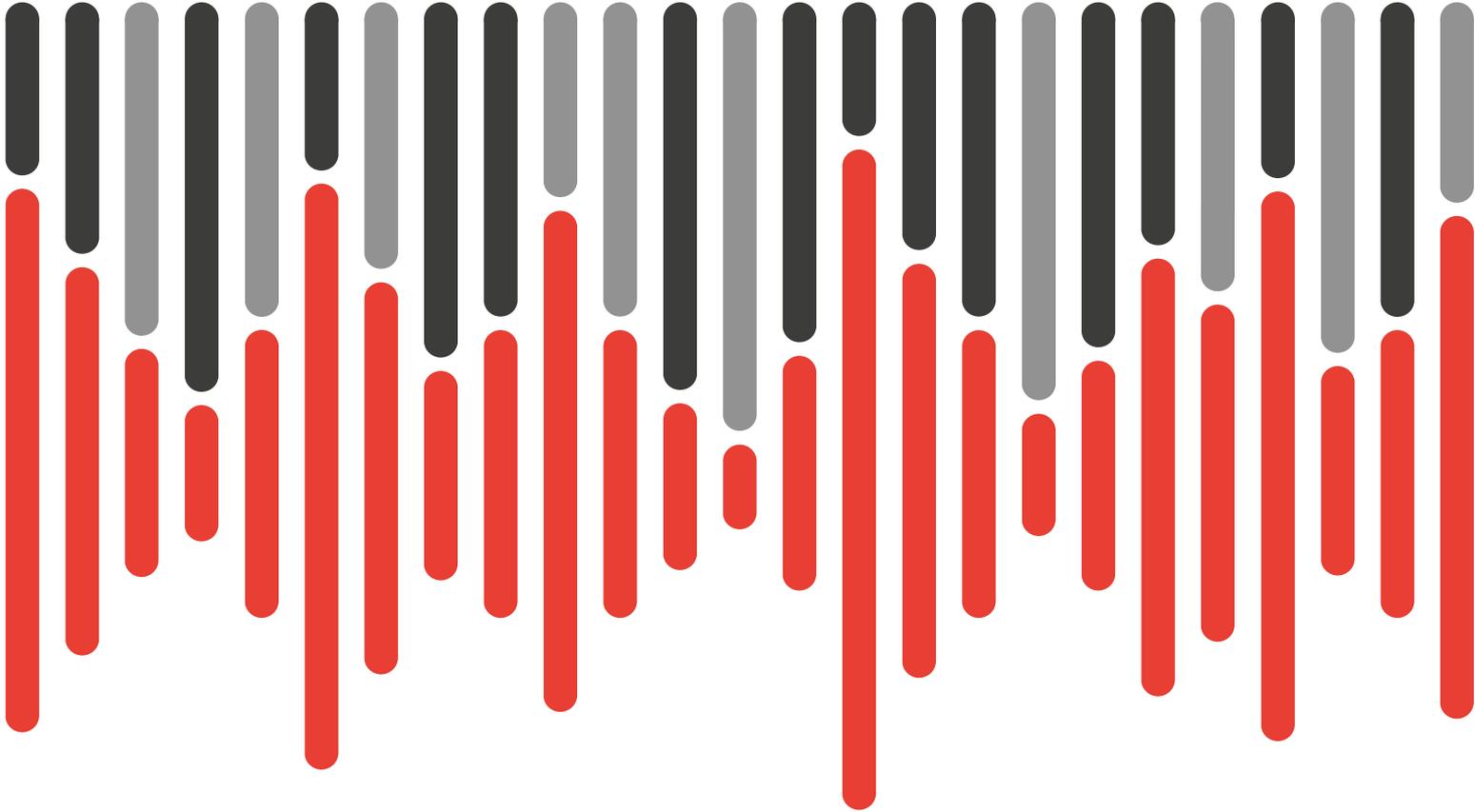


# M&A Integration

Fostering virtual collaboration and  
trust-based relationships



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# A Several success factors secured post deal value creation prior the COVID-19 pandemic

After a long period of economic growth and associated M&A transformations, the M&A market is currently shifting in the wake of the global pandemic. This significant shift requires deal processes that effectively employ both, established methods and new ways of working and tools particularly during an integration – with the essential goal of realising synergies and preserving value after Closing.

