



POINT OF VIEW | DIGITAL

CIOs Lead the Way in Mergers, Acquisitions and Divestitures

Technology is increasingly essential to
engaging employees and driving
transformation in times of change

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Throughout the recorded history of business, mergers, acquisitions and divestitures (MA&D) have always been an inevitability of economic evolution. Companies join forces in the name of competitive advantage, or they sell off a non-core piece of the business to focus on what they do best. Although the concept is nothing new, the process of making complex MA&D transactions worthwhile has changed. Because nearly every organization today is steeped in technology, the chief information officer (CIO) has an increasingly important role to play in ensuring business continuity, helping employees manage the transition and positioning the new organization for transformative success.

What's driving MA&D activity?

In 2018, the total value of all announced M&A deals worldwide reached \$4.1 trillion, the third-largest year on record. And according to JP Morgan Chase's 2019 Global M&A Outlook, that activity is expected to remain strong despite a challenging regulatory environment and geopolitical uncertainty.¹

Companies in every industry — from manufacturing to healthcare to financial services — are consolidating in

pursuit of an edge in a hyper-competitive marketplace. They're expanding their customer bases in new or existing geographies, offering new products and services, and acquiring technology and digital capabilities.

JP Morgan's analysts expect that companies will take advantage of enhanced access to cash on their balance sheets and engage in M&A activities to drive shareholder value. And while heightened regulations have proved to be a challenge to cross-border mega-deals, the vast majority of deals in the range of \$1 to \$10 billion will continue to move swiftly.

Divestitures are also expected to increase in the coming years, as investors have been pressuring companies to achieve more streamlined corporate structures that focus on their core businesses. At the same time, the market has been rewarding spin-offs and split-offs with higher valuations.

Regardless of the industry or intention, nearly every MA&D transaction in the modern era is connected by a common thread: a dependence on technology to deliver the results.



The CIO's essential role

While MA&D are rooted in long-term strategy, they raise significant challenges in the present. Seamlessly integrating the technology, operations and personnel of two organizations (or carving them out, in the case of a divestiture) is a complex mission. And in recent years, an increasing amount of this responsibility has fallen to the CIO and the IT organization. Because so many of today's MA&D activities are either motivated by technology or heavily reliant upon it (or both), it stands to reason that the CIO organization should play a leading role in making the transaction successful.

Leading voices in technology support this point. For example, a recent article from CIO Dive discusses the crucial role of IT in bringing together CVS Health and Aetna.² An opinion piece from CIO cautions against the all-too-common mistake of not bringing IT to the table early enough in the MA&D process.³

As organizations are learning, the CIO's role in the transition goes well beyond its traditional bounds: It extends to managing a people-centered culture shift and a business transformation all at once. On one hand, nearly all modern business applications and communications have become tech-dependent, so the IT department is central to helping manage the human side of change. On the other hand are the technical requirements of integrating an acquisition or carving out a divestiture, finding ways to not only keep business moving but usher in new capabilities that elevate the company's performance.

Whatever the parameters of the deal, it's clear that the success of the transaction largely depends on a highly skilled, well-prepared IT organization.

Identifying and overcoming the hurdles

In 2016, NTT DATA made a major acquisition of its own with the purchase of the former Dell Services. The \$3 billion deal, through which NTT DATA expanded its services portfolio and global presence, involved 30,000 employees across 40 countries, plus the integration of nine data centers, 54 facilities and 1,000 applications — creating the combined NTT DATA Services. As the integration team found, IT organizations tasked with large-scale MA&D projects have two overarching themes to address, each of equal import and complexity.

IT integration: Six keys to success

While the IT department can certainly play an expanded, strategic role in ensuring the success of a merger, the immediate task is technical integration: bringing the infrastructure and systems of two organizations together so they can effectively function as one. In its \$3 billion acquisition of Dell Services, NTT DATA identified six important steps that led to positive outcomes and positioned the IT organization to make even greater long-term contributions:

- **Set realistic deadlines:** NTT DATA and Dell worked under a 22-month transition services agreement, an aggressive but adequate time frame in which to complete hundreds of integration tasks.
- **Formalize teams and processes:** NTT DATA established an integration management office and a program management office to ensure cross-IT workstream dependencies were well-defined and agreed upon by both companies.
- **Prepare for disruptions and setbacks:** In a major integration, unforeseen complications will arise. Management should set aside time to engage in spirited problem-solving activities and plan proactively to keep the team motivated and moving forward.
- **Develop centralized tools:** IT teams from across both organizations should have access to unified information, dashboards and tools to work in lockstep throughout the integration.
- **Rationalize the portfolio:** Mergers create redundancies. NTT DATA took an exhaustive inventory of applications, data centers, facilities and networks, and then aligned each with the specific business activities it supported. When unnecessary overlaps occurred, cuts were made.
- **Document the process:** By keeping detailed records throughout the integration process, NTT DATA created an M&A playbook that will make future acquisitions much easier to manage.

