

# *Merging Two Companies*

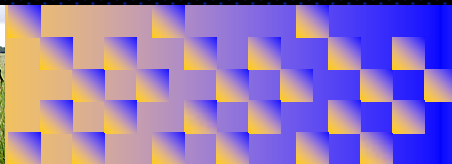
ICAR Meetings Porec, Croatia

May 13<sup>th</sup>, 2009



Richard Cantin, CanWest DHI

Guelph, Ontario - Canada



# Agenda

Background of the merger between  
Ontario DHI and Western DHI

Politics, Business Cultures & Geography

The Good, the Bad and The Ugly

Summary



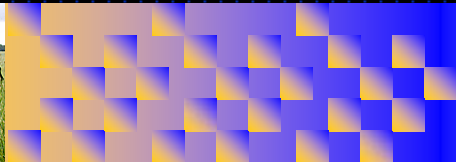
# Background

- 1905 Federal Government establishes national program
- 1950's Provincial Governments establish programs (DHI)
- 1980's Provincial DHIs are privatized (producer run co-ops)
- 1980's Federal program amalgamates with provincial DHIs
- 1990 3 Western provinces merge – Prairie DHI
- 1994 Prairie DHI and BC DHI merges – Western DHI
- 2000 National Processing Centre
- 2004 Western DHI merges with Ontario DHI – CanWest DHI
- 2008 Atlantic DHI merges with Valacta (Quebec DHI)



