

case 1-430-512
March 31, 2017

Andrew Hoffman

Sustainability and Post-Merger Integration: The Dow Chemical Company's 2009 Acquisition of Rohm & Haas

By July 2008, the effects of the global recession were underway across the United States, and particularly in Michigan, home of the Big Three auto makers. North of Detroit in Midland, Michigan, the team at The Dow Chemical Company (Dow) was considering the financial crisis' impacts on the industry when they received exciting news: Dow planned to acquire Philadelphia-based chemical maker Rohm & Haas Co. for \$13 billion.¹ With a rapidly changing chemicals market and increasing attention in the chemicals industry toward the environment, Mark Weick, Director of Sustainability Programs at Dow, knew the acquisition would represent a significant shift.² After years of building momentum around large-scale sustainability projects that would allow his team to meet its 2015 Sustainability Goals, Weick faced a tough reality—in a constrained-capital environment, it would be even more difficult to reach their targets.

A chemical engineer by training, Weick had long admired Rohm & Haas for their specialty chemicals business and sustainability efforts. He had previously participated in due diligence on mergers and acquisitions in order to advise on the environmental risks of potential partner companies, so when the proposed Rohm & Haas transaction was announced, he began to consider the impact of the acquisition on Dow's energy efficiency goals. The Dow team was eager to begin planning the integration of the two companies' environmental, energy, health, and safety programs. However, the cost of an acquisition of this scale would cause Dow to incur substantial debt. In fact, throughout 2008 and 2009, the company would receive ongoing media attention for the financial implications of the deal as the Great Recession progressed. Weick's team worked on plans to uphold the sustainability values of the company in a time of change.

Amidst the excitement, Weick considered what the acquisition would mean for his team's ongoing efforts to accomplish Dow's 2015 Sustainability Goals, which were widely supported by senior leadership and the Board of Directors.³ With more plants to operate, more employees to keep safe, and more products to ship, he was unsure how or whether the goals would need to be adapted to preserve Dow's commitments. Along with his team, he knew he would need to recommend to his managers whether to change the 2015 goals or leave them in place, taking into consideration the company's financial position and overall sustainability performance. One particular goal—reducing energy intensity by 25% between 2006 and 2015—was on his

Published by WDI Publishing, a division of the William Davidson Institute (WDI) at the University of Michigan.

©2017 Sachiko Graber and Monika Johnson. This case was written by Sachiko Graber and Monika Johnson under the supervision of Professor Andrew Hoffman at the University of Michigan's Ross School of Business as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

This case was prepared exclusively as the basis for class discussion and is not intended to illustrate either effective or ineffective handling of a situation. The case should not be considered criticism or endorsement and should not be used as a source of primary data.