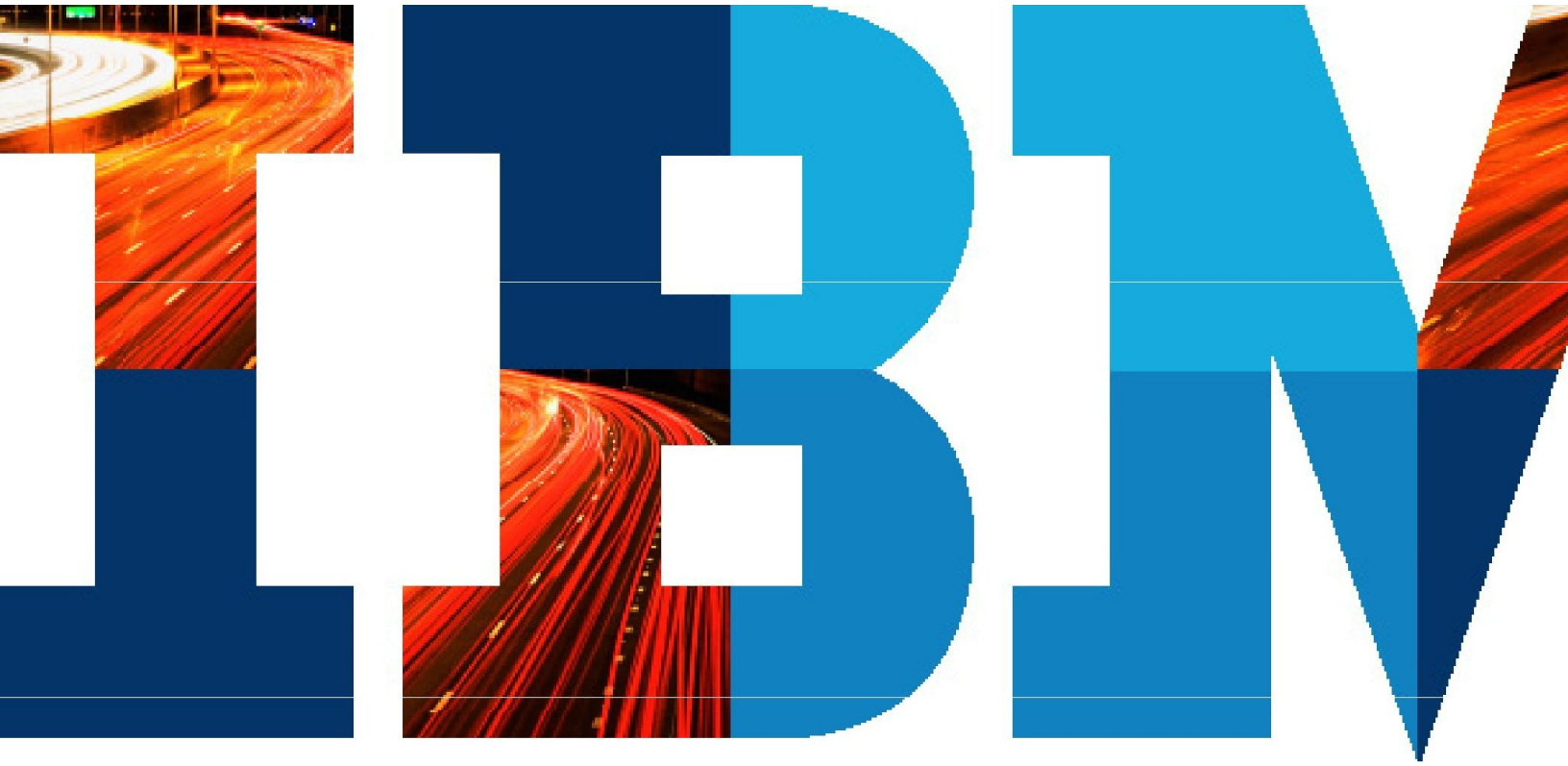
IBM Global Business Services
White Paper

Maximizing M&A Results Through Automation



M&A is art. Art cannot be automated. Yet, world class acquirers post vastly improved results via M&A automation. How can this be? The reason is that the process of evaluating, closing and integrating acquisition targets includes many laborious activities that benefit from technology. This should come as no surprise. Other processes such as Sales Force Automation (SFA) had a similar experience.

