

Winning Strategy: Due Diligence for Successful Corporate Integration



RSM McGladrey, Inc.



Agenda

- Status of the market/environment
- Acquisition tax issues
- Sell-side due diligence/preparation
- Corporate integration
- Wrap-up and questions

Speakers



Dana Williams is a managing director with McGladrey's national Transaction Advisory Services practice and provides M&A assistance, including buy- and sell-side due diligence along with working capital assistance, to private equity groups, strategic buyers and other clients.



David Sterling is a managing director in the Tax department of RSM McGladrey's Great Lakes practice. He has over twenty years of experience in public accounting in such areas as consolidated returns, C corporation, S corporation, partnerships, cooperatives, mergers, acquisitions, divestitures and multi-state tax planning and compliance.

Speakers



Greg Maddux is a managing director with McGladrey's Greg works closely with key management to develop and implement strategies for improving profitability, processes, strategic direction for middle-market and larger companies in a variety of industries. He specializes in providing integration services to organizations to help ensure people, processes, systems, and culture are aligned to deliver expected value. His background includes more than 20 years experience in providing related consulting services, as well as experience with a Big Four firm and in private industry.

Acquisition Tax Issues



McGladrey & Pullen, LLP
Certified Public Accountants

Acquisition Tax Issues

- Step-Up In Tax Basis
- Transaction Costs
- Golden Parachute Payments
- Net Operating Loss Carryforwards
- International Tax
- Nexus
- Sales and Use Tax Exemption for Sale of Business Assets
- Entity-Level Taxes
- Structuring Debt for State & Local Income Tax
- Tax Risks

Step-Up In Tax Basis

- Depreciation and amortization on a step-up in tax basis minimizes income taxes
- Step-up in tax basis transactions:
 - Asset purchase
 - Purchase of limited liability company or partnership interests
 - Purchase of stock of a subsidiary of a consolidated group or an S corporation with a Section 338(h)(10) election
- Disallowance of goodwill amortization in rollover transactions where the goodwill was owned by the selling company before August 10, 1993, and owners of the selling company own more than 20% of the acquiring company

Purchase of Stock of an S Corporation with a Section 338(h)(10) Election

- Validity of S Election
- Built-In Gains Tax
- Corporate-Level State Taxes (e.g., California, Illinois)
- State Income Tax Withholding
- Reimbursement for income taxes triggered by the election
 - Additional income taxes on ordinary income (e.g., depreciation recapture, inventory)
 - Additional state income taxes if shareholder's resident state tax rates are lower than the tax rates of the states in which the corporation files

Transaction Costs

- In an asset purchase, transaction costs are added to the basis of assets acquired
- In a stock acquisition, expenses incurred by an acquired corporation for due diligence services rendered before the letter of intent date may be deductible
- Stock purchase agreements commonly require the buyer to pay any income tax savings realized by the acquired corporation for the deduction of its transaction costs to the seller

Investment Banking Fees

- An investment banking fee which is contingent on the successful closing of a transaction is a “success-based fee”
- Documentation must be completed on or before the due date of the taxpayer's timely filed original federal income tax return (including extensions) for the taxable year during which the transaction closes to establish that a portion of a success-based fee is allocable to activities that do not facilitate the transaction

Investment Banking Fees

- A letter from the investment banking firm which documents the percentage of time spent on nonfacilitative activities before the letter of intent date (e.g., preparation of the offering memorandum, identification and qualification of potential buyers, evaluation of offers) is normally used to meet this documentation requirement
- However, documentation should be accumulated and retained to support an investment banker's letter (e.g., investment banker presentations, the investment banker's engagement letter, transaction timeline, correspondence, minutes of meetings, documentation of discussions with investment bankers)
- Normally, approximately 70% of investment banking activities are nonfacilitative and, hence, deductible

Golden Parachute Payments

- Section 280G disallows a corporation's deduction and Section 4999 imposes a 20% excise tax [a combined 100% tax rate] on Excess Parachute Payments
- Excess Parachute Payments must be:
 - Compensation
 - Paid to a disqualified individual
 - Contingent on a change in control
 - More than three times the base amount [3 X the individual five-year average compensation]

Golden Parachute Payments

- Exceptions:
 - Reasonable compensation
 - Payments from qualified plans
 - Payments from a corporation which qualifies to elect S corporation status
 - Payments from a privately held corporation which are approved by shareholders who possess more than 75% of the corporation's voting power

Net Operating Loss Carryforwards

- Section 382 imposes an annual limitation on the use of an acquired corporation's net operating loss carryforwards (NOLs) after certain more-than-50% changes in its ownership which occur over a three-year period
- The annual limit is equal to the long-term tax-exempt bond rate times the fair market value of the acquired corporation's stock immediately before the ownership change (but after any redemption connected with the ownership change) plus any recognized built-in gains

Net Operating Loss Carryforwards

- If an acquired corporation's business enterprise is not continued for two years after the ownership change, its NOLs are disallowed except for recognized built-in gains
- The same set of rules applies to ownership changes resulting from both stock purchases and tax-free reorganizations

International Tax Due Diligence / Planning Issues

- Transfer Pricing
- Permanent Establishment Exposure
- Investment in U.S. Property (IRC S. 956)
- Stock vs. Asset Elections
- Debt Financing

Transfer Pricing

- Pricing of intercompany sales
- Opportunity to dictate where profits reside
- Economic substantiation of pricing in each tax jurisdiction
- Aggressive tax audit coverage in U.S. and abroad
- Potential for one-sided adjustment = double taxation

Transfer Pricing

- Applies to:
 - Product and inventory purchases / sales
 - Management fees
 - Interest rate on intercompany financing
 - Royalty rates on intercompany IP / know how
 - Other – fixed asset sales, rents, etc.