From the first interaction between acquirer, seller and target, until Signing and Closing of the deal and finally to celebrating key milestones along the integration journey as a team – in-person meetings, workshops and get-togethers used to be central elements along the deal cycle to foster strong working relationships for later integration. Especially now during the current COVID-19 pandemic, the critical factors upon which any integration's success hinges need to be carefully considered:

1. Ensure buy-in from top management for the remote integration process
2. Be progressive in respect of adopting digital collaboration forms and ramp-up digital IMO early
3. Establish frequent touchpoints to align on critical paths and value creation process in a virtual setup
4. Cultivate relationships between stakeholders and employees to build trust by encouraging one-on-ones with team members for casual dialogues
5. Plan and prioritize critical integration components before deal Closing, especially tasks that require physical presence
6. Conduct digital upskilling early throughout the organization and ensure digital muscles stay in shape

In order to master all critical elements of a successful integration, companies need to balance what has always been essential in M&A Integration with an agility that is critical in a more uncertain global landscape.

## B Obstacles arising from COVID-19 show increasing impact on integration activities along the deal cycle

The current COVID-19 crisis ultimately changes the way we work, and success factors need to be re-considered. Especially success factors such as comprehensive asset assessment, management involvement and convincing key stakeholders and future employees through sharing a compelling integration story heavily depend on physical interaction, personal attention and communication.

Increasing uncertainty of market conditions, ambitious business plans and delayed bidding processes lead to constantly changing enterprise values and respective valuations. Besides, the at-the-first-sight unavoidable risk of an incoherent pre-deal process due to physical distancing measures complicates the valuations even more. Further, the ambiguity of current and future market conditions results in potentially inaccurate business plan forecasts.

The main success factor behind many post-merger integrations has been building strong working relationships

through joint face-to-face meetings, workshops, problem-solving sessions and social events, i.e. Kick-off-Dinner, Off-Sites etc. Consequently, one of the first and main question for us to answer was: Considering the strict contact limitations, how do we continue delivering value as effectively, efficiently and trustworthy as before?

Dealmakers are familiar with facing uncertainties, however the degree and novelty of COVID-19 repercussions set the Mergers and Acquisitions market under tremendous pressure. We adapted our deals business to the challenges by quickly switching to an all-virtual working mode and leveraging new technologies. Digital competencies and creative solutions do not necessarily have to be the deal cornerstone but can offer major value from deal preparation to integration and beyond. This has helped us to foster early relationship building between acquirer and target, as well as for us as consultants with our clients.

### Obstacles and Solutions throughout the Deal Lifecycle of a Post-Merger Integration Project

	Signing	Closing	
<b>Timeline</b>	Due Diligence	Management Meetings and Anti-trust Clearance	Post Merger Integration
<b>Degree of Physical Interaction (pre-COVID-19)</b>			
<b>Obstacles</b> 	<ul style="list-style-type: none"> <li>Asset analysis via physical site visits not possible</li> </ul>	<ul style="list-style-type: none"> <li>Increasing uncertainty of market conditions and performance</li> <li>Physical meetings not possible</li> </ul>	<ul style="list-style-type: none"> <li>Integration success hinging on people's interaction and motivation</li> <li>Adaption to new way of working</li> <li>Gathering of international stakeholders and authorities not possible</li> </ul>
<b>Solution</b> 	<ul style="list-style-type: none"> <li>Digital virtual video walks/site visits with drones</li> </ul>	<ul style="list-style-type: none"> <li>Virtual negotiation sessions with break-out rooms</li> <li>Interactive, virtual kick-off calls</li> </ul>	<ul style="list-style-type: none"> <li>Large scale workshops such as digital Interdependency workshops as a new way of remote collaboration</li> <li>Virtual townhall meetings with workstream leads using break-out rooms</li> <li>Experience centre for small workshops outside on the client's campus</li> <li>Virtual team events enabled through application of collaboration tools</li> </ul>

