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Integrating Technology:

Critical Components of a Successful Merger

Mergers, Acquisitions, and Divestitures

Microsoft

Introduction

Mergers, acquisitions, and divestitures are meant to benefit the organization's bottom line and create new efficiencies and opportunities for both sides of the relationship. But the process is often long, burdensome, and complex for those who try to figure out the best way to combine entities.

One of the most challenging tasks of the merger and acquisition (M&A) process is to merge IT infrastructures. Every aspect of both technology environments needs to be considered, including clouds, data, security, compliance, and licensing, on top of applications and ERP systems.

Massive pressure exists from legal and regulatory entities to complete the M&A process quickly and seamlessly. The complexity and urgency of the merger processes lead many organizations to take a "lift-and-shift" approach, the fastest and simplest way of handling the combined technology stacks. Teams often merge the essential operations and leave the details for another day. However, the difference between adequate completion and great success is outside the technical result; it is in the adoption and acceptance of the end user.

Must Do’s

1. **Focus on security**
   Plan and establish security policies, procedures, and methodologies to ensure no new vulnerabilities and gaps are introduced during the period of change. Security should be at the forefront of every stage of the M&A process.

2. **Prioritize user adoption and organizational change management**
   End-user adoption and organizational change management processes, such as new technology training, are essential. End user acceptance is a critical determinant of successful M&A.

3. **Centralize the process with an experienced partner**
   The process is centralized and simplified by making one experience organization responsible for the merging project. It ensures that responsibilities, communications, and coordination are all tied to a single source.

Critical Components of a Successful Merger

Completing a merger, acquisition, or divestiture can be highly complex, with many moving parts and a vast array of detailed—and sometimes contradictory—information. Every aspect of the multiple companies involved must be considered to achieve the best possible return on investment.

From the perspective of an enterprise IT department, this section describes the various stages of mergers and acquisitions.

1. **Define**
2. **Plan**
3. **Assess Security**
4. **Assess Data**
5. **Assess Applications**
6. **Execute**
7. **Adopt & Manage**

Note that these sections focus on the needs for mergers and acquisitions. Following that, another section provides information and perspective related to the special needs of divestiture projects.

Define

Before the closing of the merger or acquisition there are steps you can take to help improve the success of your technology implementation and integration process.

In 92% of high-performing M&A deals, integration teams start work before or during due diligence. [1]

Defining, envisioning, and planning are essential for any merger or acquisition. The process entails learning and **defining the expectations** both companies have after consolidating.

An **innovation workshop** can help you lay out and understand the priorities, goals, and next steps. During the workshop, make sure you establish the how, where, and why you will be taking the next step in your journey. Stakeholder alignment and a prioritization matrix should be developed in this stage.

Before you get started with the Planning stage, ask yourself these questions:

1. What is the maturity level of each organization's IT process and how does that affect the merger?
2. How does each company use its IT assets and what types of critical business processes are involved?
3. What tools are used for organizing information and processes, such as Microsoft SharePoint or Teams? How many sites need to be migrated?