Permanent Establishment (“PE”) Exposure

- PE = taxable presence or nexus
- Common creation of PEs in foreign countries:
 - Fixed business locations
 - Sales people with contractual authority
 - Long-term construction / installation projects
- Frequent PE exclusion activities:
 - Inventory for storage, display, delivery or processing by others
 - Sales activity that is merely “marketing”
 - Use of independent representatives

Investment in U.S. Property

- Deemed dividend when U.S. entity effectively receives benefit of certain foreign entity assets:
 - Pledge of foreign assets
 - Pledge of > 66 2/3% of foreign stock
 - Extended intercompany trade receivables
 - Product – 90 days or commercial terms
 - Services – 60 days
- Financing sources evolving position on collateralization

Stock vs. Asset Acquisition Considerations

Asset Acquisition

- Step-up in asset basis for both U.S. and foreign country
- Limited liability assumption
- No tax attribute carryover
- Transfer of existing contracts

Stock Acquisition

- Historic tax asset basis
- Liability assumption
- Potential tax attribute carryover (NOLs)
- Contractual transition ease

Section 338(g) Elections

- Treats a stock acquisition as an asset acquisition for U.S. tax purposes
- Buyer decision
- Qualified stock purchase = 80%
- Nontaxable to foreign seller (not a deal issue)
- Asset basis stepped up – U.S. only
- Historic tax attributes (E&P) restarted

Debt Financing

- Push debt into local countries
 - Challenging with stock acquisitions
 - Local country restrictions
 - Holdco opportunity
- Thin capitalization rules
 - Limit interest deductions (e.g., Canada debt equity 3:1)
 - May be permanent loss of deduction
- Impact foreign tax credit
- Potential withholding tax on payments to related party
- Must consider dual consolidated losses (double-dip structures)

Sales Tax Exemption for Inventory

Sales and Use Tax Exemption for Sale of Business Assets

- Many states provide for an “occasional sale” sales tax exemption for the sale of operating assets
- Occasional sale exemption does not apply to inventory or automobiles
- Inventory can qualify for a sales tax exemption if a resale certificate is provided at the time of sale

Sales Tax Exemption for Inventory

- State registration number is required in order to issue a resale certificate
- Registration process normally takes 4-6 weeks; however, some states have more expedient means of registration
- A corporation acquiring inventory should begin the registration process as soon as possible to avoid delaying the transaction

Entity-Level Taxes

- **Gross Receipts Taxes:** In recent years, some states started to abandon the traditional income tax structures and impose tax on the gross receipts of the entity. Such taxes apply to all entities, including corporations, S corporations, partnerships, etc. As such, not filing in the appropriate states can create liabilities even if the target does not have any taxable income.
- **Franchise Taxes:** Post-acquisition franchise taxes (privilege taxes) should be considered as a result of GAAP purchase price accounting. Purchase price accounting causes the book net worth of the target to increase and, therefore, increases the base subject to tax.

Structuring Debt for State and Local Income Tax

- Placing the debt in the operating entity will minimize state income tax in states that require separate company income tax filings
- Converting an acquired corporation to a single member limited liability company owned by a debt holding parent can result in reduced state income tax expense

State Dividend Received Deduction

- Some states provide limited dividend-received deductions (e.g., Massachusetts, Mississippi, Oregon) which makes dividends paid to a parent corporation to pay debt service partially taxable
- Debt incurred by the acquired corporation to pay its parent's purchase obligation results in a deemed dividend of the debt which is taxable in California if it is not paid from the new unitary group's earnings and profits

Tax Risk Areas

Pre-sale planning - Tax

- Identifying tax exposure items
- Understanding your tax attributes
- Understanding the anti-churning problem
- Dealing with unwanted assets

Tax Risk Areas

- “Reverse” or sell-side tax due diligence allows you to identify and possibly address exposure items prior to the item becoming a deal issue
- Significant issues include:
 - State and local tax liabilities (sales and use, as well as income)
 - Employment-related taxes
 - Inappropriate accounting methods
 - Ability to utilize net operating losses and credits

Tax Risk Areas

State and local tax liabilities are often the largest exposure item

- Nexus review:

- Are you collecting sales and use tax in the appropriate jurisdictions?
- Are you filing income and franchise tax returns in the appropriate jurisdictions?
- What amnesty and self-reporting programs are available?
- Will sales tax exemptions apply in an asset sale?

Tax Risk Areas

Employment tax issues

- Have all applicable taxes and withholding been paid?
- How well have you documented status of personnel as subcontractor vs. employee?
 - Obama administration has discussed this item as a potential revenue raiser

Tax Risk Areas

Accounting methods

- Are your accounting methods appropriate?
 - Is income being reported in the correct period?
 - Are the uniform capitalization rules being applied appropriately to inventories?
- Have all changes in accounting method been made using the appropriate accounting method change procedures?
 - Failure to do so invalidates the change.

Tax Risk Areas

Understanding your tax attributes

- Net operating losses (NOLs):
 - Are you aware of any previous ownership changes that have created a limitation on the utilization of NOLs?
 - If so, what is that limitation (more complex and higher than you may think)?
- Research credit documentation:
 - R&E credit documentation is a Tier I issue.

