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TECHNOLOGIES

2022 M&A Tech Guide

Tips and Insights for More Effective Technology Integrations

Executive Overview

Technology shifts and changes in consumer behavior are fueling disruptive M&A throughout almost every industry sector. In a landscape moving at lightning speed, businesses need to go beyond traditional M&A methods to evaluate a much broader range of targets and capabilities.

Having a clear understanding of common M&A challenges and solutions requires the use of data and expertise to create highly targeted and actionable business plans. Full of unique insights and tech tips, this guide can help you formulate a more effective M&A strategy, especially from a technology integration standpoint.

Common M&A Business Challenges

As you develop your M&A strategy, it's important to consider both wide-scope business issues as well as detailed technical challenges.

Whether you're part of the buyer company or the acquired company in any M&A activity, here are some critical areas on which to focus.
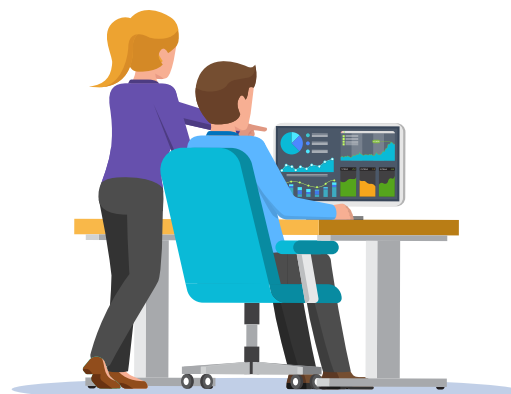
Due diligence

In the larger picture, the due diligence process enables a buyer company to understand the synergies and potential scalability of a target's operational assets. From a financial standpoint, these studies can reveal potential expense reductions and opportunities for increased profitability. Sometimes overlooked in the process, however, are important technology factors that can ultimately prove costly once a deal goes through. There are a few reasons for this:

- Investment hypothesis and diligence efforts tend to overlook integration risks because they are conducted at too high a level. Only by understanding the full vision of technical and operational synthesis can you conduct a comprehensive study.

- Discovery of systems and key business processes can be insufficient if the due diligence process is solely focused on legalities. To succeed, the process should provide a 360-degree view of the target's business model and value drivers.

- Taking a siloed approach to the diligence process prevents a full understanding of a target company's capabilities and business systems. You need an end-to-end understanding of how a proposed union will play out.

Incurred technical debt

While the process of technical data collection can be a time-consuming task, it's vital to ensuring smooth operations later. Rushing the process, or the integration itself, can leave you with technical liabilities you didn't anticipate. Technical debt can involve:

- Not understanding the strategic rationale behind the acquisition (the *why* behind the *what* of the systems assimilation).

- Insufficient time for testing. A comprehensive test is needed to gauge the capabilities of merging business systems and technologies, and to reveal vulnerabilities that may be costly after the deal.

- Insufficient data hygiene and a failure to adjust to new sources of data. Data amassed for non-specified purposes may be unactionable or even a liability.

- Lack of attention to updating parent systems to accommodate nuances in newly acquired businesses. A sub-par understanding of the intricate aspects of combining systems can often lead to lost opportunity or system errors.

Acquired technical debt

Likewise, technical debt can be discovered after an acquisition, leaving you in a position to restructure systems thought to be complete at the time the deal was structured. These hidden obstacles can include:

- Custom systems designed specifically for a target's business systems that may not be fully compatible, or even understood, once the merger execution stage begins

- Data cleanliness—or the lack thereof—that necessitates time and resources for reorganizing data collection and management systems

- Sub-optimal business processes that slow down initiatives vital to the larger goals of the acquisition, lessening the impact of the merger

- A lack of documented systems and processes, leading to confusion during the integration

Personnel and resourcing issues

While much attention falls on the financial and legal issues of an acquisition, you can't overlook the human aspect. In studying a target company's viability and the potential obstacles to a successful integration, you can suffer major setbacks by not fully analyzing personnel, change management, and culture issues:

- Failure to obtain adequate executive sponsorship of initiatives. Without executive buy-in and provisioning of tangible resources toward a goal, reaching it might not be possible.

