

Building an IT integration roadmap

Key questions every CIO should ask

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Introduction

Information Technology (IT) often plays a critical role in achieving potential synergies in a merger or acquisition. IT can also impact the overall effectiveness of the integration. For most organizations, many of their key functions (e.g., finance, Human Resources (HR), and operations) are highly reliant on IT. During an integration effort, applications and systems supporting these functions need to be integrated or merged requiring significant IT participation. The sooner IT is involved and the more comprehensive the planning effort, the more likely these systems are to be pulled together smoothly and with the least disruption to the organization.

Often, corporate management pays far too little attention to the IT aspects of the integration. The most senior-level executives in an organization may not be familiar with how IT enables the work of other functions/divisions. They certainly receive reports about the organization's financials, but they may not always be aware of the extent IT systems are used to pull together all of the supporting data for the reports.

IT integrations are complex, resource-intensive initiatives that need to be closely aligned with the overall business integration effort. Combining two departments requires more than moving staff and streamlining processes. The IT function needs to determine whether the existing systems supporting each department can compatibly run in parallel, or must integrate the different systems into one. This type of activity requires significant time and staff and must be done in addition to the day-to-day activities of the IT function required to keep the business running effectively. As a result, this combination of normal IT activity combined with effectively executing integration-related tasks can put significant levels of stress on an IT function.

Planning an IT integration

The old adage "those who fail to plan, plan to fail" is particularly applicable to IT integrations. A well-developed plan will significantly increase the likelihood of an effective integration within the desired time frame. Development of an IT integration roadmap is a critical initiative for overall integration effectiveness.

An IT integration roadmap should outline a solid and structured plan for the initiative. A well-defined roadmap includes specific and clear goals, a detailed approach or methodology for achieving these goals, and lists all resources and time required to reach these goals.

Where possible, the roadmap should be developed well before integration begins. Ideally, companies should work on the roadmap as part of the pre-merger financial and operational due diligence so that they are asking the right questions from the start.

The integration roadmap has several key objectives:

1. Attain merger synergies within the desired time frame. The sooner synergies can be achieved, usually the more aggregate savings can be realized.
2. Facilitate an issue-free Day One (the day on which merging companies become legally combined). This is critical for uninterrupted business operation and preserving revenue.
3. Keep the impact on key stakeholders (including customers, suppliers, and employees) low. This is designed to protect current customers and revenue base and help retain key employees.

The roadmap should provide a "big picture" overview of what to expect at each stage of the integration. The roadmap should also help to identify critical events, dependencies, and questions to ask during the due diligence phase to increase the likelihood that IT will achieve the expected merger synergies and help enable an issue-free Day One for key stakeholders. A well-planned roadmap can even help accelerate synergy capture.

The finished IT integration roadmap can become a reusable tool that can be improved with each future transaction. Many items in the integration roadmap will likely be similar from transaction to transaction, such as the customary project management methods or the nonnegotiables (e.g., using the new buyer's Enterprise Resource Planning (ERP) system) based on the company's guiding principles rather than a specific transaction. Building from an existing roadmap should leave the company some additional time to focus on the unique aspects of a particular transaction.

Involve IT during due diligence

Example from the field

A hardware reseller company was evaluating the purchase of a software distribution business unit from a larger competitor. By involving the CIOs of both companies during the due diligence phase, the transaction team uncovered unanticipated IT-related complexities of the merger and its significant cost. A plan was developed to clone all required systems and the supporting IT function of the seller's company and transition them to the buyer within 30 days of transaction close. Early planning and CIO involvement played a large role in the effectiveness of this merger and in accounting for all merger-related costs up front.

Asking the right questions

IT integrations are usually complex undertakings. They often include many moving pieces and multiple interdependencies. Development of a roadmap is an effective way to determine what dependencies exist and to evaluate how to most effectively move the integration forward and maintain momentum. To develop a roadmap with the “right answers,” the company needs to ask the “right questions,”

An actionable roadmap is usually organized into the following specific areas: Organization, Guiding Principles, Integration Approach, and Integration Plan. While each of these components is broad and applies to nearly any integration, the basic questions in each area should be tailored and expanded for the specific transaction at hand.

Some basic questions apply to each area. The answers to these questions will not be simply yes or no, but rather should lead to additional questions that are tailored to the specific situation. The goal is to address the full set of salient topics and issues.

Don't underestimate pre-close IT activities

Example from the field

M&A IT is not business as usual — this statement is particularly true prior to the deal close. During this period, numerous legal and regulatory restrictions make sharing design documentation, data, and key subject matter information extremely difficult.

In our experience, any IT-related activities that need to be executed by “clean teams” and in “clean room” environments require as much as three times more time than traditional IT implementations. In addition, new hardware and network environments may need to be provisioned in order to establish an isolated “clean room” for the pre-close IT projects.