Tax Risk Areas

Understanding your tax attributes

- Selling a corporate subsidiary at a loss:
 - How much of your loss will be allowed?
 - How may your recognition of a loss affect the buyer's ability to utilize the acquired NOLs?
 - What opportunities exist to retain the subsidiary's NOLs rather than recognizing a capital loss?
- Selling an LLC investment
 - Is there a blocker that needs to be sold as well?
 - How will that affect pricing?

Tax Risk Areas

Understanding your tax attributes

- Acceleration of deferred debt cancellation income (CODI)
 - Sec. 108(i) provides for the deferral of CODI
 - Sale of the business assets will accelerate the CODI
 - Sale of LLC units will also accelerate the gain
- Acceleration of deferred income items
 - Sale of assets or LLC units will generally accelerate deferred income and increase ordinary gain on sale

Tax Risk Areas

Dealing with unwanted assets

- Does the business currently own unwanted assets that would not be acquired?
- Is the business a smaller division of a larger business to be retained by the owners?
- Separation of the business from the retained business or unwanted assets can create significant unintended taxes.
- Separation prior to marketing and discussing the deal with investment bankers may allow avoidance of such unintended taxes.

Questions????

Sell-Side Due Diligence/Preparation



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Sell-Side Due Diligence/Preparation

Sell-Side Diligence from an Investment Banker's and Seller's Perspective

- It's all about value retention and getting the deal done
- Credibility is essential in this market; remove the surprises and retrading risk
- Important to explain the stories
 - Add-on acquisitions, carve-outs – pro formas needed
 - Company events
 - Abnormal profitability or adjustments
- Lack of adequate resources to support the process
- Nice to have.... Need to have....

Sell-Side Due Diligence/Preparation

- Much more buyer and lender diligence in this market
- Avoid wasted time and expense if sale doesn't make sense
- Proactive resolution of issues, red flags and opportunities
- Competitive advantage – enhanced credibility by being proactive
- Position the company to achieve maximum value
- Stay focused on the business during the sale process

Telltale Signs Seller Preparation is Needed

Telltale signs assistance is needed to prepare for sale

- Audited versus no outside accounting utilized
- Carve-out transaction of a division or product line
- How strong is your accounting department?
- What is its capacity level?
- Can accounting personnel process and articulate the issues?

Telltale Signs Seller Preparation is Needed

Pre-sale planning - Financial

- Control GAAP estimates and reserves
- Acquisitions requiring historical pro forma financials
- Support and good documentation for EBITDA addbacks and key business trends
- Supportable monthly projections, grounded in reality
- Carve-outs, estimated allocations
- Properly position concentration areas

Telltale Signs Seller Preparation is Needed

Financial – (continued)

- Revenue recognition
- Quality monthly financials... LTM period
- Inadequate internal expertise and resources
- Audit oversight
- Missed EBITDA addbacks....
 - GAAP judgments and estimates
 - System implementation costs
 - Workforce reduction charges
 - Excess salaries/owner's compensation
 - Personal or nonbusiness expenses
 - One-time events

Telltale Signs Seller Preparation is Needed

Overall checklist
Consider utilizing a readiness checklist

RSM McGladrey
Accounting | Tax | Business Consulting

This is the first page of our comprehensive seven-page checklist that covers specific categories, such as working capital, revenues, cost and margin levels, accounts receivables, inventory, taxes and information technology.
For more information on our complete checklist, contact Milton Marcotte at milten.marcotte@rsm.com or 312.634.3443.

Seller Due Diligence Readiness Checklist

Company: _____ Date: _____
Prepared by: _____

This questionnaire is designed to assess the ability of the company to go through a sale process and be able to maximize value while responding to questions and information requests that a typical buyer will ask. The preparedness level directly impacts the timeliness and financial outcome of the sale process. Please answer the questions by clicking the check boxes or adding comments.

	Last 3 years are required, by month if applicable	Ability to Provide Quality Answer			Ability to Provide Source Documentation and Support (if applicable)			Comments or explanations
		Yes	No	Not sure	Yes	No	Not sure	
General								
1. Does the company prepare monthly and annual financial statements in accordance with GAAP and have the ability to prepare timely financial statements and business metrics throughout the sale process through the point of close?								
2. Does the company file income and sales taxes in all of the necessary states and jurisdictions and understand any potential liabilities? Has there been a 'Nexus' study to support the current filings?								
3. Does the company have a well thought out IT strategic plan, disaster recovery plan and a list of active and planned IT projects with timelines and budgets? Do these plans indicate normal expenditure levels for the company and industry?								
4. Does the company have an ideal tax structure for the sale that will minimize taxes and maximize net cash proceeds? Has it been determined whether an asset or stock sale will be pursued?								
5. Can the company fully explain changes in revenue by customer and product/service for the last three years and bridge the changes supporting a positive revenue trend? Does this tie to the future revenue projection?								