# Background

Evolution rather than a  
Revolution



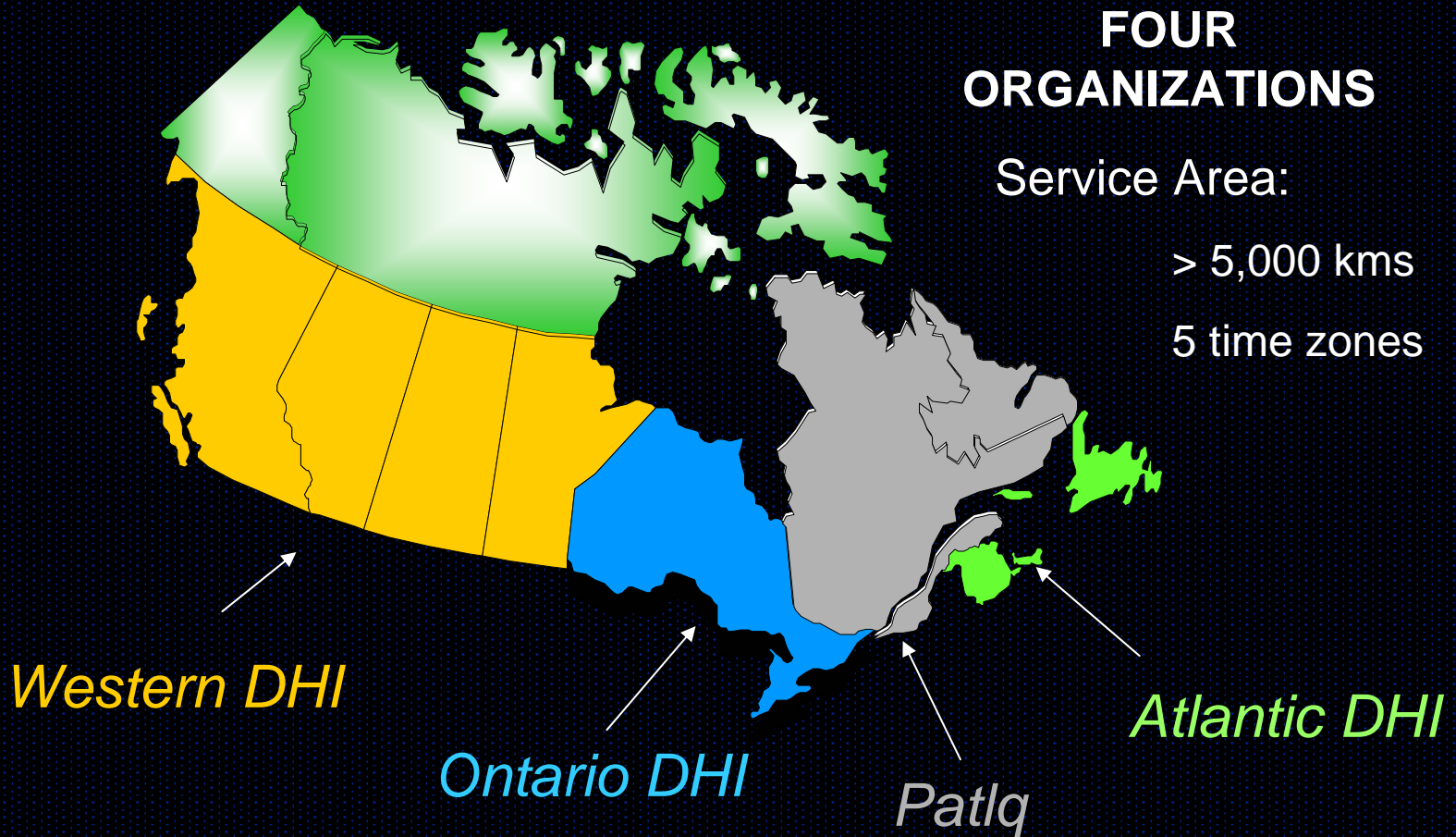
# Milk Recording in Canada: 2004

**FOUR  
ORGANIZATIONS**

Service Area:

> 5,000 kms

5 time zones



# Milk Recording in Canada: 2009

**TWO  
ORGANIZATIONS**

Service Area:

