Beyond

How to avoid operational disruptions during an M&A IT integration

Managing Post Merger Integration Risk

A business IT capabilities are one of its core strategic assets, but the merging of systems and their management during an M&A integration can be a significant challenge. The success of the overall M&A process can be strongly influenced by the success of the IT integration, as the technology and processes involved often have far reaching effects on every aspect of the business.

To avoid or minimise operational disruption, the systems and processes used by the target business and its acquirer must be carefully aligned. There are several elements comprising an IT integration. There is the IT infrastructure, IT-enabled business processes, along with data and applications, all of which come with their own challenges. It's important to consider the impact of technology on operations well in advance of any merger.

The importance of understanding IT integration risk

It's well known that for modern businesses, the impact of technology on operations cannot be overstated. Risk is a question that should be addressed before, rather than after the merging or integration of any businesses has taken place. Consultation with key personnel with the technology teams (such as Chief Technology Officers (CTO) Chief Information Officers (CIO) should be viewed as a priority at the IT Due Diligence stage. This utilisation of knowledge of their respective IT systems can save numerous avoidable headaches further down the line.

This risk during an M&A IT integration can be categorised as three types:

- Technical level risk
- Business level risk
- Application level risk

These categories fit in with other frameworks used during a due diligence process, such as the IT Due Diligence (ITDD) framework.

Technical level risk

Technical level risk relates to risk when amalgamating the IT systems of the businesses in question and can include considerations such as whether IT integration is financially viable and deciding which IT system to use across both parties (synergies). To avoid disruption, assessment of technical risk is essential, checking that the business transactional processes run smoothly and that the protocols for data confidentiality and systems availability are upheld across the organisations.

It's important to recognise that moving data across organisations using different IT systems can itself be costly, as well as time and labour intensive. The migration of data when Nat West bank was taken over by the Bank Of Scotland was handled by over 4000 people (tech and non-tech roles). In contrast, an M&A IT integration where both parties use the same platforms can expect to make huge savings – in the RBS/Natwest case over £1.1b in annual savings were achieved.

Business level risk

Business level risk assesses the suitability of currently used technologies and identifies any benefits to IT integration. It addresses any legal compliance issues, and how systems can impact on goals relating to aspects such as efficiency.

Application level risk

Finally, application level risk plans for post M&A integration, operational readiness for any prospective changes, and ensuring that processes remain coordinated for optimal reliability. Any necessary training for staff also falls under this third category of risk, and the organisations involved must work closely with their HR departments to ensure that staff retention or new hires are handled efficiently, in order to minimise disruption.

Key steps for a successful IT integration

As we mentioned above, consulting existing IT professionals should be the first step in achieving a successful integration. In addition to offering valuable insights into existing systems and processes, it's important to establish what the IT teams expect or require from the integration process, such as any infrastructure needs. A flexible approach is essential in order to minimise disruption and get the best results from the integration.

A clear plan should be devised, with accommodation for differences in infrastructure, or adoption of new processes, and establishing how migration will be handled. Migration can be outsourced, but there are still questions to be considered, such as whether the parent company will absorb the relevant data, or if a new blended arrangement would be more appropriate.

It's at this stage that any legal requirements relating to data should be taken into account, particularly where companies in different countries are to be merged. Newly acquired businesses should be aligned to the parent company's certifications, with a gap assessment carried out to ensure compliance.

Plan for success

Communication with key personnel and adaptability with processes, together with an understanding of IT integration-specific risk, can help ensure that the M&A IT integration process can progress with minimal disruption. A perspective of strategic flexibility can allow the merged businesses to maximise their new opportunities, and bring greater future success.

Planning is crucial, with thorough understanding of the intricacies of systems and processes established before integration strategies are implemented. This planning stage can be facilitated through the use of specialised IT due diligence. In this way, potential financial and operational ramifications can be factored in, reducing any resultant declines in efficiency or productivity.

If you would like to know more about Beyonds integration services, reach out to us at info@beyondmigration.com