



MUST READ: It's CIOs who have to make M&A work

A NEW BOOK PROVIDES GOOD ADVICE FOR CIOs FACED WITH POST-MERGER IT INTEGRATION HEADACHES

Ask CIOs from large quoted companies to name the biggest problems in their in-trays and it's likely that the difficulties of integrating IT post-acquisition or merger will appear before you get too far down the list.

M&A has been an ever-present feature of the corporate landscape for the past decade. All the signs are that it will be just as important in the future. But while the glory goes to the chief execs who pull off merger coups, the task of making much of it work afterwards is down to the CIOs.

Some CEOs are into serial M&A so that it's not surprising that the IT infrastructure ends up looking like a corporate patchwork quilt. The task of picking the patches apart and stitching them back together in a more coherent pattern falls to the CIO.

Some post-M&A IT integration has been highly successful – for example Royal Bank of Scotland and NatWest, which was based largely on RBS's systems which worked off a lower cost model. The final switch-over, mostly done over a long weekend, involved migrating 250 gigabytes of data and transferring 14m customer records and 33m direct debit records. The whole integration project took two and a half years – six months less than originally planned – and included 9,200 planning milestones. According to one source, it reduced annual spending on IT by £350m.

Others have been less successful. Interpublic Group, a global marketing services provider, embarked on an aggressive buy-and-build strategy in 2000. It bought more than 400 companies around the world but took the decision to allow each to run with its existing IT rather than develop an integrated global approach. As a result, the company experienced difficulty consolidating financial results and meeting its obligations under

Reducing the M&A Risks

The Role of IT in Mergers and Acquisitions

Frank Vielba and Carol Vielba



US GAAP. This failure contributed to \$588m losses in 2004 and \$139m in 2005.

With the wave of M&A seemingly stronger than ever, *Reducing the M&A Risks* is a welcome addition to the literature. Particularly so as this is one of the few – if not only – management books about IT written specifically from the CIO's perspective. Frank Vielba, one of the co-authors, has been researching and consulting on the topic for years and the book is rich in his personal experience.

Vielba argues there are three key ways to reduce IT risk in an M&A. "The first is that the better informed the M&A team is about IT

issues, and the better informed the CIO is about the business case and the target company, the better the decisions that will be taken about the deal and its implementation," he writes.

"The second point is that the CIO should already have a well-defined IT strategy in place covering systems, infrastructure, processes and people that is aligned to the business strategy."

Vielba's third point is that the CIO and his or her senior team need to possess or have access to a range of skills including experience of working in an M&A environment, in order to handle the overall integration project effectively. "Many of the risks involved in an M&A transaction attach to the management of the integration project itself. M&A IT projects are unconventional and demand very high levels of analysis, resource planning and implementation in the context of significant organisational change."

* *Reducing the M&A Risks: the Role of IT in Mergers and Acquisitions* by Frank Vielba and Carol Vielba (Palgrave Macmillan).