

Editorial

The German economy is undergoing a period of radical change: transformation, cost pressures, and geopolitical uncertainties are driving many companies to reorganize their portfolios, rethink their business models, and grow closer together internationally. Transactions – whether mergers, acquisitions, or carve-outs – are a strategic tool for positioning companies for the future. But transactions are much more than numbers, contracts, and due diligence reports – they are always stories of change and periods of uncertainty. After all, they change structures, team constellations, cultures, and sometimes entire identities. This requires guidance, trust, and clear communication – which is where we come in. We show how carve-outs can also be successful emotionally and culturally (not just technically and structurally), what particular challenges cross-border transactions entail, and what role managers play in providing stability and maintaining motivation. Our experience shows that successful transactions are not decided on paper – in the end, it is the people who determine the success of a deal.



**Farina
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Disclaimer: Please note that the topics in this newsletter primarily focus on the German market and are presented from a German perspective. Due to differences in regulatory environments, market dynamics, and audience relevance, providing a comprehensive global perspective would exceed the scope and intent of this publication. This document was translated with the help of AI.

Between departure and farewell: Carve-outs start in our mind (1/2)

Carve-outs are important strategic levers for realigning companies. They enable a stronger focus on the core business, potentially free up necessary capital to drive growth and innovation or contribute fundamentally to making the market value of a business unit visible as a stand-alone company. But what remains when people are lost along the way?

Disappointment, loss of trust, identity crisis, fear of the future – this reflects several typical core concerns and resistances.

If these concerns are not actively addressed, they can rapidly turn into business threats such as loss of critical talent, performance and productivity slumps, reputational risk, loss of cohesion, and delays in the spin-off process. This makes it all the more crucial to have a sound communication and change strategy that offers guidance, strengthens trust, and provides structured support for the carve-out process. In practice however, it often turns out that the necessary capacities are limited. In order to successfully and sustainably implement the carve-out with existing resources, our experience shows that three aspects can be particularly effective:

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I have been part of our group for over ten years, have witnessed many changes, and have contributed significantly to the success of the business. Now I feel like we are simply being sold off. No one is telling us what will happen next. To be honest, I am considering looking around for something else – this no longer feels secure.

- Voice of an employee

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First: Provide perspective and be honest about what is still unclear

Regardless of whether the spun-off division will be integrated into a new company in the future or operate as an independent organization, employees need guidance at an early stage. The initial announcement sets the tone for the entire process, which should ideally be continued through ongoing, transparent communication.

Especially in this initial phase, dialogue, transparency, and the greatest possible clarity are important levers for navigating uncertainties, alleviating fears about the future, and maintaining business continuity. This also includes clearly stating what is not yet known.



Between departure and farewell: Carve-outs start in our mind (2/2)



Second: Don't leave identity and work culture to chance

A carve-out changes much more than just branding, colleagues, and the system landscape. But what exactly is required of employees? What should they do differently in the new company? This is precisely what needs to be defined and addressed through specific measures in order to prepare the organization for the carve-out in the best possible way. What has made us successful so far – what do we keep, what do we leave behind? What kind of working practices and behaviors do we need in the new setup to be successful? Will our business model change – and if so, what does this mean for the way we work together and make decisions?

Answering all these questions is critical to creating clarity about priorities and expectations. Day 1 also provides a suitable platform for establishing a common starting point and bringing the first elements of the new identity to life.



Change communication is more than information management – employees in a carve-out don't need perfect answers, but perspective, orientation, and genuine listening.



Lisa Zweier,
Strategic Communications



Third: Involve core talent and advocates at an early stage

One of the key risks of a carve-out is not being able to win over managers and employees for the corporate change. Managers and key cultural figures in particular play a central role in this phase as anchors of stability and drivers of change. Identifying them early on, involving and engaging them in targeted dialogue strengthens the ability to implement change. It is not just a matter of entrusting them with communication as ambassadors and multipliers, but actively involving them – through integration in project teams, as bridge builders between the old and new organizations, or in specific task forces for culture building or participation programs.

