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Surviving Mergers and Acquisitions

Why you cannot afford to ignore enterprise architecture

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Introduction: Into the Unknown

Mergers and acquisitions are emotive subject matter. One way or another, they bring a significant involuntary shift in our working conditions; teams change, products get retired, new processes are introduced, and of course, there’s the looming specter of redundancy. Nothing is sacrosanct. No-one is safe.

An M&A announcement invariably inspires fear, trepidation and angst throughout the business. From top to bottom, uncertainty steps in. Instinctively we want to mitigate the risk and often it seems the easiest way forward is to be inconspicuous and simply wait for direction – don’t upset the apple cart of the new business.

> “Mergers and acquisitions (M&A) is a general term that refers to the consolidation of companies or assets through various types of financial transactions.”
>
> **Investopedia**

Mergers and acquisitions always take place for a reason: there is a desired target state. The departments and individuals that can establish the shortest and most straightforward route to it, will be in the most advantageous position once the dust has settled.

In these times, the enterprise looks to deliver on the promise of economies of scale and acquire new capabilities and products, as well as gain industry knowledge that can be a competitive advantage. Enterprise architecture must sit at the heart of this transformation, providing visibility and a way for the project to be managed.

So, how do you navigate these tumultuous waters? How can you demonstrate return on investment and gain stakeholder buy in? With the stakes so high, it’s imperative that you don’t get it wrong.

Opportunity in Uncertainty

Counterintuitively, the unpredictability of mergers and acquisitions creates opportunities for both the individual and the new organization. The inevitable changes within an enterprise will more often than not free up significant chunks of budget to ensure the transition takes place smoothly.

Typically, the plan is to gain cost efficiencies by establishing economies of scale. If modeled correctly, the new business will reap financial benefits, become more productive and encourage bottom line growth. Moreover, the new organization will no doubt have acquired new resources, tools and capabilities that are capable of augmenting the transformation and driving the business forward.

The new funding freed up as part of the initiative will also provide the opportunity to make overdue investment into IT teams, resources and tooling. As IT looks to evolve, it can now restart initiatives that had previously stalled, and drive new innovations, rather than simply keeping the lights on.

The Role of Enterprise Architecture

For the M&A initiative to be successful, the CIO must drive it. Why? Because it has a direct bearing on the two primary interests of the CIO (and senior IT stakeholders in general).

The first is finding a way to do more with less; that is to say, lower costs without affecting corporate operations. The other is to differentiate the business with technology; what has colloquially become known as digital transformation.

In these circumstances, the CIO will turn to their enterprise architecture function to model and strategically align the business with IT. For technical and architectural teams, being proactive allows them to dictate strategy straight out of the gate. While instinctively we might be averse to this – sometimes it feels like it is better not to be noticed – now is the point to put your head above the parapet. If the correct techniques are applied too late, delays and inefficiencies arise; each day of indecision adding to spiraling costs.

Enterprise architecture can provide a single source of truth in an otherwise chaotic landscape, helping to rationalize otherwise disparate data sources. Quickly establishing a coherent EA function is crucial in these situations, as often merging teams will utilize different methodologies, frameworks and languages, and/or possess different maturity levels, cultures and focus.

Strategy

As is always the case with practical applications of enterprise architecture, defining your strategy provides the foundations for everything else.

Beginning with a capability model offers basic insight into your current status and functionality, benchmarking against future business goals and desired outcomes, and providing a template to deliver these targets.

Early in the process, the enterprise architecture function should focus on the values and cultures of the pre-existing organizations and set out a shared roadmap. If everyone in the new organization is moving in different directions, confusion will reign and slow progress, acerbating tension and paralyzing the business.

With a shared vision in place, EA can be applied as a technique – using framework's such as TOGAF – across the evolving enterprise, cycling through the business, information and technology architectures.

Questions that should be circulating at this early stage and in the formulation of this model include:

What are the current targets?

How is IT and/or EA supporting the wider business to this end?

How well aligned are different elements of the organization?

Adapting the Enterprise(s)

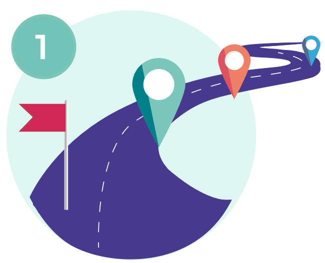
Logically, the more complex the business, the more sophisticated the enterprise architecture function needs to be. Flexibility, scalability and responsiveness are all vital because, by their very nature, businesses going through a merger and acquisition are growing in a rapid and unpredictable fashion.

As more and more information comes to light and attempts at strategic alignment take place, what might have once seemed like the most straightforward route towards a business objective will often no longer be optimum.

Indeed, companies are not fixed entities, they are organisms that change and evolve as time goes on. There may be further mergers and acquisitions, which will become progressively complicated. Or, as part of the initial transaction, different areas of the business could be sold off and even dismantled altogether. Perhaps the desired business model will be affected by the emergence of new technology, competitors or any number of personnel changes.

Moreover, until the transaction actually takes place, the parent company only has limited insight and visibility into the business. There may also be significant overlap between different parts of the company, requiring assessment and comparison only available after the businesses have merged.

Being prepared for all of these unknowns is non-negotiable and requires teams to take a number of steps:



Define a common strategy and roadmap for IT

Determine future capabilities and opportunities

Communicate and engage with wider teams in a visual and meaningful way

Using Tools to Gain An Advantage

Obviously harnessing the potential of enterprise architecture requires appropriate tooling. But what should you look for in the tools you use?

