

→ Venture Integration

Mergers and Acquisitions: The Promise and Challenge

Mergers and acquisitions are one of the most promising—and challenging—of all corporate activities. While successful deals can add significant value to the bottom line and help achieve underlying company objectives, getting there requires careful navigation, planning and management through a complex business process.

VENTURE INTEGRATION WORKS TO MONETIZE THE DEAL

Venture Integration serves as a consulting force within Microsoft, bringing together teams to align integration and deal strategies and then execute the plan to deliver value for the company. The bottom line goal: Maximizing the value of each merger, acquisition and joint venture.

"After all the dealing and all the diligence, real success depends on proper integration."

- PWC

INTEGRATION IS CRITICAL TO DEAL MONETIZATION

Across many industries, as many as 70% of mergers and acquisitions fail, and business experts agree that in many cases integration failure is equivalent to deal failure. Acquisitions are complex and difficult to manage successfully. Without careful integration planning and execution, they can easily fall apart.

Venture Integration provides broad, strategic perspectives throughout the deal process to make certain the integration plan delivers intended business results and adds to Microsoft's existing core competencies. Venture Integration helps Microsoft realize the value of deals by playing the role of team leader, expert consultant and process integrator to address the inherent complexities of integration.

The Venture Integration team is comprised of experts that create processes, provide consulting resources and simultaneously manage the various elements of the integration process. The team's interdisciplinary foundation plays a critical role in contributing to Microsoft's strategy.

VENTURE INTEGRATION TEAM

Integration Management
Venture Integration Human Resources
Venture Integration Finance

ROLE OF VENTURE INTEGRATION

Pre-Deal (validating deal viability)

- Business strategy validation
- Test financial assumptions
- Co-own confirmatory due diligence
- Risk assessment and mitigation
- Assist with acquisition terms and structure
- Organization and coordination
- Executional assessment (business and integration plan)

Post-Deal (driving value for MS)

- Lead and manage execution
- Partner with BU owner to build a comprehensive business and integration plan
- Provide an objective point of view
- Issue/conflict management
- Measure progress against integration objectives

EXTENDED TEAM

Venture Integration's success is not possible without the cooperation and leadership of the extended Venture Integration community and its executives. Venture Integration relies on internal teamwork from numerous groups:

- Corporate Development
- Human Resources
- Corporate Services
- Finance
- Real Estate and Facilities
- IT Systems
- Operations & Technology Group
- Sales, Marketing and Services
- Compensation and Benefits
- Law and Corporate Affairs

SUCCESSFUL ACQUISITION INTEGRATION DEPENDS ON:

- Identifying measurable acquisition objectives prior to deal close
- Clearly defined business plan outlining the organizational, intellectual property and go-to-market strategies
- A qualified, experienced sponsor/champion engaged through the end-to-end process
- Use of a consistent integration process across functional teams
- Early engagement of appropriate functional expertise for the duration of the deal's life cycle
- Defining, monitoring and reporting on clear success metrics
- A practice of continuous learning

⇒ Integration Success Story: The Navision Acquisition

In July 2002 the largest global acquisition in Microsoft history, Navision, headquartered in Denmark, was poised to give a significant boost to Microsoft's Great Plains Business Solutions Division. The \$1.46 billion deal brought geographic and product strengths in business solutions and added 1,300 new team members, 2,400 worldwide partners and more than 136,000 installed customer solutions.

INTEGRATION CHALLENGE

Successfully integrating Navision's people, products, partners and customers—all geographically dispersed—required a well orchestrated plan and execution. The Venture Integration group was given the challenge of ensuring continuity of service to Navision partners and customers while making sure the company was brought in quickly to realize its full potential.

COORDINATED SOLUTION

In order to achieve the acquisition goals while minimally impacting business, Venture Integration built a worldwide organizational framework to develop and implement critical integration strategies. Over 150 team members from various corporate groups participated to define and accomplish the following integration objectives:

- Protect Great Plains and Navision revenue streams
- Manage administrative requirements of new ownership
- Manage relationships and communications with team members, customers and partners
- Identify cost savings and revenue synergy opportunities
- Rationalize go-to-market and product development strategies
- Build infrastructure to support future business needs
- Plan, communicate and measure progress

SUCCESSFUL INTEGRATION = RESULTS

The integration was successful and fulfilled the goals of the acquisition to move Microsoft's Business Solutions division forward:

- Microsoft's Business Solutions saw a 9% year over year increase in gross revenue
- Navision revenue jumped 111% of budget, an increase of 18% Y/Y
- Navision and Great Plains customer satisfaction in EMEA increased by 10%
- Number of partners authorized to sell Great Plains and Navision products increased 13% Y/Y
- Total people attrition was low and less than expected
- Integration costs were substantially under budget