

MANAGING IT RISK DURING

# Mergers & Acquisitions





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A recent KPMG study shows that 83 percent of mergers do not boost shareholder returns.<sup>1</sup>

## The Potential Value of M&As



Cost-savings synergies



Access to new markets



Revenue synergies



Increased market share



Financial synergies



Intellectual property and knowledge



# Why Isn't Value Realized?

Poor coordination of IT and information systems is a key contributor to the failure of mergers and acquisitions. Creating the needed synergies requires a unified IT strategy and supporting environment that exploits the value of enterprise data.

## Accenture Says

"According to 58 percent of executives, technology is a key enabler to unlocking merger synergies and challenging new market entrants. The quality of the resulting IT environment also plays a critical role in the success of future transformations that M&A deals might enable."<sup>2</sup>

## According to Ernst & Young

36 percent of respondents cited 'underestimating the challenges of IT integration' as one of the most significant issues contributing to deals not meeting expectations.<sup>3</sup>

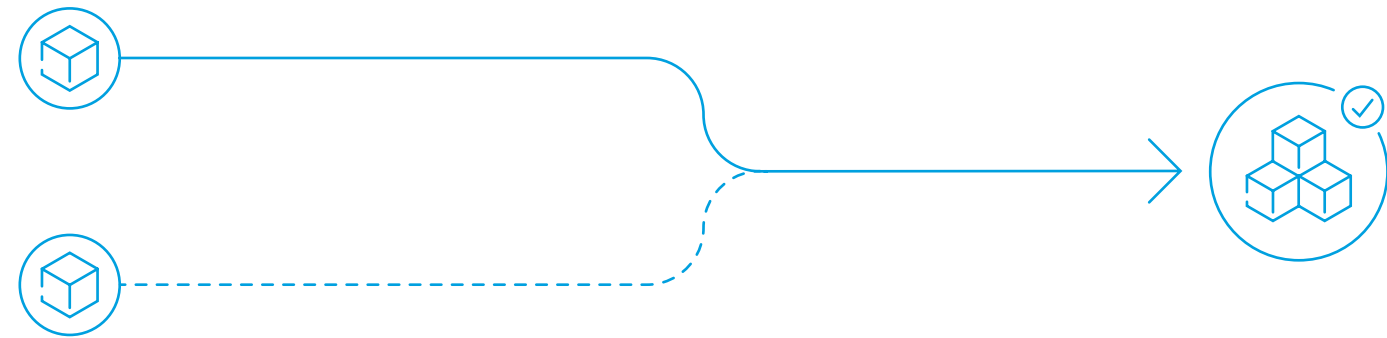
<sup>2</sup> Ahuja, Harmandeep. "Technology in M&A: Catalyst or enabler of change?" Accenture, April 2018.

<sup>3</sup> "Does seizing competitive advantage mean deals take center stage?" EY, December 2016.





# Phases of the M&A Lifecycle



## Pre-merger

Value of the target company and its assets is assessed. Estimates are made around IT integration efforts and synergies are defined.

## Merger

Two (or more) entities need to be integrated, while keeping the lights on. The goal is to have the merged organization fully operational on Day 1.

## Post-merger

The merged organization must optimize, rationalize, and consolidate to achieve synergies and deliver maximum value.

“The day before the merger closes, there are two separate operating entities with two separate IT operating models to be combined with some intention of a business outcome. The day after the deal closes there is supposed to be one IT operating model, even though nothing about the IT operating models is integrated.”<sup>4</sup>

Barry Brunsman, Principal, KPMG

# How Do You Effectively Address IT During a Merger or Acquisition?

## Three Main Approaches



### **Stand-Alone**

The acquired company's products, processes, and platforms are left as they are



### **Absorption or "Rip-and-Replace"**

The acquired company is brought fully onto the acquirer's platforms and processes



### **"Best-of-Breed"**

Components of both the acquired and the acquiring company's processes and platforms are selected for the merged business

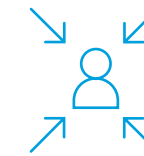
# Why Is This So Challenging?