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Financial Risk Areas

Quality of Earnings

- Typically the Holy Grail of a transaction
 - Earnings before interest, taxes, depreciation and amortization
 - Future income stream being purchased
 - What is the quality of that stream based on prior history
 - Management's adjustments
 - Due diligence adjustments
 - Synergistic benefits

Financial Risk Areas

Typical risk areas in the financial statements

- Accounts receivable
 - Agings
 - Bad debt expense
 - Allowance for doubtful accounts
 - Allowance for other revenue dilution accounts
 - Collectibility issues
- Inventory
 - Costing methodology, is it GAAP
 - Valuation method: avg. cost, FIFO, LIFO, standard cost and related variance accounting
 - Excess and obsolete reserve analysis

Financial Risk Areas

Typical risk areas in the financial statements

- Inventory (continued)
 - Overhead allocation
 - Physical inventories or cycle counting
 - Inventory write-offs
- Accruals and reserves
 - How often are they trued up?
 - Are all accruals recorded?
 - Reserve history and detailed support
- Customer trends
 - Increasing and decreasing revenue trends
 - Lost customers and reasons for the loss

Financial Risk Areas

Typical risk areas in the financial statements

- Customer trends (continued)
 - New customers and customer increases
 - The “problem child”
- Product line down to SKU-level sales data
 - Can the system produce this information?
 - Over what periods is this information available?
- Margin by product and customer
 - Many buyers spend a significant portion of time in this area

Financial Risk Areas

Typical risk areas in the financial statements

- Fluctuations in operational accounts
 - Changes in gross margin
 - Cost of goods sold components
 - Selling expenses
 - Commission programs
 - Other general and administrative expenses
 - Bonus plans, special compensation packages
 - Benefit plan details and costs
 - Other income and expense items
 - One-time items

Working Capital

Working Capital

- Becoming a bigger issue in these tighter deals
- Often one of the last items negotiated....creating tension post-close
- Not enough time by buyers and sellers.... advantage opportunity for sellers
- Requires more clarity / improved definition in purchase agreement
- Understand GAAP application vs. consistency with past accounting practices of the seller prior to the transaction; examples include:
 - Review of revenue recognition principles
 - Analyze receivables cut-off, reserves and collectibility
 - Coordinate and review physical inventory count and costing, reserves
 - Review payables, accruals, and cut-offs
 - Many others

IT Risk Areas

Key IT issues

- Stand-alone IT or carve-out of larger entity
- Outsourcing and third-party servicing arrangements
- IT systems and applications
- Voice and data networks
- Staffing and training
- Governance and controls
- Identification of “hidden assets”

IT Risk Areas

Avoid IT red flags

- Appearance of underinvestment in IT
- Lack of growth capacity
 - Systems
 - Applications
- Unsupported software
- Inadequate security reviews
- Limited or no IT policies and procedures

IT Risk Areas

Preparing IT for the sale

- Create a three-year IT plan with budgets
- Gather system's asset data
 - Hardware
 - Software, including licensing and support agreements
 - Network diagrams and contracts
 - IT support agreements
- Review IT security for deficiencies
- Information to facilitate buyer due diligence

Conclusions

- The marketplace has changed
- Sell-side due diligence is critical to maximize value and minimize timeline
 - Hidden assets and hidden risks can impact a deal
 - Play more offense in the deal
- Stay focused on the business results
- Working capital can be important

Questions

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Integration Issues

Realizing Increased Shareholder Value



RSM McGladrey, Inc.



