

Upcoming  
Events

**MBBI Illinois Event  
Summer Rooftop Networking**  
August 8, 2017 | 4:30 to 7:00 PM  
185 N. Franklin St. Fifth Floor  
Chicago, IL 60606

**IBBA MBBI Event  
Pricing and Recasting  
Educational Summit**  
August 28-30, 2017  
1515 E. Woodfield Road  
Schaumburg, IL 60173

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MBBI Newsletter August 2017  
The Importance of Fully Assessing  
IT Risk and Opportunities in the Acquisition Process

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Glen Hampton

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M&A activity is poised to continue high deal volume in 2017. Within this surge of activity, business leaders and private equity firms are leveraging experienced M&A IT consultants to understand risks and highlight opportunities for synergy.

The major IT risks are typically a few layers below where business leaders have visibility.

Understanding the risks and opportunities regarding the back-office systems (ERP, CRM, BI, supply chain systems) and other general infrastructure (cyber security, datacenter, storage, networking, cloud) is critical to maximizing the synergy and value of M&A deals. There are critical and significant risks in the due diligence and assessment phases of mid-market M&A deals in Chicagoland and across the US, resulting in positive operational improvements by following this approach.

Successful M&A deals rely heavily on an integrated approach. This allows for prompt and accurate information gathering in the due diligence and planning phases which leads to effective execution during the integration/separation phases.

#### M&A Deal Approach

We have found it best to approach an M&A deal opportunity in 3 phases:

**Phase 1 - Due Diligence:** Between the LOI (Letter of Intent) being signed and before Day 0 (deal signed)

**Phase 2 - Integration/Separation Planning:** Between Day 0 and Day 1

**Phase 3 - Integration/Separation Execution:** After Day 1 (deal closed)

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LOI SIGNED	DEAL SIGNED DAY 0	DEAL CLOSED DAY 1
<b>DUE DILIGENCE</b>	<b>INTEGRATION / SEPARATION PLANNING</b>	<b>INTEGRATION / SEPARATION EXECUTION</b>
<ul style="list-style-type: none"> <li>Strategy, Process &amp; Controls</li> <li>Organization, Vendors &amp; Contracts</li> <li>Budgeting &amp; Projects</li> <li>Applications</li> <li>Infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>IT Integration / Separation Planning &amp; Governance</li> <li>IT Day 1 and Future-State Blue Printing</li> <li>IT Synergy Analysis Planning</li> <li>IT TSA Strategy &amp; Planning</li> </ul>	<ul style="list-style-type: none"> <li>IT Integration / Separation Program Management</li> <li>IT Blueprint Design Execution</li> <li>IT Synergy Capture Tracking &amp; Management</li> <li>IT TSA Execution &amp; Exit Management</li> </ul>

The skill set and experience required to complete Phases 1 and 2, differs slightly for that of Phase 3. The execution phases of an M&A deal require a mature Project Management Office (PMO) to ensure that scope of the fast-paced and often complex integration and improvement projects are closed on-time, on-budget and with high quality (see Project Management Triangle at right). This ensures that synergies are rapidly captured, redundancies are removed, costly mistakes are avoided and Transition Service Agreement (TSA) costs are minimized.

There is sure to be much more M&A deal success in 2017 as business leaders continue to leverage IT leaders and CIOs in the due diligence, planning, and execution phases. Cyber Security today, more than ever, plays an Important role in Merger & Acquisition. When a company goes through a merger or acquisition, employers and employees spend their time trying to figure out the new regime. During the transition, there are a few aspects that tend to fall by the wayside. One of them being the security of the company. Why is security important during a merger? The new organizational change makes the company a target for cyber criminals who capitalize on the security vulnerabilities that can arise during systems implementations and lack of governance. Securing your M&A and integrating two companies is not a project that can be done in a day, especially for companies with regulatory compliance requirements like ISO 2700x, NIST, HIPAA, HITECH, PCI DS, etc. While the IT integration aspect should not be the factor that holds up your merger, it is one that needs to be carefully thought out. It is time to determine what gaps exist and make plans for addressing them. The technical security aspect of any modern company is one of the factors that keep the business running on a day to day basis. Each company has their own internal infrastructure, that was built for their specific needs. When you merge two companies together, each will have their own internal IT security measures. Once a merger happens, an entirely new company has been created. The main areas of concern from a cyber security viewpoint include physical security, technical security, disaster recovery, policy, and awareness.

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