LOGICALIS
Architects of Change

Mergers, Acquisitions, & Divestitures: A Path to Survival or "Thrival"

Learn how to avoid the pitfalls of M&A integration, the role of visionary IT leaders and how Logicalis' expert M&A professionals can streamline the M&A process, while driving business and digital transformation.

While valuations took a hit in the wake of the pandemic, market conditions for M&A deals have continued to rebound—and, in some sectors, outpace the high number of deals in 2018. One analyst said that:

> "Acquisition activity was most adversely impacted during the second quarter of 2020, but activity in the fourth quarter was higher than in the last two years."[1]

For distressed companies, a merger or acquisition may be a strategic path to survival. For other companies, an M&A deal may be the quickest way to spin off underperforming businesses or fill urgent gaps in the skills, resources and technologies needed to better compete and ensure their "thrival."

Whether your company's goal is to survive or thrive, this e-guide explores how to invest in and implement an IT integration strategy that ensures you realize the value of your M&A deal.

[1] ""Gartner Says Global Tech Provider M&A Activity Will Surpass 2018 Highs by 2022," Gartner.com, 05/24/2021.
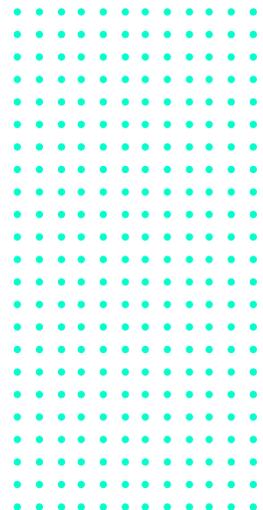
The Challenge: Unifying People, Processes, and Technologies

IT integration or separation is one of the most challenging aspects of a merger, acquisition or divestiture. Every organization has its own people, processes and technologies and successfully integrating them requires careful due diligence, early planning and deliberate follow-through to ensure execution stays on track and, more importantly, in line with the post-M&A business strategy.

Despite the challenges they present, M&A deals create opportunities for companies to join their people, processes and technologies for outcome-driven business transformation.
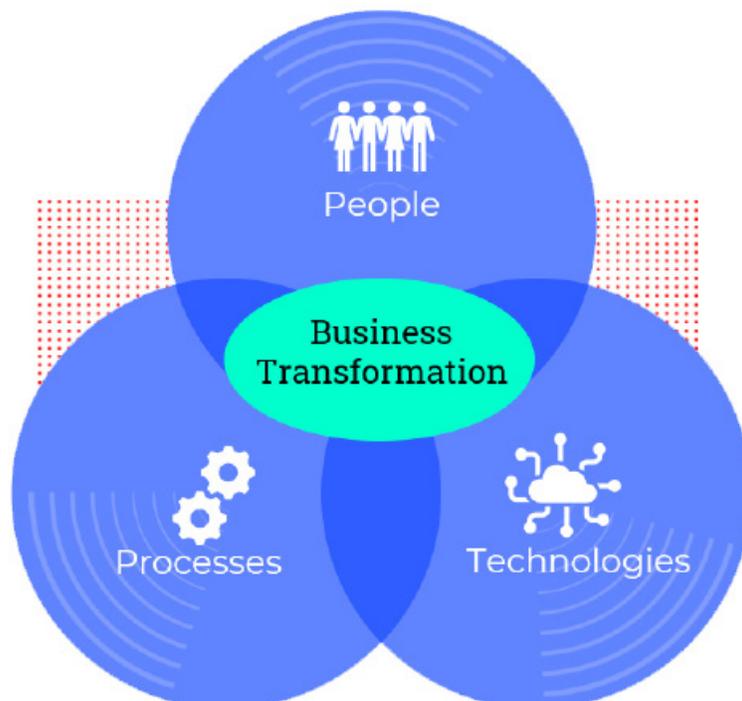
Stumbling Out of the Gate: Missteps in M&A Integration

But there can be missteps. Instead of viewing technology as a strategic asset, many leaders fail to consider technology integration in M&A transactions until after the deal has been inked.

