

# The role of IT operations management in supporting successful M&A

**Merger & acquisition (M&A) deals are a high-stakes undertaking. The potential financial and business risks are huge, corporate and individual reputations are on the line and customers, shareholders, partners and bankers all look on intently.**

**From AOL and Time Warner to Microsoft and Nokia, the past 20 years and beyond has been littered with multi-billion-dollar mistakes. So what's the answer?**

Whilst certainly not a silver bullet, there's an important case to make for IT getting involved as early on as possible in the M&A process. After all, it sits at the beating heart of any organization, supporting all aspects of day-to-day operations and innovation-driven services. That makes centralized IT operations management and monitoring absolutely crucial to this discussion: a key feature that provides the visibility into core systems to support successful M&A planning and integration.

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## IT means business

**M&A activity is surging, according to the latest figures.** Deloitte claims 76% of M&A execs in US firms and 87% of those in private equity (PE) expect the number of deals they will close in 2019 to increase. Some 70% are anticipating bigger deals, with 51% predicting them to be worth \$500m-\$10bn, compared to 38% in 2018. However, there are problems: 40% claim half of their deals over the past two years have failed to generate expected value or ROI. An increasing number cite “gaps in integration execution” as the reason.

The role of IT in the modern organization can't be underestimated. It drives the daily operations of every department and business unit, “keeping the lights on” as well as driving growth through innovative services and improved business agility. According to Ernst & Young, it fundamentally underpins the strategic objectives of M&A activity, whether that's increasing market share, entering new markets, gaining new customers or consolidating product ranges.

Acquiring firms therefore need clear visibility into their own and the target firm's IT assets and initiatives to drive fast, effective integration at this level and to reduce time-to-innovation post-acquisition. If not, they risk eroding value, and could create a situation where inaccurate timelines and cost estimates are produced.

“You need to build the appropriate IT costs into your investment case to avoid major cost overruns,” says Tony Qui, Partner at Ernst & Young.

Yet, given the importance of IT visibility to M&A success, it's disappointing that just half of respondents to the European E&Y report said they typically involve IT in the transaction process, compared to almost 80% for finance. Even fewer — 38% of corporate execs and 22% of PE — said they put “significant emphasis on IT” in M&A. It's perhaps no surprise that almost half (47%) said that in hindsight more rigorous IT due diligence could have prevented value erosion.



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EUROPEAN E&Y REPORT



## IT monitoring drives visibility

**So how do organizations go about gaining this all-important IT visibility?** They should start with centralized IT monitoring. Research from analyst firm Enterprise Management Associates has indicated that a vast number of organizations have more than ten different monitoring tools and can take organizations between three-six hours to find the source of an IT performance issue, which is clearly unsustainable. At its heart, effective IT monitoring is therefore a key component of IT operations tools which are designed to “manage the provisioning, capacity, performance and availability of the computing, networking and application environment,” according to Gartner. As such, they can be used to audit and analyze the critical IT assets of firms on both sides of the M&A deal. This data can then be employed to ensure the company is accurately valued, and integration roadmaps and timelines are realistic.

Post-deal, best practice IT operations can also help manage IT performance to ensure the customers of both companies involved suffer no adverse impact as a result of key staff being diverted to focus on the merger. They play a central part in identifying under-utilised assets for optimization, reconfiguring systems and stripping away duplicate technologies once a deal has completed.

One only has to look at the catastrophic downtime suffered by UK bank TSB in 2018 to appreciate the importance of IT visibility to M&A activity. In this case, the lender’s attempted migration from IT systems operated by its former owner to its new owner’s platform led to weeks of outages for millions of customers. At the other end of the scale is technology giant EMC, which proudly publicizes its dedicated IT M&A integration team, which is brought in straight after a letter of intent is signed by potential acquisitions.



## A single pane of glass

**Yet we must be clear that IT operations management of just any sort is not enough.** Modern IT operations are increasingly compromised of dynamic, cloud and virtual-based systems, often operated by third-party providers – adding extra complexity. Many organizations are still laboring away with legacy IT monitoring tools ill-equipped to provide visibility into these agile, fast-changing environments. Meanwhile, tool bloat is both a symptom and a cause of outdated, reactive and siloed approaches to IT monitoring.

Organizations must centralize and consolidate these tools to rid themselves of data islands, improve decision-making, and proactively enhance IT performance and strategic advantage. From this single pane of glass, IT and operations managers can then accurately plan M&A due diligence and post-acquisition integration. But ultimately, it’s down to senior business leaders to ensure they’re brought in as early on as possible into the process.



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USA: +1 866 662 4160



sales@opsview.com



EMEA: +44 1183 242 100