Consolidating ICT infrastructure following mergers, acquisitions

By Paul Fick

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Mergers and acquisitions are useful when it comes to helping organisations to achieve business objectives. However, this strategy has the potential to create enormous complexity when it comes to consolidating the operations of the two disparate organisations involved in the merger or acquisition.

Each business will not only have its own premises, but also its own human resources (HR) functions, not to mention disparate ICT solutions including customer relationship management (CRM), enterprise resource planning (ERP) and financial or accounting systems.

Running two complete sets of solutions across each organisation is often not cost effective and can cause further challenges down the line. In order to leverage maximum effectiveness and business benefit from a merger or acquisition, it is typically advisable to consolidate ICT infrastructure. While not always a simple task, proper planning, preparation and some forethought can reduce the complexity that is associated with the consolidation of disparate ICT solutions and infrastructure.

Mergers and acquisitions are often used by organisations to gain access to expertise, additional profits, new markets and customers, technology and technology partnerships, or processes and infrastructure, or a combination of these. Understanding the reasons behind the merger or acquisition is the first step in ensuring successful consolidation of ICT, as it is vital to ensure that during this process, operations are not disrupted, nor is the merged or acquired company damaged or destroyed.

When it comes to consolidating ICT, the deal structure itself also needs to be considered - Was it a clean acquisition that will allow for a complete merger into the purchasing organisation? If not, it may be necessary to keep infrastructure separate indefinitely or for some time. In this instance, it is vital still to capitalise on synergies wherever possible. In addition, it is necessary to understand whether or not management and control needs to be centralised. If so, more integration will be required.

Cost duplication

One of the most obvious challenges with running two sets of ICT infrastructure is the cost duplication in terms of the licensing, support, maintenance and infrastructure required to accommodate such a siloed approach. In addition, if infrastructures are run separately, the end result will inevitably be disparate systems that may not provide easy exchange or consolidation of information. Support becomes a challenge, as often two different skills sets are necessary, requiring two different support teams.

In this scenario, it becomes impossible to leverage economies of scale in terms of people and systems, and it is more difficult to capitalise on volume purchasing. In addition, the integration and consolidation of financial, business support systems and operational support systems is not easy and often downright impossible.

These challenges can cause a number of issues for the business. A siloed approach to technology inevitably causes lack of visibility due to the difficulty in obtaining a complete, consolidated view of the organisation. In addition, ICT plays a supporting role for the business. If IT systems are not properly integrated and the systems do not work in similar ways, this will have a negative impact on operations and business efficiency.

Converging separate ICT solutions and infrastructures requires careful planning and execution in order to ensure the most successful outcome. Firstly, gaining an understanding of both businesses and the merger or acquisition deal is essential in order to understand whether or not systems should in fact be integrated, or should remain separate.

From there, the various systems should be mapped, along with processes, to enable a greater understanding of the systems and infrastructure as well as the reasons for them. Any possible synergies should also be explored and the cost impact of convergence must be fully understood. In addition, it is vital to have a roll-back plan, in order to ensure that historical information or the ability to access such information is not lost.

Above all, during any consolidation, the ability for customers and other stakeholders to communicate with the business must be preserved, as well as its internal communication ability, otherwise it will lose revenue, reputation and possible future business.

Minimising the negative impact

If planned and executed properly, over off-peak periods, or during evenings and weekends, the downtime associated with such a consolidation can be negligible, minimising the negative impact to operations. In addition to careful planning and implementation, return on investment (ROI) must be carefully monitored. In general, the ROI is positive from the consolidation of ICT infrastructure; however such a process must never be done blindly. Without the right consideration, the consolidation could end up costing more than running the infrastructures separately. It is also vital to maintain the support of the people within both the purchasing and the acquired organisation. Soft issues, such as lack of communication, lack of change management and lack of stakeholder management can destroy any perceived ROI.

A converged ICT infrastructure can provide a number of benefits, including often-significant cost savings as well as greater systems integration, leading to improved information availability across the merged organisation. Consolidated ICT is also easier to run and maintain, and supports operational excellence through more efficient project management, improved financial reporting and planning, as well as more accurate budgeting and forecasting. In order to ensure the best outcome for current and future mergers and acquisitions, organisations should always plan carefully, document the process, ensure that lessons learnt are articulated and embedded in the process documentation, and above all ensure they do not make the same mistake twice.

ABOUT PAUL FICK

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