

Enhancing Mechatronics for EVs through M&A “Integration of PMI strategy and governance”



When a component manufacturer conduct M&A for the enhancement of Mechatronics for EVs, advanced PMI is required that leads to business development.

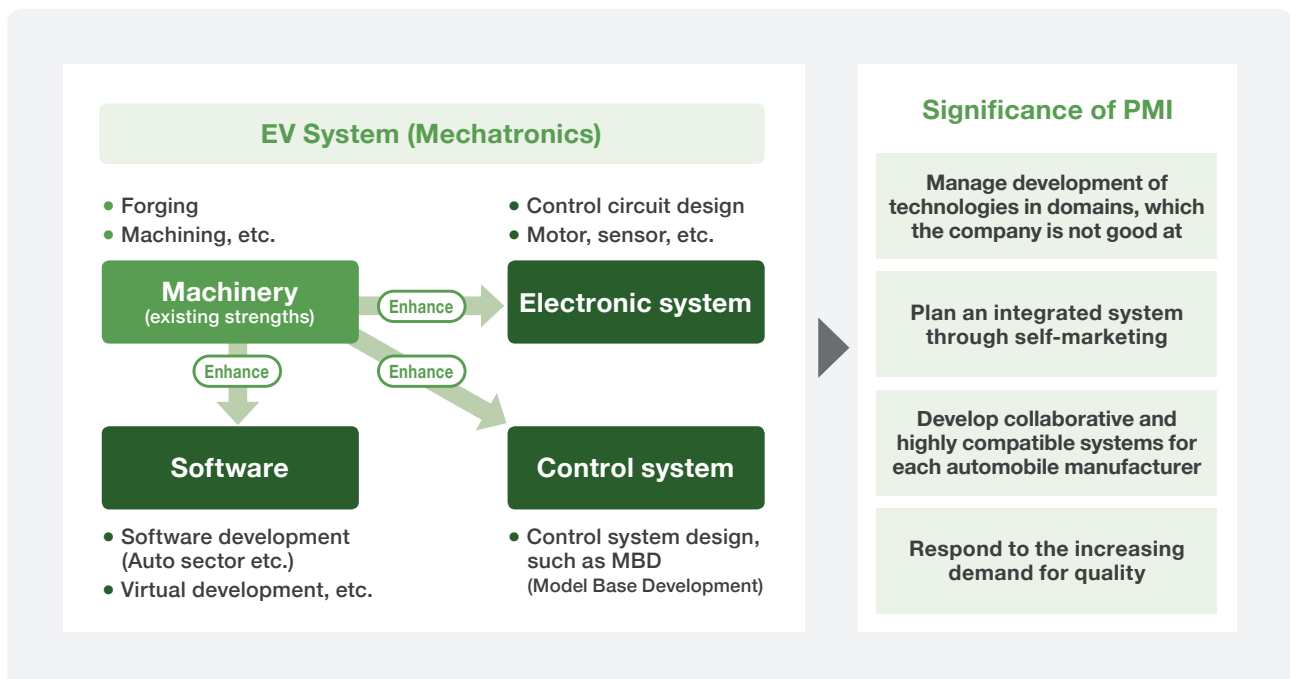
Component manufactures need to strengthen the overall Mechatronics for electrification of cars

With electrification, cars would require 40% lesser components. This will have a devastating impact on especially component manufacturers that deal in mechanical parts of engine and driving system. If the workers do not have anything to do, they will be laid off by the reorganization or culling of corporate restructuring. Component manufacturers are at a position where they cannot underestimate the flow of electrification, rather they need to strengthen their business in that direction. Further, electric cars require lesser components; hence, it is indispensable for the component manufacturers to expand their business domains from components to units and systems in order to maintain or expand their business scale. In order to develop the EV system, they are required to strengthen the control system, Mechatronic and the software domains, as well as improve the capabilities of the Mechatronics as a whole, in addition to the conventional strengths of molding and machining.

Advanced PMI is required for M&A concluded to enhance Mechatronics

Nowadays, companies that cannot cope up with the enhancement of EV system and enter into M&A are increasing. However, it is also true that there are many companies that did not enjoy the synergy effect from acquisition. In the worst case, they suffered impairment loss from the assets allocated at the time of acquisition. Even if acquisition helps one in meeting the technical requirements for EV system, it is not enough. The companies are required to make a system that can be sold based on their own marketing, and have collaborative or compatible systems to meet the different needs of automobile manufacturers. In order to completely prevent the impairment risk, an advanced PMI (Post Merger Integration) is required to reinforce these business models.

■ **Significance of PMI in M&A concluded to strengthen Mechatronics**



NRI provides comprehensive support from strategic integration to designing governance structure for M&A that requires advanced calibration such as electrification.

Provides support for integrating strategies and governance aspects to achieve sustainable synergy

NRI analyzes that one of the factors for acquisitions failure is due to inadequate integration of strategic and governance aspects. Short-term measures such as cross-selling and joint procurement are not sufficient to achieve sustainable synergy. The long-term strategy of how to develop the system and how to sell it to the customers is strongly demanded. Also, in order to ensure the medium to long term strategy is promoted, it is important to design a governance system including management, evaluation, roles and responsibilities of the acquired company from own company.

NRI has a team specializing in automotive industry and organizational management that provides PMI support focused on strategies and governance.

Case: Support for consensus on the medium to long-term strategy for European acquired firms

A machine based automotive component manufacturer was acquired an overseas component manufacturer to expand its overseas customer base and strengthen the development of future EV systems.

Post-acquisition, at the first meeting of the two companies, NRI presented long-term prospects for the market and assisted in building a common understanding of the market environment as a prerequisite for strategic integration. Following this, NRI presented EV system's promising domain based on industry expertise and support the two companies on the medium to long-term strategy agreement.

In the end, to ensure that the strategy is promoted, designed a 100 items initiative list (including activities and targets), set up KPI, and even designed the governance structure including the rights and responsibilities of the staff of acquired companies and reporting line to be followed in headquarters.

■ Features of NRI's PMI service

