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Mergers + Acquisitions
The Ultimate Technology Integration Plan:

An IT Leader's Checklist

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Technology is a crucial component in today's business environments. When companies undergo mergers and acquisitions (M+A), they must consider how the different IT infrastructures work together synergistically to support their new organizational structure, business processes, and long-term vision.

Yet, merger and acquisition technology integration is often complex, time-consuming, and labor-intensive. It's particularly challenging because most IT professionals don't have the experience and expertise to handle these situations with a plan to address crucial components, minimize confusion, and meet aggressive timelines.

> **70% to 90% of mergers fail during the post-merger integration phase.**
> (Harvard Business Review)

> **"Planning and executing the integration process"** is considered the top M+A success factor.
> (Accenture)

> **"Business systems and technology"** is the top M+A pain point where most mistakes are made.
> (Robert Half)

IT leaders play a critical role in the M+A integration process. This guide details what you need to know to lead a successful initiative — from understanding what a comprehensive M+A technology integration plan can do for you to a step-by-step, actionable checklist and top advice to navigate common pitfalls.

Why You Need an M+A Technology Integration Plan

An M+A technology integration strategy outlines how two companies consolidate their IT systems and processes during a merger to achieve synergies and optimize business operations. It aims to reduce disruptions and maintain business continuity for a seamless transition.

An IT integration plan aligns technological resources, applications, processes, and data to create a unified and efficient infrastructure. It also proactively manages potential risks and challenges while addressing differences in company cultures and business workflows to minimize friction during implementation.

More than 50% of business synergies are technology-enabled.
(Bain + Co)

80% of companies involved in high-value transactions place significant emphasis on technology.
(Accenture)

Successful IT integration aligns systems, processes, and data to achieve synergies, leverages economies of scale, and maximizes a deal's predicted value. Here's what a comprehensive M+A technology integration plan can do for you:

- **Enhance operational efficiency:** Streamline processes and optimize business operations to improve cost efficiency and leverage synergies for cost savings, such as centralizing IT management and resources to eliminate duplicate technology investments.

- **Build a modern workspace:** Implement an effective communication and collaboration stack to support a modern workspace, improve the employee experience, enhance staff engagement, and facilitate cross-functional collaboration.

- **Support a data-driven culture:** Unify data repositories and include a robust data migration strategy to prevent data loss or corruption while ensuring data accuracy and consistency throughout the new entity to build trust in data.

- **Enhance cybersecurity posture:** Perform a thorough cybersecurity audit to address security risks, implement standardized security protocols, and ensure compliance with relevant industry regulations and data privacy laws.

- **Preserve customer experience:** Minimize disruptions to customer-facing systems, maintain the continuity of your online services, ensure seamless transfer of customer data, and streamline fulfillment processes post-merger.

- **Fuel innovation:** Align technology with business strategy to promote agility, scalability, and adaptability. Incorporate emerging technologies (e.g., AI and IoT) into the new infrastructure to foster innovation and pave the way to achieving your desired future state.

- **Support change management:** Consider cultural differences to promote a collaborative IT culture, proactively address resistance to technological changes, gain stakeholder buy-in, and drive user adoption to maximize your IT investment.

- **Accelerate digital transformation:** Assess your software portfolio and align applications and infrastructure with your long-term business strategy to drive cloud migration, support SaaS adoption, implement AI and automation technologies, and more.

M+A Technology Integration Best Practices

Post-merger IT integration is a multi-step process — doing the right thing at the right time is key to success. Incorporate these best practices to get the most out of the initiative:

Pre-integration Planning

Evaluate both companies' IT infrastructure, including hardware, networks, systems, applications, and data centers. Identify strengths, weaknesses, inefficiencies, redundancies, overlaps, gaps, dependencies, and limitations to inform subsequent decision-making.

Define and analyze migration and integration options and verify that all requirements are technically feasible. Then, develop a reference project architecture for new systems, workflows, and data repositories to standardize your approach, define a common vocabulary, streamline decision-making, and maximize architectural value.

Timeline and Test Run

Most IT integration projects are iterative, where companies progressively migrate and align different elements of their IT portfolios to preserve business continuity. To sequence your tasks correctly, you must first map all critical paths and understand their dependencies.

Identify a system with the least disruption potential (e.g., software handling internal processes with few dependencies) and perform a test run to iron out the kinks. Based on the learnings and experience, create a repeatable model to guide subsequent migrations. Also, set up a backup plan for easy roll-back if issues arise.

Risk Assessment and Mitigation

Analyze each integration task to identify potential technical or operational risks and develop mitigation strategies. These may include implementing communication protocols for issue resolution or allocating additional resources to high-risk activities. Also, consider how personnel or cultural differences may impact the process.