Some of the biggest mistakes that leaders make are lack of clarity in defining which systems and platforms should stay or go or the best approach to IT integration, weak integration teams, bad decision-making or a lack of funding and other resources.[2]

One analyst compared the worst M&A performers against the best and found that the worst performers have.[3]

- **4-5x the number of applications**, driving up complexity.

- **2-3x higher IT costs** (as a percentage of revenues), driving higher ongoing costs.

- **10x more costly** to do the next deal or add new applications.

By ignoring IT, executives miss out—not only on the resulting efficiencies and cost savings, but also the business and digital transformation opportunities that come with a merger, acquisition or divestiture.

70% of process and systems integrations fail as a result of missteps in the earliest stages, not at the end.[4]
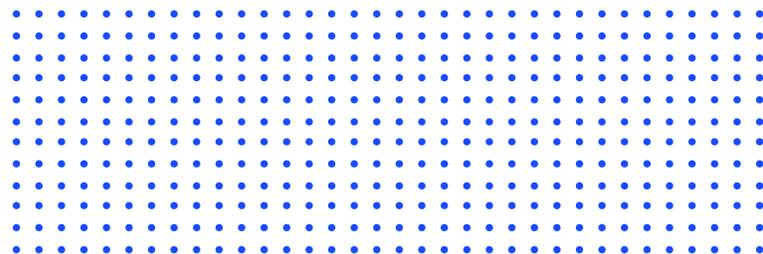
[2] "Process and Systems Integration: A New Source of Competitive Advantage," Bain & Co., 2019.
[3] ""Process and Systems Integration: A New Source of Competitive Advantage," Bain & Co., 2019.
[4] "Process and Systems Integration: A New Source of Competitive Advantage," Bain & Co., 2019.

Visionary IT Leaders: Aligning Technology with Business Strategy and Driving Transformation

True alignment between IT and the business is mission critical as IT touches all business operations. As such, IT leaders should strive to understand what the business needs, implement metrics and KPIs to measure outcomes and use assessments and other tools to continually ensure tight alignment.

Business-IT alignment makes the role of IT leaders in mergers, acquisitions and divestitures even more critical, particularly at early stages, as business risks are identified. For example, executives recently named "virtual" technology integration as a key hurdle to a successful M&A, as they and employees work from home and manage deals virtually, and 51% report that cybersecurity threats are top of mind.[5]

M&As also create opportunities for companies to leap fully into digital transformation. Seventy-six percent of CIOs said that demand for new digital products and services increased in 2020, with 83% reporting that it will increase again in 2021.[6]

> **"The foundation of deal-making in 2021 continues to focus on recalibrating strategy and accelerating the adoption of technology in the wake of COVID-19."[7]**

The visionary IT leader should help their organization drive business-IT alignment, reduce risk and realize business gains sooner by moving away from legacy architectures to more transformational infrastructures—and that requires early-stage involvement.

[5] "M&A Trends Survey: The Future of M&A," Deloitte.com, 10/2020.
[6] "Gartner Survey of Nearly 2,000 CIOs Reveals Top Performing Enterprises are Prioritizing Digital Innovation During the Pandemic," Gartner.com, 10/20/2020.
[7] "Global M&A Industry Trends: 2021 Mid-year Update," PwC.com, retrieved 08/10/2021.

IT Services Providers: Relieving IT Teams from Stakeholder Expectations and Complex Integrations

IT teams have visibility into their infrastructures and should be involved in early planning. But an IT services provider inherently understands the challenges and risks that companies face during an M&A integration or separation and know what's on the line. They can add their significant integration experience, knowledge of multiple technologies and how they work together and ability to fill skill and resource gaps to ensure a timely integration. An IT services provider can also:

· Discover where all IT assets are located, even hidden assets and shadow IT, and determine which must be removed, refreshed/updated or replaced.

· Evaluate cost estimates and advise on how to appropriately allocate the necessary resources and budgets.

· Provide advice on how to best integrate technology and develop a process for long-term growth.

· Lead a discussion about rethinking the infrastructure architecture for business and digital transformation.

· Appropriately size existing and new infrastructures and gauge changing capacity and performance requirements going into the integration.

