

# TOP TEN INFORMATION TECHNOLOGY MISTAKES TO AVOID DURING THE M&A PROCESS

Covering the Top 10 IT Related Mistakes That  
Happen During the M&A Process

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Mergers & Acquisitions IT Strategy

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Gold Cloud Productivity  
Gold Enterprise Mobility Management  
Gold Small and Midmarket Cloud Solutions  
Silver Cloud Platform

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## MERGERS & ACQUISITIONS BRING ON NEW CHALLENGES FOR IT DEPARTMENTS

Information Technology is critical to the success of integrating a new acquisition. When clients are actively acquiring multiple firms, integration challenges can expand exponentially. Simply put, a single error in strategy or tactics can be reproduced for multiple integrations and cause numerous hours of extra time, money, and aggravation. If a private equity is involved, then there becomes an inherent need for speed. This rapid pace can make simple mistakes very costly.

This guide was created to share Interlink Cloud Advisors' experience in helping hundreds of firms implement successful IT integrations for newly acquired entities.

The following ten IT related mistakes are most likely to happen during the M&A process. By avoiding these mistakes and replacing them with best-practice solutions, you'll be in a better position to successfully guide your organization through a merger or acquisition.

# 1

## INTERRUPTING CASH FLOW OF THE ACQUISITION



Preserving the cash flow of the acquired organization is the number one priority for any private equity backed, or business funded merger and acquisition. Interrupted cash flow can bring the entire acquisition strategy and process into question. In some cases, interrupted cash flows cause entire M&A deals to collapse.

Acquiring firms need to recognize the need for new IT investments, balanced by the need to limit disruptions to business process and employees. IT must enable high revenue growth, not impede it. We often see one of two scenarios.

### SCENARIO 1:

The acquiring entity leaves everything in place, and the acquired team doesn't receive the value of the knowledge or expertise of the new larger entity.

### SCENARIO 2:

Corporate rips and replaces almost everything from the acquired entity. This scenario is a faster way to a standard environment, which is easier to support than scenario one. However, we have found that this approach can confuse users and reduce their productivity. For example, eliminating that old Access database sitting on the receptionist machine would be welcoming; yet, we find in many cases it's this small database that has all the pricing data for the company on it.

## HOW INTERLINK SUPPORTS THE PRESERVATION AND GROWTH OF CASH FLOW

Interlink first takes a hybrid approach, which produces a high return on investment. We start with the systems that can yield the most return for the entity when replaced. These are frequently the collaboration systems and Enterprise Resource Planning Systems (ERP) in the organization. We have found Microsoft's Office 365 collaboration platform to be an easy, quick win for clients because it allows them to:

- Keep interfaces like Outlook, standard for the end users, reducing impact and frustration
- Use collaboration tools across the organization to build and support better business processes
- Federate into the larger entity, and start core items like calendar and a global address, from day one
- Take advantage of unlimited scalability
- Integrate with their existing Active Directory infrastructure
- Use single sign-on and identity management capabilities that give users access to applications like ERP Systems, HR, Expense Management tools, etc. with a single set of credentials

Next, we review and assess your other business assets, so we aren't turning off or breaking critical tools within your organization.

# 2

## NON-IT PERSONNEL LEADING IT STRATEGY



Acquisitions come in all shapes and sizes. For smaller entities, they frequently do not employ a full-time IT staff. They typically operate with an outside consulting firm and someone internally who serves as the point of contact. These internal experts are frequently an essential part of the product or service delivery team. In most cases, they have experience and technical understanding of their own systems, but now are being asked to help integrate these systems into a new larger entity that they don't have the background or skill in this area.

This typical IT scenario can lead to missed opportunities and poorly executed strategies in the face of new business challenges.

Plus, the business also suffers. Instead of an expensive engineer working on the critical engineering project, they may be assigned to work on more commodity-type IT work or PC troubleshooting.



## INTERLINK SUPPORTS IT AT ITS MOST CRUCIAL TIME

Interlink supports your M&A process by providing experts who are top of their class. By working in our area of focus, the experienced Interlink M&A team can provide useful advice during your transition. Our service desk offerings remove the need for users to support each other and offers a means to solve their problems quickly. Your internal experts can then focus on driving your own business initiatives.