- Dependencies on a few people who are spread too broadly. Already stretched thin in an atmosphere of change and uncertainty, target company employees can be hard-pressed to assess progress from a clear, strategic vantage point.
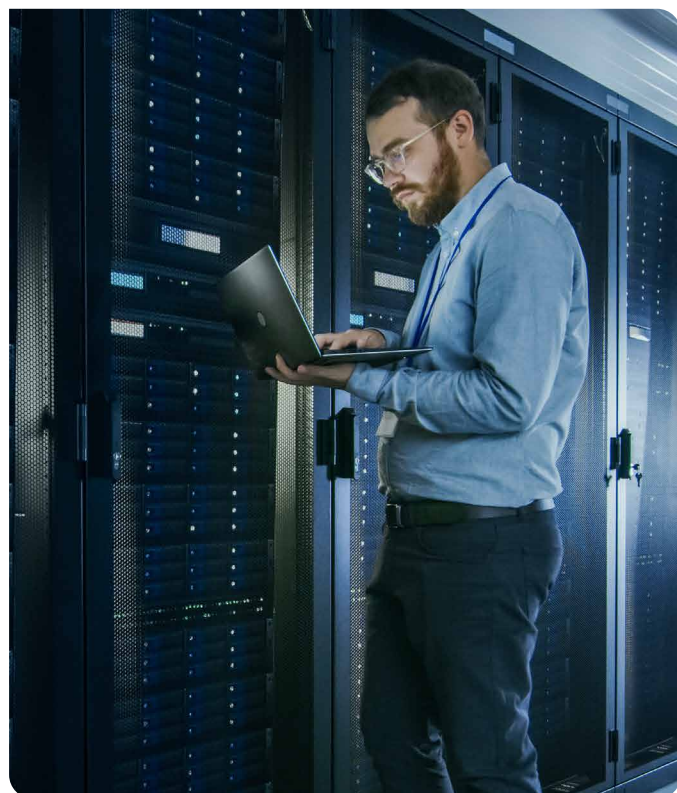
Inadequate documentation of requirements, business drivers, and downstream impacts

Including the ever-vital why within the what, any technical understanding of a target company must include a comprehensive overview of not only systems and data, but of the strategies behind them and the projected outcomes dependent upon them. With this full view, you can better can support current evolutionary goals, or properly plan for new ones.

Insufficiently designed testing in "sandbox" environments

The importance of fully simulated testing can't be over-emphasized. The outcome of a diligently researched, planned, and executed acquisition must be technically and operationally flawless to not only support your goals for the merger but to also strengthen confidence in both the leadership and workforce of the acquired company.

Upstream issues that impact downstream processes and systems

By soliciting a full understanding of a target company's accounting, finance, and reporting systems, you can spot issues or differences that may lead to complications later in the process. These can include:

- Unanticipated costs and delays in the integration process

- Negative impact on remainder activities, if unanticipated effort is required for integration

- Unforeseen risk to achieving the original investment goals

Tech Strategies to Mitigate Core Challenges

Fortunately, you can anticipate and circumvent most potential pitfalls that can hinder the integration process by using technology to identify issues and create solutions. For example, you might have the resources within your organization to provide in-depth technical elucidation, but in the absence of internal leadership, a strong technical partner or vendor could provide expertise and guidance. Example strategies might include:

- Spending more time in the discovery and planning phases

- Taking time to document requirements comprehensively and meticulously

- Verifying successful execution of compliance checks before any systems integration

- Performing realistic scenario testing in a "sandbox" environment before production starts

- Prioritizing a comprehensive tech review and analysis by a dedicated team of experts

- Utilizing vendor and partner relationships to bring in the right expertise as necessary

Benefits of Moving All Locations onto Unified Systems

Another seemingly labor-intensive but ultimately invaluable key to the M&A tech integration process is the migration of all businesses and locations onto a more unified set of business systems. Although it may seem simpler to let acquired companies continue with their own methodologies, doing so reinforces a siloed business model that tends to impede growth. Instead, consider integrating systems to:

- Keep risk at an acceptable level, and in a more manageable state

- Enforce data cleanliness and consistent data hygiene moving forward

- Enable more efficient extraction of centralized data for reporting and strategizing purposes