> 5,000 kms

5 time zones

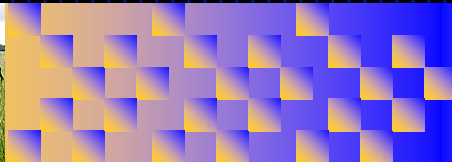
10,000 herds

715k cows



*CanWest DHI*

*Valacta*



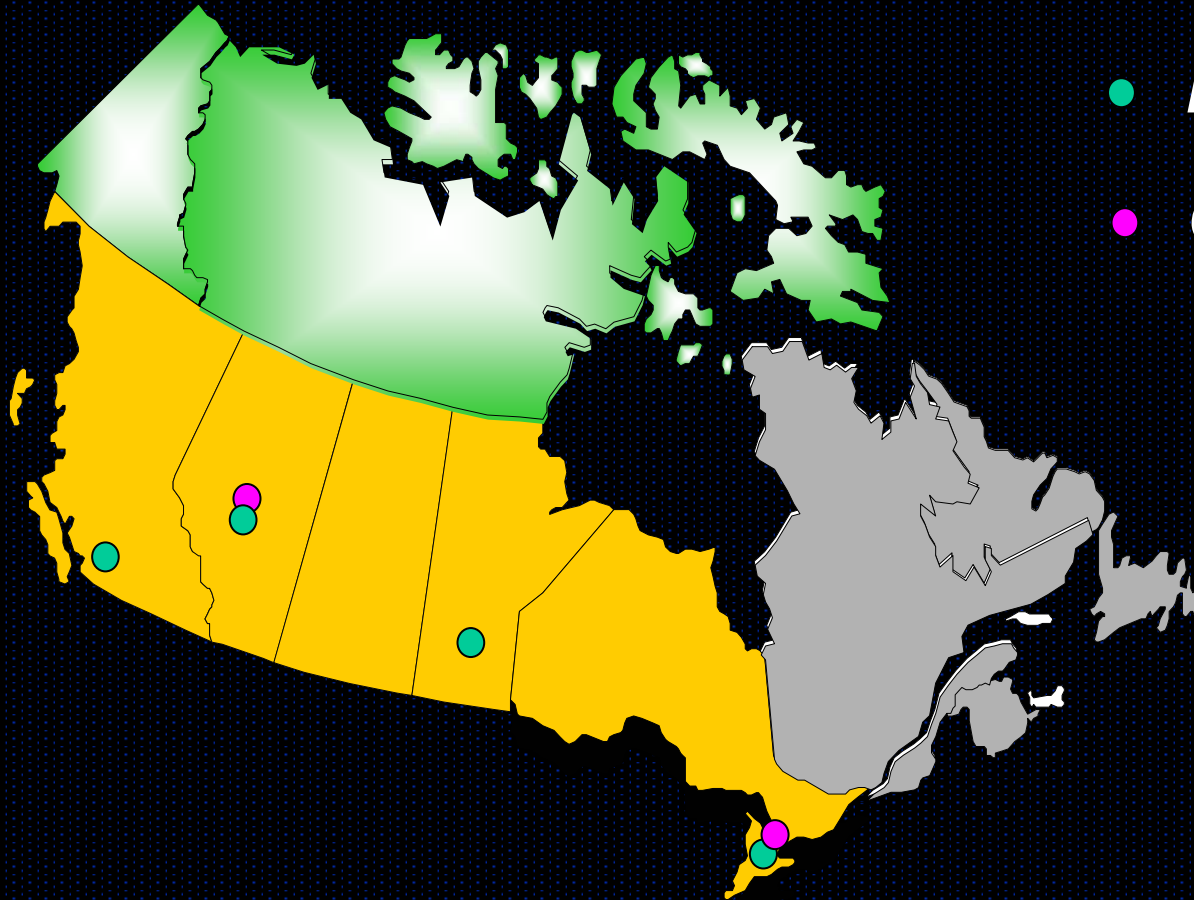
# Overview

	<i>Ontario</i>	<i>Western</i>	<i>CanWest</i>
Total Employees	125	60	185
# in Field	80	45	125
# DHI Herds	3,181	1,164	4,345
# DHI Cows	231k	148k	379k
Cows/Herd	73	127	87

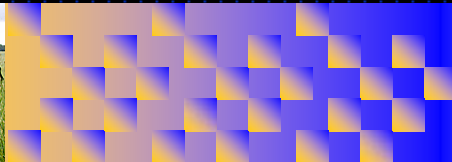


# Offices & Laboratories

## Before



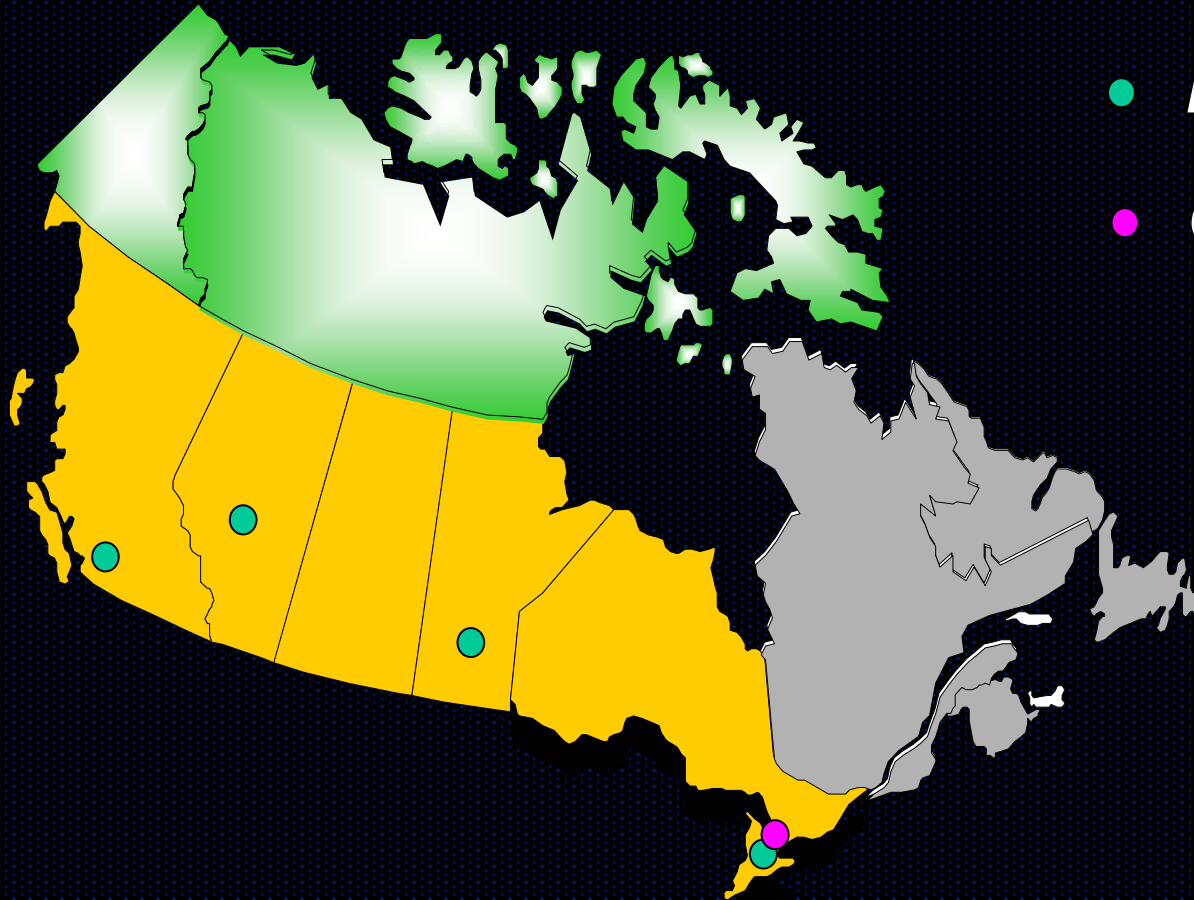
- Labs (4)
- Offices (2)