# 3

## NOT DEFINING STANDARDS



Without clear standards for IT purchases and procurement, the acquired entity may spend money on unneeded equipment and licenses that may not be compatible with the enterprise's needs or future IT initiatives. The failure to standardize a process usually stems from the lack of understanding of the current and future needs of the new larger entity. Taking the time to define standards early is critical to creating long-term success. It also helps smaller entities avoid purchasing consumer rated gear, which won't be compatible with larger enterprise requirements.

Purchasing and procurement documentation should include:

- The hardware needed for specific technologies that will be utilized
- Clear differences between consumer grade equipment and commercial equipment
- Why security and analytics matters
- Baseline future IT projections
- How to avoid redundancy in software, licenses, and configured deployments

Without any guidance, an acquired entity may continue to make purchases that focus primarily on cost, rather than the overall functionality of the organization. This includes items for things like centralized management, which may be valued by the new organization.

## STANDARDIZING THE IT PROCESS WITH INTERLINK

By understanding your company's cash flow constraints, Interlink can help define the new standards while balancing the current technical requirements and your future IT goals and initiatives.

We can also setup a collaborative communication and data sharing environment to facilitate the standardization process. Through cloud-based communication, you can share governance, procurement, and strategic documentation.

# 4

## NOT PERFORMING VENDOR CONSOLIDATION

Vendor consolidation is possible after standardization is defined. Through vendor consolidation, you can take advantage of cost-saving volume license pricing and negotiation. Vendor consolidation also offers considerable time savings, as future purchasing becomes a more streamlined process.

### Benefits of Vendor Consolidation



## CONSOLIDATING VENDORS AND DEFINING STANDARDS

Interlink provides strategic guidance on standardizing, consolidating, and leveraging your licensed technology to scale. We will work with your principal stakeholders in developing a customized suite of standards that propels your IT operations towards reduced costs, decreased time, and streamlined operational efficiency.

The savings found in vendor consolidation can frequently pay for the entire standard building engagement in less than a year.

For one client, Interlink helped reduce laptop purchases to three options. One for the general user, one for engineers, and one for extremely mobile team members. By negotiating with the vendor across these three options, the company cut their acquisition costs by over 20 percent per laptop.

# 5

## ASSUMING LICENSING ASSETS WILL TRANSFER

In many cases, technology licenses will not transfer over to a newly formed business. However, the acquiring entity may inadvertently include these licenses when valuating the organization. Microsoft, the largest provider of licensed software, doesn't always provide clear license transfer conditions. Therefore, organizations need to do their due diligence in the acquisition process to determine the real value of the IT assets that they are purchasing.



## HOW TO MAINTAIN THE VALUE OF SOFTWARE DURING LICENSING CHALLENGES

Interlink will evaluate which software licenses can transfer to the acquiring entity and which ones cannot. We'll work with you to understand your needs and goals and advise you on the most cost-effective ways to purchase and license software. Plus, we always keep licensing scenarios in mind when we help architect client solutions. One example is Microsoft Hybrid Use Benefit for Azure, which allows Microsoft customers with certain restrictions reuse their existing Windows Server Licensing on Azure. This scenario alone can result in a savings of over 40 percent.

# 6

## NOT FACTORING IT UPGRADES INTO ACQUISITION COSTS



Technology is frequently not viewed as a prioritized, revenue-sustaining business unit. Smaller acquisitions are not likely to have modern, competitive technology in place. It's even possible, that once the entity began contemplating being acquired, they stopped investing in IT upgrades altogether. Acquirers need to understand the technology in place at the time of purchase, the requirements for the combined business, and what level of effort and cost it will take to get IT to meet your standards and goals. Taking the time during the acquisition process for an assessment may provide for more negotiating power during the due diligence period. Plus, it will reduce rework and cost surprises in the future.

## ACQUISITIONLINK ASSESSMENT METHODOLOGY

Our assessment methodology is the best in the business. We'll help you figure out how difficult integrating your new acquisition will be. We can help you determine if the company you are acquiring is cloud ready or what it would take to get them there. Interlink assists your organization in evaluating the true cost of upgrading IT assets while defining the cost and time savings you'll realize once migrated to the cloud.