M&A Integration Specialist

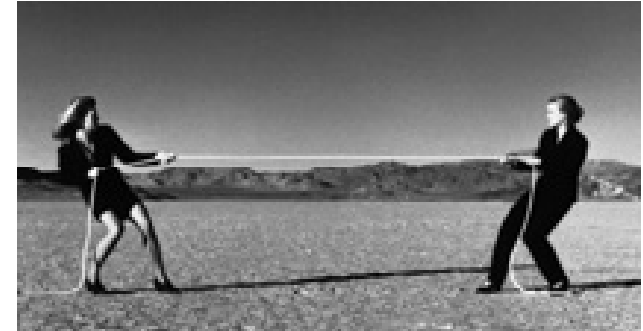
Greg Maddux, Managing Director



Objectives for Today's Discussion

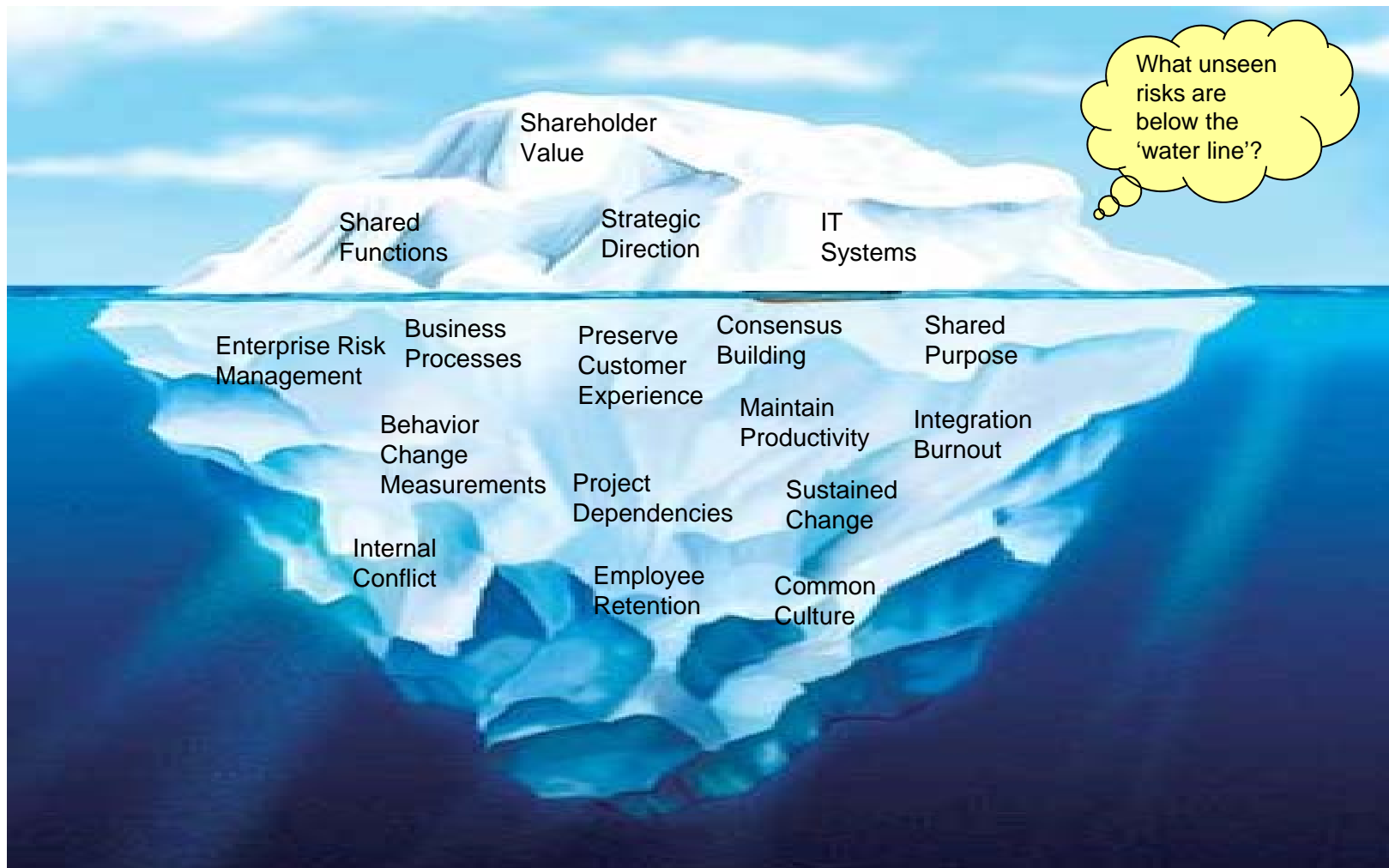
- Discuss Integration Challenges
- Share Best Practice Integration Approaches to Realize Increased Value in M&A
- Questions & Answers

Integration Challenges



- Inadequate or failed integration prevents organizations from achieving expected Return on Investment (ROI) targets.
 - More than 70% of mergers and 50% of acquisitions fail to achieve the anticipated results
- Organizations should utilize structured integration techniques in order to achieve stronger business results faster.

Integration Challenges



Question for You

Based on your experience, which integration risk is most likely to negatively impact your M&A outcomes?

- 1. Loss of customers**
- 2. Loss of key employees**
- 3. Unclear and poorly communicated strategy**
- 4. Operational or channel conflicts**
- 5. Cultural clash or organizational confusion**

Integration Defined

"Integration" Defined:

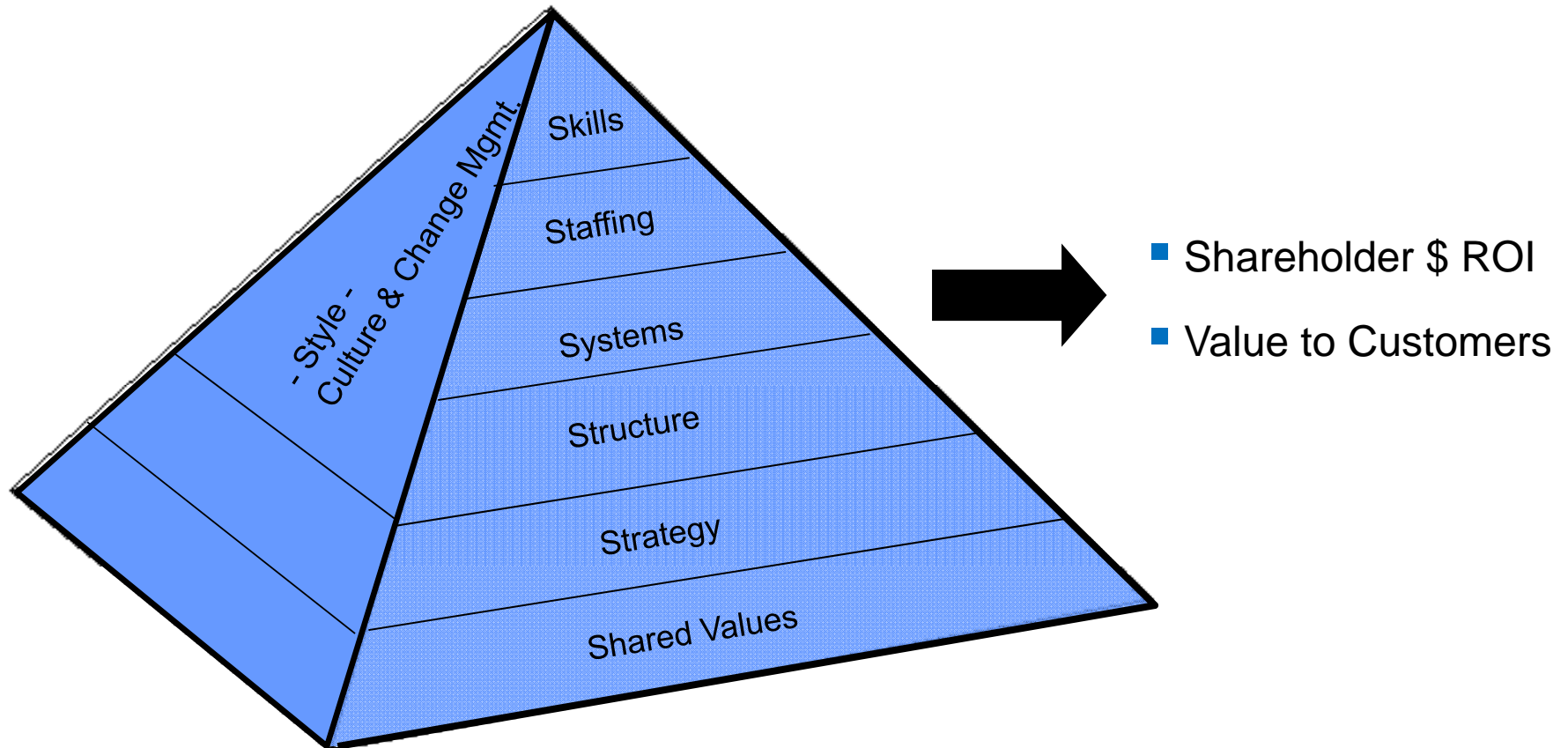
Acquisition integration is the process of preparing for, and actually blending an acquisition into the acquiring family. Broadly speaking it includes the following:

