

The Merger and Acquisition Quandary

3 Stages to Ensure M&A Success



Table of Contents

- Stage 1: Alignment 3
 - 1. Recognizing Obstacles 3
 - Perspective 4
 - Cadence 4
 - Staff Stability 4
 - 2. Operational Integrity and Business Continuity 4
- Stage 2: Audit and Assessment 4
 - 3. Due Diligence 4
 - 4. Tech, Skills, and Process 5
 - The Expansion of Technology 6
 - The Requisite Skill Sets 7
 - Continuous Process Improvement 7
- Stage 3: Integration 8
 - 5. Planning and Design 8
 - 6. Execution 8
- M&A Closeout 9

If a merger or acquisition is critical to your business strategy, it will require the people, processes, and tools to ensure optimal technical and business execution.

This, in turn, demands visibility into the utilization and performance of end users, network, and business critical applications. Furthermore, your organization will require the personnel with the requisite skill sets to enable predictable and successful technical and business outcomes.

This whitepaper provides an approach based on 3 key stages which will help define and deliver M&A success. These will help your organization address the technical challenges that may present themselves and achieve the desired business outcomes.

Stage 1: Alignment

The reason for an M&A can vary from market growth and industry convergence, to technology, product, talent, or resource acquisition. No matter the reasons, each require seamless integration of business processes and personnel, driven by key performance metrics.

The Deloitte M&A Trends for 2018 report¹, identifies several positive trends which indicate an expected increase in the number and size of M&A deals. The report also identifies several key findings providing insights into the strategic and tactical aspect of M&A:

- A significant Increase in the use of tools and technology to help reduce cost, time, and confusion
- Increase in the percentage of companies that are meeting their business value or ROI targets
- A considerable rise in the number of corporations and private equity firms that plan to divest business units or assets
- Industry convergence continues to be a key objective for several verticals, including health care, tech, and financial services

These trend and favorable market conditions indicate that M&A activity will continue to be robust for the near future. As outlined in the chart from the Institute for Mergers, Acquisitions, and Alliances (IMMA) the positive trends for total number of transactions and the value has steadily risen for the past several years.

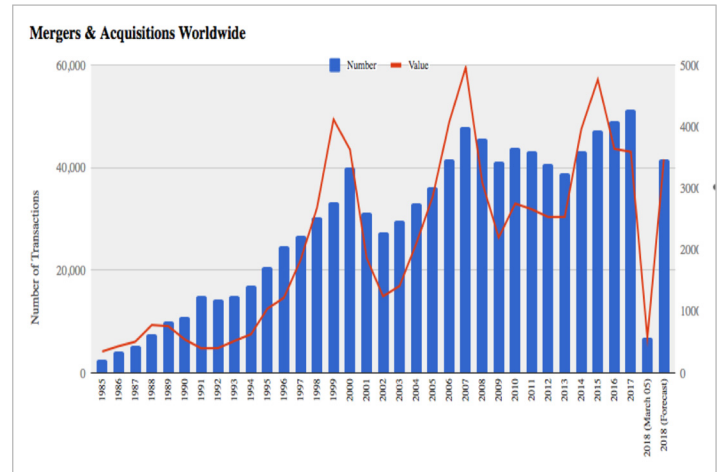


Figure1 IMAA M&A Trends and Value

Regardless of the motivations, embarking on an M&A journey can present challenges for both the buyer and seller. This can often lessen the expected financial and business benefits, negatively impact business performance during the M&A integration phase, and even more importantly diminish market brand and reputation.

Although business opportunities from M&A can be significant, they are not without risk. Your keys to the successful start of the M&A journey are risk identification and mitigation and the development of an optimal M&A cadence. By taking these measures, you will ensure the alignment of resources, processes, and objectives.

1. Recognizing Obstacles

The first step is identifying the challenges and obstacles of the M&A before you encounter them. Knowing what issues could arise will help your organization prepare to address them prior to the planning, design, and execution phases. This, in turn, will mitigate any impact to technical and business outcomes.

¹ Deloitte M&A Trends 2018

Minor and major technical challenges typically arise during an M&A, so having a comprehensive process to address them will ensure technical and business alignment. Here are some of the obstacles which can derail the success of an M&A initiative.