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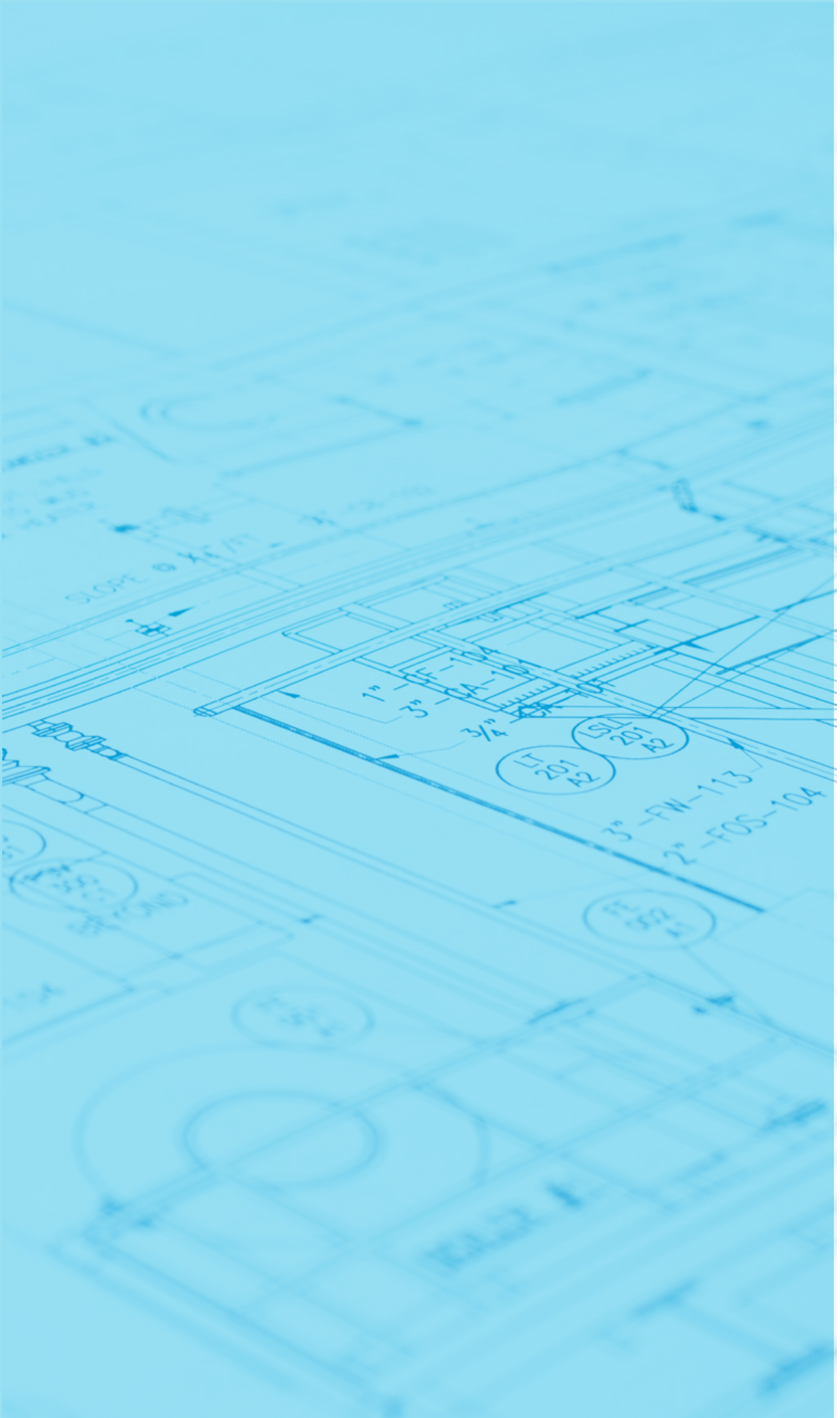

Plan

The planning stage includes activities focusing on discovering the organization's assets, resources, weaknesses, strengths, and expectations. As part of the planning stage, you can also identify opportunities for optimization of functional tasks.

To gain visibility of both IT environments, a **foundational assessment** is encouraged. With this assessment, you will discover the layers and management styles of the infrastructure of the joining companies. You will also discover each organization's assets and operational efficiencies. Based on these findings, an **initial roadmap** comprising all the merger activities should be developed.

Using your roadmap as the guide, **organize your activities**, by priority status, using a digital workplace-type roadmap incorporating the business and technology streams necessary to accomplish your objectives.

Also, **establish a schedule**. Start with the external goals and deadlines that are driving the technology work. Keep a backlog in mind; items outside the initial scope need to be accounted for. Be flexible; timelines may change to accommodate critical activities, and your schedule may extend beyond the completion of the merger, especially when you get into the renewal of warranties and creation of support agreements or contracts. Opportunities to improve efficiency or eliminate redundancy tasks are tackled after the critical-mission activities.

75% of mergers fail to meet their objectives due to issues related to people, communications, and culture.[1]

Plan

In your schedule, don't forget to include the acquisition of new tools or licenses, engagement with service providers, and the involvement of highly complex technology assets. Your schedule may determine which tools you can or cannot use. Furthermore, **create a post-merger integration plan**, this will help you determine if the merger captured the success you envisioned.

