Merging Two Companies

ICAR Meetings  Porec, Croatia
May 13th, 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 Provisonal 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

Western DHI
Ontario DHI
Patlq
Atlantic DHI
Milk Recording in Canada: 2009

TWO ORGANIZATIONS

Valacta
CanWest DHI

Service Area:
> 5,000 kms
5 time zones
10,000 herds
715k cows
## Overview

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

• 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
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 then 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!