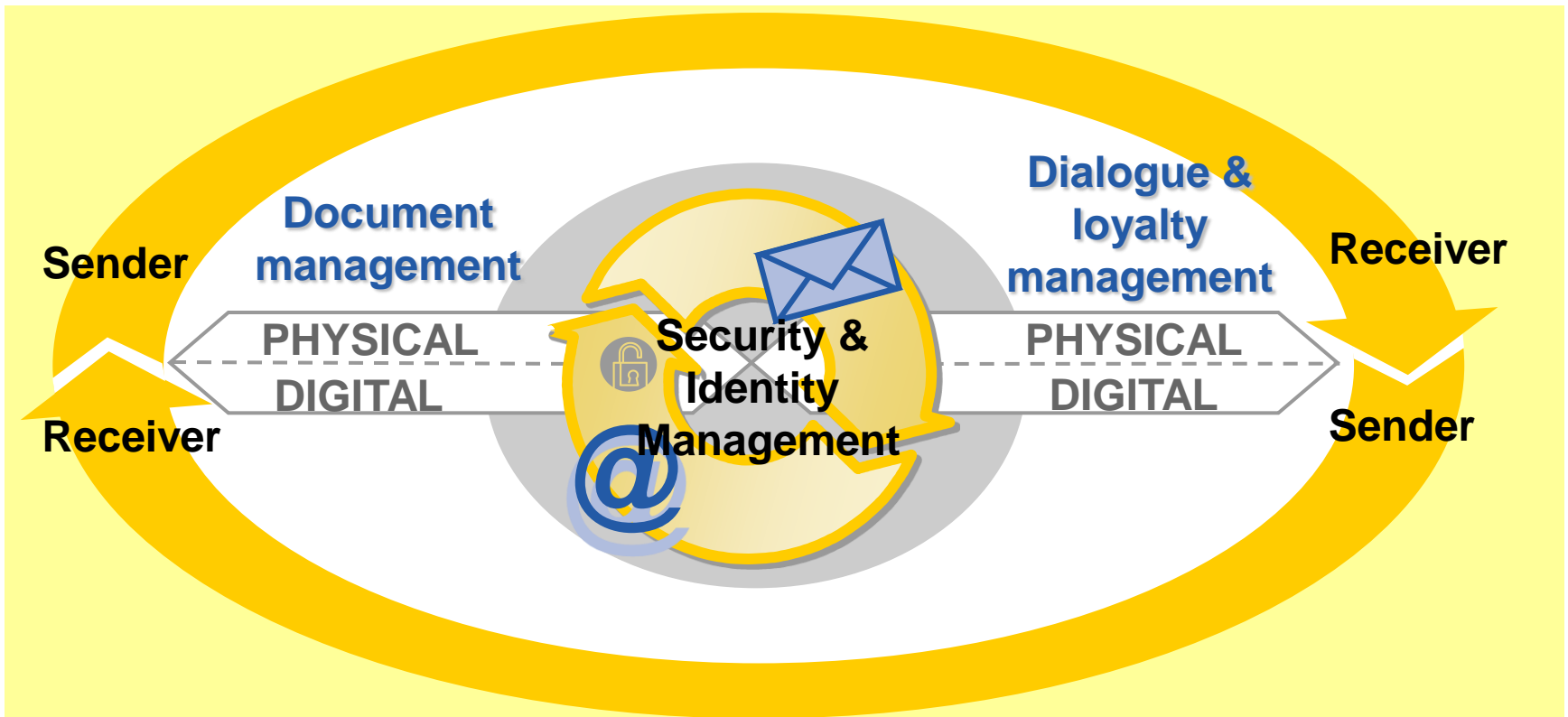
Strategy SPS

- > Business development along the postal value chain
- > Grow profitably in international niche-markets
- > Ongoing ambition in business process outsourcing

SPS aspires to become an international full-service provider in document and dialog management

Vision Swiss Post Solutions

Managing the coexistence of physical and digital information loop



Swiss Post Solutions helps its clients to gain efficiency in back-office processes and accelerates top line growth through innovative e-business enabled document management and customer loyalty solutions.

