Executing Mergers and Acquisitions (M&A)

Whitepaper

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Introduction

Mergers and Acquisitions are on the rise. Companies of all sizes and sectors – from SMB to Enterprise – are performing acquisitions, mutual mergers, divestitures, and other change of ownership or structure type transactions. This is an indicator of many different things, such as companies needing to consolidate for greater success. Regardless of reasoning, this M&A activity is exciting and creates new opportunities for bringing together creative and diverse teams of people who will accomplish interesting things and solve awesome challenges.

An M&A transaction is a complicated action. One of the key pillars of success is the consolidation or splitting of technology infrastructure and services. When two companies become one, there are a lot of things to sort out from a technology perspective. This includes questions like which company inherits the technical debt, which company's infrastructure owns data long term, and what applications need to survive.

In this whitepaper, we will be looking at M&A from the perspective of the Managed Solutions Provider. Whether your customer purchased another company or your customer's company was purchased, these are key insights that you will want to keep in mind. It is important to note that I will not be able to cover every aspect of M&A in this whitepaper. To do that, I would have to write a whole, boring book. This content is simply designed to provide you with strategies and frameworks that you can use to develop your own process for creating amazing M&A experiences for your customers. When done properly, guiding your customers through M&A will make you their superhero!

About Me

Before we dive in, let me introduce myself. I am a Manager of Cloud Solutions at Pax8, meaning I oversee Modern Workplace and Cybersecurity initiatives for Pro Services. In my day-to-day role, I operate as a people leader, program manager and builder, and evangelist. My team specializes in Digital Transformation, Cybersecurity and Compliance, and migrations. This includes somewhere between five and 10 M&A-related migrations every month for our MSP partners, as well as internal migrations for Pax8's own acquisitions.

Prior to Pax8, I ran an MSP and technology consultancy of my own. I orchestrated M&A technology plans for mergers totaling up to ~750 people, as well as for smaller M&As in the sub-100 range. I covered everything from planning and executing data migrations, merging cybersecurity strategies, and ensuring compliance across multiple regulations. I also assisted in pre-transaction due diligence related to technology and GRC.

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Getting Started. What is M&A?

M&A is a broad, and often overused term. In this article, we will consider the following scenarios:

- **An Acquisition.** In this scenario, your customer has been purchased or has purchased someone outright. The whole house has been purchased from the foundation to the dirt on the roof. We need to merge everything into one. We can also include "mergers" into this category, as that is essentially what is happening – we're merging two companies into one.
- **A Divestiture.** This one is less common in SMB; we also tend to call it a "spin off." This usually happens after repeated M&A activities. For example, your client purchases a company and then sells that company to another business. In this scenario, we are not selling/buying the whole house (maybe just some furniture within). This usually means we need to migrate part of the data and respective users and find a way to maintain continuity of the underlying technologies they use. This one can be tricky, and you need to pay attention to the various agreements involved in these types of transactions.

Full Acquisitions

We tend to see a lot of full acquisitions in the small business arena. It is also usually easier to handle a full acquisition than it is a divestiture/partial acquisition because the two technology environments can usually coexist for a longer period. In this scenario, you should plan on consolidating all infrastructure into one. This may mean a tenant-to-tenant migration into the new parent tenant, consolidating on-premises services, etc. I recommend you perform assessments of each component of the acquired company's infrastructure so that you can plan for moving the components into the parent company's environment.

Divestiture or Partial Acquisition

A divestiture or partial acquisition can be trickier to deal with. First off, you are likely going to be on a tight deadline to accomplish any necessary migration, as per certain transaction agreements. To maximize your chances for success, it is best to get in the door prior to the transaction being finalized. This is just a matter of keeping in touch with your client and understanding what they are doing. Knowing when your clients are planning on making a major change, such as acquisition, is an important part of being able to plan accordingly during the account management process.