Perspective

The business alignment for both the buyer and seller of any merger or acquisition is the most critical factor to defining success. Any assurances provided to their leadership, partners, and customers need to be clearly identified and prioritized for effective alignment of technical resources and skillsets driven by key metrics to the stated business objectives.

Cadence

The speed of executing M&A integration phases can be the difference between success and failure. Several factors can come into play if the M&A cadence is not executed as effectively and efficiently as possible:

- The rapid rate of technology change can result in a meaningful shift in business application performance and utilization. This then will affect the operational baseline, which can impact the Planning and Design phases
- Shifts in Global and Capital Markets can adversely affect the business terms, financial resources, or the confidence in your ability to complete the transaction
- M&A integration delays or stoppages can significantly impact M&A momentum by causing the loss or reassignment of resources, funding, or network change freezes

Staff Stability

Maintaining corporate culture is often identified as a critical factor for staff stability. Social media plays a central role in how an organization are viewed both internally by employees and externally by customers. Any disruption and dissatisfaction may result in negative comments and posts, potentially affecting customer, partner, or financial markets' perception. The maintenance of a consistent and stable work environment, as well as application performance, is important to mitigating employee and customer concerns or dissatisfaction. This will contribute to a smooth and productive transition.

2. Operational Integrity and Business Continuity

Often, M&A initiatives creates an all-hands-on-deck exercise, resulting in high performing personnel being assigned to the initiative. This shift leaves a significant technical gap for the maintenance and operational integrity of the existing network and business infrastructure. If not accounted for, this can result in a breakdown of daily business and operational tasks, which will affect the end-user and customer experience.

In order to simultaneously maintain the current operational business processes, the M&A strategy should include a comprehensive Business Continuity plan. This would be focused around the assignment of the appropriate personnel with the required skill sets, technology, and processes to ensure operational integrity.

Stage 2: Audit and Assessment

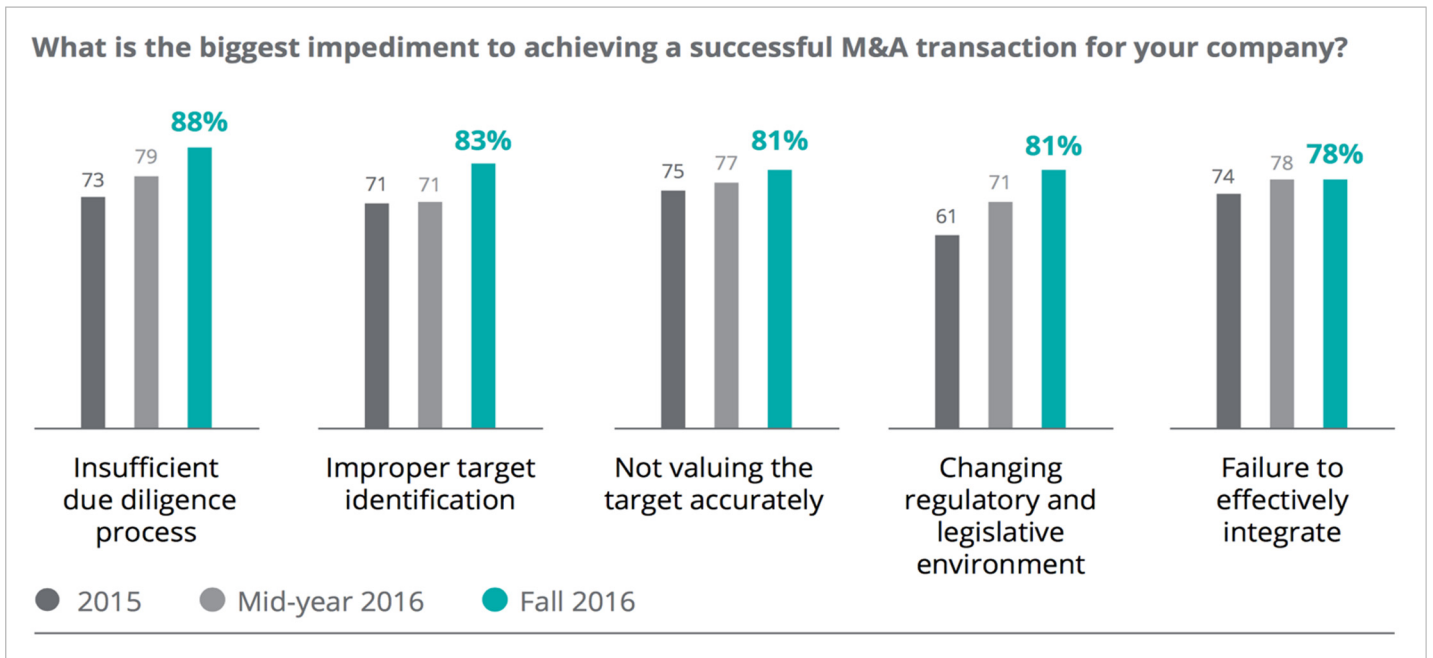
The start of the M&A process should be based on a comprehensive audit and analysis of assets, business critical application utilization and performance, and end user experience and adoption aligned to business units, departments, and locations. The audit and assessment stage produces key metrics and insights to enable the development of your current operational baseline and expected operational objectives.

