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Research Article

Seamless Integration and Enablement in Mergers and Acquisitions

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ABSTRACT

Mergers and Acquisitions (M & A) is a strategic business activity of setting up a collaborative partnership with another company or completely take over it, such that they work as a single entity. This is usually done to widen the business portfolio and thereby increase revenue and profit. By the end of this process, the merged entities will be under a single umbrella and support each other in their daily operations to grow together and provide consolidated reporting of their financials and other declarations. To enable these organizations to do so, the IT systems of these organizations needs to integrate in such a way that these organizations can use each other's resources, either under a single application or effectively communicate with each other to leverage each other's assets. There are several factors to be considered while merging the IT systems of the merged companies. These inclusions need to be carefully planned and executed, so that no clause or laws are broken in the process. Depending on the future mode of operation, these companies might wither operate independently and contribute only to financial reporting or choose to adopt a single operating model. Based on such decisions, the consolidation activity will defer.

Keywords: Mergers and Acquisition, M&A, IT Consolidation, Integration and Enabling for M&A, Application Integration, Data interface, Asset Sharing, Parent-Child Operational Mode, IT Systems Merging, Data Merging Considerations.

1. Introduction

Merger is when two companies agree to combine together to form a single entity, which benefits both parties and Acquisition is the term used when one company buys off another company either by cash or shares transactions or restructuring. The real-time example is ExxonMobil, which is a true merger where tow different gas corporations merged to leverage each other for growth. On the other hand, the Bank of America takeover of Merrill Lynch is an acquisition, where BofA bought it for $50 Billion in all stock transaction. In either case, multiple enterprises gets merged into a single entity, where the assets and liabilities of both these companies are recorded and reported under a single bundle. These mergers are either voluntary or involuntary, also known as hostile takeover and in some cases a rescue, where the company acquired might be in deep trouble financially or otherwise and needs the support of a bigger and more established company to buy them out so that they can remain operational. Anyone who has some knowledge on the 2008 crisis, would know several such cases. Once merged, all the befits and the troubles of all the organizations that is merging, becomes the new entity's responsibility. Hence every company goes through a rigorous audit before signing the commitment. Post merging, there are careful review done in every section of both the organization to produce an optimum resource management and utilization and operation definition.

2. Key Considerations for IT Integration

While merging, each entity that is part of this process, brings a set of everything, ranging from executive management to an entry level employee, to applications and the underlying hardware, to the physical locations. All these pieces are laid out on the table to analyze its relevance in the new environment. The

length and the breadth every off section, department, asset will be reviewed to identify the redundancies and eliminate them or consolidate them as per the new needs of the new entity. This needs to be done with a very small timeframe and to the highest accuracy as possible, since these determine the future of the merged entity and the direction it might take. Additionally, this play a significant role in the stock market and with the investors to provide them confidence that this is the right path forward. To effectively accomplish this D burden is on the IT team to ensure that put the systems talk to each other in a common language to understand each other and to provide a common view management and the decision makers to take data-driven decisions. Each organization can have an entirely different IT landscape and different applications that to support them, that while merging it could be a huge task to make sure that these systems talk to each other or merge as one to provide the desired result. To accomplish this enterprise architects, need to have a careful view of the IT landscape an identify the best solution to implement in ensuring the successful merge or acquisition. Following is some of the key considerations or prerequisites that needs to be taken by enterprise architect in such situations.

2.1. Understand the IT landscape

Depending upon the size of an organization, the number of applications that they could be using can range in hundreds period and these applications can serve several different departments and segments of their business. It could even be the situation where they could have overlapping applications but might serve entirely different departments. For example, one organization might use Oracle for their procurement activities whereas the other might use Oracle ERP for their sales activities. These differences would make at complex matrix off mapping that is needed to successfully make these two systems talk to each other period there are several levels of mapping that are needed by the IT team to integrate themselves into the new entity, such as application mapping, configuration mapping, data mapping, etc. Each of these Sections play their own roll in the merging process. Irrespective of the sequence with which these mappings are performed it is imperative that all these mappings are completed before the actual implementation since any gap in understanding or the ability of these systems to communicate with each other would lead to significant gap in the overall picture.