About fifteen years ago, a new term, SFA, began to be whispered throughout companies of all sizes. SFA was touted to be the technology solution to an age-old dilemma – how to effectively manage and improve the process of selling, from lead tracking and pipeline monitoring, to contact management and order processing. Sales executives were at first skeptical that technol-ogy could help improve their results. Selling is, after all, more art than science.

However, companies quickly began to embrace SFA as real improvements in the sales process were observed. SFA focused on automating the non value-add work for the sales teams, such as reporting and administration. It allowed them to move out of an operational role and back into selling. From this, sales teams saw increased productivity and companies saw positive results to their bottom line.

Now, another group within the enterprise is looking to automa-tion to improve results: the teams involved in M&A.

The M&A Automation Opportunity

Acquisitions are not new. Changes in the M&A environment, however, are creating new challenges. Companies are facing stricter governance and compliance requirements, and investors who expect transparency. These changes lead to increased information demands from management, directors, auditors, and regulators.

Automating the M&A process will:

- ***Minimize delays in deal progress:*** the complexity of deals and the large number of players involved leads to delays. Automation helps to minimize them.
- ***Identify and resolve critical issues:*** critical issues are dropped when participants have no easy way to track them. When left unresolved, such issues can cost millions of dollars.Automation ensures that open issues are properly tracked and resolved.
- ***Reduce the distraction to team members:*** with limited visibility into the actions that lead to true value from the deal, team members waste time on lower priorities. They struggle to identify the actions necessary for successful deal completion. Automation lets team members focus on a deal's value drivers.

These opportunities for improvement represent a significant dollar amount, adding up to several percentage points of the total value of the transaction. To realize this untapped opportunity for improved success, leading acquirers are automating their M&A process.

Lessons from World Class Acquirers

These true world class acquirers manage M&A as a business process like all others within the organization. For these companies, M&A is a systematic process that is tightly managed and measured through-out the enterprise, not a one-time event to be survived.

Companies that "have a structured process for the entire M&A lifecycle… increased their likelihood of M&A success by a stagger-ing 83%." This structured process includes a focus on synergy identification and tracking, as well as capturing lessons learned.

World class acquirers invest in technology to manage and auto-mate M&A activities. They follow a well-defined process that adapts to the specifics of each new deal. They have learned to automate the non value-add areas of M&A, such as reporting and administration. Instead, they focus their effort on the value points of the deal.

With technology guiding their M&A teams, these companies are recognized as capable acquirers and are rewarded by the stock market. They see greater shareholder returns than their peers.

Automating the M&A process with technology accelerates deal cycles, ensures that issues are closed, and focuses participants on the value of the deal.

Accelerating Deal Cycles

Delays occur in every deal. Participants may be slow to respond and decisions may take time to finalize. Teams lose time as they try to coordinate merger activities. A structured approach to M&A facilitates communication and decision-making. This leads to speedier closure and achievement of deal objectives. With technol-ogy, world class acquirers achieve their synergy goals sooner. This increases shareholder value.

The recent experience of a major manufacturer shows the potential for improvement. Prior to using automation, the company struggled with elongated deal cycles. The duration of small deals, from the start of the assessment to the end of the integration phase, averaged over nine months. Coordination between deal participants was not tightly orchestrated. Using technology to coordinate its M&A activities, the manufacturer was able to decrease the deal cycle time to an average of 90 days.

Now, deal participants across the global organization can collabo-rate faster; a common online resource for M&A bridges the time

and distance gap for the virtual teams. For example, team meetings are now 50% shorter, since participants have the key issues and actions readily available for discussion. The end result is decreased cycle time, with the manufacturer recogniz-ing the synergies of each deal sooner.

Figure 1: With M&A Automation, synergy achievement speeds up, equaling higher returns In this example, one month's acceleration realizes $13 million in additional value. Two month's acceleration realizes $26 million.

The positive impact on the bottom line from achieving synergies sooner is impressive. Take the example of a deal where the company forecasts NPV of $250 million in expected synergies within 3 years. With automation, the company will accelerate this synergy achievement. Just one month's accelera-tion will realize $13 million in additional value. Two months' acceleration will realize $26 million additional value.

Ensuring Issues are Closed

An automated M&A process helps participants to prioritize open issues by giving them better visibility into these issues. With cross-functional visibility, team members can quickly identify the issues they need to address. Deal participants improve the hand-off of issues and actions from team to team, so that critical items are resolved before they impact the deal.