## Primary M&A Integration Obstacles



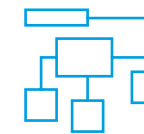
### Reduced Planning Time

The average time from announcement to close is shrinking from a period of up to 12 months to less than 120 days<sup>5</sup>



### Increased Pressure

Senior executives, boards of directors, and shareholders are demanding more out of their IT organizations during M&A<sup>6</sup>



### Complex Architectures

More sophisticated IT environments and information assets make M&A integration increasingly challenging

<sup>5</sup> Galtier, Sebastien. "Rethinking IT integration in M&A," Accenture, June 2018.

<sup>6</sup> Chandra, Sumit. Hagen, Christian. "Make or Break: The Critical Role of IT in Post-Merger Integration," AT&T.

## What Problems Does This Create?

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- Siloed systems, with limited sharing of information on a timely basis
- Customer and product data issues
  - Multiple incarnations of the same customer, or similar products
  - Misleading information from false positives (i.e., similar names, but actually different entities)
- Resources wasted figuring out data issues
- Time-consuming, onerous processes to get consolidated financials by product line or by customer

## How Do You Solve These Problems?

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- Correctly assess value during due diligence to mitigate risk
- Integrate with the lights on to ensure continuity
- Optimize and rationalize to accelerate value





# Why Does This Matter?

## Business Operations Suffer



### **Erosion of Confidence**

Inconsistent information points lead to a lack of confidence in decisions on a wider basis



### **Disjointed, Siloed Operations**

Limited sharing of information on a timely basis makes it hard to obtain accurate records of customers, items, products, or suppliers



### **Revenue and Scale**

Identifying cross-sell opportunities to increase customer wallet share becomes increasingly difficult

# Step One: Correctly Assess Value

## Why It's Important

During the due diligence phase of a merger, stakeholders from both organizations try to determine the potential value. This can be lists of (joint) customers, history of transactions, overview of corporate software, current IT landscape, etc. The future state of IT, where regulatory threats exist, and what is required to capitalize on the joint opportunity must also be scrutinized.

## Key Steps

- Assess the current value of data – how trustworthy, accessible, and usable is it?
- Identify data opportunities and costs – what will it take to achieve synergy?
- Map out the system landscape to uncover where standardization and consolidation can bring efficiency gains and/or cost savings