### THE SIX STEP ACQUISITIONLINK PROCESS

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During the M&A process, a major goal is to build a standard operations methodology for the business that allows you to collaborate quicker and more effectively at a minimal cost. By knowing what IT licensing exists and what you can move to the cloud, you can start building a cost-effective system.

Interlink's AcquisitionLink Assessment evaluates your acquired entity's IT environment and assesses which assets can and should be migrated to the cloud through subscription licensing.



# 7

## LACK OF INITIAL DUE DILIGENCE

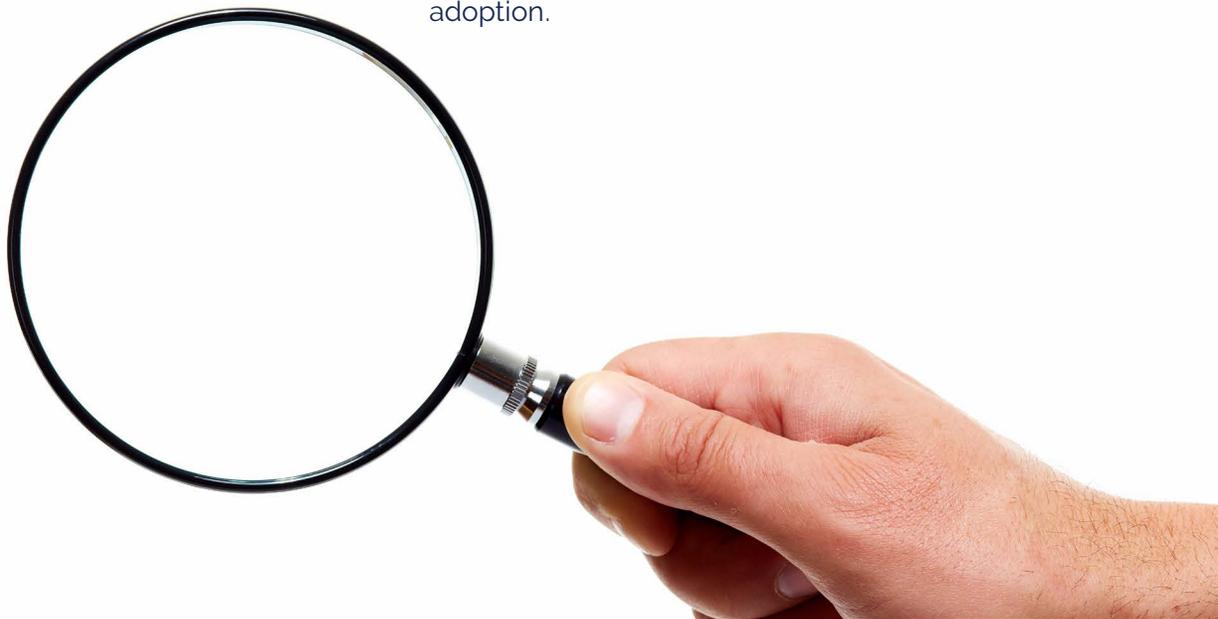


If you don't perform adequate IT related due diligence, you risk overlooking significant cost and operational considerations.

For example, telecommunications contracts are often overlooked and can be a major cost during the M&A process. Contracts typically run three years or more, limiting flexibility.

Also, IT security operations and procedures may not be up to date. Even worse, systems could be infected, compromising IP and other critical data.

Finally, without proper due diligence, you may later realize that the entity you acquired did not have any plans in place to address issues like scalability, response to security threats, upgrades, analytics, and end-user adoption.



