Driving Value from Company Acquisitions

“All marriages are happy. It’s the living together afterwards that causes all the trouble.”
- Raymond Hull, Canadian Playwright.

Henry McNeill
How to drive value from your acquisition....

• 10 value blockers
• Lifecycle of an M&A transaction
• Inputs to a value driven technology strategy
• Avoiding the depths of despair
  – Culture, change management using capabilities, rationalisation
• IT leadership challenges to driving value
• Questions
• 70% - most surveys state this percentage of unhappiness with the outcome of their acquisition – for some reason or other
  – HBR (70% - 90%), PWC (70%) E&Y (70%) etc……

• 45% of expected benefits from an acquisition directly dependent on effective IS integration
  – (Toppenberg & Hennigsson, 2013)

• Nearly 60% of projects aimed at achieving business change do not fully meet their objectives
  – IBM
Ten value blockers
Source: Aon Hewitt Cultural M&A Survey of 123 active companies

Contributing Factors to Deal Failure

Top 10 drivers of deal failure (% of respondents)

- Integration/implementation took longer than expected: 41%
- Integration/implementation issues: 33%
- Insufficient attention/priority to workforce/people issues: 32%
- People/misinformed strategy: 30%
- Leadership “infighting” identified during due diligence: 28%
- Capability/competency identified during due diligence: 26%
- Price paid for target was too high: 26%
- Failure to implement an appropriate organizational structure: 22%
- Due Diligence: 20%
- Price paid for target was too high: 18%
The lifecycle of an M&A transaction

### Sell-Side Preparation
- Sale Readiness
- Publish Material Information (Data Room)

### Buy-Side Acquisition
- Acquisition Readiness
- Target Identification

### Integration Delivery
- Day 1 Gain Control & Comms
- 100 Day Plan Communicate Rationale
- Detailed Integration Delivery

### Discussions & Negotiations
- Commercial Due Diligence
- Integration Due Diligence
- Integration Strategy, Planning & Synergies
- Sales & Purchase Agreement

### Develop Communications & Target Operating Model
- Monitor Synergies / Benefits / Critical Success Factors

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The lifecycle of an M&A transaction

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**Monitor Synergies / Benefits / Critical Success Factors**

**Here comes the next acquisition?**

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Building Blocks for Integration – Using an Integrated Target Operating Model

- Organization (Structure, Objectives, Roles)
- Technology (Arch, Services, Solutions, Apps, Support)
- Information & Data Structure (Data and meta-data)
- Process (Ownership & Requirements)
- Geography (Location & Office)
- Teams & People (Performance & Employment Contracts)
- Products & Services (Definitions, Clients, Markets)
- Finance (Budgets, cash flow, spend)
- Culture (How? (e.g. values))
- Strategy: Why? (e.g. Vision)
- Capabilities: What? (e.g. Billing)
- Customer Who? (e.g, CRM)

Strategy: Why? (e.g. Vision)  
Culture: How? (e.g. values)  
Capabilities: What? (e.g. Billing)  
Customer Who? (e.g, CRM)
Formulating Integration Strategy

Domain Specific Operations: Analytics, Products

Platforms, User Experience: ecommerce

Customer and Vendor Management: CRM

Shared Services: Finance, HR, Payroll

Common Functions: Authentication

Commodity Functions: Mail, Office, Phone

Highest Rationalisation Opportunities

Increasing Complexity & Delivery Timescales

Increasing Business Value, Competitive Advantage, IP
<table>
<thead>
<tr>
<th>Cultural Assessment</th>
<th>Target / acquired business</th>
<th>Buyer / acquiring business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost optimisation</td>
<td></td>
<td>Invest to scale-up</td>
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<tr>
<td>Risk-averse</td>
<td></td>
<td>Entrepreneurial</td>
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<tr>
<td>Follower</td>
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<td>First-to-market</td>
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<td>Top-heavy organisation</td>
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<td>Lean structure</td>
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<tr>
<td>Centralised command and control</td>
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<td>Decentralised decision-making</td>
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<tr>
<td>Homogenous management team</td>
<td></td>
<td>Diverse management team</td>
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<td>Low-cost staff</td>
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<td>Invest in people</td>
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<tr>
<td>On-the-job informal training</td>
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<td>Competency-led staff development</td>
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<td>Pragmatic software testing</td>
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<td>Shift left testing</td>
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<td>Traditional development</td>
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<td>Cloud development</td>
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<tr>
<td>Product focus</td>
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<td>Client focus</td>
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<tr>
<td>Informal working methods</td>
<td></td>
<td>Detailed, formal workflows</td>
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</tbody>
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Software Rationalisation & Innovation
Move rationalisation from an art to a science
IT Leadership Challenges to Driving Value

- Be Acquisition Ready
  - To create value

- Enhance Products/Services
  - Cross-sell, enhance, develop

- Get involved early
  - Due Dil., Strategy, Plan, Synergies

- Address value blockers
  - Culture, Comms, Org, People

- Rationalise
  - Commodity, Common, Capability

- Technology Enablement
  - Transform, Innovate, Ops Excellence
Questions

“I never cared for what something costs, I care for what it’s worth”
Ari Emanuel, Talen Agent, William Morris Endeavour

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