A key component of divestiture is a Transition Service Agreement (TSA). It may have other names in some transactions, but the TSA is a critical document. The TSA will lay out what the selling company's responsibilities are – and for how long. More importantly, it lays out the deadline for the newly divested entity to be selfsufficient. This covers all aspects of the business from HR to facilities to IT (of course). If you are being pulled into an already completed deal, the TSA is the

> If you can get involved early in the M&A process, then do it. You want to have the influence to make sure the goals set out are attainable.

first thing you will want to see. You want to understand the deadlines for transitioning so you will be able to meet them. In some cases, the divested entity not meeting theTSA deadline can have serious financial consequences. If you cannot meet the goals and deadlines outlined in the TSA, tell the customer sooner rather than later and suggest either readjusting the TSA (this is common and can usually be done) or finding a provider who is better suited to meet the goal. Not doing this immediately can set up a customer for failure. Another key challenge of a divestiture will be your ability to gain complete access to systems. Take an example of a large hospital/healthcare system that is spinning off a particular small clinic. Let us say you take this clinic on as a customer, and you need to move them into their own environment. It is very unlikely that the former parent company is going to give you administrative insight into their entire environment In these scenarios, you will need to get creative, such as leveraging BitTitan's ability to use mailbox delegation in place of administrative permissions. You may find yourself in a position of needing to help mediate all parties to find a reasonable migration path and create a plan.

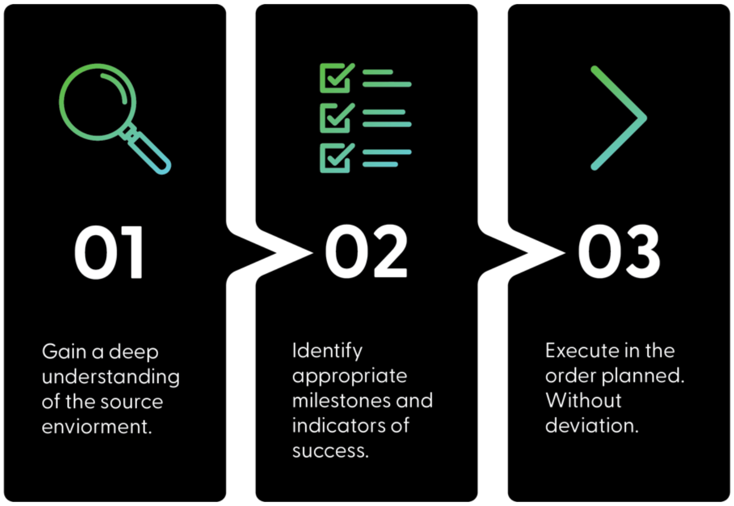
Planning Out Your Technology Project(s)

Depending on your M&A activity type and scale, you may need to plan a series of projects that fit into one roadmap. When planning out your migration, you will want to take several different components into account. The most important thing is user experience. Imagine if you worked for a company that was acquired, and the process of merging technology went horribly wrong… it would be a terrible experience for you as a contributor to the company, right? At the same time, make sure that you level set with your clients. Migrations are a difficult process, and they always have bumps. Our mission is to minimize the quantity and the impact of those bumps.

In my consultancy, I broke down the process of merging/splitting into three simplified phases: Analyze, Plan, Execute. Of course, I am oversimplifying this, but the overall framework served my team and I extremely well. During the analyze phase, we would gather a deep understanding of the source company, its people, and the technology environment. This included doing deep and thorough assessments of all infrastructure, applications, networks, technical debt, etcetera. From there, we would move to the human aspect. It is extremely important to get to know the people behind the company. Take the time to identify key stakeholders throughout the organization and understand how they work, and which processes they use. From this, you will start to get a good idea of how each component within an environment contributes to the overall success of the business.

Take working with a payroll specialist at a company as an example. During your time together, you will want to understand how this person performs their day-to-day functions. What apps do they use? Are they using any third-party tools to help? Where are they storing reports? Are there any cybersecurity concerns with how they operate? Take notes on this and you will start to see what components of that person's workflow are the most at risk when it comes time to move identity, impacting their single sign on functionality.

While you are assessing how people do their best work, you should also assess the overall operations of the business. In the case of the payroll specialist, we need to make sure we are working around their deadlines to submit payroll. After all, people do enjoy getting paid on time! As we continue, let us dive into each phase in this framework to see how we can make the most of it. It is important to note that each phase builds on top of the previous phase. If we cut corners in Phase One, then Phase Two and Phase Three will be ineffective, thus ruining the entire project.