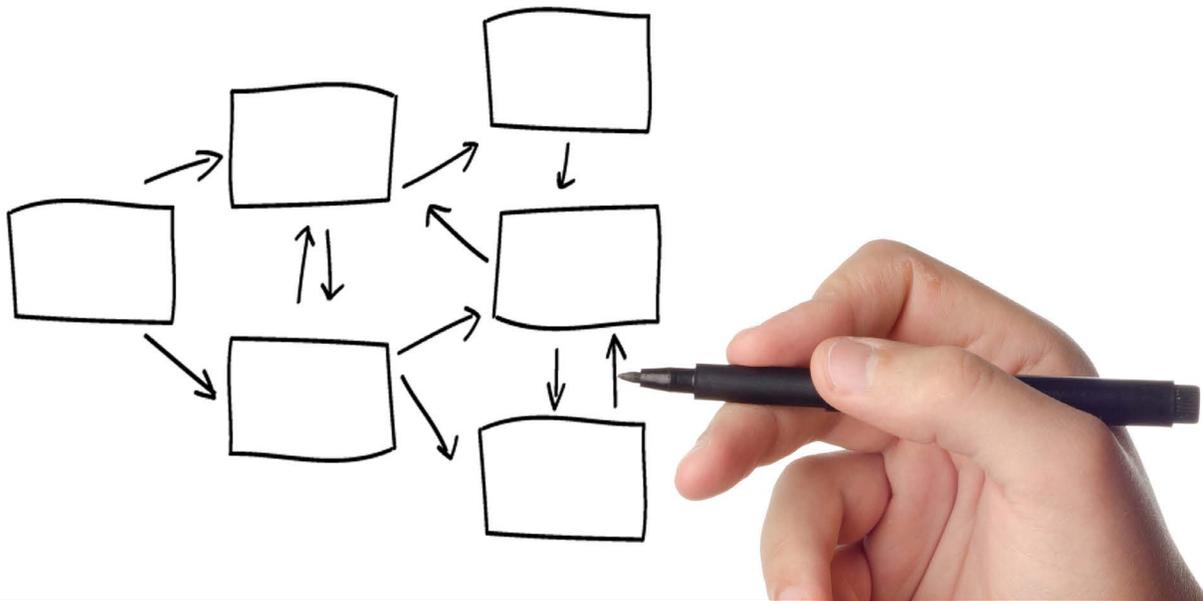
## SECURING IT OPERATIONS WITH AN INTERLINK CLOUD SOLUTION

Interlink supports your due diligence efforts by highlighting the internal and external costs, threats, and business challenges IT face now and in the future. Once identified, we develop and implement a plan that leverages your IT department as a serious business asset.

# 8

## NOT AUTOMATING PROCESSES

Modern IT deployments can automate many business processes. However, the M&A process moves so fast that evaluation teams may overlook, or not understand, automation capabilities. Whether its onboarding new employees or improving end user workflow, missing the value of automation through IT delays the realized value added by the acquisition.



## BUSINESS PROCESS AUTOMATION WITH INTERLINK

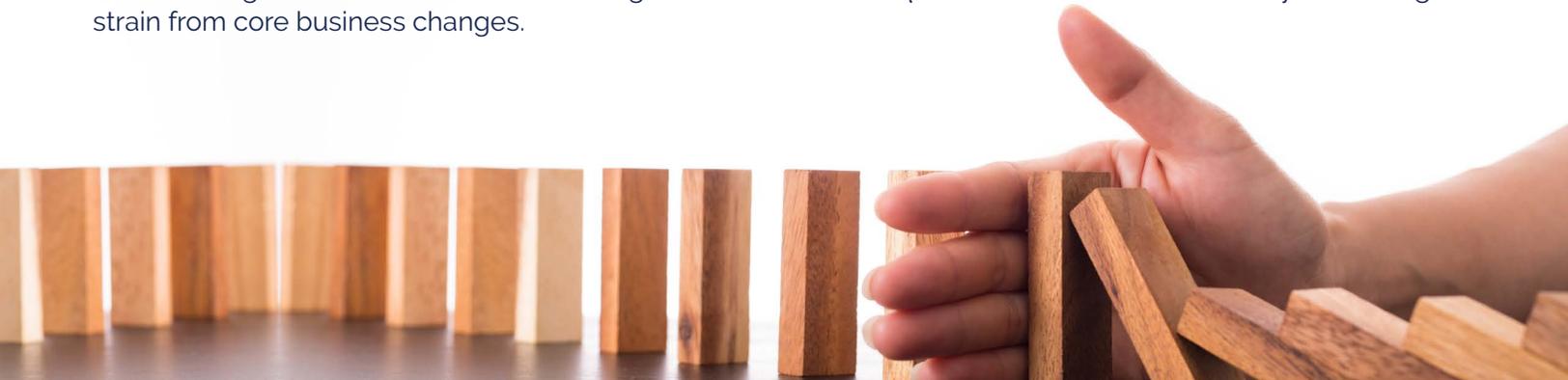
IT automation supports standardization, consolidation, and the reduction of process errors. Automation can also make employees feel like they are part of the organization, quicker than if the onboarding process was done manually. As a part of Interlink's M&A strategic guidance, we help you identify what processes can be automated while adding measurable value to your business goals. Through automation, our Onboarding Express tools take the pain and delay out of the user creation. By using these tools, the provisioning of user accounts and appropriate licensing can be triggered when the HR department adds a new user, thus bypassing the delay of IT involvement or the errors introduced by having another human touch the information.