# C Our solutions derived from integration projects during the COVID-19 pandemic equip you for the integration journey in uncertain times and beyond

We hereby want to showcase some examples of how we overcame the mentioned obstacles during the pandemic and how we continue to leverage lessons learned. The examples reflect collaboration tools, meetings and workshops along the integration cycle.

## Virtual Site Visits

During the due diligence phase, it is crucial to conduct a comprehensive asset analysis of the target. This is usually done via physical site visits. Due to the current conditions, preventing many people from travelling, new ways to conduct an asset analysis were established. Hence, we developed an approach for a virtual site visit of the target company. This allows for a fully digital detailed asset inspection that substitutes in-person visits while respecting travel restrictions.

Two main methods of virtual site visits have assisted us with conducting a thorough due diligence for our clients: a digital virtual video walk inside the facility and an aerial drone video inspecting the facility from the outside. We produced and delivered high resolution in- and outside videos for our client via a cloud-based platform that can be easily accessed. Another upside is that the videos can be replayed, paused and shared with more people – benefits that a physical site visit does not entail. Those remote asset insights services allowed for a fully detailed digital asset inspection and analytics of data acquired during the time of restricted mobility, ensuring an uninterrupted due diligence process.

### Virtual site visit via drone



# Leadership Kick-off

In the beginning of an integration, leadership Kick-offs also serve the purpose of getting to know each other better. This renders informal and non-verbal communication equally important to formal information exchange. We thus strongly encourage our clients to enable the video function during calls. Our experience shows that video cameras can create an in-person atmosphere. This is particularly essential during an integration project and kick-off events.

Moreover, the usage of polling tools is a good way to assess the participants' mood and to acknowledge and approve joint working concepts in real-time and anonymously if required. We experienced a significant increase in the efficiency and collaboration of our virtual meetings through the utilization of such tools.

## Digital Kick-Off Meeting for a Post-Merger Integration Project

**INTEGRATION KICK-OFF**

Use this when you're about to begin a new project and you want to get everyone on the same page.

**Project description:**

**Get to know each other:**

- Add your name, your role, your email and 3-7 pictures that describe you (Example: Your hometown, your hobbies, a picture of your pet etc.) **5-7 minutes total**
- Present your image one by one. Explain why you chose what you chose. Follow the presenter by clicking their profile at the bottom of the screen. **1 minute per presentation**

**Share hopes and fears:**

Understanding each other's feelings can help you address fears and rally behind shared hopes.

- Everyone should independently write their hopes for the project and their fears for the project. **5-7 minutes**
- The facilitator should read all the hopes out loud, and then all the fears. It is not necessary to state anyone else's hopes. Expectation sheets that are expected to occur. **5-7 minutes**

**Skill-Matrix for personal skill evaluation:**

Understanding team members' skills, strengths and weaknesses.

- Everyone should independently fill out the matrix and send it to the workshop facilitator. Please use the provided legend codes to demonstrate your level of expertise in each skill category. **5-7 minutes**
- The facilitator should collect all matrices and merge them all into one matrix for presentation purposes. **5-7 minutes**

Legend:

- 1: I feel quite comfortable working in that area\*
- 2: I can work in that area, but it takes more time/effort
- 3: I am eager to learn more in that area\*

Project Essentials	Team Members						
	Member 1	Member 2	Member 3	Member 4	Member 5	Member 6	Member 7
1. Communication Skills	2	1	3	2	1	3	2
2. B2B	1	2	3	1	2	3	1
3. Digital Capabilities	3	1	2	3	1	2	3
4. Strategic Mindset	2	3	1	2	3	1	2
5. Experience with CRM system	1	2	3	1	2	3	1
6. International Competence	3	1	2	3	1	2	3
7. Recruiting for L2 roles	2	3	1	2	3	1	2
8. Salesperson	1	2	3	1	2	3	1
9. Account Kick-off	3	1	2	3	1	2	3
10. Collaboration	2	3	1	2	3	1	2



