Session Scope

This Session Will Focus On:

• Overall M&A market
• M&A strategy
• What we expect over the next 12 months
• Due diligence
• Supply chain integration
  – Business strategies
  – Operations strategies
  – Organization and structure
Overall M&A Market

• M&A volume was down in 2009 – lower than any year since 2004 – but 2010 has seen an improvement.

• M&A market is driven by low interest rates, increased focus on top-line growth and more than $500B of capital in private equity funds.

• Firms are doing M&A with an orientation toward becoming more global.

• Deals are being done with already available cash, so they are moving very quickly.
M&A Strategy

• M&A now is less about reducing costs and more about profitable growth, new markets, new products and improved talent.

• Companies are doing M&A to combine assets, infrastructure and brands.

• Companies are also gaining access to potential new markets and customers in the global economy.

• The focus on growth is driving increased market share and new business arenas for those who do M&A well.
Expectations Over the Next 12 Months

• M&A deals will get hotter and bigger.
• Overall activity will accelerate as business conditions improve.
• Corporate M&A will continue.
• Business climate changes will be more favorable to M&A.
• Value propositions for doing M&A deals for all types of firms will improve.
Due Diligence

Key Considerations

• Identify synergy with existing operations and areas of overlap that could warrant consolidations.

• Estimate investment costs and operational savings.

• Within the supply chain, identify the strengths and any untapped potential for future value creation.

• Define basic weaknesses, and estimate potential future cost impacts.

• Document operational cost reduction opportunities, time frames, resources and risks.

• Outline a first 100 days of ownership plan.
Supply Chain Integration

Business Strategies

- Achievement rate on these goals is limited.
Supply Chain Integration

Understanding Business Strategies

• Is the strategy to compete as the low-cost supplier, high-service provider, or both?
• How will this vary by geographic or customer markets?
• Will the new company enter new markets or new channels?
• Will there be a focus on new products and their rapid introductions?
• What are the growth plans for the combined business? How are supply chains expected to enable these?
Supply Chain Integration

Setting Operations Strategies

• Identify the business strategies that operations need to enable.
• Formulate the strategic description of how the integrated supply chain will operate.
• Determine the best supply chain strategies to meet operational goals.
• Assure that the respective supply chains can provide for these operational goals or what is needed to transform them.
• Validate that the operations strategies align with business strategy.
• Determine the right performance measures to track progress.
Supply Chain Integration

Organization and Structure

• Organization and structure follow strategy.
• Assess current structures for capabilities, competence and performance.
• Consider the cultural factors.
• Expect to see certain planning processes and process standards to be centralized globally.
• For regional organizations, all supply chain tasks and processes would be present.
• For local organizations, processes and functions would be mostly facility-based.
Supply Chain Integration

Key Principles of Supply Chain Reorganizations

• Evaluate the end-to-end process.
• Ensure that the mega processes are integrated at some level.
• Think process, not department, office, or function.
• Think cost, time, and quality of the flows.
• Make sure physical, information, cash and work flows are addressed.
• Set the right criteria for evaluating alternative designs.
• Establish teams that will plan, evaluate and decide on the new organization.
Supply Chain Integration

Process Supply Chain Objectives

• Synergies of supply chain cost reduction
• Optimization of inventory
• Value creation for growth
• Rationalization of facilities
• Facilitate supply chain innovation