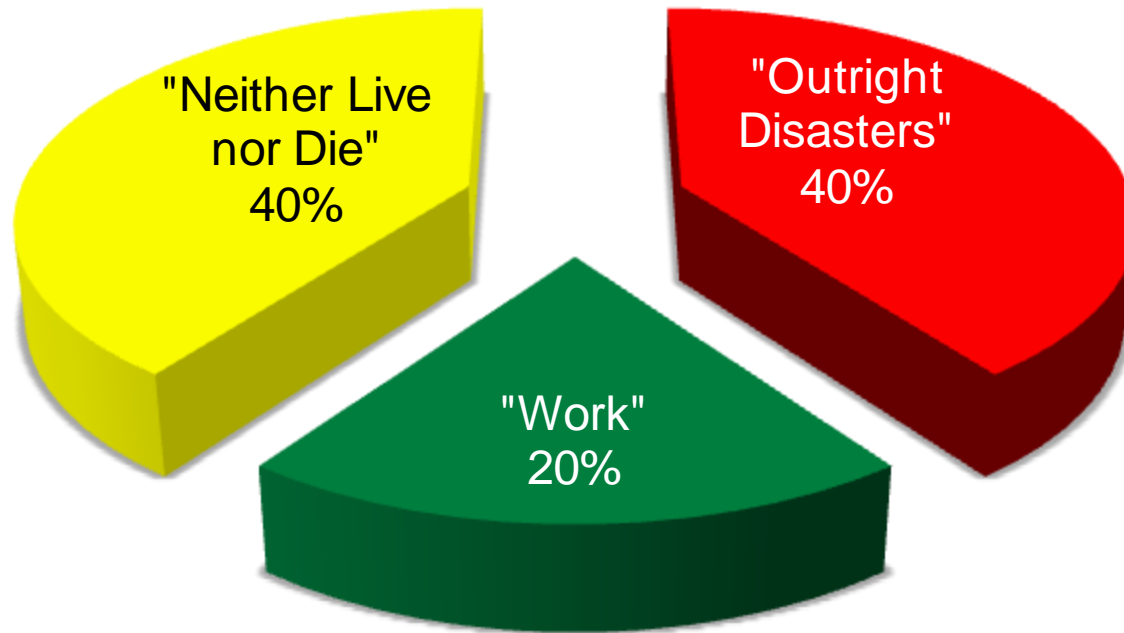


# Stress Points Along the Mergers, Acquisitions and Integration (MAI) Journey

# In General, The Success Rate of Mergers and Acquisitions Has Been Poor

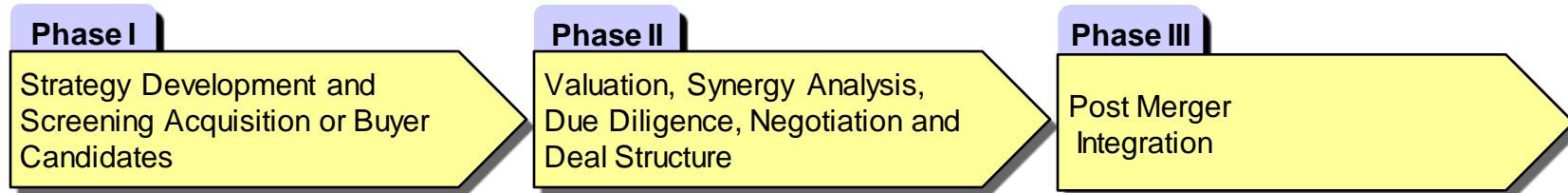
- Peter Drucker considers M&A's unsuccessful



- Only **one in four** of acquisition programs delivered returns greater than the company's cost of equity capital<sup>1</sup>

**Why do mergers fail to deliver value?**

# Stress Points Occur Throughout the MAI Journey at Multiple Levels and Can Cause a Merger to Breakdown



	Phase I	Phase II	Phase III
<b>Senior Executives / Sponsors</b>	Identity Crisis #1: Lack of Vision and Alignment	Bidding Wars	Turf Protection, Key Executive Departures, Market Valuation Shock, Identity Crisis #3: What's the New Mission for Employees?
<b>Middle Managers</b>		Lack of Alignment: Finance vs. Operations	Key Management Departure, Identity Crisis #2: Culture Clash
<b>Search / Negotiating / Valuation / Post Merger Integration Team</b>	No Appropriate Deals Ambiguous Selection / Decision Process	Bidding Wars	Synergy Battles
<b>Workforce</b>	Unsettling Rumors	Workforce Panic	Workforce Uncertainty, Loss

