

The Road to Investor Happiness

It looked like a perfect wedding
But three years later, still not all the dreams had come true



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Starting his career in Market Research, Herbert Baumann has been supporting firms since 1987 as

- Consultant
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His activities focus on solutions for operative, as well as strategic problems and challenges of companies in the manufacturing industries.



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Wedding day

The deal was closed, the transaction completed, the expectations were euphoric

After the honeymoon

It was time to define projects and establish teams with specific goals, based on the results of the SWOT-analysis from the due diligence - and supported by an external consulting company.

Then, 18 months later the project responsibilities were being transferred to internal teams and project managers but somehow the whole process of change slowed down for some unknown reasons

Three years later

The EBITDA was not as forecasted in the business plan (basis for the former business valuation and price), the post-merger integration was not completed, the projects were stalled-out.



Research statistics show:

- 85% of all mergers miss their targets (A.T. Kearney)
- 83% of all mergers do not improve the shareholder value (KPMG)
- 57 % of the transactions fail within the first three years due to not realizing synergy potentials (Mercer Management Consulting)

So, what happened in this very case? The investor decided to have an external, experienced manager find the answers.

Analyzing the Status Quo

Business Plan ↔ P&L

The analysis started with a comparison of the business plan and

the current P&L figures, as well as their deviations and the degree of deviation. This gave a first impression regarding the main problem areas.

Status of optimization projects

Next, the extent (%) of completion of the former project goals and targets was analyzed, including:

Sales

- Pricing strategies
- Reactivating old customers
- New customer business
- Innovation management

Cost of Materials

- Supplier management
- Product group management
- Pooling of demands
- E-Procurement for indirect goods
- Make or buy strategies

Cost of Personnel

- Optimizing operations processes
- Optimizing administration processes
- Profit center technical internal services
- Outsourcing

Other Costs

- Energy management
- Traveling management
- Outsourcing IT
- Insourcing external services
- Optimization insurance policies
- Reduction of claims

Depreciation

- Optimizing asset management
- Leasing

Interest

- Optimizing working capital
- Stock reduction

Since it was a strategic investment, the achievement of group synergies also had to be reviewed with respect to:

Lean Executive Management

Group Strategies

- Product policy
- Regional sales activities
- Cross selling
- Finance / cash pooling
- Technical capacity utilization
- Operating systems (HW, SW)
- Reduction of auditors
- Controlling

Purchasing

- Pooling of demands
- Bulk orders
- Groupwide eProcurement
- Enhanced buying power

Shared Services

- Purchasing
- Bookkeeping / accounting
- Personnel
- Marketing / PR
- IT and communication
- Maintenance
- Product development

Consideration of social aspects

Lee Iacocca once said:

„The key to success is not information, it's people“

Employees were asked whether they:

- felt informed and respected
- were being heard, especially on new ideas
- were motivated
- had fears
- saw intercultural problems

The investigation was carried out using both individual interviews and anonymous questionnaires.

Weighing the Results

The results of the full analysis and "achievement checklist" were the basis for an amended plan of action.

However, the measures had a varying impact on the company's profit. Based on the current 12% EBITDA, a price increase of 1% would mean an improvement of 10% EBITDA, 1% savings in purchasing only about 5% EBITDA.

Setting Priorities

Considering this, the „achievement checklist“ was amended by weighting the factors, in order to define priorities from an economic point of view to achieve the highest leverage on profit.

Readjusting the PMI

The existing approaches and measures were renewed, KPI's and targets redefined and the projects reactivated – keys to an unexpected success-story.

...it was worth thinking about the paths to increased investor happiness...

As an external expert, my priority is the investor interests.

Yours,