Want to learn more? [Check out our roadmap](#) for an optimized IT environment and a successful integration, from planning and soft cutover to hard cutover.

First is the issue of internal change management: ensuring that all affected employees are properly motivated and equipped to maintain business continuity before, during and after the transition. Doing so requires a concerted effort by both companies to keep people informed, while providing uninterrupted access to the systems and tools that drive the business. Good change management involves generating excitement for the positive outcomes of the transaction, helping employees understand what it means for them and their teams.

Traditionally, many of these tasks rested squarely within the communications and human resources (HR) functions. Although both teams are still key players, they depend on IT more than ever, because technology powers the channels — intranet, email, instant messaging and web conferencing, among others — through which communications are delivered and everyday business interactions occur.





IT also has a hand in ensuring newly acquired employees are assimilated quickly and painlessly into the new company's ecosystem of HR/benefits, training, security and other must-have resources. Any breakdown in communications or system changeovers can undermine the transition and breed negativity.

The second major hurdle to MA&D success is the more technical side of the transaction: integrating the capabilities of two separate companies (or "de-integrating," as the case may be) to fully realize the vision on which the transaction was based. From the IT perspective, there's the laborious process of identifying the technical needs of each organization, cataloging current assets, consolidating hardware and software, and retiring unnecessary or redundant systems. Most importantly, it all needs to happen with little to no interruption in customer service, and with robust security throughout.

Engaging employees in the process of change

Naturally, MA&D activities can create unrest in the organization, as they have a personal impact on employees. People are concerned about how their responsibilities or benefits might change, or whether they'll even have a job when the dust settles. Compounded across the organization, fear and uncertainty can paralyze the business and threaten the viability of the transaction itself. But the IT organization can help prevent such a slow-down and facilitate a smoother transition.

Enabling inclusion

It starts with providing access to information. For the first few months following the announcement of NTT DATA's acquisition of Dell Services, clear and consistent communications were hard to come by. Associates from both companies needed a unified source of information to ensure they could begin to integrate, culturally and operationally. The corporate IT group partnered with the marketing team to develop a single intranet portal that merged content and tools from each side. Called MyHub, the new platform offered user-friendly navigation and search capabilities, easy access to tools and departmental resources, and interactive elements to bring disparate teammates into closer collaboration. MyHub was an important stepping stone in bringing 45,000 employees around the world together as one company, and it's still in use today.

The IT team can also help give employees a sense of ownership in the MA&D process. People are often more likely to embrace change when they have a say in how it happens. For example, NTT DATA Service's MyHub also incorporated the Yammer social networking tool to encourage employees to share their ideas and come together as a community. Other companies have gone so far as to let employees vote on a divested company's new name or hosted contests to design a new logo.



Supporting basic needs

When it comes to conducting business as usual, MA&D activities present a laundry list of technical issues, such as establishing a common email platform. When one of NTT DATA's clients acquired a smaller company, it needed a way to migrate 1,000 users from a Microsoft Exchange 2010 platform to Office 365 (Exchange Online). The IT group was able to use customized software for on-demand email migration, managing the transition over a single weekend with no business disruption.

In a divestiture example, when Intel sold its NOR flash memory business, it formed a special interim IT team and service desk to provide application training and technical support to divested employees until the new company could stand on its own. Intel also formed IT task forces to ensure cutover issues, such as access to facilities and infrastructure, as well as salary and benefits payments, were handled with precision and respect for employees.⁴

A host of individual projects like these, each carefully orchestrated as part of an overarching transition plan, can determine whether the new organization sprints or stumbles out of the gate.

Addressing talent requirements

Even after the transaction closing date, the work of change management continues. It takes time for employees to adjust to a new organizational structure, and it will be an ongoing challenge for the business to assess and possibly reassign personnel to meet business needs in the post-merger environment. In the NTT DATA acquisition of Dell Services, for example, the transition team developed an artificial intelligence (AI) tool that could look at the skills and experience required for client projects, and then identify matching employee profiles to find the best fit within the talent pool. The team also implemented predictive/prescriptive analytics to provide trend insights on job requirements, such as skills, location and seniority. These technical solutions to HR problems have helped the combined company fill jobs faster at lower costs, reduce attrition and provide employees with more fulfilling career opportunities.



