



An IT Leader's Guide to Mergers & Acquisitions

What to expect before, during, and after M&A activity

Contents

| | |
|---|-----------|
| Increasing M&A activity puts IT leaders in the spotlight | 3 |
| Investigating the opportunity | 4 |
| Understand the commercial drivers before you dive into the tech | 4 |
| Conduct due diligence ahead of the deal, but expect surprises | 5 |
| Define your target end state and develop a high-level integration plan..... | 6 |
| Delivering the integration | 7 |
| Search for synergy | 7 |
| Prioritize by impact and effort..... | 8 |
| Decide what to standardize..... | 8 |
| Make security and compliance the highest denominator..... | 8 |
| Streamline software licenses | 9 |
| Partner to go further faster | 9 |
| Managing change and controlling risk | 10 |
| Craft a "change story"..... | 10 |
| Communicate clearly and often | 10 |
| Concentrate on culture | 10 |
| Explore the potential of your team..... | 10 |
| \$15M unlocked during divestiture and acquisition-driven transformation | 10 |
| Reflecting and preparing for the future | 11 |
| Document what worked and what didn't | 11 |
| Take the opportunity to modernize your IT estate..... | 11 |
| Unlock greater value faster with Ensono, your ally in M&A | 12 |

Increasing M&A activity puts IT leaders in the spotlight

M&A activity may have been lower than usual over the last few years, but there has been a clear uptick as corporates increasingly turn to it to accelerate growth, enter new markets, expand their offerings, and differentiate themselves.

Organizations going through M&As rely heavily on their IT leaders to drive synergies, optimize costs, and deliver as much value as possible. As a result, you are likely to be involved in M&A activity at some point during your career and, when that time comes, you can expect to find yourself under a great deal of pressure to achieve a successful integration within a very tight time frame.

IT integration during mergers and acquisitions is challenging, to say the least. It will no doubt be an incredibly stressful time but with the right attitude it can also be a great opportunity to showcase your strategic abilities. If you can successfully bridge the gap between the commercial objectives of the deal and the reality of executing the integration, then you will be core to the success of the activity.

Each stage of an M&A deal offers IT leaders an opportunity to deliver business value as well as technical expertise.

This guide is designed for IT leaders approaching their first M&A-led IT integration. In it, we explore:

- What to expect during the early stages of M&A activity and how to ensure a potential integration is tightly aligned to the deal thesis
- How to prioritize integration activities, drive out cost, enhance security and accelerate your integration timeline
- The importance of reflecting on what worked and preparing for future integrations

Let's dive right in by looking at what to expect during the exploratory phase of a potential merger or acquisition.

Investigating the opportunity

The business leaders and strategists that make up deal teams are rarely IT experts. Most pre-deal discussions are about market opportunity, capturing additional market share, expanding product lines and scaling the business, with little attention paid to the IT specifics. Yet in many cases, the ability to deliver these desired deal objectives depends on the successful integration of the complex infrastructure, systems and data spread across both entities. This makes IT involvement and expertise a de facto requirement of a successful M&A strategy.

In the early stages of a deal, you'll need to bridge the gap between the potential commercial value of a deal and the reality of actually realizing that value.

When a potential acquisition is being explored by your organization's deal team, you will be expected to provide an accurate assessment of what's under the hood and what it will take to integrate and consolidate the new entity into your existing estate.

It all starts with understanding the deal thesis.

Understand the commercial drivers before you dive into the tech

This isn't just about understanding the basic goals—it's [about getting to the core of what led to the M&A decision in the first place](#). Gaining clarity on the commercial drivers of the pending deal will ensure that you articulate the technological opportunities, challenges and risks that you uncover in a way that resonates with the rest of the deal team (i.e. in terms of the financial impact rather than the technical specifics). Start with these four questions:

- 1 What are the desired outcomes?**
Is the aim to gain market share, add new lines of business, eliminate a competitor, or diversify the product portfolio?
- 2 What are the financial expectations?**
Understand the financial targets, such as expected revenue growth, cost reduction target, and EBITDA improvement.
- 3 What synergies are expected?**
Determine whether the focus is on top-line growth through new customer acquisition or cross-selling opportunities, or bottom-line improvements through cost synergies like shared services or supply chain optimization.
- 4 What is the expected timeline for realizing these synergies?**

Get curious about the commercial rationale, translate the deal's commercial goals into technological actions, and make that your north star.

[Read The IT Leader's Guide to Better M&A](#) >>

Conduct due diligence ahead of the deal, but expect surprises

Once there is preliminary approval to explore a deal, due diligence is required. In this phase, the acquirer learns about the target in more detail. You will be given access to a deal or data room, the secure online repository that contains more detailed financial, IT and personnel details. This is your opportunity to evaluate the technologies used by the target company. It's also a chance to examine its reliance on third-party vendors and to understand which skills are available in-house versus those that are currently outsourced.