- Support faster reporting capabilities, a holistic business view for management and leadership, and expedited decision making based on accurate data and real-time visibility

Pitfalls of Not Getting All Locations onto Unified Systems

Just as migration of all businesses and locations onto a unified infrastructure and set of business systems offers compelling benefits, the lack of doing so presents real disadvantages. By keeping facilities and resources dispersed, you could face challenges such as:

- Lack of synergy and the efficiency needed to reach desired outcomes in the short term, and to scale efficiently in the future

- Inherent risk increase, which requires additional time and attention directed toward managing it

- Multiple processes for similar tasks, creating unnecessary redundancy

- Lack of a single, unified voice for the company as a whole

Challenges and Solutions around Migration to Unified Systems

Depending on the location and complexity of a target company's systems, migrating to a unified system can present significant challenges. By anticipating potential issues and planning methods to address them, you can often reach a better outcome faster. Some of the more common barriers, and methodologies to address them, include:

- Unforeseen issues that arise prior to cut-over/go live, causing delays. Better planning and discovery, managed by a dedicated team, is the best way to eliminate these issues. Rigorous user-acceptance testing (UAT) should be part of that process. Change management also must be a top priority to prepare a target company's leadership and workforcefor the merger.

- If done correctly, systems migration can be a full-time job—yet the team leading the effort often still has daily tasks and business projects to manage. If the M&A requires more resources, a full-time consultant can reduce the workload while ensuring full focus on the process.

- Business processes engaged after implementation can be misaligned with the newly integrated system. Once again, a concerted effort in the planning phase is critical to avoiding this barrier. By mapping business processes ahead of tech planning and implementation, you can identify and address gaps much earlier.

- Forcing new processes into existing systems that may not fit is a shortcut that rarely pays off and often hinders the evolution of a newly expanded company. By putting forth the effort and expertise to study processes, plan for the merger, and troubleshoot possible outcomes, you can develop a single unified system that's ready to scale as needed.
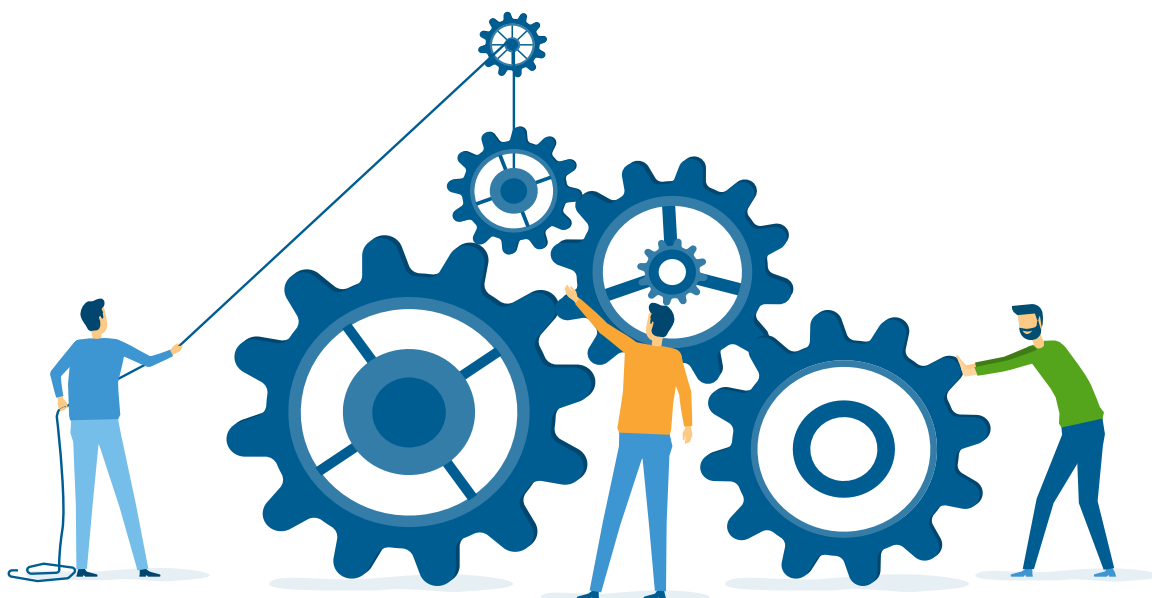
How Partners Can Support the Tech M&A Process