2.2. Application analysis

Firstly, the application mapping. This is the process by which every application and the software that is used by these entities to support their business activities are reviewed to find what it supports and how. This is essential to understand the functioning of the application within the organization and have a better idea as to the type of data and the configurations that can be expected. This can also act as a means to find the efficiency of these applications in the current world and if this can be retained within the new entity or gracefully retired. In reality there could be several applications that are overlapping between both the organizations however the way it is used makes the difference in whether it will be retained or not.

2.3. Configuration and set-up mapping

The configuration mapping is the core setups that is defined at the application or at the landscape level for the IT services to work seamlessly. These setups are required to find the core data structures that are defined within the application. For instance, in terms of invoice processing, the payment configurations can be captured to find the different modes and the methods of payments that are supported by a particular entity which gives and visibility as to what all functionalities should be carried over to the new entity. This can also define the limitations and D rules that these applications adhere to which is a critical information in terms of compliance and other legal matters.

2.4. Data mapping

The data mapping is the process of linking the data stored in each of these entity with each other to identify a common pattern and overlapping Detail that it represents so that a common language can be identified that can be used by both the systems to communicate and transfer data amongst each other. For example, while scanning through the accounting strings the account segment for general maintenance might be recorded as maintenance in one organization and repair in another organization while both accounts are intended to capture the overall maintenance costs in a particular location. Using this mapping transactions and financials can be tied with each other derive a consolidated view for reporting and other financial activities. This is one of the most time consuming and intricate activity in the entire merging process period since incorrect mapping might result in certain data falling into an incorrect bucket leading to wrong representation or blind auditions costing dearly to the company.

2.5. Integrated architecture and tools

What are the key decisions that needs to be taken in the IT world is to determine the future of the entire landscape. The architects need to decide how many systems in each entity will be retained as part of the new merged corporation in the near and long run. There is no one right way of doing it. Sometimes it might be wise more effective to have both the IT systems running with certain integration points for data transfer and consolidation. A lot of this boils down to the cost and the ease of maintenance. In terms of short-term usage there needs to be a clear plan put in place for systemic retirement.

It is also important to find the integration points and the tools that would connect these systems together. Based on the application and the data analysis performed the final architecture should be designed such that the ideal points of communication between these two systems are identified and interface built between them so that there can be a comprehensive view of the data while having minimal data transfers amongst them. The integration tools that will be used those acts as a bridge between these two systems is also critical in the effectiveness of the whole new landscape. These tools should be able to understand and effectively connect and communicate with both the systems. These tools should also have the capabilities of effective tracking, monitoring and error handling. They should be flexible for extension and data conversion activities period since this is the portion where this source data will be converted to a common format that can be understood by the target system, it is important that these tools have enhanced capability of implementing logic and other necessary features.

If the Decision is made that only one application will be retained and the other retired the proper planning for conversion of all relevant data needs to be put in place. The source data must be thoroughly analyzed and proper filter criteria and transactional

criteria needs to be identified for conversion. Though preferred by the business, it is not in the best interest of it to convert all data from source to destination. Only the ones that will be used in the long run needs to be considered for conversion. These identified data need to be thoroughly understood and using the data mapping exercise, each mandatory field that is needed for the operations in the long term needs to be properly translated and converted to the target system. The completeness of a merge is purely dependent on the quality of the converted items. Any cracks might lead to data loss and other complications that might not bode well with the organization's interests and might lead to escalations and legal and issues.

3. IT Integration- Pointers

In this digital era, IT is the backbone of every organization, assisting in almost every segment of its functioning. Post merger, it is in the best interest of the new entity and its investors that they wrap up the consolidation activity at the earliest and resume their daily activities. Hence, the end result of an IT merge should be such that it looks and acts a single company by effectively managing the needs of all the parties involved. While there are several business-critical decisions and restructuring that might happen as part of the merger and acquisition process from an IT standpoint there are certain key areas that needs to be focused and made sure that it is taken care of with absolute accuracy so that the overall application can perform well. Following is some of the areas of focus.