Organizations can be particularly vulnerable to cybersecurity risks during data and system migration as changes in architecture and configurations may give hackers the opportunities to infiltrate your network. Increase your monitoring and threat detection efforts and implement data protection protocols like encryption and access control to protect sensitive data.

Look out for these top post-merger IT integration risks and challenges:

68%
Maintaining business continuity

55%
Supporting synergies among business functions

32%
Preventing cybersecurity incidents

Source: Wavestone

Team Training and Documentation

You'd likely have team members from both companies working on the project. Whether you plan to adapt the IT infrastructure of one party or merge the two environments, not everyone will be familiar with the final architecture and workflows. Provide team training and documentation of the existing systems to ensure everyone is on the same page.

Document lessons learned and best practices as the project progresses to support continuous improvement and knowledge transfer while promoting transparency, visibility, and accountability.

Your documentation should cover the entire integration process, from baseline assessment and strategy planning to budgeting, data migration, cybersecurity measures, and testing. Also, include a comprehensive checklist to help scale the effort, increase repeatability, and shorten the timeline of subsequent migrations.

Compliance and Security Verification

Re-architecting an infrastructure and reconfiguring systems and applications may result in vulnerabilities, exposing the new entity to the risks of cyber threats and data breaches. Conduct security audits, vulnerability assessments, and penetration testing to ensure the consolidated systems are secure before deployment.

Additionally, the new entity may need to comply with different industry standards and regulations — especially if you're entering new geographic markets or industries. Conduct a compliance audit during the QA and UAT stages to verify compliance.

An IT Leader's Checklist For Effective M+A Technology Integration

Most post-merger integrations follow an aggressive schedule — there's no time to second-guess if you've everything covered. This comprehensive checklist will help you address all the key components and move forward confidently.

Effective M+A Tech Integration: An IT Leader's Checklist

- ☐ Prepare for the Integration

    - ☐ Perform IT due diligence before the deal is closed

    - ☐ Assess the integration's complexity

    - ☐ Assemble a dedicated team with M+A experience

    - ☐ Partner with an external consultant to access specialized knowledge

- ☐ Develop a Strategic Integration Plan

    - ☐ Implement an end-to-end methodology

    - ☐ Align IT goals with long-term business vision

    - ☐ Prioritize activities and develop a timeline

    - ☐ Estimate costs and create a budget

- ☐ Perform Data Migration and System Integration

    - ☐ Conduct a data quality assessment to address gaps

    - ☐ Map data flows and dependencies

    - ☐ Simplify data structure with middleware and APIs

    - ☐ Implement secure data transfer protocols

- ☐ Execute a Communication and Change Management Plan
    - ☐ Consider cultural and organizational differences
    - ☐ Develop a company-wide communication strategy
    - ☐ Maintain transparency and manage expectations
    - ☐ Provide staff training to drive user adoption

- ☐ Monitor and Evaluate Performance
    - ☐ Identify KPIs to monitor progress
    - ☐ Assess post-integration performance
    - ☐ Gather user feedback for continuous improvement
   - ☐ Document all migration processes

Prepare for the Integration

Understand the lay of the land with thorough due diligence to assess both companies' IT infrastructures and systems. Evaluate technological compatibility, identify opportunities for synergies, and analyze potential risks and challenges.

The Institute of Mergers, Acquisitions, and Alliances (IMAA) recommends performing IT due diligence before a deal is signed. The process helps enterprises develop a more accurate valuation for the transaction by understanding the integration effort's complexity.

Assemble a dedicated integration team instead of pulling employees to work on post-merger integration while juggling their day-to-day duties. Then, define roles and responsibilities and implement a communication plan to facilitate information sharing.