Take the example of a company with two separate teams, one for diligence and one for integration. Now, when the due diligence team discovers a lease contract with a 15-day cancellation notification upon close, this issue is tracked across functions. The integration team is notified of the short cancellation window and promptly notifies the Facilities manager to give notice one day after close. Without an automated process, the integration team might miss this key issue and take action late, causing the company unneeded expense.

"Improving the acquisition integration process may be one of the most urgent and compelling challenges facing business today"
–Harvard Business Review

Issues left unresolved are costly. They may range from supplier contracts not being canceled to disrupted manufacturing processes. Based on extensive interactions with M&A customers, an estimated average cost of each unresolved issue is around $100,000. With automation, companies can catch, track and better manage critical issues. With as few as a handful of critical issues identified and closed via an automated process, a company can realize thousands of dollars in additional deal value.

Focusing Participants on Value

M&A automation lets participants concentrate on the activities most important to the success of the deal. Team leads can delegate tasks to others more effectively. This increases their company's capacity to process multiple deals in parallel. Assigned activities can be linked to the deal's value drivers. This helps to focus the deal team on the most critical tasks and to minimize the distraction to the core business.

By distributing deal activity with clear guidelines to other partici-pants, team leads become more productive themselves. Before automation, a status report might take five to six hours for the deal lead to assemble because the information is not in one place. With automation, the information can be gathered in moments.

The improvement in productivity is significant. A leading supplier of semiconductor logic devices undertook four times the deal volume with half of the resources by utilizing technol-ogy to automate M&A. Where before they struggled to priori-tize deal activities, team members and executives now focus on the crucial issues of each deal. Everyone involved, whether deal veterans or new team members is more productive and focused.

A major transaction processing services firm saw tremendous results by automating M&A. In the past, the company deployed large teams, across country borders, to an acquisition target's location. As many as 50 people traveled to conduct due diligence. This was a huge distraction to the core business. Now that the company uses technology to support the diligence team, travel has been minimized. All 50 people now submit their information needs into the system while a smaller number of team members collect the necessary document and data for them on site.

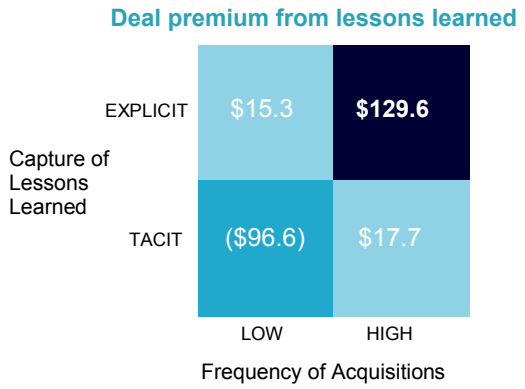


Figure 2: Acquirers realize higher deal value by reusing lessons learned. This premium is on average $129.6 million for frequent acquirers (source: Corporate Strategy Board).

The ability to learn from each deal and reuse key lessons in future deals is also valuable. It lets companies build expertise over time. By capturing this deal data, companies increase the predictability of the deal process. Frequent acquirers realize an average of $129.6 million in value when they explicitly capture the lessons learned from acquisitions; even infrequent acquirers realize $15.3 million in value from capturing learnings from their acquisition experience (Figure 2)[3]

Best Practices in M&A Automation

World class acquirers use technology to accelerate their deal cycles, ensure critical issues are closed, and focus participants on the true value of the deal. However, they do not simply cobble together pieces of existing technology to support the automation of M&A activities.

This would only add to the administrative burden of the stretched deal team. They recognize that the complexity of M&A requires a purpose-built system that covers all phases of the process, from due diligence, to integration and post-deal reporting. They implement a solution that is quick to deploy across the company, adaptable to their process, and highly secure.

An end-to-end automated system employs best practice M&A principles. These best practices include:

- Deal activities prioritized based on value drivers
- Cross-functional visibility and tracking of issues
- Coordinated hand-offs between deal teams
- Capture and reuse of lessons from prior deals
- Real-time status measurement and accountability
- Rigorous information security discipline

Technology that is designed specifically for the intricacies of deal management incorporates these best practices. It is technology such as IBM's M&A Accelerator application that helps companies improve their M&A success by giving them a consistent, repeatable framework to follow throughout the deal and across multiple deals.

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For more information

For more information on M&A Automation and/or IBM's M&A Accelerator solution please contact:

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