· Streamline licensing and contractual assets to ensure compliance, deliver cost savings and enable easier management.
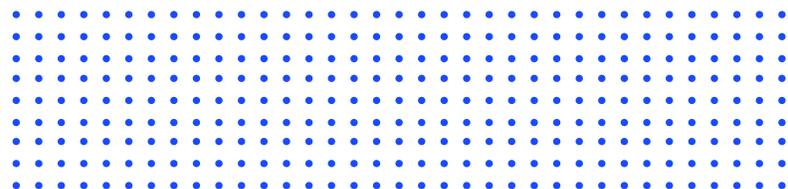
IT Services Providers: Setting the Gold Standard(s) for Faster, Easier IT Integrations

IT services providers are also intimately familiar with IT industry standards and best practices. These provide a common ground for all companies involved in a merger, acquisition or divestiture, accelerating the integration process and futureproofing your digital transformation.

Standardizing through an Information Technology Infrastructure Library (ITIL) makes it easier to eliminate data silos, fragmented tools and legacy systems. An ITIL-based IT service management (ITSM) framework establishes all the people, processes and technologies that ensure companies meet governance, security and compliance requirements.

Going into the merger, acquisition or divestiture, your company should be able to reach the highest levels of availability and performance to ensure user satisfaction. The in-house IT team can ensure that any third parties responsible for applications or outsourced services are upholding their service-level agreements (SLAs) for performance levels, availability and support.

IT standards and best practices can also help automate time-consuming manual IT processes to free up your IT team and boost productivity, while streamlining compliance reporting.
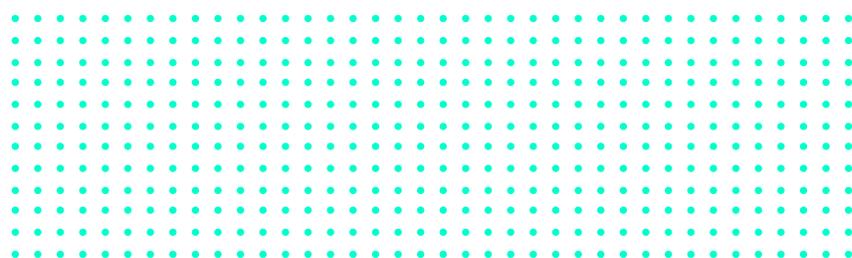
IT Modernization:
Taking a Transformational Leap to a Modern Infrastructure

Companies undergoing a merger, acquisition or divestiture may struggle with how to transition from existing legacy systems that have traditionally acted as a delivery vehicle for some type of technology.

In fact, this is an ideal opportunity to leverage existing assets to build a modern, hybrid infrastructure that can scale up or down with changing capacity needs and seamlessly integrate with emerging technologies for more modern capabilities.

With a hybrid model, you can flexibly keep sensitive data on-premises in a private cloud, while moving other, less critical workloads to the public cloud for more affordable enterprise-level data protection and disaster recovery.

This modern data center is distributed, integrated and unitarily managed. It's the agility needed in uncertain times. And it enables you to deploy services and workloads, wherever and whenever they're needed, enabling the transformed organization to thrive.
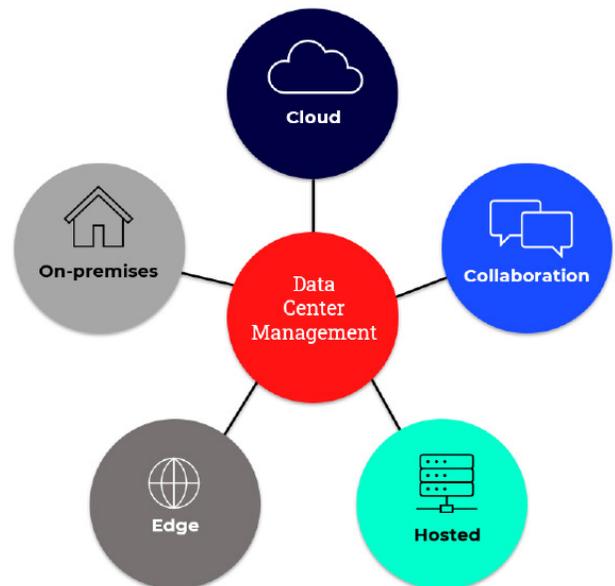
Logicalis: Your Expert IT Integration Partner for M&A Deals

Logicalis solves M&A integration challenges using a standardized, ITIL-based methodology and a balanced approach between risk and time to completion.