Organization

The organization component of the roadmap addresses organizational design, the management of the IT integration, IT function preparedness, communications, and change management. When developing the organization component, answer the following questions:

- How prepared is the IT function for the integration?
- What changes need to be made in the organization of the IT function before the integration?
- Does the IT function understand the business intent of the integration?
- Does the IT leadership have the authority and accountability for achieving the integration goals?
- Is an IT Integration project management office (PMO) in place?
- Is a mechanism in place for quick decision-making during the integration?
- Are the necessary resources in place or will the IT function need to hire external consultants to free up staff from existing projects?
- What are the retention plans for employees critical to managing the current day-to-day activities as well as those critical to the effectiveness of integration?
- How will turnover be addressed?
- How will communications be managed for both internal and external audiences?
- What is the mechanism for documenting issues and key decisions?
- Is a clean team required to begin IT integration activities prior to the transaction close?
- What cultural issues need to be addressed?
- What does the future-state IT function look like?
- What knowledge transfer needs to take place?

Plan for the unexpected

Example from the field

A technology manufacturing company developed an IT integration roadmap for an upcoming acquisition. As the team was getting ready to kick off the largest phase of the plan ERP system consolidation, they discovered the buyer's ERP application needed an extensive upgrade in order to be integrated with the target's ERP.

Although this seemed like a deal breaker initially, the flexible plan, early discovery, and some creative thinking helped the integration team overcome this hurdle and execute the plan within the established time frames.

Guiding principles

The guiding principles component of the roadmap should help set the direction and expectations for the integration. The component should also provide a consistent approach for IT leadership in reinforcing integration priorities. Address the following questions when developing the guiding principles:

- What are the guiding principles (e.g., speed over elegance) for the overall integration?
- What key program requirements must be addressed?
- What are the nonnegotiables, particularly in regard to Day One IT deliverables?
- Is there an “adopt-and-go” strategy (e.g., use the acquirer's applications)? Alternatively, will the IT systems and processes be only loosely integrated at first?
- What are the IT synergy targets?

Understand priorities and dependencies

Example from the field

A financial services company was planning a multiphase IT integration that included more than 60 business-initiated IT projects. Building an IT integration roadmap helped prioritize the projects to determine which ones were truly required for integration and which were just nice to have. The roadmap also helped to identify critical dependencies that might have otherwise been missed, which would have extended the Transition Services Agreements (TSAs) by over a year at a significant cost.

Integration approach

The integration approach should help establish the overall structure of the IT integration, including the degree of integration between the IT functions of the merging companies. A full integration combines all aspects of the IT functions, including reporting relationships, processes, and policies. A stand-alone integration leaves the main operations and organization of the IT functions unchanged. A partial integration combines some aspects and leaves others intact, based on the specific transaction. Ask the following questions about the integration approach:

- What is the integration strategy?
- What is the degree of IT integration for the target company?
- What is the vision for the future state of IT?
- What is the approach from an architecture and design standpoint?
- What is the framework for project governance?
- What are the risks and the mitigation plans?
- What activities will be outsourced?
- How will the integration phases be divided? What will be expected in each phase?
- What are the IT work threads? What is each thread responsible for delivering?
- What are the common tools and processes that the integration team will use throughout the integration process?
- What security and regulatory issues must be addressed?

Integration plan

The integration plan should describe how the future state of the IT function will be achieved and include an assessment of the current state, a gap analysis, and a description of the initiatives required to close the gap. The integration plan should also include a timeline, major milestones, and key deliverables. Ask the following questions when developing the integration plan:

- What are the risks and the mitigation plans?
- What are the critical milestones? How will these be monitored?
- What are the major deliverables?
- What metrics will be used to measure performance against plan? When will these be implemented?
- What high-level initiatives will help achieve synergy capture and the vision for the future state of IT?

Building the integration roadmap

The integration roadmap is intended to provide an executable plan for the overall integration. To create the roadmap, think about how the answers to the key planning questions affect the integration time frames and work within them. Some of the questions are fairly straightforward, whereas others require more careful consideration. Be sure to thoroughly answer each question and consider how that answer affects the integration before moving forward.

The final roadmap should outline how to proceed through the integration. It should provide the specific answers, related information, and timelines for the organization, guiding principles, integration approach, and integration plan components. It should also address people and technology issues that may arise. Building the roadmap should help catch dependencies that might have otherwise been missed.

In our experience, addressing the questions associated with each area discussed, while building the IT integration roadmap, will help the IT organization effectively navigate the entire integration process. We believe overall merger integration effectiveness requires a structured approach and well-defined plan. This thinking applies to the Information Technology dimension, as well. An effective IT integration roadmap is a critical enabler of an effective merger integration and should be viewed by the IT organization as a reusable tool to be improved with every transaction.

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