This stage is also where the **adoption and organizational change management** processes begin, focusing on the people. Make sure you communicate early and often. Ensure that each activity and task in your plan includes communication with end users. In these early stages, it is vital to communicate goals and timelines clearly and effectively with your staff—but avoid over-promising. You do not need to force excitement. Let it build naturally as the process continues.

Assess Security

When two companies unite, it is crucial to identify gaps in security controls, evaluate data protection capabilities, score the level of cybersecurity, and prioritize remediation activities.

Begin with getting a thorough **assessment of the vulnerabilities** throughout the two infrastructures. Use a risk-based approach to evaluate cyber threats to mission-critical technology, considering not only the threats to the infrastructure but also to the corporate reputation and balance sheet. The assessment should include security, governance, operations, and controls.

Considerations:

1. **Identify the vulnerabilities** to critical assets and develop and prioritize recommendations for remediation.
2. **Identify the types of cybersecurity risks** based on industry, geography, partners, products, and services.
3. **Study network and system architectures**, including known hardware and software vulnerabilities, IT and OT asset inventory, patching schedule, digital asset management, cloud services, mobile policies, application vulnerabilities, data flows, and more.
4. **Review common organizational policies**, including information security policies, terms of use agreements, acceptable use policies, and data classification policies.
5. **Consider the results of previous activities** like security audits and assessments, vulnerability scans, and penetration tests to help formulate common incident response plans and playbooks.
6. **Implement network segmentation and policies**, crucial to realizing the synergy of the merger or acquisition.
7. **Review risk strategies** to determine the contents of the new risk strategy going forward.
8. **Investigate and document** previous charges, complaints, or litigation for either company related to security.

Assess Security

Your assessment results will be the basis for your security strategy roadmap.

Other factors to consider:

- Authentication and access controls and Encryption
- Business Continuity Planning
- Certifications
- Cybersecurity Awareness Programs
- Cybersecurity Insurance Policies
- Disaster Recovery
- Employee Background Verification and Off- Boarding
- Future Cybersecurity Plans
- Information Security Reporting Chain
- IT Security Expenditures
- Network Monitoring
- Organizational Structure
- Security Operations Centers (SOCs) eBackground Verification and Off- Boarding

The number of security factors you need to consider may require more than one roadmap: a remediation roadmap and a strategic security and compliance roadmap.

Need some guidance? Quisitive's **comprehensive Security Assessment** provides the insights and roadmap you need.
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Assess Data

Combining sets of data means creating a single source made up of at least two different and possibly divergent sets of information.

Start with an information-gathering **data maturity assessment**. Document the enterprise-level platforms both companies are using, down to the version numbers and how these platforms are managed. Identify all the servers used, as well as operability (or inoperability) between them.

Data processes must also be understood and documented, such as data reporting, backups, and recovery processes. This is the perfect time to develop the data reporting philosophy that would be ideal for the newly formed company. What information is needed, who needs it, why it is important, and how it needs to be delivered are the primary questions to consider.

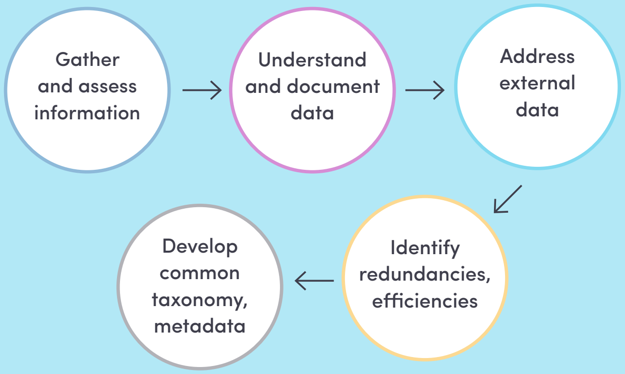
External data is important to assess as well. Understand all data handling measures, data privacy, and security controls, including how both companies store, use, and dispose of customer data. Review any data-related contractual obligations for each entity.

