

Mergers in Switzerland: Opportunities and Risks

Valid reasons for considering Mergers and Acquisitions in Switzerland are the same as anywhere in the world: growth potential, cost savings, economies of scale, complementing technological skills, access to new markets, etc.

Investing in or Buying a Swiss Company

A corporate transaction with a Swiss company can make a lot of sense depending on your purpose. Switzerland offers a fertile environment for business development with high labour productivity, skilled and multilingual staff, low labour and corporate taxes, 0% capital gains tax for individuals, excellent public infrastructure and a sound economy. The extremely high rate of applications for patents also suggests that Switzerland is a highly creative and innovative place.

There are lots of tasty fish in the Swiss lakes. Switzerland's business landscape is characterised by small and medium-sized enterprises, some with a very high potential. 74 % of the economy's labour force works for companies with less than 250 employees. These are often competitive niche players sometimes with proprietary technology and often with particular competencies in sectors such as the watch industry, chemical industry, pharmaceuticals, machinery, electronics, environment technology, financial services, insurance, and tourism. Entrepreneurship and corporate development is on the move: In recent years, the Bio Valley hosting hundreds of start-ups and established biotech companies with Swiss - French - German cross-border relationships has made the Rhine Rim famous for health science research.

Hunt for Opportunities and Control your Risks

So, if you think a merger or an acquisition looks like an interesting prospect, make sure that you have all the information you need to make a decision and that you have a good strategy to make it a lasting success. Unfortunately, about two thirds of all mergers worldwide fail to create value; in fact many of them destroy value instead of developing synergy. The first rule is to verify that there is a strategic and cultural fit, especially when dealing with international mergers. Another concern is to make no mistakes about your target – local advice may reveal critical information about companies and individuals, which are not publicly available, but which you should know before you sign a deal.

The Integration Process, a Matter of Success or Failure

The integration process should not be underestimated. This is mainly a matter of leadership and open communication. In fact the staff must be aware of their new objectives and rewards in relation with the merger. The greater risks of a merger are not necessarily on the strategic side but in the organizational behaviour. Although business life is a succession of changes, what individuals dislike most is change and this is the same all over the world. Research studies have established that, after a merger, employees initially go through phases of great stress as they expect to lose status, power or even their jobs. In the case of international mergers the different languages, styles of management, values and attitudes accentuate the risk of cultural friction and thus enhance this phenomenon.

Issues of Integration

International Merger	<ul style="list-style-type: none"> • Social Contracts • Languages • Legal and Tax System • Standards • Time Zone • All of bottom left box 	<ul style="list-style-type: none"> • All of other boxes !
National Merger	<ul style="list-style-type: none"> • Organizational Structure • Accounting Systems • IT • Marketing • Sales Channels • Product Strategy 	<ul style="list-style-type: none"> • Not invented here • Management style • Long term vs. short term • Market priorities • All of left bottom box
	Merger of companies with similar culture	Merger of Companies with different cultures

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Get Help and Advice

Mergers often fail – not primarily because of misfits but because of poor risk management. Recognising and proactively managing these risks can however effectively mitigate them. See also the matrix "Issues of Integration".

The acquisition and integration process is more likely to succeed with the advice of independent consultants who can help you identify targets, and who are well acquainted with negotiating and structuring deals. They know the local tax and law environment and provide hands-on risk management support in the phases of preparation and implementation. Getting professional advice from experienced M&A experts substantially improves the probability of success.

The success of an M&A project is essentially dependent on the availability of critical information, good advice, the right decisions, and rigorous implementation and last but not least - good luck.

Happy fishing in the Swiss lakes!



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