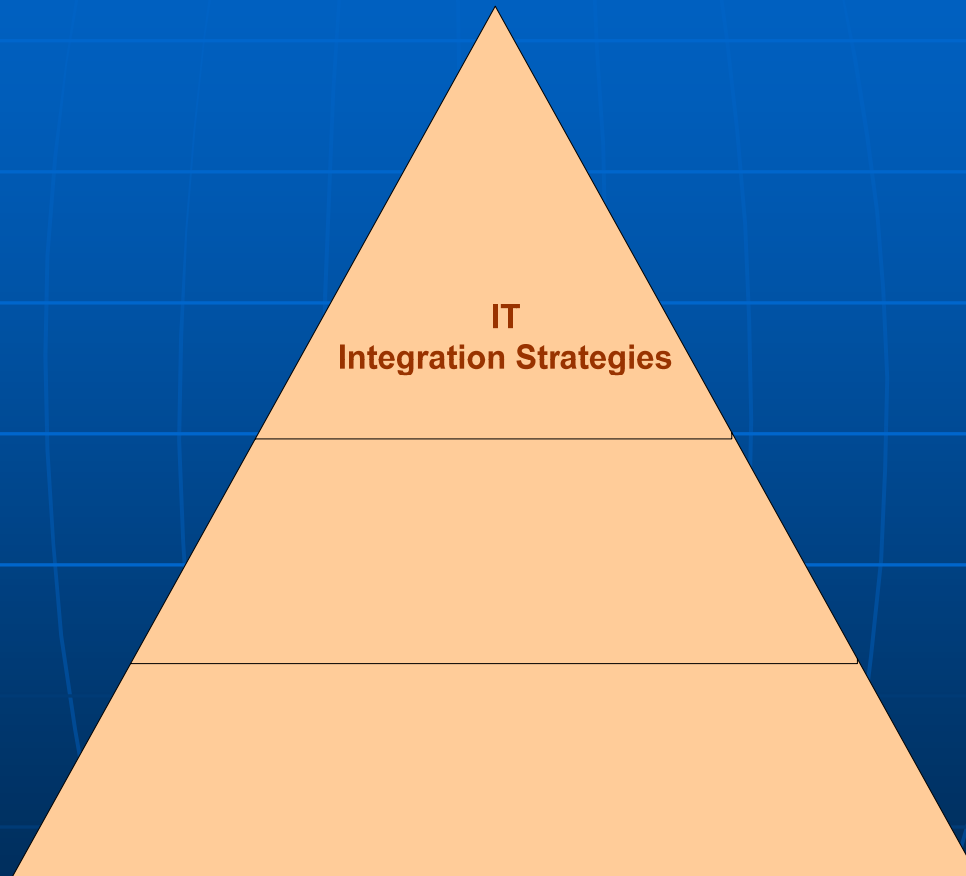


IT Integration in M&A

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Summary

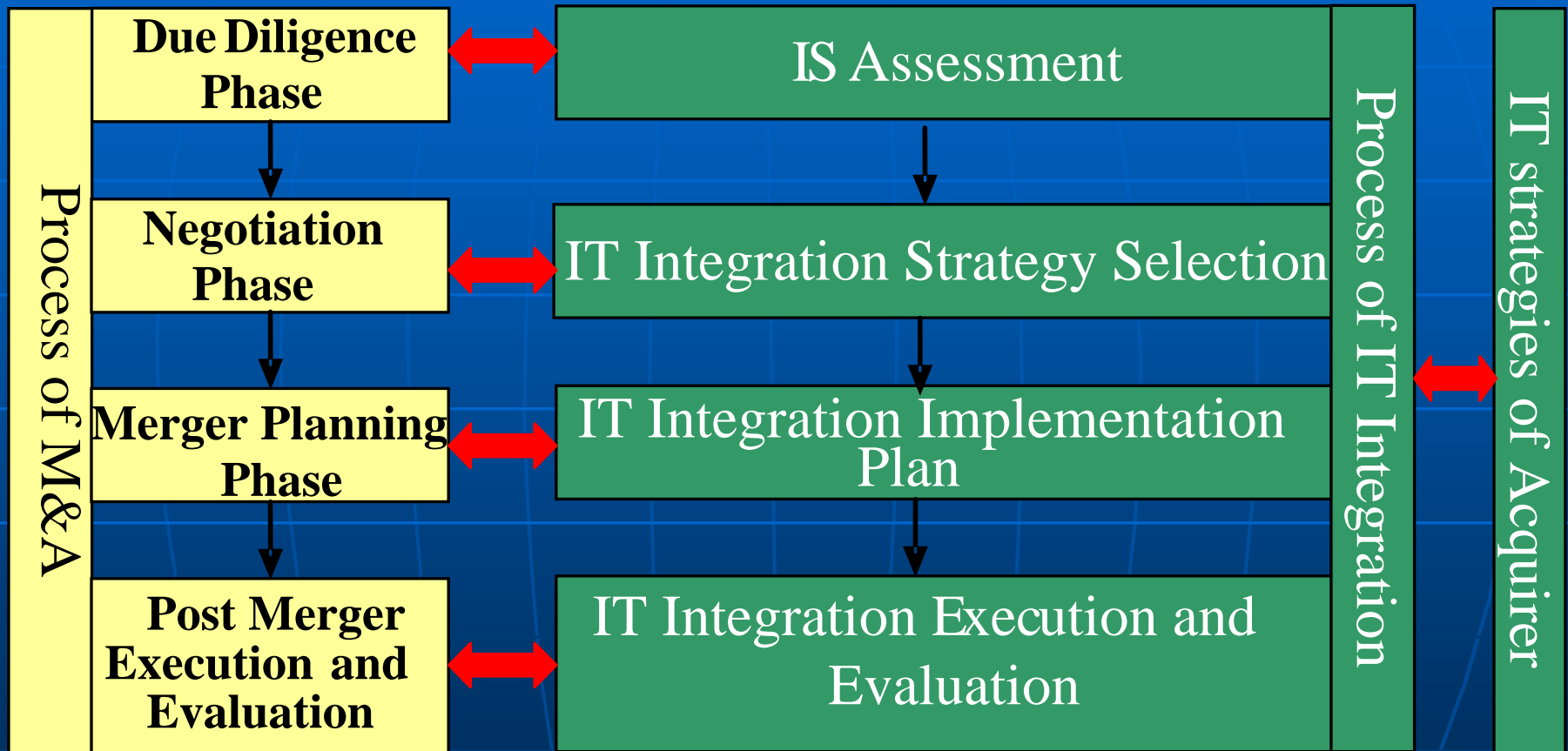


The Objectives of IT Integration in M&A

- Enable business to achieve merger objectives;
- Create standard processes to unify business units and functions from M&A. ;
- Consolidate IT organizations, IS operations and platforms without interrupting current operation and service;
- Become a source of cost savings through realized synergies;
- Achieve a more aligned information system planning and generate more benefits from IT*;

*S.S. Robbins, A.C. Stylianou , Post-merger systems integration: the impact on IS capabilities, Information & Management 36 (1999) 205-212

IT Integration Framework in M&A



Step 1. IS Assessment

- IT governance mechanism;
- Current IT staff and IT leadership;
- IT infrastructures, such as telecommunications, networks, and desktop clients
- External and internal accesses to information systems and applications;
- Potential cost saving, benefits and risks from IT integration;
- The possible and/or expected post-merger end state for data centers, applications, databases, and desktops;

Step2: Develop an Aligned IT Integration Strategy

- What the M&A strategies have been adopted by the company and what are the requirements from this specific M&A strategy to IT integration?
- Second, what kind of IT integration strategies can be chosen?
- Thirdly, how to align IT integration strategies with the M&A strategies?