Accelerating business transformation

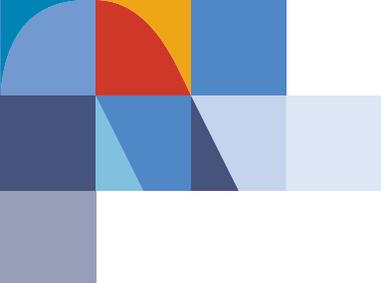
We've established that the IT organization plays a major part in bringing two companies together to function as a single unit, keeping employees happy and productive in the process. But that's only half of the equation. Ideally, a newly combined company should be able to harness the strengths of each former entity and transform into something greater than the sum of its parts. That translates to real-world benefits like greater cost efficiencies, improved customer service, and research and development breakthroughs.

Similar benefits await companies that divest non-strategic units, or those entities that have been divested themselves. These transactions often present opportunities to rethink long-standing ways of working and develop strategies that capitalize on the company's newfound flexibility and agility.

Technology can make it all come to life. But for that to happen, the CIO must have a prominent seat at the table, engaging the rest of the C-suite in a thorough evaluation of what the new company aspires to achieve. The resulting business objectives can then be matched to an itemized portfolio of concrete, measurable IT projects that will be required to deliver specific capabilities.

Making the new normal better

For any company in transition mode, a top priority should be investing in the right tools to ensure the combined business can operate efficiently and effectively in a post-merger environment. One of the key components is enterprise resource planning (ERP) software. For example, during the recent integration of two prominent food companies, NTT DATA Services provided SAP consulting and application management support to give the combined entity a stronger foundation on which to continue its growth. The same logic applies when conducting a de-integration, as the divested company will also require a well-planned architecture to operate as a self-contained business.



As important as acquiring critical systems is the need for companies to rid themselves of what could be considered dead weight. When two organizations join forces, there are bound to be redundancies that no longer need to be maintained. Conversely, when one company splits apart in a divestiture, not every technology resource needs to be cloned. By identifying opportunities to decommission outdated infrastructure or discontinue support for inferior applications, IT can help the organization cut costs and free up resources to be reassigned to higher value activities.

Achieving the wow factor

With a leaner portfolio of equipment and services in place, the new company will be better positioned to reevaluate business processes and enhance its performance going forward. The ever-improving capabilities of cloud services, AI, machine learning, robotic process automation and other innovations present opportunities to think big, and the shakeup of MA&D is often the best time for fresh ideas to find acceptance.

In another success story from the NTT DATA acquisition of Dell Services, the global infrastructure team took advantage of process automation to reduce the average time of its service desk calls from 43 seconds to less than 10 seconds, dramatically increasing customer satisfaction metrics. They also migrated 100% of the combined NTT DATA Services salesforce to the highly automated Salesforce Lightning platform, creating unprecedented visibility across the global sales organization and opening up new revenue streams to the tune of \$100 million.

When it comes to divestitures, new standalone companies are often able to start with a clean slate on which to modernize infrastructure and services. Another client of ours provides a case in point. After being divested from its parent company, this fueling systems firm was able to migrate to a completely new cloud infrastructure, with an array of applications and services, in only six months. Moving to the cloud helped the company deploy powerful new tools, scale service capacity almost immediately and benefit from a new, variable cost structure.

With MA&D projects like these, IT is doing more than helping companies change size and scope. It's paving the way for entirely new business models, rapid innovation and enhanced customer experience.



Conclusion

In today's digital landscape, the role of the CIO has become more strategic and more highly valued than ever before. Under the CIO's leadership, the IT department has a hand in nearly every aspect of the business, from HR and communications to sales and customer service. With such wide-reaching influence and responsibility, it's only fitting that the company's technology leader have a central role in its most important initiatives. And the stakes are rarely higher than in a large-scale merger, acquisition or divestiture. When companies are bought and sold, billions of dollars, thousands of careers and the ultimate success of the organization hang in the balance.

With thorough planning, meticulous execution and the support of experienced partners, the IT department can take the lead in making MA&D transactions worthwhile. The department's contributions may begin with technical integration, but they extend to creating a unified organization of empowered employees — and a reinvigorated business that's equipped for long-term growth and prosperity.

About the author



Jeff Bergeron is focused on delivering simplified automated digital solutions that assist clients with formulating new business models, enabled through technology, to position clients to compete into the future. With over 20 years of IT industry experience, Jeff is recognized as an industry thought leader. His experience spans both public and private sector markets with a focus on simplifying complexities through automation.

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