It is critical that this stage in the M&A process is properly executed. The knowledge it can provide lends your organization the flexibility to segment and prioritize the M&A integration cadence based on technical or business requirements.

3. Due Diligence

The overall success of an M&A depends on the execution of a comprehensive due diligence of both the buyer and seller's assets, technical performance, business processes, and personnel skill sets. This establishes the technical baseline of the current state of both companies' technical and business assets and performance to assist with the planning and design phases of the M&A integration plan.

A Deloitte M&A Trends report² for year-end 2016 identified insufficient due diligence as their biggest impediment to achieving M&A success. In today's shifting technical and business landscape, it plays an even more significant role.



In addition, there are several other factors that will need to be accounted for during the Due Diligence process. Two important ones to keep in mind include:

- The rapid rate of change within enterprises across all major industries—most often driven by users, customers, and business need for increased agility
- Cloud adoption to address the IT organizations' need for cost optimization and operational efficiency, which frequently feels like trying to hit a moving target

Adopting an agile approach enables teams to work with the most current data, which aids in the decision-making process to modify plans and designs accordingly.

4. Tech, Skills, and Process

Most early-stage companies, as well as many traditional enterprise companies, have implemented technology innovation, driven by cloud, software-defined everything, and agile development models. It is imperative that an M&A strategy perform a comprehensive assessment for determining personnel skill set proficiency with the technology and processes required to support the combined operational infrastructure. Gaps in any of these critical areas can result in integration and adoption issues, thus jeopardizing the technical or business value of the M&A.

As outlined in the Deloitte Insights, Tech Trends 2018³ chart below, the rate of technology change has placed increased pressure on technical and business leadership to adapt, adopt, and operationalize at an accelerated rate. This is critical in the M&A process as the buyer or seller can introduce technology, analytics, and processes that may be outside the scope of the organization's skill sets or processes to seamlessly integrate. These changes clearly indicate the increased demand for data driven communication, which today drives the M&A integration and must carry over into post-M&A technical and business operational execution. An organization's ability to align these tech, skills, and processes will be directly reflected in the success or failure in reaching the stated objectives.