Cross-border transactions: When global opportunities meet local challenges (1/2)

Cross-border transactions are considered a driver of growth and innovation. They enable access to new markets, technologies, and talent – and are therefore indispensable for many companies. But behind the strategic opportunity lie stumbling blocks: complex co-determination systems, different labor markets, and cultural barriers can disrupt schedules and jeopardize trust. What happens when ambitious goals fail due to cultural misunderstandings and a lack of dialogue?

More than a third of global deal volume is accounted for by cross-border transactions. Historically, the number was about half, and it is showing an upward trend once more. Given ambitious growth targets and new disruptive technologies, it is not surprising that companies are opting for this instrument to expand geographically and gain access to new talent or technologies. However, complexity is also increasing in the global context. Companies not only have to cope with comprehensive regulatory frameworks and geopolitical uncertainties but also master cultural integration. Two key aspects show why cross-border deals deserve special attention and what initial solutions might look like.

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Sales forecasts, milestone plans, guidelines – on paper, we had thought everything through. The acquisition of a German competitor was strategically spot on. But after signing, things turned out differently than planned. Then I realized: the numbers only tell a part of the story. Authentic reality starts where people stand – and in the culture they embody.

- Voice of a manager

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Labor market and co-determination: Timely management and targeted dialogue

One stumbling block lies in the different labor markets and co-determination systems. Countries such as Germany, France, Belgium, the Netherlands, and Scandinavia are characterized by a high level of employee protection. For example, cross-border deals in Germany may require the active consent of employees for the transfer of operations. While in the US or UK, business decisions can often be made without external consultation, in Germany, key corporate decisions are subject to co-determination. Works councils not only have an advisory role, but also a formative one, and play a key role in determining how a deal is implemented in Germany.

This influences both the timeline and the integration strategy. Identifying potential risks early on, taking them into account as part of the strategy, and actively seeking dialogue builds trust and lays the foundation for a cooperative partnership.



Cross-border transactions: When global opportunities meet local challenges (2/2)

→ Cultural differences: More than just a communication style

Cultural differences, such as attitudes toward directness or risk, influence not only the speed of a deal, but also the trust between buyer and seller and the realization of value. It is therefore hardly surprising that many cross-border M&A projects fail not because of economic factors, but because of cultural differences or misunderstandings. For example, while US teams often communicate directly and quickly, German teams emphasize precision, coordination, and process clarity. These differences can lead to friction. Cultural differences should be consciously addressed. This also means reflecting on body language, implicit expectations and questioning stereotypes to actively avoid misunderstandings, also at the employee level.



Cultural differences are also prominent in leadership behavior: For example, US executives often rely on big words, performance-based compensation, and speed. German executives, on the other hand, focus on structure, logical argumentation, and coordination. This can lead to misunderstandings: a top-down announcement from the US can quickly be perceived as intrusive in Germany, while the detailed planning and documentation of German managers may seem too slow to their US colleagues. It is crucial that managers translate their strategy into a language that is culturally compatible – and do not underestimate the subtext.

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Only once we have familiarized ourselves with the local reality, trust can be built, and leadership can be made culturally compatible.




Farina Casselmann, *Strategic Communications*

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Executives in transactions – 10 things that most people don't immediately think of

Managers are key players in M&A transformations. They are expected to guide their teams through change, retain talent, and ensure business continuity – even though not all questions have been answered for them either. A special focus on this group is therefore part of every best practice. Here are a few specific tips that may not be obvious to everyone:

1. All executives have a **communication mandate** – but is this clear to them? It is crucial to clearly articulate expectations and set transparent goals.
 2. Guidelines for communication: **Clear messages** define what can be communicated.
 3. Take time to gain an **information advantage**: Even when everything has to happen quickly, it is essential that managers are informed in advance and have time to "digest" the content.
 4. Practical **skills** instead of theoretical seminars: Managers must be prepared to deal with specific uncertainties and cultural conflicts.
 5. **Tips and tricks** to keep attention levels high: Provide practical and specific advice, such as how to maintain motivation within the team.
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6. Create space for **exchange**: Set up additional formats and briefing appointments so that managers can clarify their questions in advance and communicate confidently with their team.
 7. Consider **incentives**: What really motivates individuals? In addition to monetary aspects, new creative freedom, meaningful role profiles, and clear development prospects also play a role.
 8. Be prepared for **change fatigue**: They have been involved from the beginning and must continuously deliver – how can their motivation be maintained? Where do they experience relief and appreciation?
 9. Create **leadership experiences**: Even in stressful times, come together as a strong leadership team, discuss things together, and ensure appreciation from the board or management.
 10. **Don't take everything for granted**: Openly address the fact that the changes are also placing a strain on managers; show understanding that a lot is being asked of them – this changes the communication attitude of managers as well as the culture.