3.1. Access and responsibilities

As the organizations to merge it brings with itself tangible and intangible resources along with it. Anything that needs to be part of the new entity in short or long term need to have a clearly defined roles and responsibilities and the axis along with it to perform them. It is crucial that the standard operating procedures and separation of duties in each of these organizations are revisited and a common that rules are defined that the new system needs to follow. Though it might sound trivial yet this is extremely crucial for both these organizations to benefit from each other, since lack of access might mean that there is a potential in transparency between the two organizations resulting in miscommunications or actions that might not best suit the overall picture, in worse conditions might contradict and lead to a failure. The axis is not just limited to users but also to the system and the applications in them. Irrespective of whether the entities decide to operate on its own or get consumed as part of a bigger application the proper axis to the key data and the systems are needed so that the entire it landscape can work seamlessly.

3.2. Transactional integration

As mentioned earlier two organizations merge, it brings both good and bad along with it which means any obligation from or to anyone of the merging entity is now the responsibility of the new merged enterprise. This can range anywhere from the contracts, financial obligations, employee benefits and legal and audit obligations. Hence the open transactions that can contribute to these obligations need to be converted or considered for the overall reporting at any they should make it. For instance, any open payable invoice that is yet to be paid come on by any one of the merging companies, should now be taken over by the new organization and ensure that the suppliers are rightly paid, failing which they would face legal consequences and a severe damage to their reputation. Similarly, from a legal standpoint it is the responsibility of The IT team to provide data evidence supporting any submissions or declarations to the state and federal government or any governing authorities. Hence, it is important that these underlying transactions perfect a certain level of granularity is captured and converted into the new system.

3.3. Financial integration

Any publicly traded company needs to provide quarterly and an annual statement detailing their financial performance in the fiscal period. Once merged any liabilities or debt or assets that is part of any of the merging company needs to be recorded and produced as part of the financial declaration. Hence it is obvious that the Ledger balances and other journals pertaining to the financials need to be properly consolidated using either integration or by conversion. It is here that the mapping exercise that was talked about earlier plays a significant role since the ability to provide a consolidated financial statement will only be possible if there is a common language between every system within the new entity. Any gaps in this section might cause publishing incorrect information causing some serious legal and compliance issues.

3.4. Master data integration

Master data refers to the core data upon which the business operates, such as, suppliers, customers, items, many more. These form the building blocks upon which the transactions are made. By merging two companies, opens the door for each of the merging companies to use the resources and the connections of every other entity to grow their business. This becomes particularly helpful when that are relations maintained by a certain company which can greatly benefit a section of the other in growing and improving. It is important that these master data are properly integrated and consolidated to have a proper understanding of what each other hold. There can be instances where there are shared master data amongst the companies that are merging, in which case they need to be consolidated into one winter so that that can be a concise and a clear usage within the company's operations. This is yet another critical piece in the integration and the conversion process since the ability to properly match this data from both the system would be significant in having a common pool that can be used across all divisions of the new entity.

4. Conclusion

Mergers and Acquisitions, though not a pleasant scenario in most cases, is a critical phase in a growing enterprise. The key promise of such activities are improved revenue and cost reduction and it is no doubt that this is possible only by integrating the IT systems of both the companies to evaluate efficiencies, identify redundancies and eliminate overheads. In the digital era that we live in, every organization maintains a complete record of all the transactions, both positive and negative, in their system. By bring these diverse systems into a common format, the new organization would have a complete view aiding them to take corporate decisions for a better future. Currently, the corporate lawyers and legal team, scan through every journal and every transaction to suggest the best path forward, however, like in every track, there research and POCs planned for automating the M&A using AI and machine learning, whose capabilities are yet to be seen.

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