16 countries - >800 mio CHF Revenue, 80% abroad - > 8000 FTE's

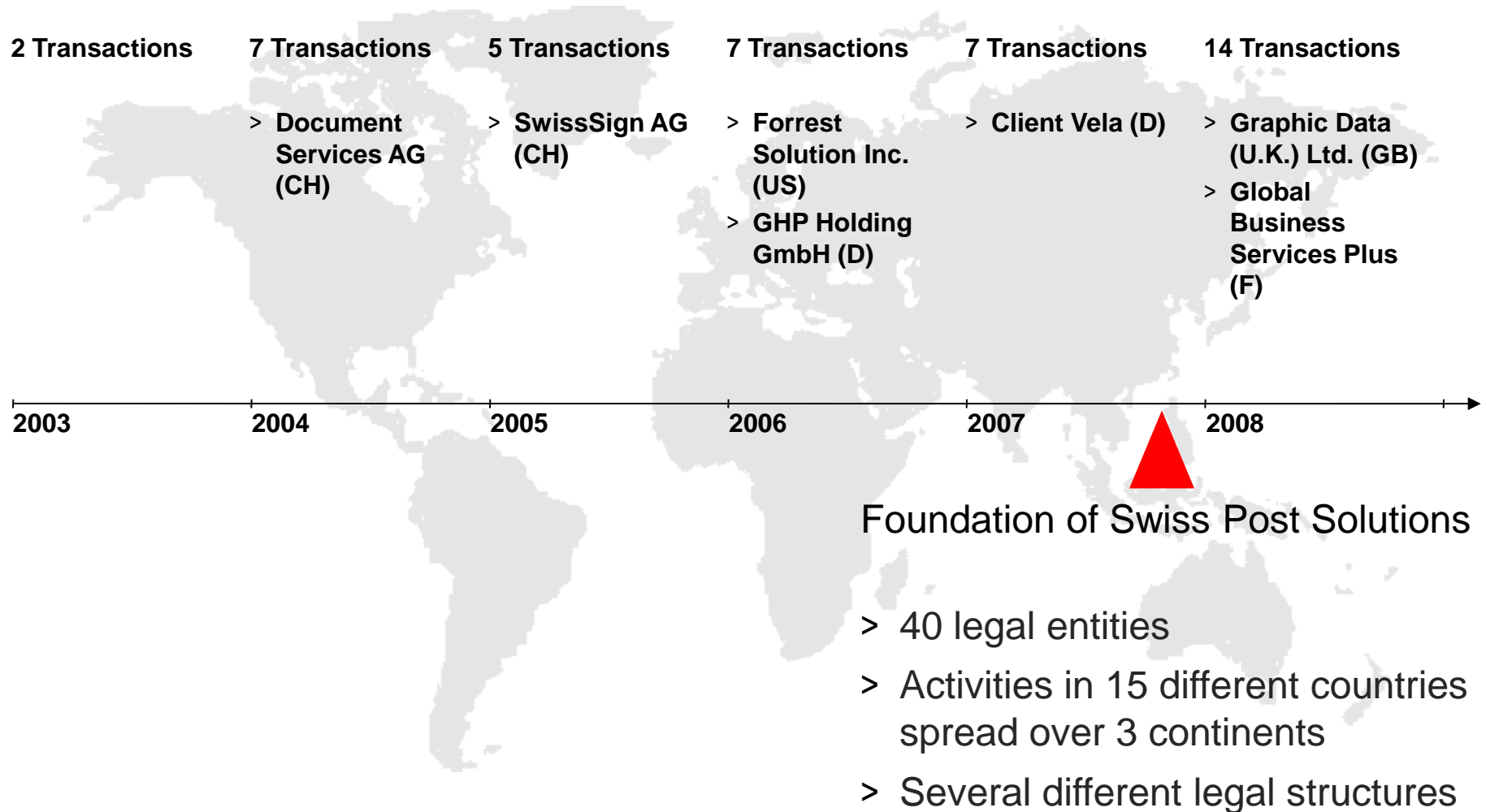
Swiss Post M&A Process

42 acquisition since 2003



Closing the Know-How Gap

Acquisition since 2003 to develop Swiss Post Solutions



Post Merger Integration Challenges for Swiss Post Solutions

Three key "battlefields"

