Article

May 2021

Deal done - what now for technology and systems?

Steve Williams, our head of Mergers and Acquisitions, takes a look at what happens after deal completion. New owners naturally want to consolidate everything into a single system, a single infrastructure, or a single data source; they already have them in their existing business and it's worked well – so does that mean it'll work well for NewCo too?

It's day one and you've walked into the shiny new business you've just acquired. Everything seems to be running smoothly, and that's great; but it's only the first chapter in the story. The hard work of integrating the new business, consolidating functions, bringing a consistent culture and working style to bear, and starting on the path to growth are yet to come.

We're all used to stories of organisations brought to their knees by inappropriate technology, forced upon them after an acquisition or divestiture. We think this is totally avoidable – and the key is to put the organisation's needs before any technology solutions. So, here are some tips for ways to do just that following deal completion:

- Plug the gaps: fix any business-impacting risks identified in the technology due diligence. It'll take time to implement new systems and technology but ignoring the risks in the current estate will only give them time to grow or increase their chances of occurring.
- Take a fresh look: undertake a more detailed review of the technology and systems in use. Talk to more people and dig under the surface; even the best due diligence can't uncover the truth about everything in a limited time. There will be things you need to deal with (see 'Plug the gaps').
- Don't play with the TSA: work quickly, but in a structured way to manage the key tasks essential to a clean break at the end of the TSA period. Don't shy away from implementing short-term solutions if necessary – if it's lower-cost and lower-risk than the consequences of the TSA ending and the plug being pulled, it'll pay dividends. Use appropriate migration methods; it may be best to move systems as they stand and do so quickly – but you'll need to sort out any problems later. Equally, it may be better to run the TSA for longer and fix things during migration. Whichever you do, problems arise when people working on the migration hold conflicting assumptions.
- Assumption is the mother of...: maybe you've used 'System Awesome' in every business you've worked in, or maybe a similar organisation uses 'Super Technology Stack 5000' – but don't assume they'll be right this time. Take time to understand the similarities and differences; and choose the system or technology that suits the people, culture, practices and products. If your existing system ticks 80% of the boxes, then it'll work 'fine' – but if it ticks 99%, why replace it? Sometimes, a tweak gives the best result – sometimes a replacement is needed.
- Manage, manage, manage: good programme and project managers are essential, and they're very often third-parties who can offer a level of studied detachment from the baggage of competing stakeholders. You'll need a solid plan to work to, and you'll need to manage internal IT staff, third parties, and dependencies. Don't fall into the trap of trying to handle it all on your own, as there'll be plenty of other things to do.
- Look, listen, and learn: engage your workforce in projects, ask their opinion, and listen to them. There'll be people in the business who know it much better than you do, and they'll be keen to see it succeed under new leadership. They won't bet against you with their livelihoods, so use their expertise and experience for everyone's benefit.
- Keep it clear: make sure everyone knows what part they have to play in success. Identify stars and give them their head to do what's right for the organisation. Acknowledge the support or skills you need, and recruit or retain them. Be honest with yourself about the areas where a third-party or partner would be useful to provide assistance (see: 'Manage, manage, manage').

This is all intended so decisions aren't made based on what people 'know', what a salesperson recommends, or what Google (other search engines are available) tells them is 'an industry-specific, best-practice driven system to meet the demands of the most complex business'. It's a situation we've seen many times, and which persists despite rarely delivering results; we believe it's time for a fresh approach.

If you're taking the first steps in a newly acquired business, or you'd like to know more about our M&A practice, we'd love to talk to you. Wherever you are on the journey, we're with you – contact us at m&a@waterstons.com, or read more on our website.