## Virtual day-to-day collaboration

As a result of the limited in-person meetings, we had to find new ways to communicate with our client on a day-to-day basis. As every company has their own set of collaboration tools, it is key to align early on the virtual environment ensuring compliance to data security policies. Hence, when ramping up the project we jointly aligned on the collaboration tools to be employed throughout the project.

For example, we used a cloud-based work management tool that allows us to collaborate in real-time and provides

project overviews, dashboards and visualizations to track progress and completion across workstreams. This assisted us to reduce mail traffic and hence increase efficiency across the integration team members. Additionally, we used the tool's web and mobile applications designed to help teams organize, track, and manage their work on any device. Due to its user-friendly interface, this collaboration tool contributed greatly to the overall project success.

## Digital Agile Project Management for a Post-Merger Integration Project

**Integration Management Office (IMO)**

List **Board** Timeline Calendar Progress Forms More...

RS MM KG SA

**New Requests**

- Day 1 planning and readiness implementation (KG, Jul 19, 2)
- Day 1 and key integration risks (RB, Aug 4-7, 1)
- Ramp-up of project governance and team (MM, Aug 16, 3)

**In Progress**

- Detailed communication plan (SA, Monday, 5)
- Detailed project setup and approach (YM, Today, 14)

**Completed**

- Aligned guiding principles (RS, 3)

**References**

- Day 1 readiness checklists
- Communication roadmap
- Workstream charters

## Cruise-the-Charts

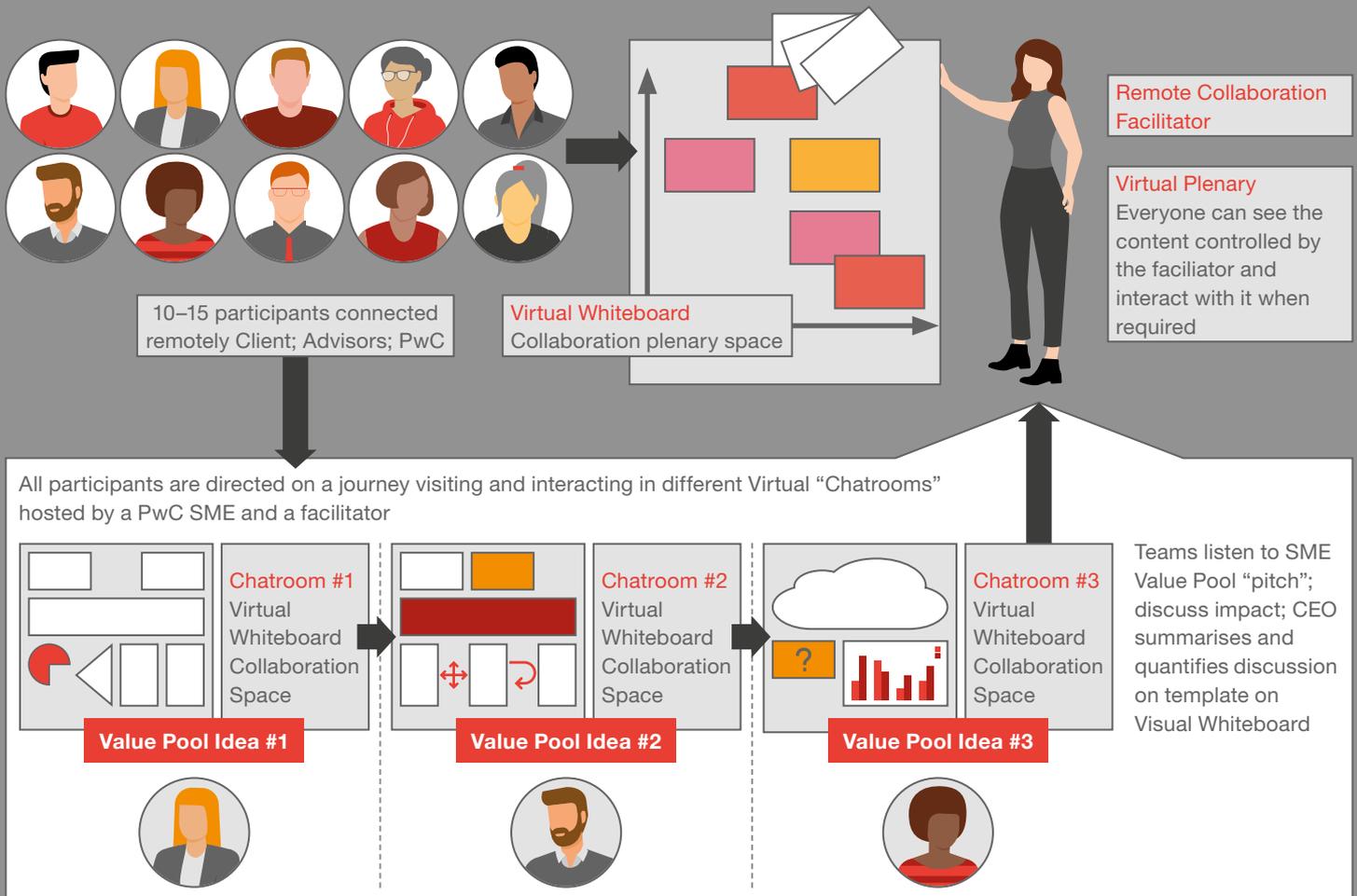
One major aspect of our functional integration planning work is usually conducted physically in so-called “Obeya rooms”. To comply with distance restrictions, creative solutions and settings were required. Hence, we transferred the workspace into a virtual setting. We used virtual storyboarding tools to draw on virtual flip charts and whiteboards along a predetermined path. In this “cruise-the-charts”-approach we jointly discussed, adjusted and

