

MERGER INTEGRATION IN EMERGING MARKET BANKS

Realising the Benefits of M&A

London

Washington DC

Singapore

GLOBAL EXPERIENCE, PRACTICAL EXPERTISE

WHY DOES MOST M&A ACTIVITY FAIL TO DELIVER SHAREHOLDER VALUE?

- Failure to engage in disciplined strategic planning prior to transaction
- Inadequate planning and preparation for post-merger integration
- Underestimation of the difficulty and costs of executing a successful merger
- Shortage of the necessary financial or human resources
- Insufficient consideration of the “people side of change”
- Obsession with cost savings at the expense of revenue growth

Most mergers fail in **implementation**, rather than the transaction

PLANNING FOR POST-MERGER: PRIORITISING ACTIVITIES

Type of integration

		Merger of equals	Acquirer dominant
Rationale for integration	Revenue focus	Customer: drive income growth <ul style="list-style-type: none"> Integration of marketing function Customer communication Customer MI Development of brand strategy 	Sales focus: capitalise on franchise <ul style="list-style-type: none"> Mobilisation and motivation of sales force Development of cross sales capability Harmonisation of product development
	Cost focus	Internal: rationalise shared functions <ul style="list-style-type: none"> HR strategy and organisation structure Operations and IT strategy Harmonisation of risk management 	Cost benefits: leverage scale benefits <ul style="list-style-type: none"> Network rationalisation Supplier management Manpower planning Corporate finance

Retention of customers and key staff is the **first priority** in all cases



PRE-TRANSACTION: STRATEGY IS A CASCADE OF CHOICES

What are our goals and aspirations?

Where will we play?

How will we win in our chosen markets?

What capabilities must be in place for us to win?

What does success look like?

MANAGEMENT INFORMATION: CRUCIAL TO STRATEGY & BUSINESS EXECUTION



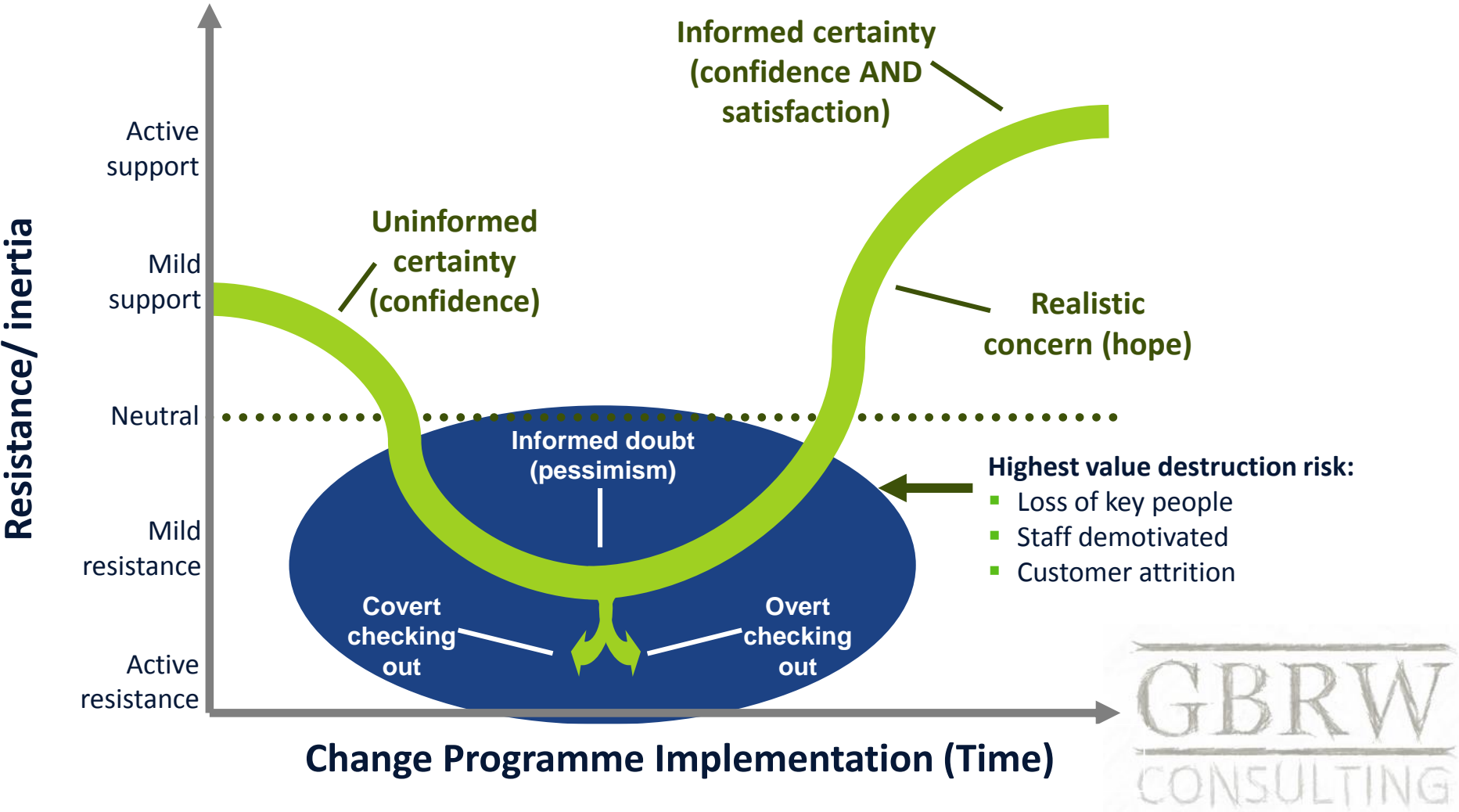
The virtuous triangle hangs on **relevance, depth, quality and timeliness** of MI