Step 2.1: M&A Strategies

M&A strategies	Operational Models	IT integration requirements
Vertical	Unification	<ul style="list-style-type: none"> Real-time information exchange and sharing Highly Integrated business processes Cost savings from consolidated supply chain
	Coordination	<ul style="list-style-type: none"> Timely information exchange and sharing Reduce the cost of supply chain
Horizontal	Unification	<ul style="list-style-type: none"> Fully integrated company Real-time information exchange and sharing Optimizing Resource allocation Cost savings
	Coordination	<ul style="list-style-type: none"> Customer information sharing and exchange Centralized management to generate scale effect Autonomous business unit operations
	Replication	<ul style="list-style-type: none"> Centralized business process design Business process standardization High level information aggregation
Concentric Diversification Merger	Coordination	<ul style="list-style-type: none"> High level information integration to achieve cross sales Shared customer or market information Autonomous business unit operations
	Diversification	<ul style="list-style-type: none"> Independent transactions Shared infrastructure or service to improve cost-effectiveness Autonomous business unit operations
Conglomerate Merger	Diversification	<ul style="list-style-type: none"> Autonomous business unit operations Very little shared information except financial information Independent transaction

Step 2.2: IT Integration Strategies

- 1. Maintain Status Quo:** Retain both models
- 2. High level information aggregation:** build a portal above current systems to aggregate information
- 3. Winner:** one company's systems take over the other one's
- 4. Best of breed:** identify the best of each part, and integrated through middleware or SOA, make it as a new integrated system
- 5. Develop new systems:** replace both companies' systems and transform operations through new enterprise systems

Step 2.3: Match of M&A and IT Integration Strategies

M&A strategy	Operational Model	IT integration strategy
Vertical	Unification	<ul style="list-style-type: none"> • Winner • Develop new system (Enterprise System)
	Coordination	<ul style="list-style-type: none"> • Winner • Information aggregation
Horizontal	Unification	<ul style="list-style-type: none"> • Develop new system (Enterprise System) • Winner
	Coordination	<ul style="list-style-type: none"> • Information aggregation • Best of breed
	Replication	<ul style="list-style-type: none"> • Winner • Outsource IT operations
Concentric Diversification	Coordination	<ul style="list-style-type: none"> • Information aggregation • Best of breed
	Diversification	<ul style="list-style-type: none"> • Information aggregation • Maintain Status Quo • Outsourcing
Conglomerate	Diversification	<ul style="list-style-type: none"> • Maintain Status Quo • Outsourcing

Step3: IT Integration Implementation Planning

IT integration	IT governance	IT architecture	IT infrastructure	IT Portfolio
Maintain Status Quo	Mainly Feudal	Business Silo	None view without data and IT service sharing	More transactional system
High level information aggregation	Mainly IT Duopoly	Business Silo	None view with only few standardization in data communication	More transactional and informational system
Best of breed	Federal and IT Monarchy	Standardized technology	Utility view to share standardized data and IT service	More infrastructure investment
Winner	Federal	Optimized Core OR Standardized technology	Dependent view with centralized and integrated infrastructure	More strategic systems and infrastructure
Develop new systems	Business Monarchy and Federal	Optimized Core OR Business Modularity	Dependent view OR Enabling view with centralized and integrated infrastructure	More strategic systems and infrastructure