As you catalogue the data platforms and their outputs, begin to identify redundancies and efficiencies when you combine both companies. Examine data reporting practices as well—find opportunities for optimization, improvement, and consolidation of reporting regime. Compare and contrast reports of both companies and determine the optimal level of detail for the combined reports moving forward.

Once these bigger questions are addressed, you can move forward to the details. A common taxonomy and set of metadata should be built to serve both companies. An enterprise-level view of the data is also recommended.

70% of **employees intend to stay with the combined company if change is well managed.**[1]

THE MUST-DO'S BEFORE CONSOLIDATION OF DATA



While data can be exported from one company's platform and input into the other's using flat SQL files or spreadsheets, it is prudent, almost necessary, to hire a firm specializing in data migrations to integrate the data. In addition, where business-critical functions depend on cloud-based systems, a strategy that uses appropriate APIs to migrate and transform data is required.

Want to know how to get there? Inquire about Quisitive's **Data Maturity Assessment**. **ask@quisitive.com**

Assess Applications

As with other aspects of the technology infrastructure, a thorough inventory of applications is key. Start with an **application modernization assessment** to begin your journey with a full view of the application landscape.

Strategic Considerations

An important consideration is the strategic intent of the merger or acquisition—for example, one company may be expected to use the other company's technology. Throughout your assessment, retain your focus on how change will impact the **user experience** for employees or customers. Users may have important processes that depend on specific applications, but that are not obvious from the technology inventory.

In-house applications usually require special consideration. In many cases, one company's custom-built application can be replaced by the other company's existing technology. Ensuring that the new technology solves the problem that the in-house application was designed to solve is key to gaining user acceptance and trust from the user base.

Avoid a "lift-and-shift" approach if possible. Resolving only essential issues and leaving the rest for the future will not help when new ones arise as they will not be part of the migration and consolidation plan. As you work through application assessment and planning, **create a strategic backlog** addressing unforeseen issues and include an estimated and actionable timeline for resolving them.

Assess Applications:

Inventory and Processes

An important step is taking an **inventory** of all applications in use. For each application, identify the user base, application owner and manager, and authentication method for users. Once completed, you can begin to map the applications that need to move to a new environment, and how that migration will take place.

As you create this inventory, ask yourself:

- Is the application like any other? Could you integrate both applications functions?
- Are supporting applications essential?
- Are the apps candidates for modernization, revision, or retirement?

Keep security top of mind. Security is a concern throughout this process as well. Not only do you need to determine whether authentication will be a challenge, you also need to ensure that the application does not create new security holes if moved to a different environment.

Finally, consider **business processes**. Identifying the business processes dependent on each application enables you to assess the impact of retiring it. This decision is more business than technology, as you need to determine—based on the input of your internal user community—which applications are best aligned with the direction of the new company.

Once you have mapped out the target application landscape, you can create and execute a plan for moving applications, including testing and functionality checks, to ensure that all applications continue to support users effectively. Communication continues to remain an important part of the process, helping users understand when and how changes are coming, how their business processes change, and how they can best use their new application suite going forward.

Discover how your apps stack up with our
Application Modernization Assessment.
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Execute

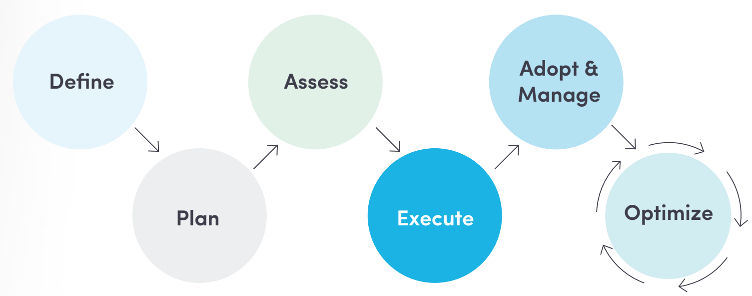
You have identified, planned, assessed and created a roadmap for the technological components of the merger. Now is the time to share the findings with stakeholders and collaborate to develop solutions that will help reduce complexity and cost. New innovative opportunities may arise from rationalizing and streamlining your technology stack.