3 questions for Michaela Herdick, Head of Integration Office at Merck KGaA (1/2)

As Head of Integration Office at Merck, Michaela Herdick oversees the integration of SpringWorks Therapeutics, Inc. – an acquisition that adds new therapies for rare tumor diseases to their portfolio while placing high demands on the organization.



1 What makes the SpringWorks transaction special in your view – what sets it apart from others?

The integration of SpringWorks is exceptional in many ways. On the one hand, SpringWorks expands Merck's portfolio with Ogsiveo® and Gomekli®/Ezmeqli®, two innovative therapies for rare tumor diseases, and together we now have the opportunity to provide more patients with faster access to these therapies. On the other hand, the integration was particularly complex – both in terms of content and timing. Originally, a three-month preparation phase with twelve joint workstreams was planned. Ultimately, the closing date was brought forward significantly, leaving us with nine weeks less preparation time. At the same time, both SpringWorks drugs were in critical phases of market launch in the US, while in Europe, approvals were imminent and initial launches had to be prepared. Further milestones on the road to approval were pending worldwide. The challenge was to design the integration in such a way that these business-critical processes were not affected.

2 If you were to describe the transaction in three words, what would these be and why?

My three words would be **(1) overdue**, **(2) high speed**, and **(3) (cultural) harmony**.

(1) The acquisition was long overdue – it is the first in Merck's healthcare division in almost two decades and has been eagerly anticipated internally for a long time. At the same time, it is a central component of our R&D strategy, which envisages around half of our assets being licensed externally.

(2) As far as speed is concerned, we had significantly less time than planned between signing the contract and closing. Nevertheless, we completed all the necessary preparations on time.

And what particularly pleased me was that (3) right from the first joint meetings with SpringWorks, we identified many cultural similarities – in the way we work, in our attitude toward innovations for patients, and also in the way we interact with each other. Despite a few differences, it was clear from the beginning that we were a good fit.



3 questions for Michaela Herdick, Head of Integration Office at Merck KGaA (2/2)



3 How did you overcome this challenge – and what tips can you give others based on your experience?

Essentially, we focused on the key work packages, found pragmatic solutions, and deliberately postponed non-priority issues. From the outset, we worked with clear integration principles and developed a common vision – with the top priority being not to jeopardize ongoing launches and commercialization in the US. At the same time, we wanted to drive the integration forward in an efficient and structured manner. We were guided by two principles: expansion of organizational units where we could not access existing structures (such as in the medical field of rare tumors in Europe) and integration of organizations where existing resources could be used effectively through close cooperation within the functions. Our holistic approach took the organization, processes, and systems into account. In addition, we designed the integration of the divisions and teams in a step-by-step manner to ensure stability during the critical phase. My most important insight from the project: Even issues that are not directly relevant to the closing should be handled early on – otherwise, bottlenecks will arise later. And: Without clear communication about the future organization, genuine cooperation is barely possible. Clear roles, transparent coordination, and regular communication with the teams are crucial to avoiding uncertainty and building trust.

Infobox

Healthcare is one of the three business sectors of **Merck KGaA** and focuses on innovative therapies in the fields of oncology, neurology & immunology, fertility, and cardiovascular, metabolic, and endocrine diseases. The acquisition of SpringWorks complements Merck's strategic goals in the field of rare tumor diseases. **SpringWorks Therapeutics, Inc.** is a US biopharmaceutical company specializing in the development of therapies for rare tumor diseases. It has been part of Merck KGaA since July. More information is available [here](#).

Change:Impact

Edition #6

Special edition: Transactions



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