



## Case study: Achieving joint venture synergies sooner

### Situation

Two of the largest media and electronics firms in the world were struggling with declining sales, shrinking profit margins, technology concerns and other issues unique to the industry. Separately, their futures would be in jeopardy. Together, they'd have the second-largest market share with a combined workforce of 10,000 in 40 countries. Leadership of both enterprises, which were stand-alone subsidiaries of larger companies, decided to form a joint venture, preserving their independence while capturing synergies.

### Challenge

Where to start? Because some of the operations were in Europe, the deal required regulatory approval from both the US and the EU. In addition, integrating European operations would entail complying with complex works councils' requirements. Were those challenges not enough, both entities had to grapple with decidedly different cultures. Both companies had strong HR functions with very different operating models, which meant that programs and policies would have to be replaced with a single approach to support the specific objectives of the venture. As for leadership, other than the top three positions, no other senior management was in place. At the same time, there were multiple sets of advisers – accountants, lawyers, management consultants, investment bankers, HR consultants – compounding the complexity. Finally, while the companies were eager to begin realizing the potential synergies, they needed to continue to operate separately, pending regulatory approvals, which were uncertain at best. Once approvals were received, there would be less than three weeks until close and the official startup. The venture partners turned to Mercer for help.

### Action

Given the short timeframe, Mercer quickly fielded a “clean team” to accelerate and enhance integration planning. The Mercer consultants served as an objective third party to capture and aggregate key HR information that would inform leadership's decision making while abiding by the strictest confidentiality and antitrust requirements before regulatory approval was granted. As the deal's nerve center, the clean team was a centralized resource for each company's integration planning teams as well as for a joint management committee. From its pivotal vantage point, the clean team began the important task of “building out” the deal rationale, using it as the prism through which to identify outcomes and barriers as well as to inform all decision making. For example, Mercer developed a “people” operating model aligned with the business strategy, also using it to develop and validate side-by-side people policies and programs and to determine our recommendations. Finally, detailed implementation plans were developed so the venture would be poised for action pending approval.

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## Results

All these actions were completed in the 120 days leading up to approval. Both organizations continued to run their businesses uninterrupted up to the close of the deal. Upon regulatory approval, when full access to information was granted to both parties, Mercer reviewed and finalized the integration plans. Leadership and functions were in place at close, 20 days after approval. Ten weeks later, the workforce was trimmed, including using a special early retirement program, to eliminate redundancies and functions unrelated to the joint venture's strategy. Because of the clean team's clear line of sight to the venture's desired outcomes, Mercer was able to draw on the projected synergies and integrate activities more quickly, achieving the venture's objectives in the first year and also contributing an extra \$300 million in savings.