OrbusSoftware

Navigate M&A Growth with **Enterprise Architecture**

Orbus Software eBook

Introduction

Today, post pandemic business activities are plagued with uncertainties, however M&A activity across the globe remains resilient.

2021 was a record year with 5 trillion dollars' worth of deals being concluded, and 2022 continues this trend despite geopolitical and financial headwinds.

Read More

Significant numbers of organizations are looking to M&A activities to acquire new technology, address skills shortages, diversify their offering or grow market share.

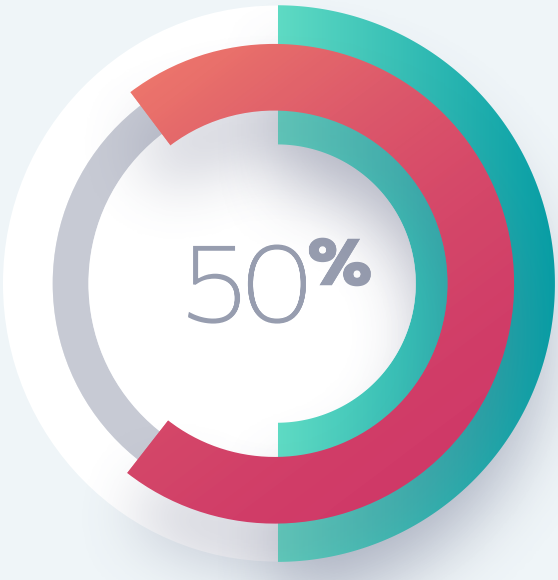
The words Merger and Acquisition are often used interchangeably however they in fact differ in meaning:

Merger:
Is the combination of two companies, which subsequently form a new legal entity under the banner of one corporate name.

Acquisition:
In an acquisition, one company purchases another outright.

How EA intersects with M&A

Over 500,000 mergers and acquisitions have occurred globally since 2010, with an overall value of trillions of US dollars, however 70-90% of acquisitions fail.



BCG research spanning twenty years of public M&A transactions found that **up to 50%** of deals fail to create shareholder value within two years of the deal's announcement.

Read More

A substantial portion of M&A due diligence is undertaken by accountants and is limited to the financial aspects of the merger. Often enterprise architecture is omitted during these exercises.

Enterprise architecture provides organizations with the insights needed to merge, scale and retain technologies during mergers and acquisitions. EA platforms support capability mapping and prioritization, the assessment of critical and client facing value streams, and application rationalization.

The architecture due diligence process should be undertaken to assist the buyer to understand synergies, the potential to scale the business, and enhance operations to provide improved access for customers. Potential buyers will also look at ways to reduce the overall expenses of the business to increase profitability and contribute to stakeholder satisfaction.

When forming a new entity as part of a merger, architects should be tasked with providing strategy and planning oversight as to how to address business and operating model changes and provide potential approaches as to how these changes can be supported across organizational capabilities. As a spinoff of these oversights there may be a case made for retiring some organizational capabilities in certain verticals or locations, or conversely there may be a need to introduce new capabilities where shortfalls are identified.

EA can help CFO's, COO's and other stakeholders make faster, more credible decisions during the integration phase to reap the benefits of a successful M&A initiative.

Mergers

Architectural activities during a merger can be guided by a 5D methodology for ease of reference:

1. Define
2. Design
3. Develop
4. Deploy
5. Debrief

01 Define:

The definition phase of the methodology entails collaboration between the buyer's strategy and planning team and Enterprise and Business architects from both organizations. This discussion will investigate the direction and motivation of the new entity and record established decisions.

The main topics during this collaboration will focus on:

1. What does the organization want to be?
2. How does it become what it wants to be?
3. What are the influencing factors?
4. What are these influences?

An in-depth assessment of both companies' organizational assets must be undertaken. Any assets which no longer meet the future requirements should be terminated as part of a cost-saving drive. Output from these discussions will be used to populate guidance documentation for the design phase:

Outcomes: (What does the organization want to be?)
Vision, Goal and Objectives

Means: (How does it become what it wants to be?)
Mission, Strategy, Tactics, Business Policies, Business Rules