Mgmt & Organization

- > Introducing a clear leadership structure
- > Introduction and deployment of management systems
- > Realizing synergies

Culture

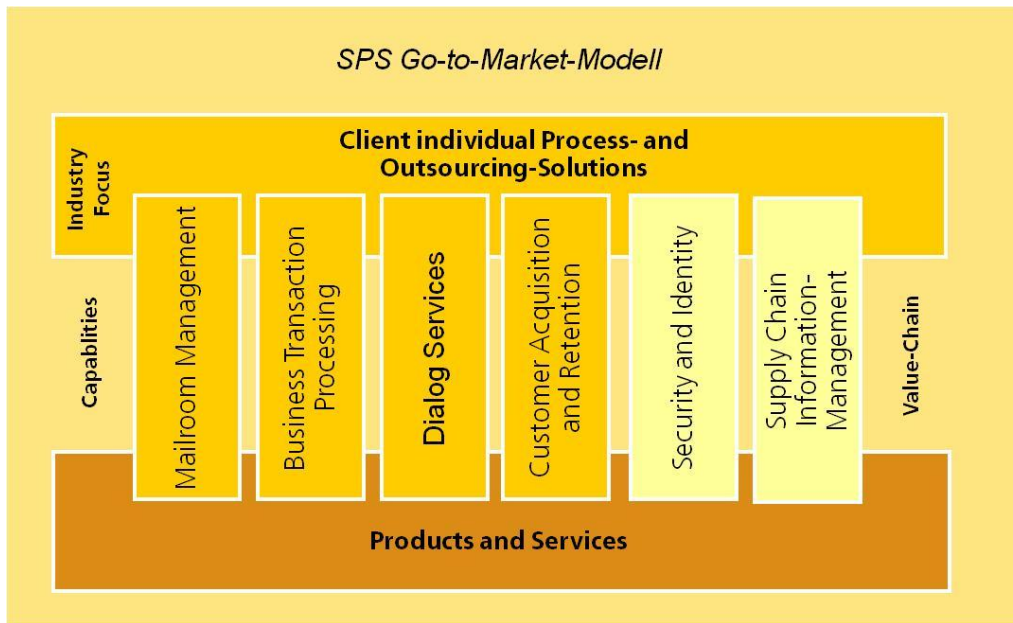
- > Implementation of the Swiss Post "One Brand" strategy
- > Become "one company"
- > Think and act multi-nationally
- > Multi-cultural challenges (15 countries)

Marketing & Sales

- > Protect current business
- > "go-to-market" Strategy to increase turnover and margin
 - Focus on key industries and relevant customer processes
 - Foster solution sales
 - Increase sales efficiency and effectiveness

PMI – Marketing and Sales

Go-to-market approach driven by SPS M&BD



- > **Continue to sell existing products and services**
- > **Preparing the mind set**
 - Identify SPS key capabilities to leverage
 - Clarify SPS vision and strategy
 - Know how exchange (COSTAR-Method)
- > **Focus on solution delivery**
 - Attract new talents (CEOs / Sales)
 - Prioritize and focus on industries and solution offerings that can be leveraged
 - Introduce key account management system across LoBs
 - Introduce sales incentive system (TCV)