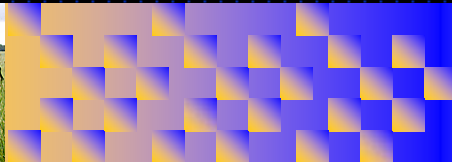


# Offices & Laboratories

## After

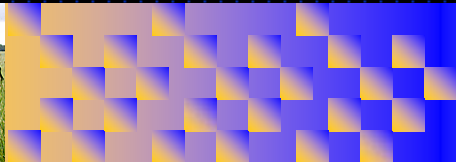


- Labs (4)
- Offices (1)



# Why Merge?

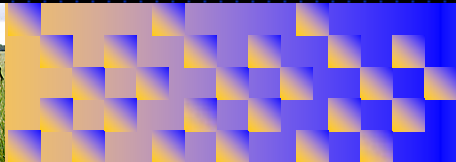
- Consolidating customer base (3-5%/year)
  - Decrease fixed cost/herd
- To Gain Efficiencies
  - Economies of scale
  - Reduce costs
- Logical next step



# Why Merge?

But most importantly for us:

To Maintain the 'Critical Mass'  
necessary to invest in Product  
Development and therefore  
continue to meet the evolving  
Customer Needs



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# Politics

## Merger vs Take Over

Important distinction...

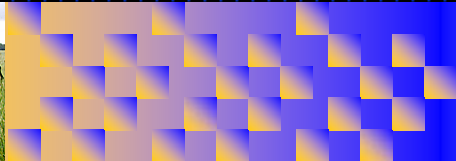
Turns 'Us & Them' into WE

'NEW' organization



# Politics

Reposition as 'NEW' organization



# Politics

Both organizations were Farmer Owned Corporation

- Similar governance structure
- Producer Directors knew and 'liked' each other – built relationships over time



# Politics

## Board of Directors

Before...

Ontario: 10 Directors

West: 6 Directors

After...

CanWest: 10 Directors →

6 Ontario

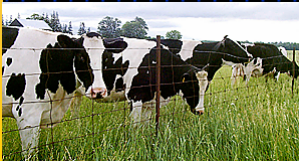
4 West





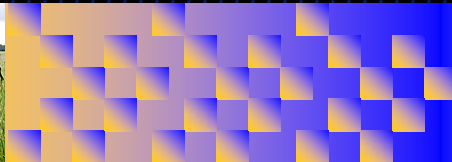
# Business Cultures

- Both organization offered similar services
- Were already sharing some resources  
(data processing, CSD, field hardware support, accounting)
- Shared vision, focus & priority on Herd Management Services
- Operated in 1 language (English)



# Business Cultures

- Similar way of looking at things...
  - ‘For profit’ culture
  - Entrepreneurial approach
- GM of both organization shared the vision of a merged organization

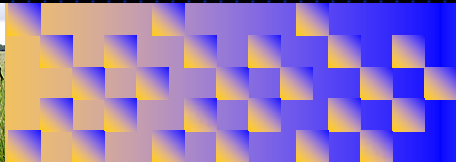


# Geography

## Significant issue for us...

- 5 Provinces, 3,000 kms, 3 time zones
- Cultural differences... East vs West
- Local independence...

‘Someone far away, that doesn’t understand how we do things in this part of the country will be making decisions.’



# Geography

*Can limit the opportunities for integration...*

- Field Management - Territories become physically too big... heavy travel & inefficient
- Provincial differences
  - Labour laws, tax laws
  - Unionized & non unionized staff
  - Etc...



# Geography

*Can limit the opportunities for integration...*

Laboratories:

- Sample volumes are modest in some locations, but...
- Geography becomes the Bottleneck
  - Turn around time
  - Sample transportation costs



# Geography

Can be overcome...