## CUSTOMER SUCCESS

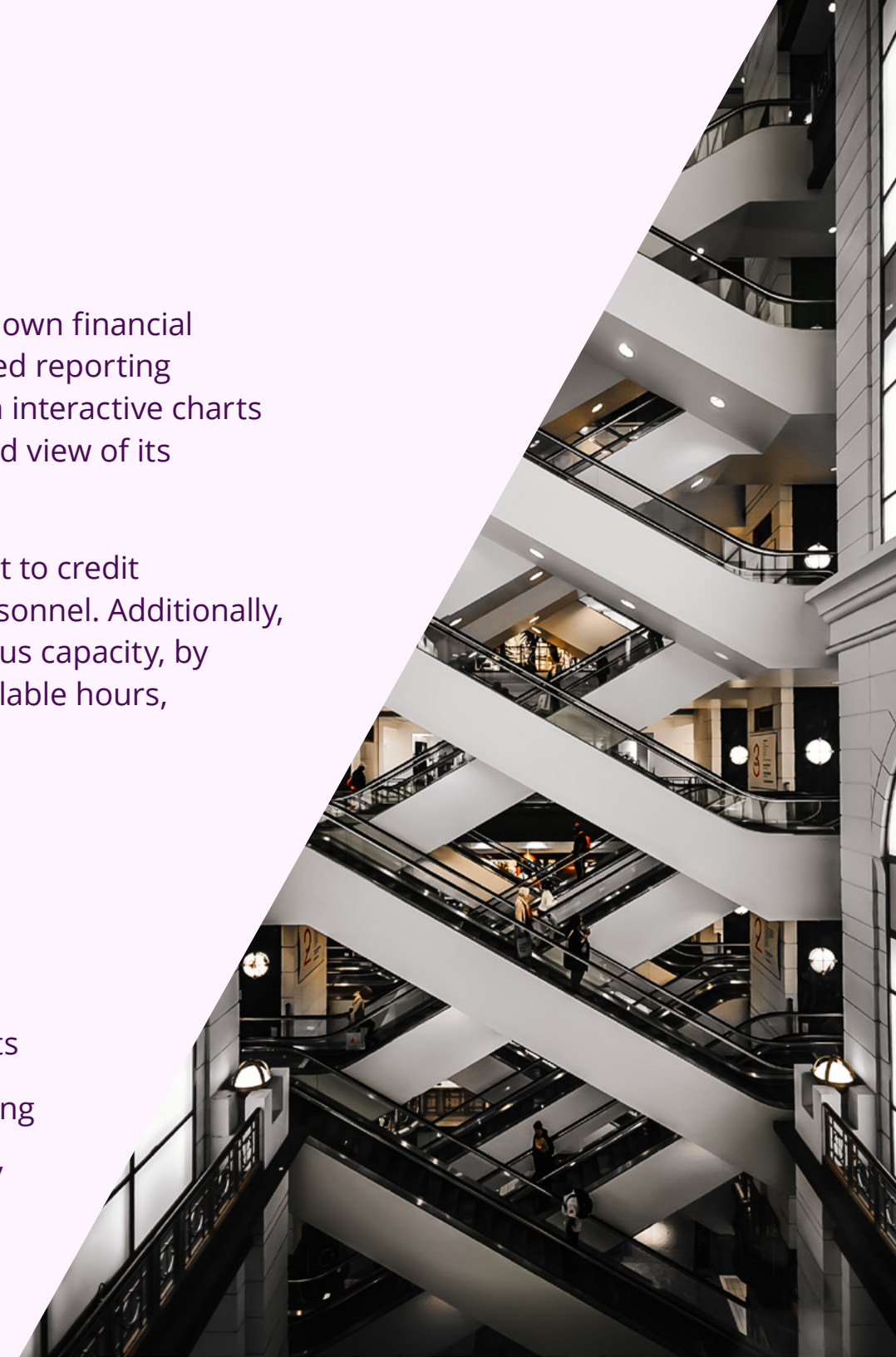
### IBI Group

IBI Group has 45 legal entities, each with its own financial reports. When non-standardized, Excel-based reporting became cumbersome, a new BI system with interactive charts and graphs gave the company a consolidated view of its globally dispersed enterprise.

Weekly status reports are automatically sent to credit managers, project managers, and other personnel. Additionally, a dashboard displays work in progress versus capacity, by discipline or region, as well as KPIs about billable hours, projects, costs, and revenues.

## The Benefits

- Makes it easier to spot trends
- Improves staff utilization
- Increases visibility into revenues and costs
- Enhances progress tracking and forecasting
- Allows the company to react immediately when a project is in jeopardy





# Step Two: Integrate With the Lights On

## Why It's Important

Beyond due diligence, the real work of integration begins well before a deal closes, so that the merged organization can be operational on day 1. This means integrating new systems into an existing landscape, while ensuring that systems stay up and running to perform daily activities. With all systems and operations being changed, it's important to have a flexible integration foundation to build on.

## Deloitte Says

"Most companies tend to accumulate a large information technology (IT) application portfolio over time, especially if they grow through M&A and do not fully integrate operations and assets after each transaction. When viewed holistically, many of these applications may not align with the company's overall M&A strategy; they were created as point-in-time solutions and don't necessarily support post-deal, enterprise-level, business and organizational objectives."<sup>7</sup>

