M&A driven IT transformation
Empirical findings from a series of expert interviews in the German banking industry

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- Research areas in Enterprise Architecture Management & social software (e.g. EAM Pattern Catalog, Enterprise 2.0 Survey, etc.)

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Motivation [1]

- Appearance of mergers and acquisitions (M&A) remains remarkably high.
- Enterprises attempt to
  - realize increased market power through **external growth**,  
  - **reduce costs** through economies of scale, and  
  - conquer **new markets** through economies of scope

Source: Capital 02/11
Motivation [2]

Importance of information technology (IT) has significantly grown in past decades even for traditional enterprises like the banking sector.

If IT is an integral part of the business model, it has to be considered during all integration activities.

In the event of a merger, IT is also affected by consolidation activities mostly to bring down costs.

Appearance of mergers and acquisitions (M&A) remains remarkably high.

Literature regarding IT transformation in the context of M&A is sparse.
Research focus

- Which “white spots” found in the practical field of M&A driven IT transformation deserve further consideration by researchers?

- Are there distinct best-practices, thus reoccurring methods and models applied by the IT practitioners during the M&A process in particular the PMI phase?

- Do practical findings match with current literature centering around IT in the context of M&A?
Context and scope of the study

Merger Planning | Transaction | Post Merger Integration

Strategy
Financial
Legal
Products
Organization
Processes
Information Technology
Communication
Grounded theory as research approach

Systematically collect and evaluate data to discover, elaborate, and confirm phenomena

1. Literature study and interview preparing
   - 170 sources (conference papers, technical reports, textbooks, whitepapers, and consultants' material)
   - Mindmap & Conversation guideline

2. Theoretical sampling and interviewing
   - Bank IT Organization
     - F1, F3, F6
     - P1, P3, P4
     - P7, P9, P5
   - External Consultants
     - F5, P6, P8
   - Six face-to-face and nine phone interviews

3. Evaluation and publication compilation
   - Paraphrasing / transcription
   - Comparison with literature
   - Documentation

Additional publications available on our project website:
http://www.matthes.in.tum.de/wikis/sebis/mergers-and-acquisitions
Merger working environment

**Characteristics of a Merger Project**

- Complex business transformation projects
- Multi-disciplinary stakeholders
- Performed under strong external influences from law and regulations
- Project setup: scope, time, costs

**Key Success Factors**

- Availability of a clear business vision (commitment, explicitly described)
- Stringent approach with clear decisions, defined roles and rules for collaboration
- Strong stakeholder management and communications
Role of IT during a Merger

- Backbone of daily business operations
- Basis for target architecture design (e.g. business processes)
- Subject for integration and rationalization
Organizational setting

Target IT organization
- Early and clear communication of organizational changes is a key success factor for IT transformations
- Demonstration of future tasks and professional perspectives helps to reduce personal resistance and friction among IT employees
- External recruiters give the newly formed company a hard time

IT integration team
- Outsourcing and off-shoring are not regarded as helpful to cope with the enormous integration workload
- Internal staff originating from the merging companies is supported by consultants who also bring in their experience from past IT transformations
Application consolidation and data migration

Application consolidation

- Absorption of one application landscape through a second one is preferred to best-of-breed, green-field, and co-existence approach
- Functional adjustments were always implemented to the absorbing landscape
- Regarding the migration process, big bang strategies dominate, even if diluted in the course of the integration work

Data migration

- Data migration from abandoned to target applications represents one of the main work blocks
- Performed mostly on weekends in a big bang style, concrete methods exist in order to speed up the migration process and to reduce risk
Testing and workarounds

Testing

- Carrying out test runs of recent migrated applications and data are crucial for an overall IT transformation success
- Much effort is spent on preparing and conducting appropriate test scenarios

Workarounds

- Makeshifts & auxiliary solutions belong are part of IT transformations
- Temporary workarounds are deliberately implemented mostly for time reasons, risk mitigation, and early business functionality support
Knowledge repository

- Due to the high operational workload only in individual cases a sustainable knowledge repository is implemented and fostered

Merger Readiness

- If an enterprise's corporate strategy includes an-organic growth, a comprehensive M&A capability can be a competitive advantage
- A comprehensive M&A capability includes: experience, skills & knowledge, processes, resources and tools, culture
Empirical findings from our work on M&A driven IT transformation ...

- are based on 15 semi-structured interviews with IT experts from the German banking industry

- attempt to shed light on a variety of aspects enterprises are confronted with when transforming IT in M&A situations

- provide researchers a qualitative foundation they may draw on when building further theories
Future research directions

- Validate on a **broader empirical basis** helping to identify reoccurring problems and solutions
- Extend to **merger planning and transaction phase**
- Factor in **business perspective**
- Differentiate between **merger forms**, banking types, and annual IT spending
- Analyze and compare **other industries**
- Select and deepen one discussed interview **topic** to unfold new insights
Thank you for your attention!

Any Questions?

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Further information
http://wwwmatthes.in.tum.de/wikis/sebis/mergers-and-acquisitions