When seeking the focused expertise to fully investigate, analyze, plan, test, and integrate technology within M&A, you can handle it in-house or outsource the effort. But who are the best vendors and experts to use? Here are some valuable specialties to consider:

- Software solutions providers that can inform platformintegration, business systems migration, and training methodologies

- Technology partners that manage end-to-end implementation, particularly change management processes

- Specialists who can provide key deliverables like mapping documents and training manuals

- Industry leaders who can lead best practices and relevant benchmarking standards

As specialized partners, tech vendors can act as a valuable resource to companies engaged in the M&A process. By dedicating tech capabilities to supporting end-to-end processes, these partners can be instrumental in providing services so in-house teams can focus on other deliverables. These services can include:

- Guidance throughout the analysis, diligence, and testing cycle prior to implementation

- Ongoing support after implementation to handle any unforeseen challenges that may arise

- Consulting as a fit-for-purpose vendor rather than a generalized entity

5 Tech Tips

To help you get started, here are five smart tech tips that you can leverage before, during, and after any M&A activities.

1 Get everyone on the same systems

Underestimating the importance of IT consolidation can create barriers to success both during and after the M&A process in the form of increased costs and decreased productivity. Proactive infrastructure and data centralization helps you avoid those pitfalls, and provides multiple advantages:

- End-to-end visibility across all locations simplifies management.

- Combining multiple systems across locations reduces cost for both financial and personnel allocation.

- Integrated systems are primed for future technology innovation and scalability.

2 Learn from those who have been through it

Within your ecosystem of strategic partners, vendors, and contractors lies a wealth of expertise. By mining these resources, you'll likely find at least one that has participated in a successful M&A process and has good experiences to share. Sample resources include:

- Tech specialists who can guide consolidation steps along with your infrastructure and data centralization strategy

- Human resources professionals who can strategize cross-function upskilling opportunities to fuel future growth

- Data analysts who can audit and advise on plans around actionable data and privacy parameters

3 Have a tech partner who can grow with you

Technology evolves at a lightning pace. At times, the need to stay ahead of the curve drives mergers and acquisitions to move just as quickly. In an era of accelerated digital transformation in just about every industry, it is imperative that a company's technology vendors and partners can not only keep up, but add value to the equation in the form of input and solutions. Only by enforcing relevant technological growth can a company get the full benefit of any business strategy, including M&A.

4 Build executive relationships

Behind the nuts and bolts of M&A are the executives who decided to pursue the arrangement. Just as the two businesses come to the table with capabilities, so do leaders who know their company vision and have the trust of their people. Having a future-focused, collaborative executive relationship is critical for several reasons:

- The attention put into the initial union needs to thrive after the deal, when the work begins to drive tangible benefits.

- Businesses that instill strong communication among their top-tier personnel are more likely to successfully communicate goals, milestones, and directives to their employees, fueling productivity.

- By establishing a mutually agreed upon vision for their union, leaders can address any misalignments before they become hindrances.

5 Analyze and streamline data

In a consumer-driven landscape where privacy and personalization are of equal value, data analysis and compartmentalization are paramount. Leaning on technical partners can bring several benefits:

- Data clarity for greater visibility, a critical component in any efficient end-to-end solution

- Automation and the framework to incorporate technologies such as AI to future-proof your IT infrastructure

- Streamlining data analysis to help prioritize actionable data and the deletion of superfluous data
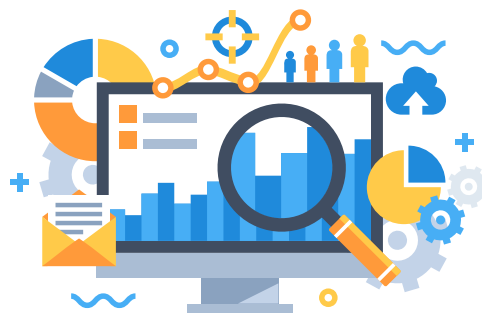
Learn How PDI Can Help

When it comes time for your next M&A activity, make sure you do your due diligence and understand the vital role technology integration plays in your success.

To learn how innovative technology solutions can help streamline that process, visit **www.pditechnologies.com.**

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