Phase One: Analyze

Analysis builds the foundations on which the rest of our M&A road map will succeed. Cutting corners here will doom your ability to create a dazzling experience for this customer and their people. As I mentioned before, analysis is a combination of technical assessments, interviewing key stakeholders, and understanding how a company operates. Let's break this down:

Find North

First, work with your customer to understand the end goal. In most of the acquisitions I've worked on, we needed to take the operations of the purchased company and move them into the operations of the purchasing company. In some cases, a client may wish to keep a specific tool or process running at the acquired company. In other scenarios, they may wish to move the collective new company onto a tool that the purchased company was already using. You need to understand these things so you have that north star in mind when it comes to analyzing, collecting the proper data, and planning for the correct outcome.

When working with your client on this process, I highly recommend you confirm these key decisions. The last thing you want (speaking from experience) is to start this phase all over because your client changed their mind on how a critical business function will work when the merger is complete.

Technical Assessments

In some ways, this is the easiest part of the analysis. As you work increasingly with M&A activity, you will begin to develop your own methods and intellectual property that makes assessing more efficient and effective over time. Technical assessments should include the following categories:

- **Identity**
- **Endpoints**
- **Infrastructure**
- **Files and Data**
- **Applications**
- **Continuity**
- **Cybersecurity**

As you assess these different components, you will want to gather a comprehensive inventory. For example, in the identity section, you will want to understand every single identity in a customer's environment. Pay particular attention to service accounts when it comes to recreating them in the new environment – those ones will get you. For files and data, you will want to collect an inventory and ensure compatibility (or create a plan to achieve compatibility) with the destination file system. So, say, hypothetically we are moving into SharePoint. We would need to analyze for file path limitations or unsupported characters in names.

Human Assessments

“Human assessments” is my super dorky term for understanding the people in the business. The easiest method I have found for identifying stakeholders is asking for an org-chart. Anyone in charge of a business function is somebody you will want to speak with. I like to structure this as a combination of an interview and a “shadowing” session. I ask them questions about their job and to show me how they execute. You will get an amazing amount of data from this, and you will find certain “quirks” in the ways that people accomplish their mission. This will help you improve the experience during the migration(s) so that you can make sure everything goes as smoothly as possible. There are also two hidden easter eggs in here:

1. You will show people throughout the company that you really care about their experiences.
2. You will gain insight into areas you can improve (such as through process automation).

Taking the time to understand people will go a long way in your overall perception. It will also play a large role in making sure everything goes smoothly for everyone, and not just the executives. After all, a business is just a gaggle of people working towards a common goal.

Business Operations Assessments

Business operations assessments are exactly what they sound like —assessing how the business operates. But wait, there’s a catch! In the case of an acquisition, you have two sets of business operations needing to be merged into one. This is where you really need to get involved with your customer’s leadership and help them identify which processes they should keep. Data from your human assessments and application assessments will come in handy here! Think of the key recurring operations that keep your business running and that apply to all businesses. It is worth noting that much of this may not be anything you migrate, and that’s fine. The purpose of this is to rule out what you don’t need to worry about and cover items that you do. Here are a couple of examples:

- **Payroll.** When are the paydays? When is the processing deadline? Which applications and users support the payroll process? Which payroll system will be in use at the end of the process and how will migrating dependent components impact this process?
- **AP/AR.** Pro-tip! If the AP doesn’t work, you do not get paid! You will need to understand the AP/AR process, how frequently things are processed, who does it, and what app they use. Again! Understand which GL tool will be the kept after the project is complete and consider any impact during the impact analysis.

Once you have analyzed these processes, you will have lined up each process with the appropriate application, related infrastructure, and related users (and their respective identities).

Impact Analysis

We are almost done with the analyze phase! The final analysis I always insist on doing is an impact analysis. At a high level, it is easy. As we have mentioned before, every migration has a business impact. We need to understand and minimize the effect of those impacts. What’s the impact of taking down payroll? People don’t get paid! So, to minimize the effect, we need to ensure we don’t impact the payroll team’s ability to get things processed by the processing deadline. Same with AP/AR… can we accomplish the mission without breaking the am’s ability to execute on time? You get the point. Of course, to achieve this, you will need to understand the north star I mentioned earlier so you know which side of the house and which systems are impacted.

Phase Two: Plan

In phase one we collected a lot of information and began to understand how each business works. Now it is time to put that data to work. This is, by far, the most tedious piece of the process, but it is also the most important. As they say, "Measure twice. Cut once." In many cases, some of the projects have no fallback plan. If they are not planned carefully, you will find yourself (and your client) in an irreversible pickle.