Unfortunately, in the early stages, you will find that only high-level information is available through the deal room. But with the right mindset, you can gather enough information to validate the deal thesis, create a relatively accurate financial model, and begin to get ahead of risks.

A crucial aspect at this stage is the assessment of the target company's application portfolio with a view to understanding which systems should be rapidly integrated, which should remain separate, and which should be integrated over a longer period.



Define your target end state and develop a high-level integration plan

Once you have completed your initial assessments—and assuming you agree that the deal objectives can be met—it's time to develop a roadmap of what needs to be integrated, consolidated and optimized to achieve the required end state. It should include:



A high-level plan, including timelines, milestones, and resource allocation.



A budget with the estimated costs associated with the integration, including potential upgrades and new technology acquisitions, as well as any savings that may be unlocked.



A risk log that will be added to throughout the deal process by all the contributing parties in the buying team.

Your integration plan should include clear workstreams, named owners and realistic timelines. Since you won't yet have access to the target company's actual systems, this iteration of the plan will be based on a number of assumptions and will require adjustments as the deal progresses and more data comes to light.

Shift your mindset from perfection to pragmatism. You'll need to make a decision, and plan for integration, without all the information.



Delivering the integration

Assuming the deal goes ahead, the real work of merging two organizations' IT estates begins. Plans that were made during due diligence and planning now need to be put into action.

You finally have access to the target organization's technology and can conduct a detailed audit. It's essential to revisit the assumptions and decisions made during the previous phase and adjust your integration plan accordingly.

Here again, the deal thesis should stay front-and-center. Ongoing and open dialogue with commercial leaders should continue to link technology activities to the broader business strategy and goals.



This iterative process requires adaptability and a commitment to cross-functional collaboration, with regular checkpoints to review progress, address issues and keep the integration on track.

Search for synergy

Now that you have access to the new company's systems, it's time to **dig deeper into its infrastructure, systems and applications and their related dependencies**. As more detailed information emerges, it's important to revisit the assumptions and decisions made previously, adjusting your integration plan accordingly.

The goal is to validate opportunities for consolidation and cost reduction and identify new ones, across the two organizations' infrastructures, third-party providers, public cloud services, applications portfolio, etc.

Hybrid IT Assessment: A full audit of assets, applications and infrastructure

Ensono's Hybrid IT Assessment provides a comprehensive inventory across the IT environment. Our experts can help you map all IT assets, uncover application dependencies, and design a rational, efficient and lower-cost target state.



Prioritize by impact and effort

Once you have a detailed view of the IT landscape, you need to prioritize which applications and infrastructure components to integrate quickly, which to leave separate, and which to consolidate over time. Factors to consider include quick wins, contract renewal dates, opportunities for maintain differentiation, complexity and speed to realize synergies, available skills, and the ROI to be realized by consolidation versus maintaining separate systems in the medium term.

The goal is to deliver the expected synergies and streamline operations by consolidating systems and infrastructure where possible.

During integration, keep the deal thesis front-and-center, continuously revisiting, refining and iterating.

Decide what to standardize

The decision on which common systems to adopt will depend on various factors, including their size of deployment, customization and complexity, the cost of integration and potential resistance from employees. The goal is to choose the approach that minimizes disruption, reduces costs, and achieves the desired outcomes efficiently. You will also need to decide how long to retain and enable access, often for regulatory reasons, to the data sitting in the systems and applications that will be shut down.

IT security is an interesting area to re-evaluate during M&A. The end state should raise the combined organization to the 'highest common denominator' by adopting the best of tools and practices from the two merging organizations as the new "standard" for everyone.

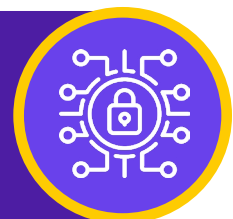
Make security and compliance the highest denominator

In its end state, the newly integrated entity should adopt the strongest security tools and practices from each organization to:

- 1 | Minimize vulnerabilities and reduce the risk of breaches
- 2 | Ensure that all parts of the business meet the highest security standards
- 3 | Ensure compliance with all relevant regulations
- 4 | Build trust with customers, partners and stakeholders

Get CISO peace of mind, without a CISO budget

Ensono's IT security consulting experts act as your virtual CISO, supporting your team with decades of experience in IT security strategy, policies, risk management, controls, implementation, security maturity assessment and more.



Could you reduce public cloud spend by 15-30%?

Ensono's Cloud Cost Optimization service identifies potential areas for cost savings and the specific actions to take to realize them. Our clients benefit from significant savings, which they reinvest in modernization and innovation.