documented each relevant preferred future state and potential roadblocks.

Other occasions for a physical, yet distant interaction can include:

- Smaller Kick-off events
- Functional workshops
- Day 100 planning

### Digital Workshop Cooperation for a Post-Merger Integration Project

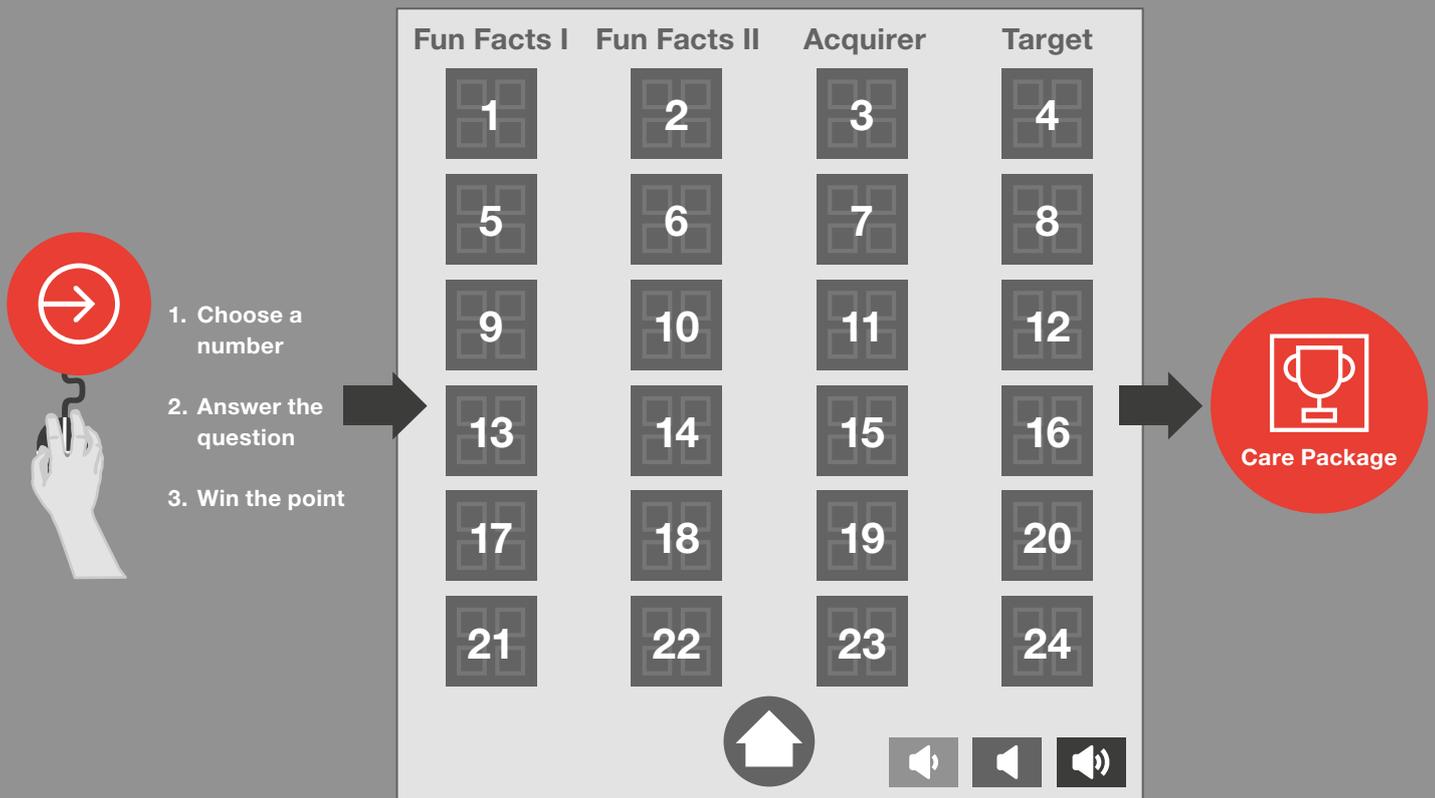


## Team building and milestone celebration

During any integration, team building measures and the celebration of successes and milestones are essential for integration success. Prior to the COVID-19 pandemic, team dinners, after-work activities or similar events served the purpose of creating team spirit and keeping up the momentum of an integration. Due to the contact restrictions

we revised our collaboration formats and went digital. After developing a Team Charta and getting to know each other better during a virtual internal team Kick-off, we scheduled regular virtual game nights hosted alternately by different team members.

### Digital Team Event celebrating the Successful Completion of a Project Milestone



Our learnings from recent projects show that by leveraging postal service and video conferences similar team building experiences can be created. In addition to celebrating the successful completion of each project phase, one special event is the Day-100 celebration. We celebrated this milestone with a cooking event, where the ingredients were sent to team members upfront. Guided by a professional chef all team members cooked a delicate meal together. An unforgettable cooking experience like this brings the team members closer together, which in turn has an instant impact on their motivation and performance.

## Large scale virtual workshops

Large scale workshops as for example an interdependency workshop were typically held over several days in conference rooms. However, they can be successfully conducted virtually by applying a few important twists.