You may work with a trusted third-party consultant to access specialized knowledge and expertise to set the stage for success, especially if you lack internal resources with the appropriate experience. An ideal partner will help you gain a holistic, strategic view of the initiative while drilling down to the nuts and bolts to ensure effective execution.
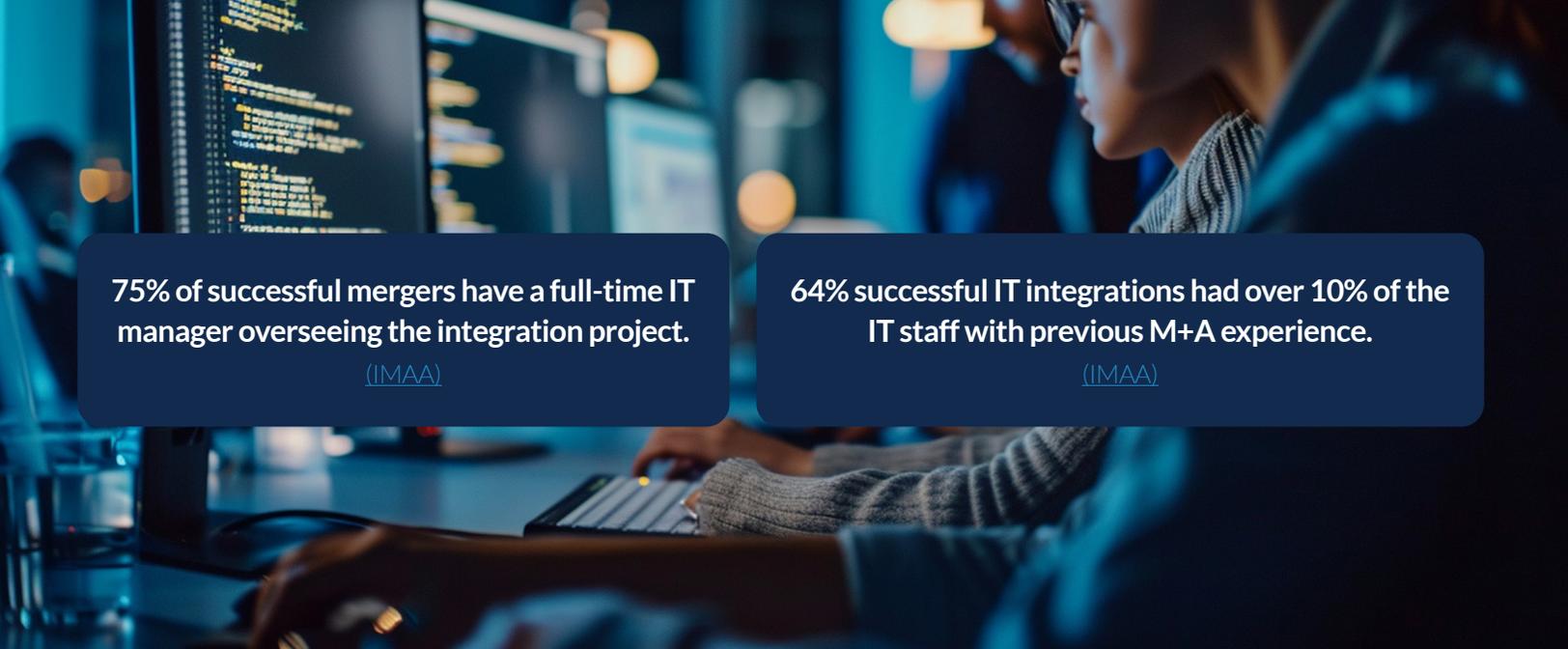
75% of successful mergers have a full-time IT manager overseeing the integration project.
(IMAA)

64% successful IT integrations had over 10% of the IT staff with previous M+A experience.
(IMAA)

Develop a Strategic Integration Plan

An end-to-end methodology helps you align tasks and resources to accrue efficiencies throughout the integration process. It also preserves core business procedures and maintains stability through effective risk mitigation and contingency planning.

Align your IT goals with the new entity's long-term business vision and define success metrics for the integration process. Keep in mind that you may not realize all the benefits immediately. Estimate the costs and time required to achieve the synergies to set realistic expectations.

71% of executives involved in financially successful deals said they were driven by a vision of the future IT capability.
(IMAA)

Take inventory of and categorize all the systems and applications in your environments. Prioritize integration activities, identify critical paths, and sequence the tasks correctly to address dependencies. Then, create a project plan with implementation timeline and key milestones.

Determine resource requirements based on your project plan. Estimate the costs of hardware, software, and personnel to build a comprehensive budget. Communicate these expectations with executives and get leadership buy-in to secure the appropriate resources. Also, don't forget to leave room for unexpected expenses.

Perform Data Migration and System Integration

Data is the lifeblood of modern enterprises, and seamless data migration is essential for a successful integration. Perform a data quality assessment to address gaps and resolve discrepancies. Align data structures, formats, and definitions between the merging entities to preserve data quality.

Map data flows and dependencies to ensure seamless system integration. Simplify the data infrastructure with middleware solutions and APIs to enable communication and data management for distributed applications. Additionally, implement a centralized data repository (e.g., a data warehouse) to serve as a single source of truth.

Conduct thorough unit, integration, and end-to-end testing to identify and address issues before full deployment. Also, perform user acceptance testing (UAT) to ensure applications meet the needs of the intended users in real-world situations before going live.

Implement secure data transfer protocols and protect data integrity with the latest end-to-end encryption techniques. Review data protection policies, assess the regulatory environment in which the new entity will operate, and perform the necessary audits to maintain compliance.

Execute a Communication and Change Management Plan

Don't overlook differences in company cultures and business processes when orchestrating a post-merger integration. After all, your integration plan is only as effective as the successful adoption of new technologies and workflows throughout the new entity.