## CUSTOMER SUCCESS

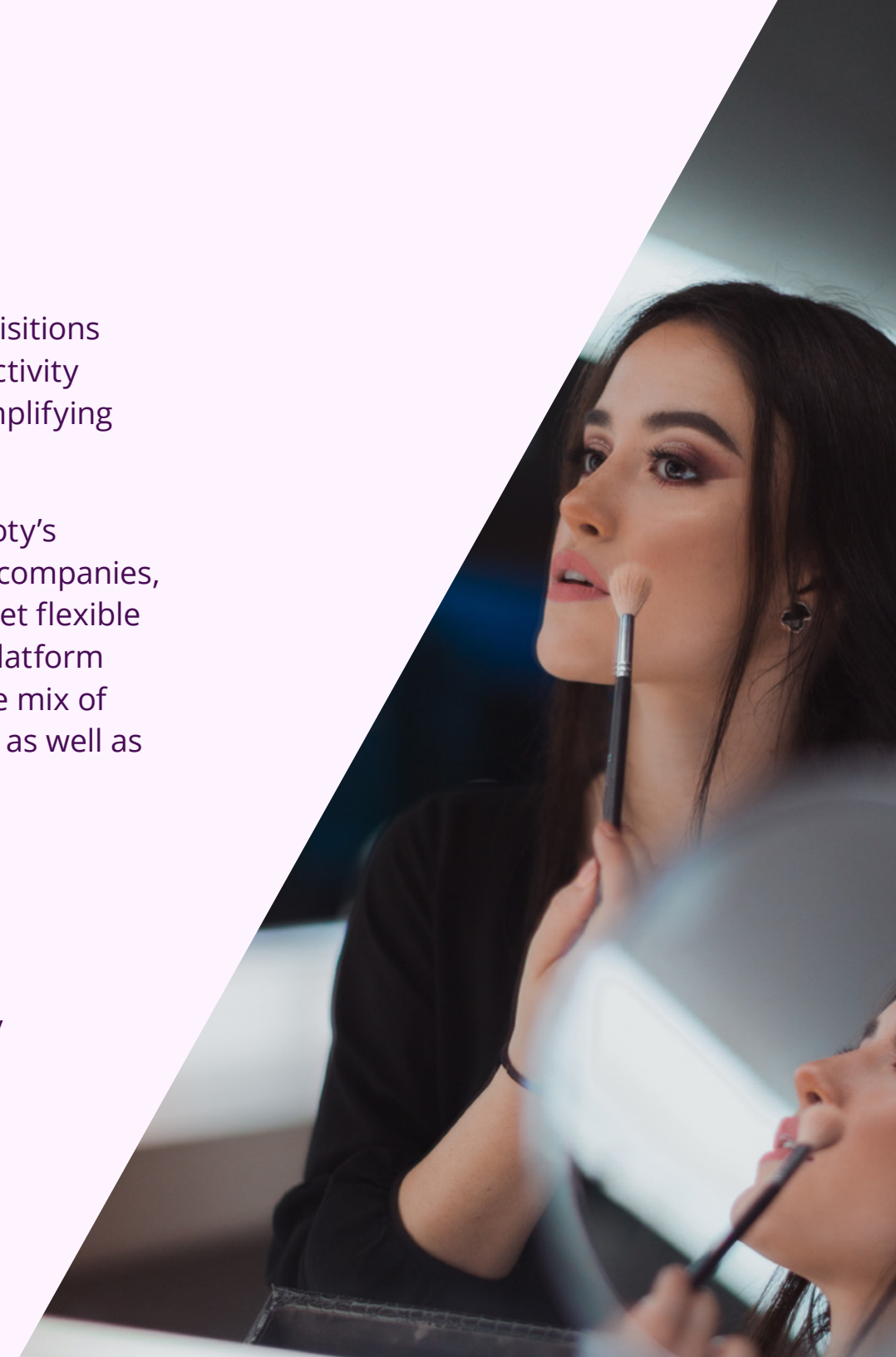
### Coty

Coty embarked on a series of strategic acquisitions aimed at facilitating rapid expansion. This activity posed major challenges when it came to simplifying and unifying IT environments.