- Preparing the acquired party to deliver on the objectives which motivated the purchase
- Developing a vision and strategy for the company's future
- Inspiring the new management and workforce to deliver on that vision and strategy
- Transferring technology, systems, and management practices
- Rationalizing the acquired corporate culture with acquiring company objectives
- Capturing the best attributes of the acquired company and transferring the value added of the new relationship

Common Components of Integration

- Create organizational structures and accountabilities that support strategic objectives and revenue growth
- Align processes and systems to most effectively serve internal and external customers
- Develop highly cost-efficient shared functions across multiple business units and locations
- Help transform and integrate corporate cultures

Framework for Integration Planning



*Based on McKinsey's 7S Model

Integration Strategy & Approach

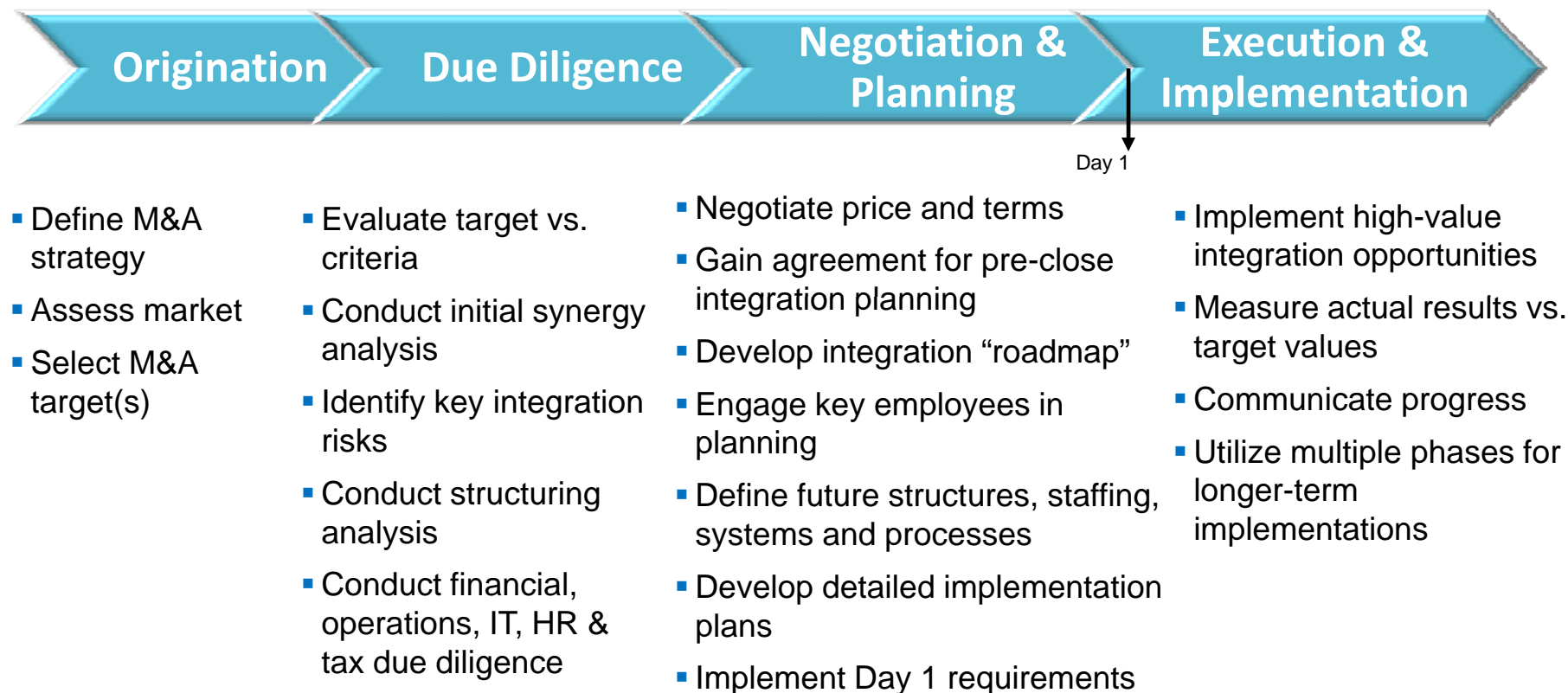
Integration Approach

Acquisition Size & Complexity	Large	Back office & targeted integration	Comprehensive integration planning
	Small	Optimize with limited integration	Rapid Integration planning
		Dissimilar	Similar
		Industry / Platform	