Help stakeholders understand that IT integration is as much a human performance challenge as a technical one. Leadership must develop a holistic, long-term vision of the initiative and communicate openly and frequently with personnel at all levels to get everyone rowing in the same direction.

Develop a company-wide communication strategy to inform stakeholders about the integration timeline and activities. Aim to manage expectations, address concerns, facilitate cultural integration, and reduce uncertainty. Prioritize transparency, which is essential for winning employee buy-in.

Also, support change management with training and education to help staff quickly adapt to new technologies. Implement feedback channels and processes to increase employee engagement and support continuous improvement.

The integration of cultures and the reorganization of personnel are the greatest challenges to post-merger integration.

(Accenture)

Monitor and Evaluate Performance

Identify KPIs during strategic planning and track these metrics to monitor your progress against predefined integration objectives. Establish reporting mechanisms, conduct frequent reviews, and adjust your integration plan when necessary to stay on track.

The work isn't over when the integration is complete — continuous improvement is critical for sustaining long-term results. Assess IT performance post-integration to identify opportunities for further optimization. Gather end-user feedback and develop a plan for ongoing iteration and improvement.

Document all data migration and system integration processes — the records are valuable resources for future reference. Also, conduct knowledge transfer sessions to share insights and lessons learned to establish best practices and build organizational capability.

Top Advice for Successful M+A Technology Integration

With so many moving parts, the M+A technology integration journey is full of pitfalls. So, how can IT leaders navigate common mistakes? We asked our team, who has helped many enterprises orchestrate successful post-merger IT integrations, to share their from-the-trenches insights:

1. Start As Soon As You Can

Most M+A deals follow an aggressive timeline. Yet, evaluating complex environments is time-consuming and labor-intensive. Develop a technology integration plan as early as possible, ideally during the due diligence phase, to align IT strategy with business vision, understand the scope of the integration, and lay the groundwork for success.

> **Over 50% of companies that define their IT strategies during the due diligence phase achieved their synergy objectives.**
> (Wavestone)

2. Be Realistic When Estimating Synergies

While M+A integrations can reduce redundancies and create synergies, how much efficiency you gain depends on the merger's unique circumstances. Conduct a complete assessment of both companies' IT environments and analyze various scenarios to understand the integration's cost-saving potential. Also, design a strategy to reduce complexity to maximize the benefits.

3. Don't Underestimate Resource Needs

Many organizations misjudge the scope and requirements of M+A technology integration. Establish a comprehensive project plan early to help you understand resource needs. Communicate these expectations with executives and get leadership buy-in to secure the appropriate funding and resources for the initiative.

40% of mergers that achieved their synergy objectives allocate over 30% of their expenditure to IT integration programs.

(Wavestone)

4. Watch for Cybersecurity Vulnerabilities

New vulnerabilities may emerge when you re-architect the infrastructure and reconfigure systems and software, increasing the risks of cyber threats and data breaches. Perform a thorough security audit on your new infrastructure and use the opportunity to implement the latest security tools and techniques.

5. Ensure Compliance and Governance

Address governance and compliance measures in your integration plan. Update policies based on new security controls, business processes, and organizational structure. Identify all the industry standards and data privacy laws relevant to the new entity, analyze their requirements, and perform a comprehensive audit to ensure compliance.

6. Don't Take Shortcuts

The aggressive M+A timelines often lead teams to take rushed steps or shortcuts during implementation. Help leadership understand the risks of cutting corners, like the extra debugging and remediation costs, potential data loss and downtime, technical debt, and compromised long-term performance, to minimize the pressure on the IT team.

Take the Guesswork Out of M+A

The complexity of M+A activities has increased dramatically in today's fast-changing technology landscape. But the last thing you want is to skimp on tech integration. Do you have a plan to address crucial components, minimize confusion, and meet aggressive timelines?

We're Your Partner in M+A Success

At Compugen Systems, our expert team helps enterprises design a strategic approach to streamline their future IT environments, optimize costs, enhance agility, fuel innovation, and drive digital transformation.

Our M+A-In-a-Box Advisory Service helps you identify gaps and opportunities to maximize synergies. For example, we rationalize and consolidate applications to reduce complexity and build a streamlined, modern tech stack to support your long-term strategic goals.

Moreover, we don't just focus on the technical components. Our team takes the time to understand your overall business objectives and design a plan to address your business value, strategic goals, technical debt, IT complexity, and more to align technology with strategy.

Our proven process has helped many enterprises maximize the speed and quality of their M+A processes. We optimize business value by addressing critical components, including core infrastructure, end-user technology, applications, cybersecurity, and technology services.

Learn more and get in touch to see how we can help you gain a big-picture view to inform high-level strategic directions and drill down to the nuts and bolts to make accurate decisions.transformation, and reduce IT costs.

SCHEDULE A M+A CONVERSATION