Influencers:
Internal Influences, External Influences

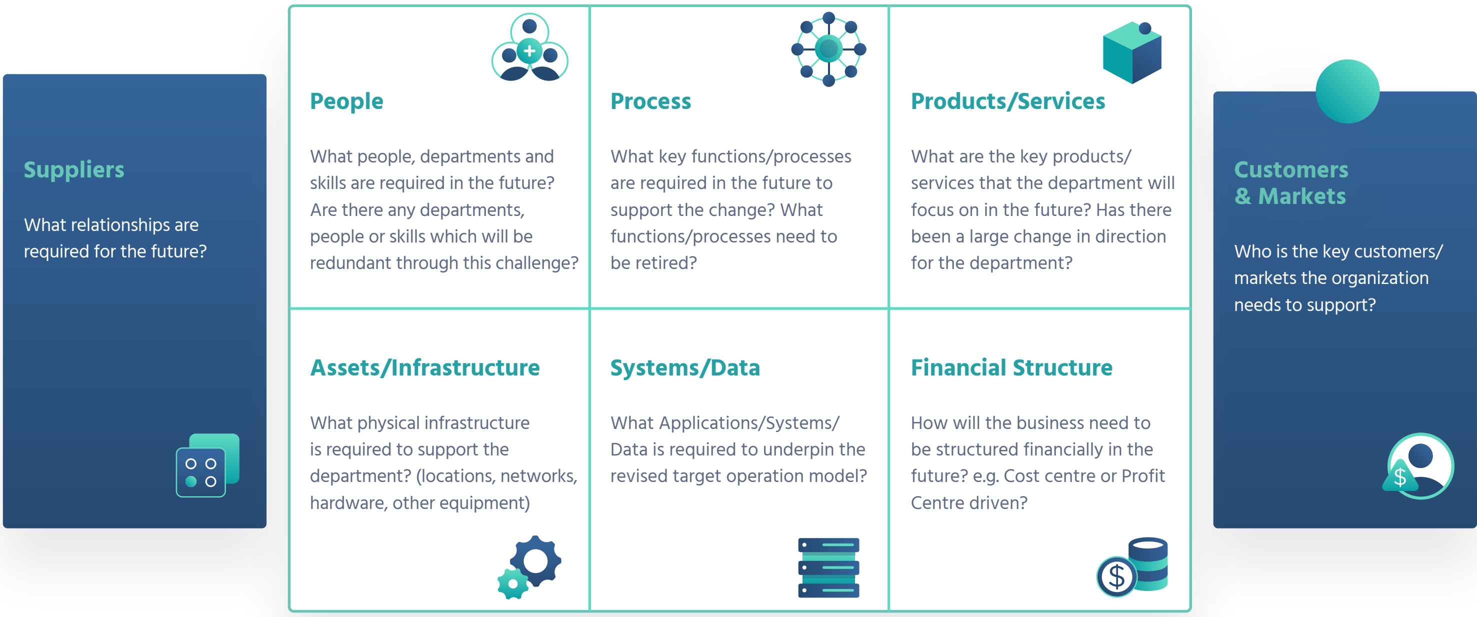
Assessment:

Once this exercise has been completed the information can be employed to identify the organizational capabilities which would be required to meet the defined outcomes, and to engage with change management to generate the necessary programs and projects to elevate existing capabilities to the required maturity level, or create new capabilities with full support recommendations.

If the strategy is of such a nature that certain products or services are no longer to be offered to customers then the underlying capabilities and support structures can be assessed for removal. However, a skills evaluation is recommended before any retrenchments so as to avoid losing critical skills which could be deployed elsewhere in the organization.

Objectives and Goals will provide the metrics for aligning governance activities with both change management and project management by providing timelines and milestones for roadmaps and Architecture board reviews.

During a merger, the ability to communicate with all stakeholders is a critical component of creating the new entity, and business modeling of the envisaged organization is a must to visualize progress over time. To assist with these communications the picture below can be used to prompt the correct questions to ask stakeholders when addressing the changes to the organization's business model.



The business model discussion will ensure that all stakeholders are allowed to answer the questions provided and to raise any constraints which may restrict a certain approach for the new entity. Once the replies are populated and rationalized a signoff of the new business model will ensure that the request for architecture work is compiled from the finalized document. A final meeting between the architecture and change management teams can be convened to confirm that the programs and projects will close the gap between current and future architectural requirements and then the projects can be forwarded to the funding committee.

02

Design:

Once the projects have been allocated funding they can be handed over to project management and solution architects for design purposes, with change management fulfilling the program management function.

Documentation harvested and documented as part of the Define phase should be made available as reference material for the project team and the required changes made to the relevant architectural repository for ease of reference. The design team should be compiled of architecture domain representatives, solution architects, and business SMEs who can piece together a viable solution to support the new business model.