# Osti & Associates' Understanding of Common Stress Points Enables Corrective Action to Increase the Likelihood of Success

## Phase I

Strategy Development and Screening Acquisition or Buyer Candidates

## Phase II

Valuation, Synergy Analysis, Due Diligence, Negotiation and Deal Structure

## Phase III

Post Merger Integration

Stress Point	Description
<b>Lack of Vision and Alignment</b>	<ul style="list-style-type: none"> <li>Disagreement and confusion around future vision and real purpose and benefits of a merger</li> </ul>
<b>No Appropriate Deals</b>	<ul style="list-style-type: none"> <li>Initial screenings don't reveal "the perfect match" or attractive targets based on initial criteria</li> </ul>
<b>Ambiguous Selection / Decision Process</b>	<ul style="list-style-type: none"> <li>Lack of clear criteria and rigorous methodology based on strategic intent</li> </ul>
<b>Unsettling Rumors</b>	<ul style="list-style-type: none"> <li>Leaks and press reports of possible job losses or disruption of status quo discussed at the water cooler, productivity affected</li> </ul>

Stress Point	Description
<b>Bidding Wars</b>	<ul style="list-style-type: none"> <li>Initial offers rarely go uncontested by competition; bid escalation in the "heat of battle"</li> </ul>
<b>Finance vs. Operations</b>	<ul style="list-style-type: none"> <li>Conflicting agendas based on different perspectives of the acquisition</li> <li>Assumptions and valuation criteria may differ widely</li> </ul>
<b>Synergy Battles</b>	<ul style="list-style-type: none"> <li>Conflicting points of view on the size, risk and speed required to achieve benefits</li> </ul>
<b>Workforce Panic</b>	<ul style="list-style-type: none"> <li>Little is known about the future; rampant speculation, "expect the worst"</li> </ul>
<b>Turf Protection</b>	<ul style="list-style-type: none"> <li>Uncertainty of future and desire to maintain power base drives tactics of self-interest</li> <li>Managers insecure of their span of control act counterproductively to the merger</li> </ul>
<b>Key Management Departure</b>	<ul style="list-style-type: none"> <li>Managers unwilling or unable to change with the organization leave voluntarily or when asked to do so</li> </ul>

Stress Point	Description
<b>Key Executive Departures</b>	<ul style="list-style-type: none"> <li>Issues around skills, politics and personal agendas can lead to sudden loss of leadership</li> <li>Decisions regarding the new leadership team and power distribution provide impetus for executives departure - voluntary or forced</li> </ul>
<b>Workforce Uncertainty</b>	<ul style="list-style-type: none"> <li>General post-merger integration plans may have been announced; workforce speculation around specifics of "how will it affect me?"</li> </ul>
<b>Culture Clash</b>	<ul style="list-style-type: none"> <li>Differences in values and behavior create friction in work teams and impede the change process</li> <li>Disagreements when laying the foundation of the new company</li> </ul>
<b>Market Valuation Shock</b>	<ul style="list-style-type: none"> <li>Wall Street's critical view of acquisition premium and expected synergies may contradict management's projections</li> </ul>
<b>Loss</b>	<ul style="list-style-type: none"> <li>Wish to return to the "good old days"</li> <li>Realization that some associates may lose jobs</li> <li>Mourning over those that have departed</li> </ul>
<b>What's New Mission for Employees?</b>	<ul style="list-style-type: none"> <li>Old Mission won't work for the New Company</li> <li>Transition phase ends, management struggles to find new, compelling mission to motivate employees</li> </ul>

# What Is Different about Working with Osti & Associates on MAI Projects

- Our firm will start with an assessment of your needs
- Our firm has expertise in all phases of MAI
- Our firm's compensation is **not** linked to deal completion
  - Our job is to find the truth and help you make the right decision
  - Sometimes walking away is the right decision
- Our firm delivers work **and** mentors your team members



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