AMPLIFYING THE ROI OF MERGERS & ACQUISITIONS

How a digitally-refreshed organization can drive value at scale.

An Infosys Consulting Perspective
by Deepak Pajankar and Abhishek Sunkersett

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INTRODUCTION

For today’s top leaders, generating significant new sources of value is critical for differentiation in the market and realizing significant ROI for investors.

Rapid innovation in today’s world is forcing incumbent organizations to adopt strategic mergers and acquisitions (M&A) as a means to protect themselves from technology disruptors and new, innovative product offerings. In a race to stay relevant and realize the maximum return on investment, merging corporations need to strive for speedy post-merger integration with lower cost and high quality.

By leveraging cutting-edge digital, RPA and AI solutions, organizations can overcome not only the time and efficiency constraints of the integration process, but also incorporate the power of these capabilities to roll out a digitally-refreshed organization.

Examples of recent cross-industry mega-mergers

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<th>Disruptive Forces</th>
<th>Competition</th>
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|          | T-Mobile & Sprint (proposed) | 5G launch | • A&T  
• Verizon | Ability to invest in 5G |
|          | Charles Schwab & TD Meritage | Zero Commission / Fintech Adoption | • Robinhood  
• SoFi | Disruptors impacting margins |
|          | Bristol Myers & Celgene | Regulatory pricing pressure | • Pfizer  
• Merck | Optimize R&D cost to reduce prices |
OVERCOMING BUSINESS-CRITICAL CHALLENGES WITH DIGITAL

Despite upfront promising prospects, nearly half of all M&A transactions fail to achieve desired benefits, often resulting in painful write-offs and losses for acquiring corporations. By embracing some of the latest innovative digital solutions, the complexities around meeting integration timelines and maintaining business continuity can be mitigated to help leaders drive towards a successful end goal. We’ll explore these opportunities here in more detail...

*Digital, AI & RPA solutions can be leveraged across the M&A Lifecycle*

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*Legend*

- Steps in M&A Lifecycle
- Digitization Tools (Opportunity Areas)
Reducing Due Diligence Time:

During due diligence, acquirers need to perform in-depth research on the target to identify problem areas before transaction terms and integration plans are set. This requires a review of large sets of poorly structured data and documents which are labor-intensive and time-consuming. By combining optical character recognition, natural language processing, machine learning with human review, auditors can now cluster large content sets, extract key data points and reduce the due diligence timeframe by up to 75%.

Time-consuming M&A activities such as planning, program management, and reporting can be trimmed by using cloud-based solutions. With these solutions, global teams can quickly collaborate to capture key data elements and provide cross-functional status. Program governance documents such as RAID logs, cutover plans, and project plans can efficiently be managed on these cloud-based platforms with multiple resources collaborating in real-time. Reporting, root cause analysis, workflows, and program level integrated milestone plans can be automated by leveraging the underlying data on these platforms.

Ensuring Data Accuracy:

To adequately realize M&A synergies, the accurate and complete capture of underlying data is essential for the successful integration of acquired assets into the merged organization. Accurate integration and consolidation of data from disparate enterprise systems is critical as the consolidated data forms the basis for the deployment of new data-driven enterprise applications and reporting gateway in the merger entity. By using graph data technologies, data can be analyzed efficiently, regardless of its format and source. The technology provides quick analysis capability to identify business relationships and correlations across disparate datasets. For data harmonization, each company could load training data sets into isolated instances in the cloud. The data can then be cleansed, enriched, and de-duplicated. The clean converged data schema can then be loaded into a third cloud instance for application consumption or be pushed down to the enterprise data warehouse.
Diving Productivity Gains:

Post-close, corporations face challenges stemming from employee attrition, lack of central ownership, and low employee morale – which all place added pressure on the organization’s ability to maintain productive operations. Teams are also stretched thin between the day job of maintaining ongoing operations and the overhead of participating in post-merger integration activities. By using a centralized M&A digital solution a lot of these impacts can be softened. Digital systems can be used across the M&A lifecycle to provide several advantages. These include: a unified database for all M&A activity, where the DB provides a single source of truth, reduction in errors and makes it easier to run live views and reports; workflow automation for collaboration between cross-functional teams, automated pipeline updates, KPI reporting and reduction on process cycle time; and oversight and accountability to drive who does what next through process dashboards – this can provide greater transparency and visibility which makes users more attentive to the tasks they own.

Variance of cost, productivity and accuracy of data over the M&A life cycle
PMI: AN OPPORTUNITY FOR A DIGITALLY-REFRESHED ORGANIZATION

While organizations grow, they tend to accumulate a large number of IT infrastructure assets, applications, data sets, software, and resources. The overall IT landscape of the merging organizations could be inefficient and running on dated technology. The M&A integration planning phase is not only an ideal time to optimize the IT landscape but also an opportunity to roll out a digitally refreshed organization. While keeping the strategic objectives of the merger in mind, these opportunities should be explored:
**Technology Rationalization**

IT operating costs can be significantly trimmed for the merged entity. Packaged solutions such as Service Now can be deployed to centralize application, tools, and infrastructure details, derive rationalization insights, and drive the overall rationalization effort. With the merger of physical IT assets, organizations also need to be sure that they are sufficiently optimizing and getting the most out of their IT infrastructure. Splunk’s operational intelligence technology can be used to map how systems can work together and eliminate infrastructure redundancies.

**Cloud Migration**

During integration, it becomes challenging to match the application landscape and data across multiple on premise data centers. Moving applications and data to the cloud can address this challenge and make the integration process easier. In addition to simplifying data center operations and trimming costs, cloud migration can help accommodate new geographies and employees, thus resulting in a smooth transition. To get cloud migration right, a cloud strategy and roadmap should be put in place with sponsorship from the executive council. Candidate application and data sets should be cataloged, prioritized, and supported with a details cloud business case.

**Process Automation**

Automation ideas should be closely looked at while harmonizing business processes across the two organizations. Based on the idea catalog, an automation tool evaluation should be done to identify the best strategic fit. An automation COE could be set up to maintain a pipeline of automation opportunities, drive prioritization, and use a factory model to execute on the select opportunity set.
Rollout IT as a Service

The IT operating model should be redefined such that it is aligned with the strategic needs of the merged organization and nimble enough to respond to disruptive forces in the marketplace. An opportunity to re-deploy the IT function as a service should be evaluated so that the IT organization can focus on core competencies, meet the demands of a scalable organization, and reduce time-to-market.
THE PATH TO A DIGITALLY-REFRESHED ORGANIZATION

M&A activity will continue at a steady pace as long as there are disruptive forces in the marketplace. For successful acquisition integration, companies need to embrace the latest digital and automation capabilities to expedite all stages of the M&A lifecycle and roll out a digitally refreshed organization.

Our team of experts has extensive experience in the space helping organizations to realize efficiencies and drive value at scale. To learn more, please contact one of our experts today for an overview of how we can help your organization.
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