The main focus of the design team should revolve around the creation of the organizational operating model and recommendations made as to how the organizational structure should be addressed, a few examples of such structures are listed below:

- **Product Stack - Alignment with target market products.**
  (Stock Market, Capital Market, Derivatives Market, Foreign Exchange)
- **Customer Stack - Alignment to customer category.**
  (Retail, Commercial, Private, etc.)
- **Location Stack - Alignment with geographical location.**
  (Local, National, International)
- **Service Stack - Alignment with Organizational Services.**
  (Risk, Tax, Payroll, etc.)
- **Currency Stack - Alignment with global currencies.**
  (USD, GBP, EUR, JPY, etc.)

The chosen stack is then displayed as organizational verticals with cross-vertical service provisions depicted as horizontals.

Once the organizational structures have been addressed the relevant support can be reviewed and assessed for suitability, this will involve skills, technology, infrastructure, data & information and risk assessments and recommendations made to fill shortfalls where required, the final solution will be packaged for Architectural Board approval.

Not all solutions will be available out of the box and certain in-house development may be required as part of the overall plan, therefore it is advisable that the DevOps team leads should attend the architecture board approval session to gain the desired insights for guiding programmers in coding development as an integral part of the end design.

03

Develop:

The development phase consists of representatives from the design team, development team, and the IT operations team to ensure that the appropriate understanding of the impact of each project and its contribution to the overall organizational strategy of the new entity.

All developments should be pen tested to ensure cyber security aspects have been addressed to ensure the integrity of the development before deployment to a live IT environment. As the originator of the final solution, a design team member should form part of the development testing to ensure compliance with the stakeholder project requirements.

The final phase of the design will be the establishment of migration planning so that all stakeholders are aware of the deployment date and make themselves available on the planned date to test that the deployment has occurred as expected.

04

Deploy:

Once all development signoffs have been attained the solution is ready for deployment to the IT operations team for ongoing service provision. Any previous code which is now to be made redundant should be removed to avoid confusion and new code deployed for ongoing use. The IT operations team will then take responsibility for the daily running of the solution moving forward and the project can be ended.

05

Debrief:

The debrief session should be attended by all personnel who formed part of the team from strategy to execution, as well as the executive sponsor responsible for the success of the change. This session is formulated to give all participants an equal chance to highlight what worked well, what did not, and what if any changes should occur to ensure an improved process going forward. The final assessment will then be forwarded to the various team leads as input for future project activities.

Acquisition

Acquisition has a different meaning, and as such results in an easier exercise for all parties, the purchase over 50% of the target company shares will guarantee the buyer control of the target company.

Acquisitions can occur for a plethora of reasons, such as economies of scale, diversification, or greater market share.

Organizations can also reap the benefits of acquisitions where a company has already successfully deployed a certain technology as an alternative to spending time and money developing it for themselves. This ability to support a growth strategy and remove the competition from a certain market will be attractive to both investors and existing shareholders, and with limited disruption to the buyer's company, could provide a diversified source of income.

Architectural aspects of any acquisition would however remain mostly the same and synergies between the two organizations would be explored to the benefit of both sets of shareholders.

Better M&A Decisioning Through EA

Bringing two companies together is not easy. Enterprise architecture platforms like iServer365 provide visualizations and dashboards that give newly joined teams the insight and agility to move forward with business critical decisions.

The ability of organizations to maintain oversight of a multitude of moving parts during either mergers and/or acquisitions will rely on their ability to model the changing environment as input to a host of decisions necessary in either venture.

Orbus iServer365 enables collaboration and faster, smarter decisions; two things every merger or acquisition benefits from. Want to learn more? Check out our poster on **Merger and Acquisition Best Practices** or download our guide to **Surviving Mergers and Acquisitions.**

Better M&A Decisioning through iServer365

Book a Demo and discover how iServer365 enables better decision making.

Book a Demo

About Orbus Software

Orbus Software is a leading provider of cloud solutions for digital transformation. Our mission is to enable organizations to build operational resiliency. Our customers are predominantly global blue-chip enterprises and government organizations, and we focus on delivering technology innovation that accelerates our customers' success.
To learn more, follow Orbus Software on Twitter and LinkedIn.

+44 (0) 20 3824 2907
enquiries@orbussoftware.com

Floor 4, 60 Buckingham Palace Road, SW1W 0AH

© Copyright 2022 Orbus Software. All rights reserved.

No part of this publication may be reproduced, resold, stored in a retrieval system, or distributed in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior permission of the copyright owner. Such requests for permission or any other comments relating to the material contained in this document may be submitted to: marketing@orbussoftware.com