To make information flow freely between Coty's systems and those maintained by acquired companies, the organization implemented a powerful, yet flexible and cost-effective integration middleware platform to unify back-end operations – and a diverse mix of related systems – across its own enterprise, as well as among any acquired entities.

## The Benefits

- Streamlines and automates operations
- Keeps the supply chain running smoothly
- Enables instant exchange of important data about logistics, finance, and more





## CUSTOMER SUCCESS

# Utz Quality Foods

This leading snack food company relies on robust integration technologies to ensure that new systems become part of its IT environment each time a new company is brought into the fold. New information sources can now be integrated as quickly and easily as possible.

## The Benefits

- Increases efficiency
- Improves the ability to compete with larger snack food companies
- Provides fast, clear answers to business questions
- Helps the organization become more data-driven





# Step Three: Optimize and Rationalize

## Why It's Important

According to Deloitte, more than 80 percent of corporate executives surveyed believe that data analytics is becoming increasingly important in the future of M&A, with more than 68 percent using analytics as part of their M&A analysis.<sup>8</sup>

Additionally, with analytics as a core component of an IT strategy both pre- and post-merger, organizations can empower staff with the comprehensive enterprise information they need – such as a single view of the customer – to make informed decisions that drive performance.

## The Benefits

- Deliver trusted, harmonized, synchronized data across the entire merged organization
- Provide vital insights to executives and financial professionals during the transition process
- Improve performance and risk management
- Measure the success of IT and process integration efforts