Streamline software licenses

Each organization will have its own software license agreements, but there's bound to be an overlap. The goal of software license optimization is to streamline these agreements to consolidate and reduce spend, and to improve vendor management efficiency. Work with your procurement team, or an external partner, to:

- Assess current agreements, looking at the terms, costs, and usage of each license
- Review common and distinct vendors to identify opportunities for consolidation of functionality and negotiation of better terms
- Analyze how licenses are used to identify opportunities to reduce the number required or to switch to more cost-effective options

CLIENT SOLUTIONS



Ensono reduces VMware renewal costs by 17%

As a Pinnacle VMware Cloud Service Provider, we faced the challenge of navigating Broadcom's acquisition of VMware and its impact on our licensing costs. Our mission was to minimize these costs for ourselves and prepare to help our clients do the same.

[Read the success story](#)

Partner to go further faster

Bringing on a partner can greatly accelerate your integration timeline, and help you avoid common pitfalls. The delicate nature of integration may mean that there is more openness among senior leadership to bring on an experienced outside party with specific expertise and the resources to augment internal skills gaps. Demonstrating the commercial benefit of such a partnership—and linking it to the delivery of the intended deal goals—will help make the case.

Managing change and controlling risk

M&As can be incredibly stressful for employees of both organizations, as they adjust to a changing culture, and are forced to adopt new systems and ways of working.

Transparency, consistent communication and a compelling change story will make the process less overwhelming for everyone.

Craft a "change story"

Taking control of the narrative and keeping everyone's eyes on the big picture will give context to painful changes people may experience throughout the transition. Just as you need to understand the financial opportunities and drivers for the business, so too do your staff. Make this change story your north star and refer to it often. Use it to articulate the desired cultural transformation and ensure consistent messaging across both organizations.

Communicate clearly and often

Communicate the integration plan clearly and share regular progress updates to build trust. Try to anticipate and address your team's biggest concerns by developing a transition plan and providing clarity on their new roles and responsibilities, as well as new career opportunities.

Concentrate on culture

Integrating two teams is never easy. By taking the time to build relationships, establish strong lines of communication, and build a positive team culture, you can get your team's buy-in. This will not only reduce employee churn but ensure that your team takes a proactive approach when challenges arise.



Explore the potential of your team

This is the perfect time to identify team members who thrive in "messy projects". Encourage them to step up and take the lead as their ability to navigate and manage this era of transition will be invaluable.

CLIENT SOLUTIONS



\$15M unlocked during divestiture and acquisition-driven transformation

Explore the fascinating story of how Ensono helped a leading insurance technology provider that split from its parent, modernized its IT estate, and then acquired a business three times its size just six months later.

[Read the success story](#)

Reflecting and preparing for the future

You'll no doubt be breathing a sigh of relief after the integration is completed, but in many companies, M&A activity is not a one-time activity. Each deal is a chance for you to strengthen your M&A competency and prepare for the next time you face one.

Document what worked and what didn't

Keeping the deal thesis in mind, evaluate whether the acquisition objectives have been met. Report on the achievement of key milestones, delivery of expected synergies, and the effectiveness of deployed resources. Compare the expected vs delivered ROI and try to understand what caused the variance.

Document what you have learned, creating a repository of best practices to guide the process next time.

The expanded role of technology in both the strategic opportunity and the operational reality of M&A activities presents a real opportunity for IT leaders to transition from supporters to strategic players.

Take the opportunity to modernize your IT estate

The organization you are acquiring may come with a portfolio of legacy technology and applications that, left unchecked, will create a crisis of complexity that may impact the new entity's ability to grow. Or perhaps it's your organization that's weighed down with outdated infrastructure and systems.

Either way, we encourage you to keep modernization on the agenda. Now that your organization has demonstrated the importance of IT in unlocking value to drive growth, take the opportunity to assess the state of your newly enhanced application portfolio. With one eye on your organization's commercial goals and potential plans, look for opportunities to reduce cost and risk while enhancing your ability to scale and deliver the best customer experience.

Assess your opportunities for modernization

Our Modernization Discovery Workshop and in-depth assessments give you a detailed understanding of the current state of your application portfolio, recommendations based on your ideal target state, risks and constraints, and a roadmap for achieving the target state.



Unlock greater value faster with Ensono, your ally in M&A

Ensono is an ally to IT leaders undergoing complex transformations. We ensure smooth integrations, consolidations, migrations and modernizations during M&A activity so that your business can thrive in its newly integrated state.

Over the years, we have developed a suite of industry-leading frameworks, tools and processes for quickly assessing an organization's systems, applications and dependencies. Our expertise spans from legacy to modern languages, platforms and development practices.

We're fully up to date regarding compliance and security standards, and our procurement team is at your disposal, helping you negotiate the best software and vendor deals so that you can unlock maximum business value from your M&A activity.

**Navigate your Mergers and
Acquisitions with Ensono**

[Contact us to learn more.](#)

Visit ensono.com.

ensono[®]
Make better happen