WHY DO PEOPLE MAKE THINGS SO DIFFICULT?

- Why are my staff so resistant to change?
- How can we make our customers loyal to the company rather than individuals?
- How can we motivate our top sales staff and retain key staff?
- How can we incentivise staff to work towards shared strategic goals?
- Why won't different departments work together better?
- Why won't my staff make decisions and are always delegating upwards?

Effective communication is key to answering these questions

RESISTANCE TO CHANGE: THE 'GOOD NEWS' CURVE



COMMUNICATION IS THE KEY TOOL IN OVERCOMING RESISTANCE TO CHANGE

Change Resistance

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Communicate to overcome

- Help staff to feel **ownership** of the change process by communicating with and involving early as possible.
- Craft a **credible and inspiring corporate story** (relevant to all stakeholders) to propel the communications effort
- Shape a strong **performance culture** and select the new 'top teams' fast
- Implement a **strategy implementation methodology** linked to performance management
- Defensiveness can only be overcome through active **change management and communication**
- Communicating effectively is critical to ensuring staff take **ownership** of change and ultimately drive it

BUILDING A CHANGE CULTURE



Change management is about generating **commitment to change**

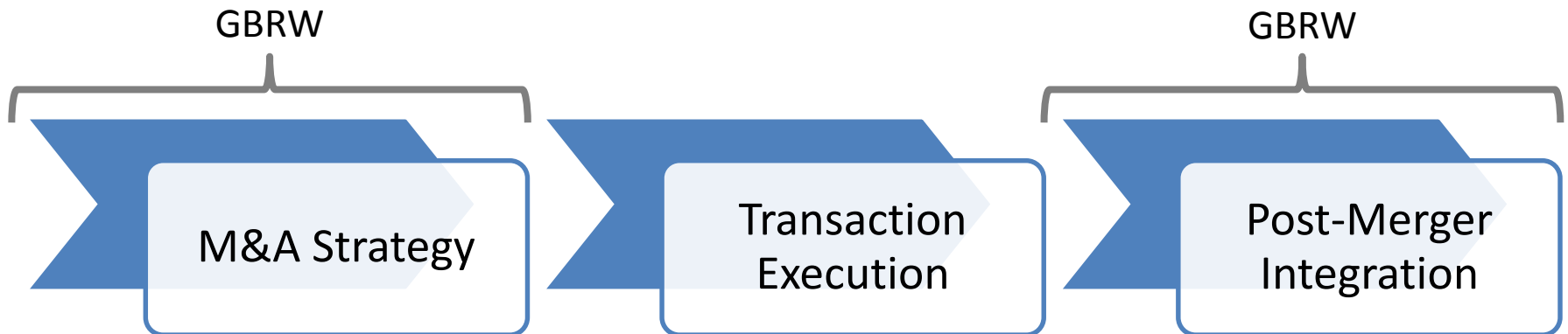
A SHORT CHECKLIST TO APPLY AGAINST YOUR NEXT TRANSACTION

- Have we made realistic estimates of the **timescales** and **cost** of integration?
- Do we have a **dedicated change management function** and methodology?
- Have we made a detailed, prioritised **plan** against which to track the **realisation of the merger benefits** (cost and income)?
- Are we actually **improving** the merged company **or** are we just spending money **harmonising procedures** between different banks?
- If I'm thinking of a transaction, am I already thinking of my **communication plan**?
- Will I have the necessary **Management Information** to know if change is successful or not?

The biggest risk factor in merger failure is **organisational inexperience**

HOW DOES GBRW CONSULTING ASSIST THE M&A PROCESS?

- GBRW Consulting has 15 years experience in bank restructuring and implementing large-scale change
- We provide advisory services to other banks on strategy and change management throughout Eastern Europe, Africa, the Middle East, and Asia
- We can work closely with financial advisors to provide a seamless service



GBRW Consulting can add value to **both ends** of the M&A process

CONTACT DETAILS AND FURTHER INFORMATION



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- You can find out more about GBRW Consulting by visiting our website on <http://www.gbrw.com>
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