A Merger Going Right!

About this time last year two printing executives met for lunch. Both agreed that business was OK but not what it used to be - the local economy was very soft. They both sought ways to prepare their firms for the changes taking place in their markets.

Possibly you have been part of a similar meeting. Maybe you have even explored combining your company with another to strengthen your position in the marketplace.

Merger Of Equals

What made this situation different? These two printing executives actually merged! And they did it in a manner that allowed one executive to fulfill a goal of achieving some personal liquidity, without the new company taking on any more debt. They combined via a process known as Merger of Equals: they just exchanged stock in their firms for stock in n new firm.

Chuck Rymal owned Oakland Printing Services, a $6.5 million high-end, high quality half size sheet-fed printer that also specialized in mailing, digital print and had extensive knowledge and capabilities in cross media services. The other executive was Jim Russell, an investor in Arbor Press. Arbor Press, a $7 million full size sheet-fed printer who also has Didde-web capabilities, was located in a 30,000 square foot facility with ample room to house both printing firms.

In Advance Implementation Plan

The merger started with a plan outlining the key steps and most importantly the identification of key people responsible for implementing the consolidation. The new entity, to be known as ArborOakland Group (AOG), was on its way to becoming reality.

Paul Cartwright, the current VP of Sales and Marketing for the ArborOakland Group, was responsible for integrating the sales function. There was little sales overlap between the two companies and not one customer represented more than 6% of sales of either firm. For the few occasions where there was account overlap, account responsibilities were clearly delineated and conflicts were settled by appointing the sales exec most likely to succeed in servicing the customer.

Sharon Kolodziejski, HR Manager at the ArborOakland Group, took care of benefit and payroll consolidation, and the physical plant needs including arranging for cubicles/ furniture, phone lines, computers, etc. Everything was ready ahead of time so that the sales and customer service staff from Oakland could make the move to the Arbor facility as soon as the merger was announced.

The moving of the production equipment was handled by Chuck Rymal, current VP of Operations of Arbor Oakland Group. Rymal worked closely with Richard Johnson {Production Manager), to determine which equipment would be kept, coordinating the sale of the excess equipment, and the moving of the equipment that needed to be relocated.

What They Did Right

Customers Were Put First

- Customer service reps were provided all the tools they required to transfer production.

- Production was moved only after capabilities were in place at new facility.
- Sales rep assignment was based on who could best service the customer.

Objectives and Benefits Of Merger Were Identified Before Implementation Commenced

Integration Plan Was In Place And Implemented

- Executives were assigned certain tasks and held responsible for implementation.
- Executives were afforded time to implement.

For the first 60 days of the merger, the owners kept pinching themselves because things had gone so smoothly. To this day, there are very few things they would change. The customers and sales staff were understanding of the few hiccups that occurred in order entry and production during the first 3-4 weeks. There were natural challenges as the former Oakland staff not only was uprooted from their old facility but learned new systems and procedures and a new MIS (Management Information System) system when they moved into the Arbor Press facility. Each Oakland customer service rep was assigned a "buddy" from within the Arbor Press system, so they had someone to go to, to answer questions about workflow or MIS issues.

The integration of the production team went smoothly as well, as Oakland Printing Services finished up the work they had in their facility over the first few weeks and then gradually their staff and the equipment that was needed were moved to the Arbor Press building.

In Advance Benefits Identified

Upfront the owners identified significant benefits of a merger. Most importantly, customers had more options and more products available to them due to the merger. In addition, some 15 redundant positions within the two companies were eliminated. One facility and its fixed costs were eliminated. Excess and redundant equipment was sold to reduce debt.

The Results

The bottom line is that the owners' investments arc now worth many times more than they were worth one year ago. Several sales executives have invested in the new firm providing significant liquidity for the firm to weather these difficult economic times. And Rymal and Russell are willing to share equity with others if the right opportunity comes along to do another "merger of equals."

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