Our complete and proven Data Consulting Services for M&A Acceleration can help you seamlessly integrate or separate people, processes and technologies, enabling you meet the most aggressive timelines and realize the intended value of the deal. This multi-phased process includes:

· M&A Discovery Process – Discover where all IT assets are located, even hidden assets, and determine which must be replaced, refreshed or removed.

· M&A Planning Process – Design a modern architecture leveraging existing assets and determine a phased plan for workload migration.

· M&A Modernization, Integration and Migration Process – Modernize, integrate, migrate and test until complete.

· M&A Value Attainment and Management Handoff – Streamline software licenses and other contracts for easier management and determine cost savings forged by a more modern infrastructure.

We can act as a go-between to get everyone moving in the same direction and augment IT teams to fill skill and experience gaps. Our goal is to provide true cultural, process and IT integration within agreed-upon budget and established timelines.
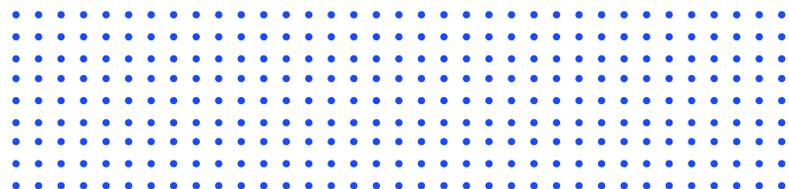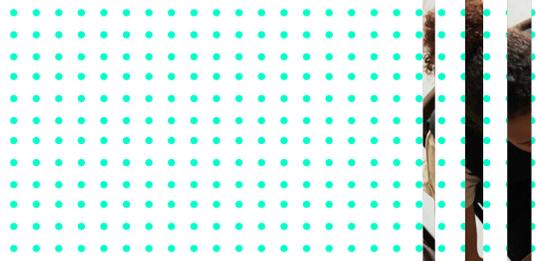
Case in Point:
Janus Henderson Investors

Customer: Janus Henderson Investors was formed in 2017 following the merger of the US-based Janus Capital Group and UK-based Henderson Global Investors. Today, the company has more than 2,000 employees with $427.6 billion in assets under management.

Challenge: Back-end integration of Cisco legacy infrastructures and consolidation of all Cisco support contracts.

Results:

- Successfully integrated legacy Cisco systems within 18 months.
- Introduced a single four-year Cisco Smart Net contract covering all sites, including those not previously covered, as well as future purchases.
- Significantly reduced risk across all IT estates with transparent, easy-to-manage contract.
- Offset the cost of additional support contracts, providing significant savings.

Take a deeper dive into how our expert M&A professionals can leverage your existing assets and build a modern infrastructure that not only streamlines the M&A process, it also drives business and digital transformation.

Schedule a Data Center Transformation Workshop now!

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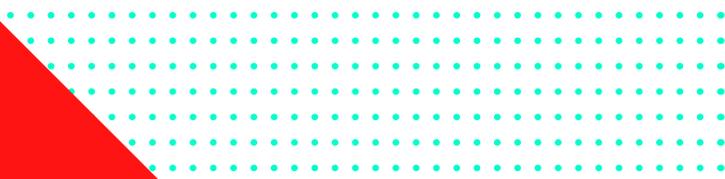
Thank You

Award-winning Logicalis U.S. is part of an international, multi-skilled solution and managed services provider that helps customers harness digital technology and innovative services to deliver powerful business outcomes. Our partners are among the world's leading technology companies including Cisco, Dell/EMC, HPE, IBM, NetApp, Veeam, VMware, and Microsoft.

To learn more, visit www.us.logicalis.com.