A few recommendations:

Iterate: As part of the schedule, plan to execute changes using a phased deployment approach. Start with a group of the most willing users to accept and provide feedback on the change. Then, transition each core area (users, data, applications) in a phased approach. Don't try to do everything at once to everyone.

Expect change: Nothing ever goes exactly as we hope it will. As the integration occurs, changes will need to happen. Have a change management process in place to handle these unexpected changes.

Communicate: Communicate with your end users throughout the process. Tell them what will happen, tell them what did happen, and most importantly, let them know what did not go according to plan.



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Adopt & Manage

In theory, if you have followed the process above, your newly reconfigured organization is at an advantageous position to move forward. But the work you put into converging the two technology suites goes on beyond the finish line of the completed merger or acquisition.

Communicate with your employees from the beginning. Mention timelines but also desired outcomes. Engage your employees and always maintain an open line of communication. Make your employees feel like they are part of the new structure, new vision, and new and better culture that the organization's brought together.

Don't forget to invest in organizational change management and adoption, because success lies in the **adoption of the new technology and processes**. If the user adopts the technology, is satisfied, and is more efficient than before, that is considered a success. Furthermore, as the user adopts the technology, you may find opportunities to improve and optimize. This step may never end. You may continue to find new improvements and opportunities for success.

Considerations:

- **Ensure the new policies and procedures are adopted**—particularly security policies. Multiple policies create confusion and throw security and processes out of sync.
- **Manage security with a single, centralized IT governance, risk, and compliance platform**. Automated risk management services will give you peace of mind.
- **Establish and reinforce your corporate risk assessment strategy, IT governance strategy**, cyber risk mitigation strategy, and incident response playbooks.
- **Continue to use the communications channels you created** to support, inform, and collect feedback from your user groups.

> **Companies that have a programmatic adoption & change management approach are 6x more likely to meet or exceed project objectives.** [3]

Divestitures

While this book deals primarily with mergers and acquisitions, divestitures are a related, and in some ways, similar process—just in reverse.

Divestitures require you to **examine the same assets and determine what needs to be split into each entity's ownership.** This includes infrastructure assets, data, and applications.

Technical discussions are required to be able to understand which applications will be spun off, and who the business users of those applications are. Assets like source code, servers, and databases need to be analyzed to decide how they will be decoupled from the parent company, and how the child company will ensure the applications are moved over and will run successfully as a separate entity. Security is a key concern throughout this analysis, as well as the policies, procedures, and methodologies that will be taken with the company after it separates.

As in a merger or acquisition, this is the **ideal time to identify new optimization opportunities**. If the originating company had an on-premises infrastructure, consider whether cloud-based applications would fulfill the business needs. Identify the policies and procedures that can benefit for the new company.

The divestiture process can also involve some problems that are not easy to see at the outset. There could be **data that absolutely must be protected during the divestiture process** so that confidential information is not taken to the divested company. Intellectual property, sales lists, and proprietary processes can all be involved, and the limits need to be clarified at the outset of the process.

In many ways, **a divestiture is a matter of building a new company from scratch**. While many assets, processes, and resources may be available to the divested company, it may be an opportunity to build a new IT environment from scratch, and shed the baggage carried by the larger, consolidated company.

Conclusion

The process of combining, acquiring, or divesting companies is daunting. It is a complex process that involves people, assets, and details. Even when limiting the work to the IT enterprise, the challenge is enormous.

Managing the change, including combining or migrating the security, application, and data infrastructure for all the entities, in a way that minimizes risk, disruption, and cost, is a tall order.

An experienced IT systems integration partner can help you assess your environment, build a roadmap to stay organized, and achieve the efficiencies, cost savings, and business advantages that the new and improved organization can have.

Contact Quisitive's M&A Technology consultants to help create your new growth strategy and support your execution.
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1 *Achieve Maximum Value from Mergers & Acquisitions... | Gagen MacDonald*
2 *The Critical Role Of IT Consolidation In M&A Success (forbes.com)*
3 *Personalized Approach to The Human Side of Technology Change | Dell Technologies*

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