## CUSTOMER SUCCESS

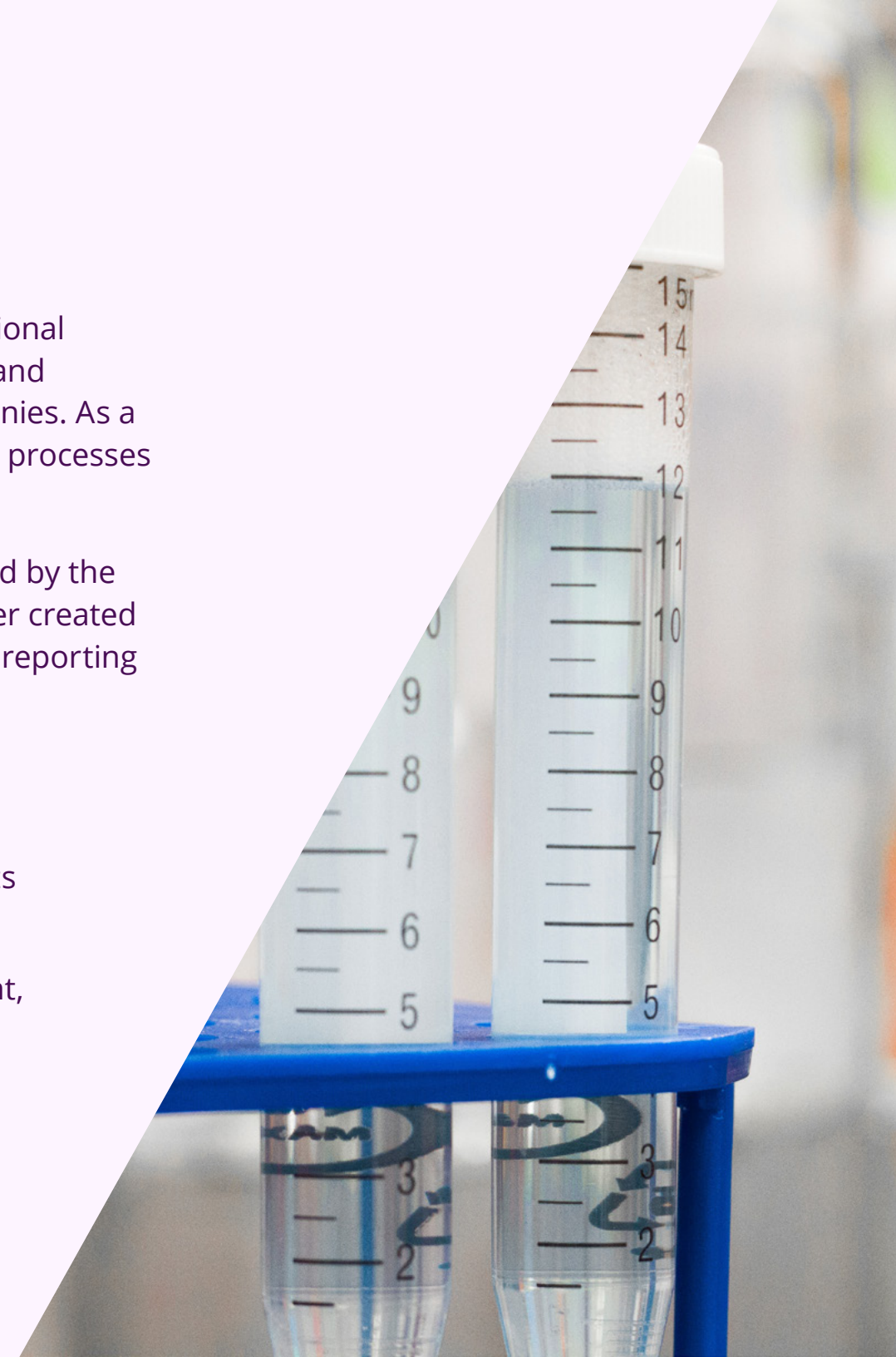
### Indaver

In the mid-1990s, Indaver began its international expansion, engaging in a series of mergers and acquisitions to grow to a group of 30 companies. As a result, the company's Excel-based reporting processes no longer met its needs.

To capitalize on the operational unity created by the implementation of new SAP systems, Indaver created a BI and analytics environment for financial reporting and other types of analysis.

## The Benefits

- Reduces the time spent producing reports by 30 percent
- Enhances financial planning, management, and control
- Improves the quality of information used for decision-making





## CUSTOMER SUCCESS

# Enclara Pharmacia

The objective of the merger between Enclara Health and Hospice Pharmacia was two-fold: minimize the cost of palliative care drugs for end-of-life patients, and cure some of the clinical, financial, and regulatory challenges faced by the hospice sector.

To achieve those goals, the company's leadership team had to make data a major focal point. A robust analytics platform was used to create Enclarity™, an interactive dashboard and reporting environment that helps hospices track cost, utilization, and prescription patterns.

## The Benefits

- Provides a strategic differentiator for Enclara
- Allows hospices to budget more appropriately
- Increases the efficiency of business operations
- Ensures greater regulatory accountability in their business practices
- Enables clients to engage in better, more knowledgeable patient care





# How Information Builders Can Help

Our platform uses the three i's of data and analytics – integration, integrity, and intelligence – to align your organization in support of mergers and acquisitions.

## The Benefits

- Unify disparate IT environments
- Ensure quality across all systems and sources
- Track and manage the acquisition process
- Measure achievement of synergy targets
- Make complete, enterprise-wide data available to all stakeholders

## The 3 i's

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### Integration

Omni-Gen™ Integration Edition ensures rapid access to timely data across all systems, processes, and stakeholders with unmatched interoperability between disparate systems and data.

### Integrity

Omni-Gen™ Data Quality Edition provides a unified platform for profiling, cleansing, and enriching enterprise information. Omni-Gen™ Master Data Management Edition masters data across multiple domains, creating a single, consistent view across all people and systems.

### Intelligence

The WebFOCUS BI and analytics platform delivers rich, consumable, interactive information to the widest range of employees, managers, analysts, and partners.

“Having to code manually would have taken at least a year. Missing our target date would have cost us several million dollars and possibly impacted revenues. iWay has given Coty great ROI, including project payback within two months.”

Siebe Talma, Global Director of Custom Applications, Integration, and Manugistics, Coty

## Learn More

To learn more about how Information Builders solutions help organizations minimize risk and realize value during mergers and acquisitions, visit:

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[www.informationbuilders.com/MandA](http://www.informationbuilders.com/MandA)