Get An Early Start on Integration

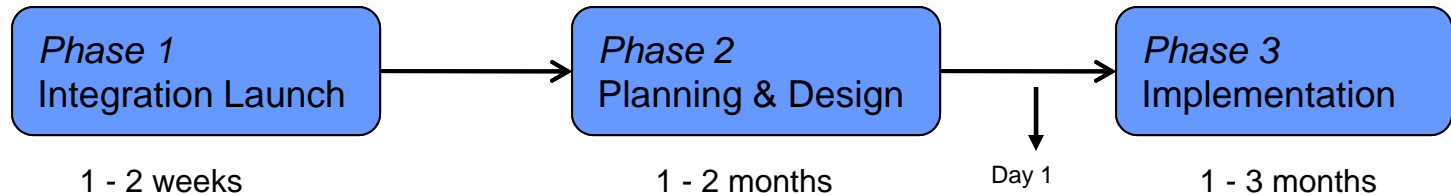
- Too often, the primary focus is on the transaction
- Too often, integration planning and execution is an “afterthought”
- Instead, in order to fully realize the value potential, give early and persistent attention to integration planning

Integration throughout M&A Life Cycle



Integration Planning & Execution

High-Level Integration Approach



- Define Integration Governance Structure
- Define Executive Integration Team
- Conduct Integration Workshop:
 - Confirm Integration Vision
 - Develop Integration Roadmap including:
 - Key Integration Goals & Synergy Targets
 - Assignments, Plans & Timelines
- Identify Risks & Mitigation Approach

- Engage Key Functional Leaders
- Launch Project Teams
- Gather Key Current State Information
- Determine Future Structure, Staffing, Systems and Processes
- Document Recommendations
- Develop Implementation Plans

- Implement High-Value Integration Opportunities
- Measure Actual Results vs. Target Values
- Communicate
- Utilize Multiple Phases for Longer Term Implementations



Project, Change, and Cultural Integration Management

Common Integration Opportunities

- Increase revenue through:
 - Improved leverage of sales channels
 - Expanded geographies and markets
 - Expanded cross-selling leading to stickier customer relationships and improved retention
- Cost savings related to:
 - Organizational alignment and elimination of redundancies
 - Increased scale and use of shared services
 - Improved leverage of common systems and processes
 - Operational best practice adoption
 - Supply chain/ procurement and strategic sourcing cost savings
 - Improved leverage of facilities and capital assets

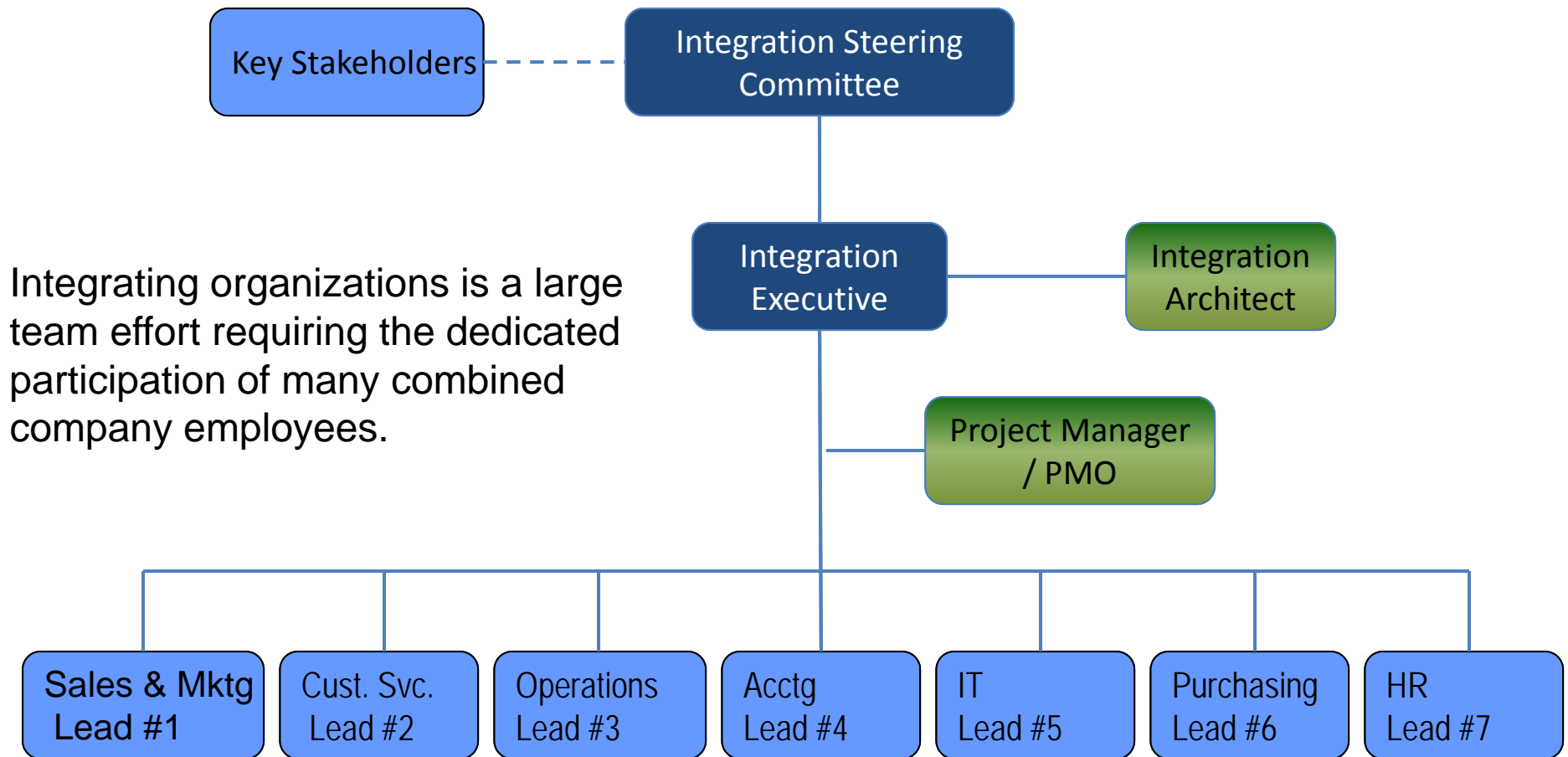
Corporate Culture - An Integration Challenge