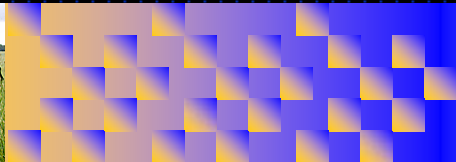
- Allow for regional differences

Pricing, staff compensation...

- Be sensitive to regional differences

Communications to staff & producers...

- Get on a plane & do things face to face



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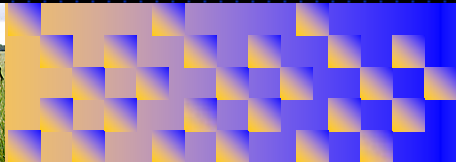
The Good, the Bad and The Ugly

Summary



# The Good...

- Anticipated benefits have materialized!
- Many/most processes & policies were standardized, which resulted in efficiencies
- Learned from each other - Labs
- Greater 'Critical Mass' to reinvest in our Business & Product Development

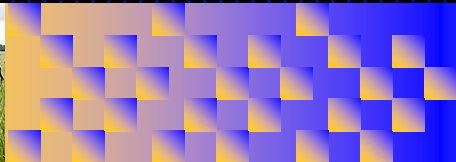




# The Good...

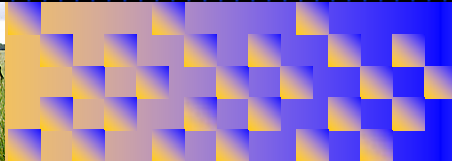
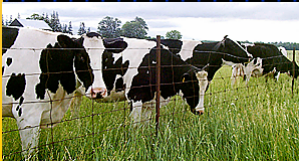
Customers have been very positive & supportive...

Dairy producers expect organizations to take these steps!



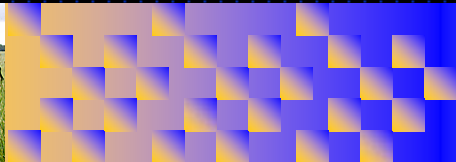
# The Bad...

- Will take longer than you think
- Savings/Efficiencies may not be as large as expected
- The time required to help employees make the transition is significant



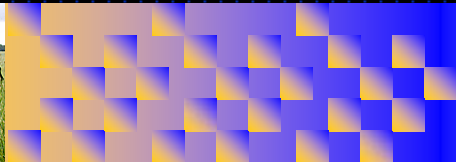
# The Bad...

- Issues arise from the 'small stuff'
- For a period of time, the merger will become your focus... possibly at the expense of the customer
- Be prepared to travel - Face to face will be required!



# The Ugly...

- Some employees will NOT be able to make the transition
- Make the hard and unpleasant decisions and move on



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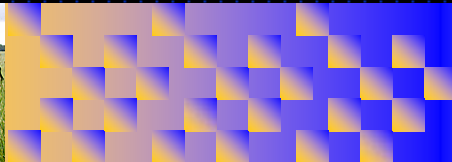
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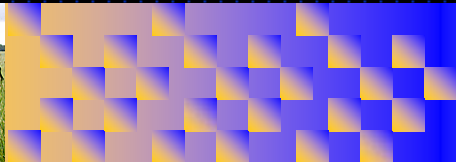
- Evolution vs Revolution
- Understand and define why you are merging
  - Cost cutting, survival, competitive reasons
  - Improved services
- Politics CAN get in the way... make sure they don't
- Shared Business Culture and Values are CRITICAL
- Geography is an issue but can be overcome



# Summary

## The Good...

- Anticipated benefits have materialized!
- Many/most processes & policies can be standardized = efficiencies
- Learn from each other
- Customers have been very positive & supportive



# Summary

## The Bad...

- Will take longer than expected
- Savings may not be as large as expected
- The time required to help employees make the transition is significant
- The merger will become your focus... possibly at the expense of the customer
- Be prepared to travel... Face to face will be required!





# Summary

The Ugly...

Some employees will NOT be able to  
make the transition

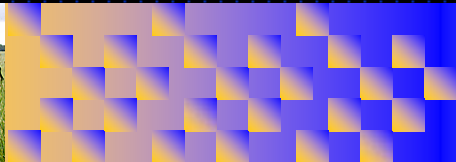


Would we do it again?

***Absolutely!!!***

The same way?

***Mostly...***



*Thank You!*