# 9

## UNDERESTIMATING USER CHANGE MANAGEMENT NEEDS



**M**&A teams can easily underestimate how end user change impacts the efficiency of business processes. Employees of all levels dislike change, especially when they aren't sure how or when that change will be occurring. Sudden changes in technology and technology-related processes can leave end users feeling frustrated and lost. In the larger scenario of an acquisition, the users can already be feeling a strain from core business changes.



## DEFINING A CHANGE MANAGEMENT GAME PLAN

The cornerstone of change management is communication, collaboration, and facilitation between IT, stakeholders and employees. Migration to the cloud brings the benefit of shareable change management content. Different levels of end users can receive updates real time about changes, the right points of contact, and how to progress along in their training. IT departments can also easily communicate and share information with stakeholders, making for greater value-add opportunities, as well as fixing problems as fast as possible.

New tools in the cloud can help evolve the traditional email exchange into actual dialogue. Chat tools, like Skype for Business, allow end users to see when their colleagues are available across the globe. They can escalate a conversation from chat to a screen share into a meeting – all from the same tool.

Training is also a critical place where Interlink can assist. We have helped hundreds of clients develop training goals and processes. In addition to training your trainer, we can provide on-demand video training for every end user through licensed tools for less than \$2 per user per month. These tools enable users to take the training either via webinar or real time from their desktop.

# 10

## ONLY DOING PARTIAL INTEGRATION AND EXECUTION



**M**&A moves at a fast pace; as soon as one process is ready to be integrated, another process or business unit needs “immediate” attention. Unfortunately, many systems and operations end up only partially integrated and give end users partial functionality, which only offers partial value. For example, many organizations will deploy an email or file sharing system but never get to the next steps.

Partial integration and execution disrupt communication too. Shared systems provide the foundation for collaboration between stakeholders during the M&A process. If missing specific functionality, these shared systems cause delays in information sharing. In some cases, whole systems or platforms may be unusable, leading to drops in end-user productivity.

## FULL INTEGRATION AND FULL EXECUTION IN THE CLOUD

Interlink has chosen to focus on Office 365 cloud collaboration tools because they have a full suite of tools that can easily be used together and new functionality can be easily integrated. Before Office 365, if clients wanted a data loss prevention solution, they would need to go through a vendor selection process to ensure compatibility, install the product, integrate the product into their email system, and test. With Office 365, the solution just needs to be licensed and turned on. Testing is still recommended, but all the integration work is gone.

In addition to the Office 365 platform extensions offered by Microsoft, there are thousands of third party vendors who are writing or have written software that integrates with Office 365. From DocuSign for digital signatures to K2 for advanced workflow in SharePoint — the possibilities are endless.



# ABOUT INTERLINK CLOUD ADVISORS

Interlink is one of the top partners for deployment of Office 365 users within the Central Region of the United States. Our experience with thousands of migrations gives us the expertise to guide your decision making toward success.

Using Microsoft cloud-based technologies, Interlink has combined the infrastructures of hundreds of firms, post-merger. We can walk you through your integration scenarios and discuss the pros and cons of each of the following major options:

- Leave the two companies' infrastructures independent and build connectivity between them
- Migrate both firms to Microsoft cloud
- Migrate one firm to the Microsoft cloud and then integrate the service into the other company's on-premise infrastructure

We know that our M&A clients have special needs and require unique advice to cope with the challenges of melding multiple firms together. **Interlink is here to help.**



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 Gold Enterprise Mobility Management  
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