

Merger and acquisition integration readiness part 2

In part two of our series Danny A Davis asks: are you ready to integrate? Do you have an assessment tool? What is the state of IT within the company you have just bought, also how does it look in your company today?



Let us expand this out and say one of the things to do eventually is consolidate the IT to reduce cost and ensure the business can run. These are actually business as usual skills that all IT departments should have. Every day of the year there is cost pressure, a desire to consolidate and become more efficient.

Why do companies think they are good at this? It is certainly clear, that when it comes to doing this during M&A, that nearly all companies are very poor. This is something I would say is (or should be) a core competency of all great IT departments.

M&A often shows up our weaknesses. This is due to the fact that something has to be done or the business can (and will) fall over. Across the whole company this is obvious, and the links between IT and all the other parts become more obvious at this time of tension and political manoeuvring.

Sales, profit and productivity can often go down through the early stages of the M&A integration process due to the internal focus on 'me', do I have a job? How will this affect me? With the additional scrutiny that comes with this, poor functions or units show up.

So what should we do?

- Know what our capabilities are
- Understand what the company IT road map is, given the new change to the business due to the M&A activity now and in the near future. Plan capability and skills for the future not today.
- Associate the capability of our people with the assets of our business. There are very specific business needs today and tomorrow.
- Know how our IT stands in house

- Understand the investment around our group and state of current change programmes and future desires of the business. I am often amazed at the lack of knowledge and understanding of the acquiring company of its own IT. How can you possibly integrate something you don't know much about with your company's IT if you know little about ours?
- Assess where we are today, and where to move to.

What might need to be done before major changes are made?

- State of the systems;
- Systems scalability;
- Documentation in each company, on systems, networks, process;
- Ease of change and accessibility of IT to change the systems;
- Project management skills and capability to make the changes in our people and theirs;
- Overarching corporate architecture;
- Business and IT information needed, by who and by when;
- Spend, current plans and historic investments;
- Understand all vendors and support we receive;
- Understand company customers and suppliers, help sales and marketing and procurements and how do we currently do this.

Readiness to move

Look at the IT and see what should be done. It might take months to understand what has been bought, how many people, and the new cost base. Send in a senior IT person to understand what has been bought.

In the readiness review, assess what is currently going on. Choose to put everything on hold for up to six weeks and review benefit and spend for all projects and changes. Decide to stop some projects as there will be overlap in what both companies are doing, that is wasted money. Kill projects that are going in the wrong direction and kill them early.

What is easy/ hard to do? What is important to the business and will increase revenue or profit? Helping other parts of the business understand what is easy and where delivery will yield most bang for the buck, is key in

helping priorities IT projects. Find the low hanging fruit and quick wins for IT and the business.

Clarify who the key people are. There is always someone who knows how everything runs, you may not be able to change things without this person's help. Be clear who is key to you (as the acquirer), this may be different to who the old owner sees as key. We are going to run the business differently.

Help the integration

IT will also need to help all other parts of the integration, many synergies and their delivery in other functions will be dependent on IT change. Focusing on priorities is key to the M&A success. IT will never be given the praise for creating M&A success, but can kill it through killing revenue enhancing concepts in sales, marketing, production and also through slowing cost cutting across all business areas, especially procurement.

Strategic project

There should be as few strategic projects as possible. I would suggest none. Each area must have a cost and payback in real terms. The aim of the IT integration is initially to keep the business running, then to help the integration deliver value.

With cost benefit analysis everywhere in the company, no one wants to hear, 'this is a strategic project' as the benefits can not be quantified. Businesses no longer want to hear this, business managers are starting to realise these take too long and deliver little.

It is also too early for a real strategic project. Because the business is still planning how it will come together, it does not really know where it will land and how it will move forward. Do the basics; wait until the business is more settled. Let the large IT strategic changes be a business as usual decision rather than one taken early in the M&A integration planning process.

Deliver

Bite off small chunks and deliver them. The key here is delivery. In normal day to day business IT projects sometimes take a little longer and cost a little more than the business might expect. This is an annoyance during business as usual, but becomes a deal breaker during M&A when all other functions and business areas are planning, and delivering projects on time to budget.

M&A integration skills

Take these M&A integration skills and use them in the IT function during normal day to day business. Start using them today and build ready for your next M&A. These skills are:

- Being able to assess and understand current capability, skills, knowledge, process and people. Having simple tools to enable people to do this across the whole company.
- Being able to draw a map of all current and planned projects within IT, understanding how they affect each other, and the business. What slowing one or killing it may do to business delivery (in monetary terms). Show how they are interlinked.
- Being able to show where you stand today and where you are going, in great detail.
- Being able to plan and deliver projects on time to budget.
- Knowing you have the skill to consolidate data and systems, if we have 200 today can we get that to 100 in three year's time? How will this benefit the business? If we cannot do this to our own company, how will we be able to do it to someone else's?
- Understanding how to make strategic IT decisions, upon purchase, many will need to be made very rapidly. Decisions affect people, their jobs and future. Be prepared for mis-information. Turning something off, will mean the people associated with that may lose their jobs. Those people will mis-inform you about the importance and role of that IT process or system.

Be ready to plan, be ready to act. Start getting ready today. Assess what you have. Start to consolidate and reduce costs. You need people outside IT to help. Get started now, this will help your business today and make you ready for the future.

If you want an IT check list, things to think about in M&A IT or things to think about in M&A integration email danny.davis@ddavisconsulting.com

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