Corporate Culture Defined:

Corporate culture is that set of practices, artifacts, beliefs, values and norms that defines and significantly influences how the organization operates. It develops slowly over time and once developed, is rigid and resistant to rapid change.

- Every corporation has its own sense of identity; its own way of doing business; its own corporate culture. This is true for the acquiring company and each and every one of its future acquired entities.
- The acquiring company has an evolving corporate culture which will makes integration more difficult. It is natural for acquired companies to resist cultural change from the outside. The more change insisted, the stronger the resistance.
- Research indicates that fewer than 50% of all acquisitions meet performance expectations. Between **70%-80%** of the failed mergers are the result of unresolved differences in corporate cultures.

Integration Governance Team Structure



Roles and Responsibilities

Integration Steering Committee

- Establish the vision for integration goals
- Select key employees for functional integration roles
- Monitor progress and hold individuals and the organization accountable for achieving integration goals
- Remove internal obstacles and clarify project direction and scope
- Make final decisions on integration recommendations and communicate

Integration Executive

- Provide day-to-day leadership for advancing integration goals
- Give direction to Integration Functional Leaders, clarifying end goals
- Provide appropriate tools to Functional Leads, with support of Integration Architect and PM
- Monitor progress of all activities and resolve issues on a real-time basis, with support of PM
- Serve as primary liaison for reporting progress and issues to Steering Committee
- Be a passionate champion for achieving integration goals

Integration Architect

- Provide guidance re: structured integration approach
- Facilitate integration workshop
- Provide perspective on best-in-class organizational and operational processes
- Help provide teams with appropriate integration tools
- Help identify integration risks and mitigation tactics
- Challenge long-held assumptions

Roles and Responsibilities

Project Manager / Program Management Office

- Develop master plan, project phases and detailed work activities
- Establish milestones
- Assist in resource planning
- Monitor progress towards timelines
- Develop project tracking reports
- Identify issues and facilitate rapid resolution
- Coordinate communication efforts
- Identify and mitigate risks
- Measure targeted results

Integration Functional Leaders

- Serve as key leaders and experts in their respective functional areas
- Conduct current state analysis of existing capabilities, processes and systems
- Determine specific recommendations for determining “how” to best achieve established integration goals, challenging the status quo
- Engage other support personnel to accomplish work activities as required
- Monitor work activities and progress against work plan
- Document key recommendations and deliverables for the Steering Committee

Integration Planning Workshop

Phase 1 Integration Launch

1 - 2 weeks

- Define Integration Governance Structure
- Define Executive Integration Team
- Conduct Integration Workshop:
 - Confirm Integration Vision
 - Develop Integration Roadmap including:
 - Key Integration Goals & Synergy Targets
 - Assignments , Plans & Timelines
 - Identify Risks & Mitigation Approach

Workshop - Rapid Integration Planning Approach:

- Set the Stage
 - Establish Governance Structure and Integration Team
- Prepare for Workshop
 - Develop Framework and Approach for Conducting Workshop
 - Conduct High-Level Survey of Steering Committee
- Conduct Integration Planning Workshop
 - Facilitate One or Two-day Workshop
- Document Integration Roadmap
 - Draft Summary of Integration Opportunities, Targets and Milestones
 - Develop High-Level Implementation Plan

Integration – Other Considerations

Remember there is a lot of work to do and some disruption to the normal operation of business is unavoidable. Keep the flurry of integration activities from blurring the big picture:

- Get through the "transition" as quickly as possible
- Protect productivity
- Do not neglect customers
- Involve your top performers early on
- Assign dedicated resources to integration teams

Key Factors for Optimal Integration

1. Perform thorough due diligence
2. Clearly define the strategy and specific integration goals (“roadmap”)
3. Move quickly to identify and engage key leaders to be retained in integration planning
4. Utilize an existing best practice assessment approach
5. Identify areas where the acquired party’s culture is incompatible with the current or desired culture

Key Factors for Optimal Integration

6. Establish integration leadership and program management resources to maintain accountability, resolve issues, communicate progress, and monitor results
7. Utilize experienced, dedicated integration resources where possible
8. Keep your eye on your customers and their experience
9. Monitor financial and operational integration results vs. targets
10. Reward behavior that advances integration objectives

Use of Integration Specialists

- Objective perspective and thought leadership
- Expertise with Integration projects – complicated, high risk
- Comprehensive, proven methodology
- Specialized skill sets
- Full-time, dedicated integration resources
- Flexible, scalable approach throughout the project
- Structured project management & communications
- Improved probability of successfully achieving synergy targets
- Assistance in building internal integration competencies

Q & A

Questions & Answers

Contact Information

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