# Why a technology integration strategy is key in M&A

Information Technology forms the backbone of almost any modern business, so it's vital to ensure that the technology responsibilities of any new acquisition are integrated with a focus on developing key synergies and obtaining Day One objectives. Indeed, IT is such an important element of any organisation that it's now recognized as a key driver in M&A results. Failing to identify the potential challenges of IT integration at the tech due diligence or planning stage can result in significant costs and disruption further down the line, reducing the expected value of that new acquisition. Furthermore, it's been estimated that a well executed IT integration process can save 10-15% of costs. In order to achieve the best outcomes, a carefully considered strategy needs to be put in place to guide the IT integration process. Our own experience has shown us that poor tech due diligence causes significant delays during integration which in-turn increase costs.

## Utilise your IT professionals

When conducting due diligence as part of the M&A process, it's important to make sure the right questions are asked in order to facilitate a smooth technology integration when the time comes. In order to create an effective strategy to handle integration, collaboration with existing IT personnel is key. Input from IT and operations executives can highlight otherwise unforeseen pitfalls and costs, thanks to their unrivalled understanding of the organisation's technological intricacies.

These professionals can also offer expert insights into aspects of the target company's technology which can help shape the integration strategy. Issues such as data and service migration, and how to align IT operations responsibilities, should be considered at this stage in order to accurately evaluate risk and financial ramifications. It must be noted at this point that IT operations extends beyond the technologies involved, to encompass costs relating to staff and any business processes that depend on IT functionality.

## Focus on flexibility

So how can a successful integration be achieved? A focus on flexibility is essential, and this begins with the existing IT architecture. When a business opts for an adaptive service-oriented architecture (SOA), it's ready to deal with a diverse range of business applications, and to quickly accommodate any new data from acquired companies. It therefore makes sense to optimise M&A opportunities by establishing such a flexible architecture in the first instance.

With a solid basis for acquisition, the integration strategy can focus on objectives.

Deciding which kind of strategy is right for you comes down to evaluation of long term goals, so that you can tailor the process to fulfil the requirements of your vision for the future. Communication with IT executives is still vitally important in determining the time scales, costs and risks of the integration process.

Integration strategies commonly follow one of three approaches:

- Adopt the IT infrastructure of one of the parties
- Create a new IT environment for both parties
- Continue to function with separate IT environments

Adopting existing IT infrastructure is a good choice where larger, centrally-managed companies are involved, or where the target firm is to be absorbed by the acquirer to fulfil its business objectives. Creation of a new IT environment is ideal for the blending of two similar-scale organisations, or where the target company will add significant business services or capabilities. Best practices from both companies can be selected, in order to create a tailored platform solution.

Either of these two strategic approaches should be mindful of any technology debt that may be uncovered during the due diligence process (and post integration), and thus accommodate the cost of bringing either parties' IT estate up to standard.

Of course – many organisations choose not to integrate due to:

- Keeping the acquisitions brand in place
- The targets technology is significantly complex enough to not warrant integration
- Existing client contracts prevent integration
- Other governance and compliance issues

# Digital is different

The nature of many digital businesses means that they may not be suited to the same integration strategies as 'traditional' businesses. As an increasingly popular investment option, it should be noted that in many cases, leaving the acquired digital company to continue running as a separate entity is a smart decision. Full integration of uniquely nimble digital companies can see loss of capabilities and drive away valuable talent.

# In Summary

An optimal M&A process should begin by ensuring that the acquirer is equipped with a flexible IT architecture (and Change Management) that allows for ease of IT integration. A focus on communication and collaboration with key IT personnel will help to create cohesive strategies, with insights into all areas needed for consideration. This coupled with a clear vision of long term objectives for the M&A process, will keep planning on track and set the scene for a smooth and successful integration.

If you would like to know more about Beyonds integration services –
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