If the EA tool is going to serve was a single source of truth within the changing landscape of a merger and acquisition, ease of adoption is crucial. When going through such a transition, being able to import data from disparate sources helps the organization rapidly respond to its new circumstances. Aligning this information to a common language empowers fast informed business decisions, whilst quick and flexible querying makes it possible to run complex reports and impact analysis.

At the same time, it is important not to alienate or silo any section of the organization, so being able to simultaneously export data and results into various formats such as Word, Visio, HTML 5, BI Tools is vital. A low learning curve invites collaboration and encourages non-technical stakeholders to get involved. Outputs are understood more easily, and effective communication is enabled through visually appealing roadmaps and images tailored to various audiences. This results in a larger set of contributors to roadmapping, strategizing and communicating with the wider organization.

As such any enterprise architecture initative must facilitate agility with the new business, which for EA teams means alignment, built-in quality, transparency and program execution. Dynamic projects must deliver a customizable approach, which enables flexibility and responsiveness required to cope in the uncharted territory of mergers and acquisitions.

Convincing Stakeholders

Historically, tooling in this space has been subpar and misapplied. Naturally, this leads to a general apprehension within the wider business that enterprise architecture tools are not appropriate, or lack the requisite capabilities for addressing mergers and acquisitions.

However, both the tooling and understanding of EA is now far beyond what it once was, and architects must demonstrate its value. The easiest way to do this? Present a tool that is user-friendly, can be adopted quickly and improve time to value.

As is often the case, financial implications will play a role in these decisions, and understandably there is a reticence to request significant budget for new projects from the outset. With mergers and acquisitions, every investment comes under scrutiny.

Nonetheless, funding is normally available in this context. The key is to invest in something that can deliver results and fast. There is an immediate need to demonstrate value – and unlike in some EA scenarios, the short-term is crucial. Get that wrong, and there may not be a long term.

Evaluating the Enterprise

With everything in place, it's imperative to analyze past performance and future targets. The closer to real-time, the better – without up-to-date relevant metrics and ability to outline and deliver on key KPIs, the business is blind.

Enterprise architecture allows the design and execution of new processes, strategies and tools, which in turn develop the structures, architecture and systems that we want in place moving forward.

Moreover, by quickly establishing an EA initiative, it becomes possible to leverage pre-existing capabilities and interlocking structures. With early diagnostics in place it's possible to establish the true state of skillsets, customer / product value segments, service offerings, application and infrastructure capability, and integration issues and requirements. Logically it makes sense to begin this process with operational changes, as this makes it possible to make informed decisions on other aspects of the business and can act as the pivot for the EA function.

A holistic view of pre-existing platforms and environments, as well as those of the intended target state, enables the management of data inputs to a point where they can be categorized, structured and analyzed. Sourcing and sharing data from all environments makes it possible to accelerate or modify pre-existing roadmaps and cost assessments to bring that component in. A central architecture capability will align these different areas and ensure a standardized formal review and governance report. Remember, just because strategies worked in one company or anther prior to the merger or acquisition, this doesn't guarantee that it will be suitable for the new organization.

At the same time, having an accessible future-state architecture outlined enables teams and individuals from different departments to work towards a common goal, giving them confidence in the work they are doing, and providing them the opportunity to share the necessary data and metrics.

EA ensures predictable change that delivers on its intentions, providing effective risk management. Ultimately, shared data and holistic visibility are the fundamental pillars of an effective transition.

Executing Changes

Sooner or later, whether we are ready or not, the time comes in any merger or acquisition when the hard decisions have to be made: there are functions we will want to support, and there are those we will want to rationalize. It is at this point the success of enterprise architecture in shaping the merger and acquisition can be determined.

The measure of its success is twofold:

1. Does it have the data and information to support decision making?
2. Is it decipherable and accessible for the decision makers?

Without an established framework and EA tool, decisions and changes will be carried out in an ad hoc, isolated fashion. This chaotic approach has unintended consequences, and renders us blind to future implications. It is impossible to discern how changes in one area of the organization might affect another.

Architecture models on a page can be tailored to specific audiences and provide a "picture" that is clearly understood. They can communicate the right messages, avoiding the need for the CEO to read through a 100 page written document simply to understand the implications of what is taking place.

Ultimately, successful mergers and acquisitions depend on a mature EA function and framework, clear representation of your own organizational assets, and acceptance by the CEO and relevant stakeholders of the value to be achieved from architecture tools.

Conclusion: Reassurances in a Pressurized Environment

The future can be uncertain. It can be unpredictable. And above all it else it can be frightening. Effective enterprise architecture can mitigate the jolts we will receive when forging a new company out of two pre-existing organizations.

Enterprise architecture provides a centralized point of management throughout the transition. The C-suite are put in control and can make near real-time decisions based on accurate analysis of costs, benefits and risk. Similarly, architects can use the information to reduce complexity and increase synergy between the different environments, accelerating the time to value of the merger, acquisition or divestiture.

Enterprise architecture delivers closer alignment and visibility of the business and IT strategies, as well as their execution. It ensures predictable and sustainable solutions delivery, which can grow with the new business and respond to any future changes in strategy, tactics and processes. In turn efficiency and cost effectiveness are driven throughout all environments, which allows the new business to focus on realizing its targets and delivering innovation.

Without the correct planning we get chaos, which can result in sudden ill informed decision making. Worse yet, if our team has not been able to demonstrably add value to the new business, these decisions may directly affect our role and influence in the new organization.

Introducing an enterprise architecture initiative as soon as possible is a risk you can't afford not to take. Investing significant time and budget into a new project can seem dangerous, but with the right strategy and approach, these times of upheaval bring opportunity, even in the most sensitive environments.

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