This must be an extremely collaborative part of the process! The stakeholders of all parties need to be at the table as you guide them in making strategic decisions that will lead to success. As you build out the intricacies of the overall plan, it will become quite ornate. In taking a trip down memory lane, I found a plan with 8 different projects (from tenant-to-tenant migration, to merging of cybersecurity policies, to moving identities, endpoints, and single sign on integrations) with a total of 724 tasks – which is a good thing!! Document every detail (even the parts that other people are responsible for). For each technology component discovered during analysis, you need to find out:

- **Where will the winning environment exist?** Is the purchased company's tenant to be migrated into the purchaser? Do we need to shift the purchased identities to connect them to the purchaser's employee self-service tool?
- **What is required to achieve the north star?** This comes in the form of migrations, integrations, lift-and-shifts to the cloud, reconfiguration, building out Active Directory trusts, using Azure B2B, or even deciding to leave tools behind.
    - For each sub-component within this piece, build out your full and complete migration plan and integrate it into the overall M&A plan.
- **What is the impact of each migration or other action?** Go back to your impact analysis and expand on it. Document the risks and mitigations for each of these steps. Also take advantage of this opportunity to spell out the expected impact of each component in advance. Additionally, plan out communications to leadership and every stakeholder of the component so that everyone is in the know and gets the news right from the source.
- **What are the dependencies?** Understanding which components, processes, and systems are dependent on each other will help you execute things in the proper order, ensuring that only necessary business impact is felt throughout the operation.

Once you have answered these questions for each component, it is time to bring it all together. This is the time to really consider things such as risk, impact, criticality, and dependencies:

Establish order of operations. Combining the dependency data with impact, criticality, and mitigations will help you decide the order in which the operations will take place. Keep in mind that some things can/may need to run concurrently when creating your schedule.

Create a tentative schedule. Using your risk mitigations, roughly schedule out each operation that needs to be carried out. An example mitigation would be ensuring that you schedule payroll in a timeframe that does not impact the company's ability to pay their people.

Build your Master Project Plan. Once you have all the pieces laid out, sorted, and ready to document, it is time to put together a single project plan. This plan should line up the different operations that will take place, the phases and tasks therein, and the expected schedule of each. Placing this in a single project plan allows you to oversee the entire project in a single pane of glass. You will need a powerful project management tool to pull this off, such as Microsoft Planner. A good tool will allow you to manage the entire operation, but also be able to report on progress.

Phase Three: Execute, Execute, Execute!

Assuming we have done Phase One and Phase Two properly and with a lot of due diligence, you should feel at ease at this point in the process. We have meticulously analyzed and planned each step of the process. We have checked, measured, re-checked, and re-measured everything. We have performed risk analysis and planned mitigations. We understand the expected impact of each sub-project we need to carry out.

All that is left now is to "just do it." Now, of course, this is not going to go perfectly. You will need to expect things to go a little sideways every now and again. Applying good project management practices to your execution phase will help you adjust the project when you hit bumps in the road. Also note that, in the above infographic, I specifically called out "in the order planned." Remember during that planning phase when we decided on dependencies? I have seen beautiful M&A plans get horribly mangled because the order of operations changed without anyone analyzing new risks and impacts. Stick to the plan, make minor adjustments as needed. But I beg of you, do not change the overall order of operations!

Phase Four: Don Your Cape!

Once you have crossed the finish line, you will have executed one of the toughest challenges you will ever go through as a technology consultant. Bringing businesses together (or splitting them) is an extremely challenging undertaking. Moving through these processes, in my opinion, is a good check mark on the old resume that you can (and should) be bragging about!

Conclusion

As stated previously, my intent with this article was not to give you a magic bullet. I simply can't. I'm but one person with an okay amount of M&A experience as a tech consultant. For me in my own practice, following this framework simplified M&A as much as I could possibly simplify it for myself. Of course, it is still incredibly complicated, but having a road map will ease your mind as you work through helping your customers achieve their newfound goals. Have you worked M&As yourself? If you have suggestions for improvement, or tips you would like to share, reach out to me on LinkedIn (/in/dominickirby) and let's improve this together to help everyone become theircustomer's superhero!

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