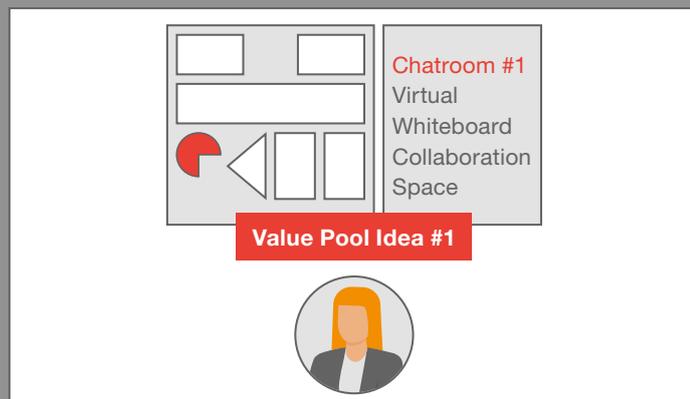
Various communication technologies enable us to virtually form breakout groups to discuss e.g. within individual functions. Subsequently, results can be discussed in the joint plenary session. Collaboration is made effective and interactive by using digital whiteboard tools to note ideas on sticky notes and prioritize them in a pre-defined matrix. Further, a cloud-based solution offers the opportunity of real-time interaction with an audience. Tools enabling online gatherings around virtual tables using avatars can substitute for different conference rooms and enable informal get-togethers after the workshop.

The following considerations proved to significantly enhance the experience and success of virtual workshops:

- Shorten presentation length to the minimum and send out pre-reads
- Involve the audience by interactive exercises on digital whiteboards or using poll tools
- Introduce walks between sessions over the phone to stay connected and leave space for personal conversations e.g. during breakout coffee breaks
- Measure and track the participants' motivation level and atmosphere with frequent digital and anonymous pulse checks – react respectively according to the participants' needs
- Encourage workshop participants to stand up and take a walk outside during breaks
- After the session, follow-up with individuals to catch their feelings and uncover needs – consolidate your findings and derive concrete actions

### Digital Interdependency Workshop for a Post-Merger Integration Project

#### Interdependencies across Workstreams



#### Workshop Concept and Approach

- Functions presented their milestones and were asked to align on cross-functional interdependencies and predecessor milestones
- Jointly developed a cross-functional project plan including timelines per activity/milestone and critical path
- An online whiteboard collaboration platform was used. This cloud-based solution offers the opportunity of real-time interaction with an audience (either directly in the tool or via screenshare)



## D Conclusion and way forward

In the light of the persistent pandemic new ways of working evolve. With a variety of digital solutions, our ways of working and the tools we jointly select and employ with our clients advance constantly. This requires enough time for building capabilities while onboarding new integration team members, the right balance between required and achievable pace, a high level of agility, as well as highly motivated and dedicated teams on either side. Going digital on a post-merger integration spanning across countries during the pandemic encouraged us to reimagine what is possible in the collaboration with our clients. With great dedication and by using a variety of collaboration tools we were able to substitute in-person meetings to a great extent and deliver our services as before COVID-19 times.

Now it is time to keep the momentum to work with virtual collaboration tools that propel innovation and accelerate transformation. As digital tools become more advanced, “fit for purpose” tools need to be embedded in the integration process. This requires upskilling of the workforce to master integration challenges. Looking forward, the “New Normal”

presents opportunities to combine best of both worlds on integration projects after COVID-19.

Employing digital collaboration tools, enabled us include all relevant stakeholders into the decision-making process. This is of importance especially for post-merger integration projects, considering the company’s size and global footprint, as well as the unique demand of all stakeholders to experience a seamless transition. In addition, we experienced that the application of various collaboration tools contributed significantly to higher level of productivity of employees due to the well-planned digital collaboration.

On the other side, our digital collaboration provided our team the ability to access, create and modify our project deliverables, e.g. working real-time with multiple individuals on a deliverable. This has resulted in a high level of commitment and excitement from all project members, regardless of their seniority level, location and tasks. Therefore, the application of our set of collaboration tools had a positive impact on the digital upskilling across all project members.

Despite all the creative thinking to bring engaging events to a virtual platform some things cannot be rebuilt in a digital environment. First, virtual collaboration tools often prevent team members from informal communication between meetings and via body language. Secondly, there will always be some tasks that require physical presence at the seller’s, acquirer’s or target’s locations. Nevertheless, virtual M&A Integrations can be overcome with creative digital collaboration methods and tools, but we will miss some personal touch between the lines.

# PwC Contacts



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