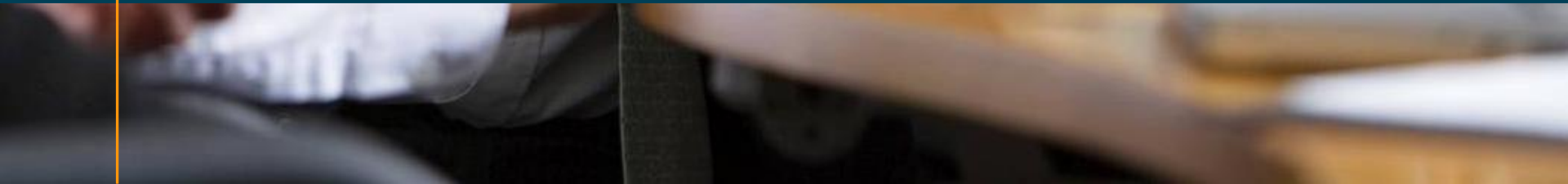
Conclusion

Learning's after one year and a half year of business

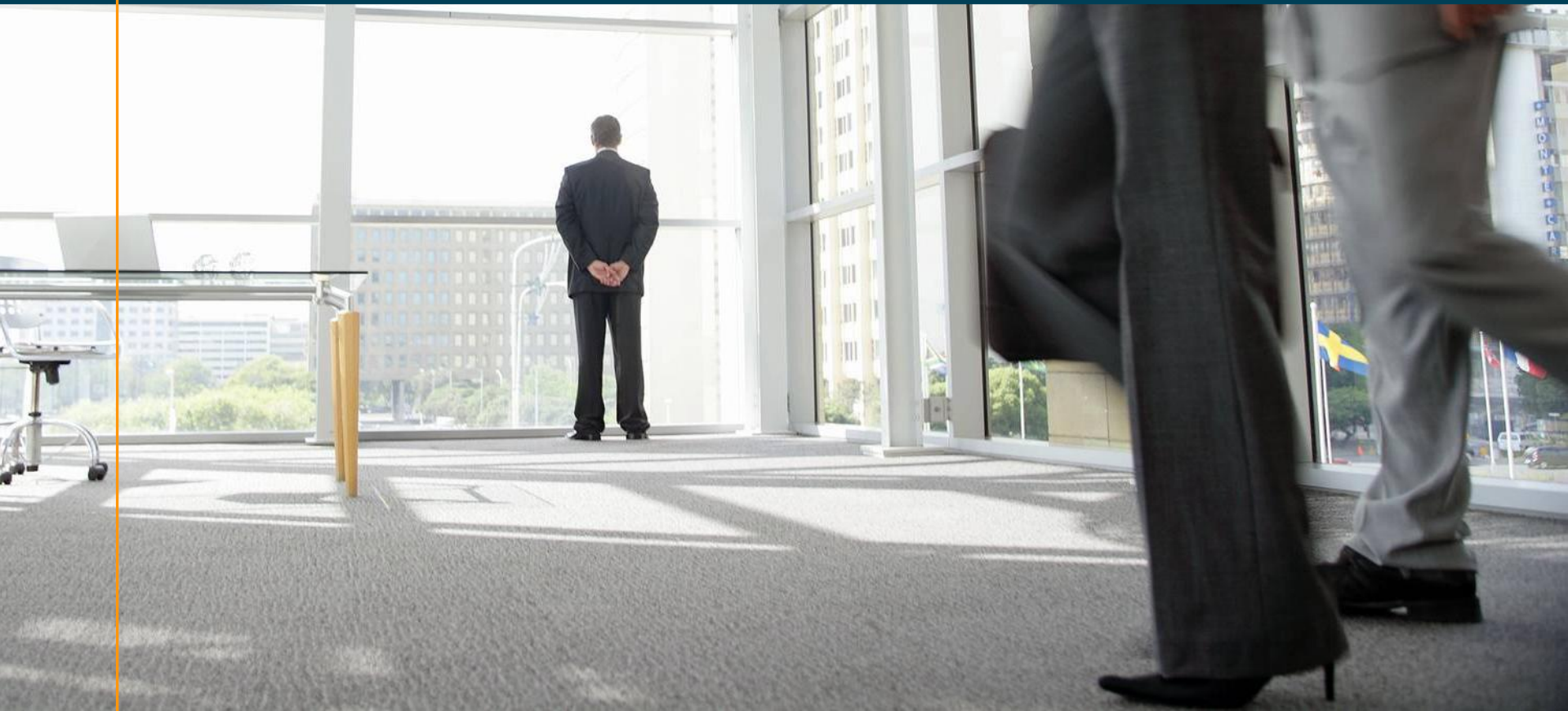




Q&A – Session



Discussion: Topic of next After Work Buffet



Joint decision on topic for the next Strategic Planner Circle in November, 2009

Please use the flyer to state your favorite topic

Roland Berger
Strategy Consultants

Strategic
Planner
Circle

Strategic Planner Circle

Opinions, suggestions, ideas

For the upcoming event, I would like to have the following topic at the center of the discussions:

The final topic will be announced on our homepage after the event

Roland Berger
Strategy Consultants

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