Step4: IT Integration Implementation – Execution and Evaluation

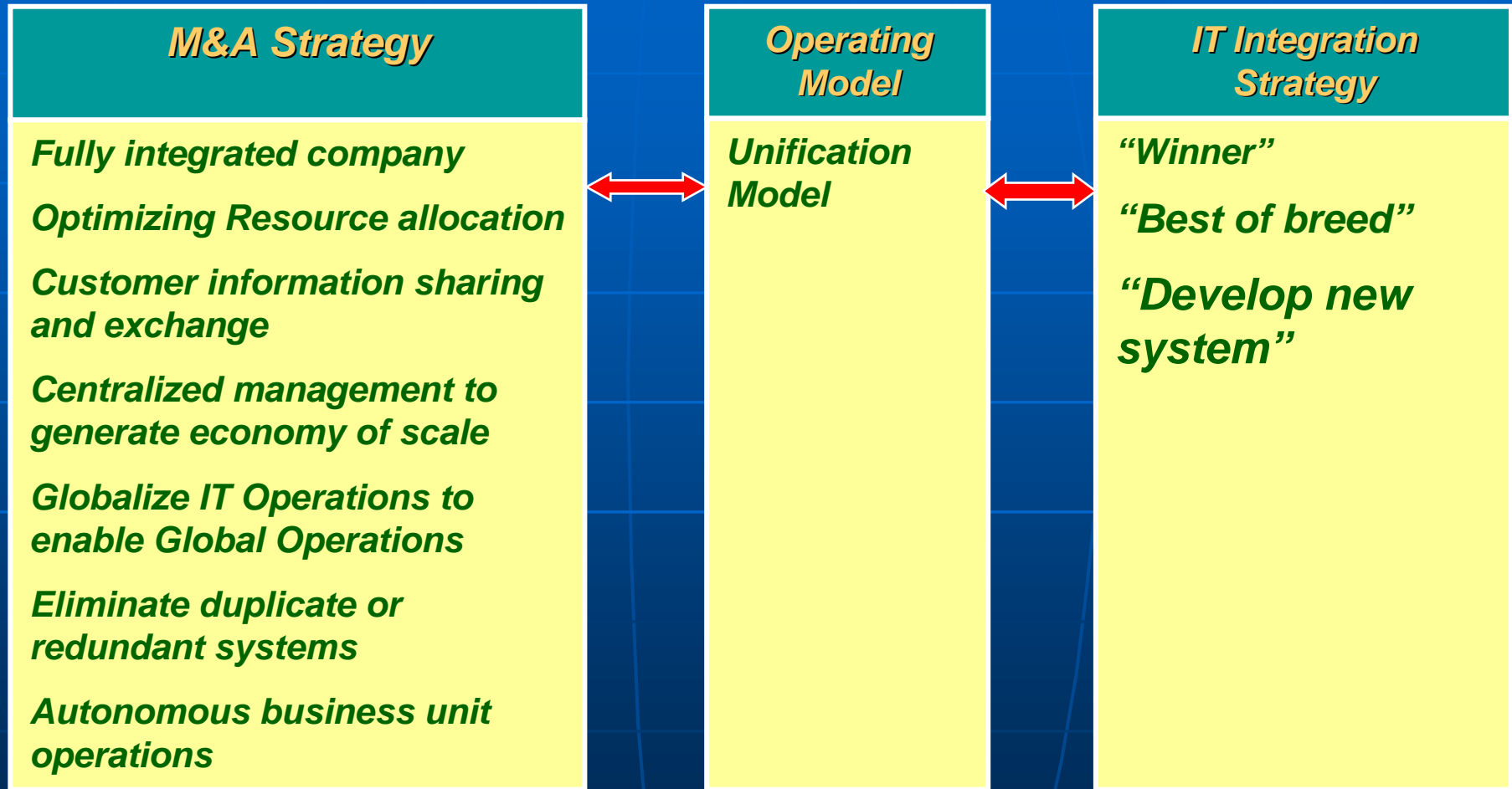
- Obtain and maintain top management support.
- Establish communication networks.
- Maintain capable staffing, both by developing internal personnel and by using external consultants.
- IT integration management must be authoritative, courageous and focused.
- Expedite integration while ensure stability.
- Constantly update integration plans responding to the changing processes as integration is dynamic, evolutionary and never static.
- Training should be an important part of the integration planning.

Case Study: SSF - Background

**SSF was a joint venture between two world major CE manufacturers.
It had once become a major global player in the TV business,
marketing in North America, Asia, and Europe**

Disclaimer: The Case Study part has been modified by removing confidential information per SSF Company's Confidential Policy. SSF is not the real name of the company in this case study.

Case Study: SSF – Aligned IT Integration Strategy



Case Study: SSF – IS Assessment

- IT governance
- Application architecture
- Technology architecture
- IT related cost

Case Study: SSF – Post-merger Integration Planning

Short Term

IT Governance

Semi-centralized

Enterprise Architecture

Standardized

Shared

Application Portfolio

Reduce

Migrate

IT Infrastructure

Utility view

Long Term

IT Governance

Centralized

Enterprise Architecture

Redesign

“optimized core” or business

Modularity

Application Portfolio

Lean

Global Single Instance SAP

IT Infrastructure

Dependent Even Enable View

Conclusion

- Don't underestimate and get IT involved earlier.
- Outsource Complex IT integration.
- IT integration strategy \leftarrow M&A strategy + IS assessment.
- IT governance, enterprise architecture, application architecture, IT infrastructure.
- Plan and Execute Carefully.
- Post-implementation evaluation.

Q & A