² Deloitte M&A Trends 2016

³ Deloitte Insights Tech Trends 2018

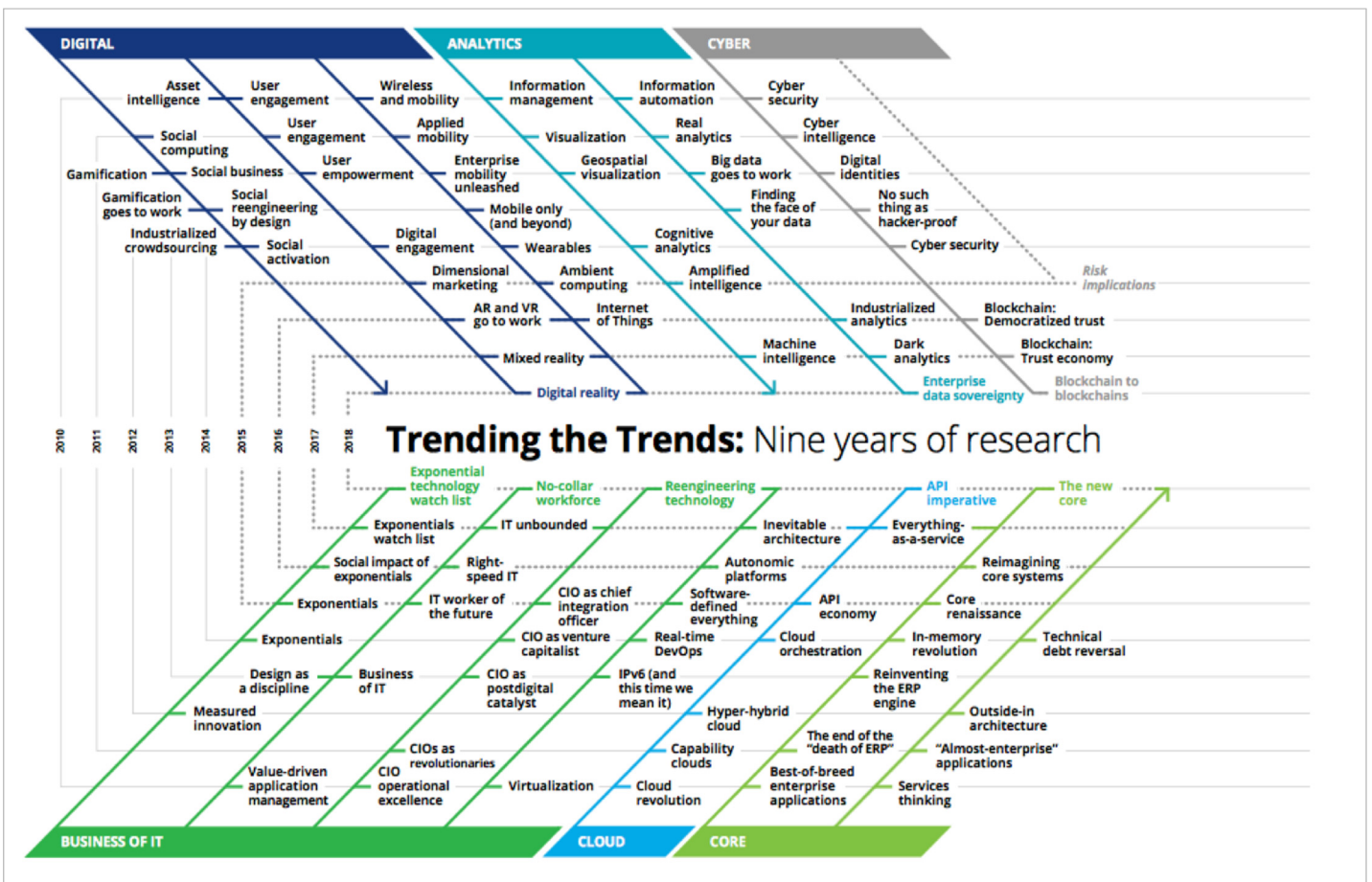


Figure 3 Deloitte Insights, Tech Trends 2018

The Expansion of Technology

To succeed with your M&A initiative, your organization must effectively assimilate key technologies to enhance your visibility and control of business critical assets, applications, and users. This will increase the business value and ROI and can potentially accelerate the M&A integration schedule; consequently, this shortened timeline can improve financial returns and the confidence of both customers and investors. Therefore, certain technologies can meet and even exceed executive business and technical leadership when combined with skillsets and processes. Among these crucial technologies are:

- Network Infrastructure Management
- Network Performance Management
- Application Performance Optimization
- Application Performance Management
- User Experience Management
- Software Defined Networking (SDN)

These components can empower technical and business leadership teams to improve the M&A planning, design, and execution processes by providing:

- Data driven insights, trends, and recommendations to improve perspective and mitigate risk
- A baseline of network, application, and end user utilization and performance which improves business perspective and staff stability validation
- Integration pre and post utilization and performance validation to mitigate risks and enables schedule acceleration
- Increased business agility and productivity to enable M&A schedule acceleration and innovation adoption

The Requisite Skill Sets

Organizations need to have specific competencies and expertise to provide insights and guidance during all stages of the M&A process. Knowledge in the following areas are instrumental to the successful planning, design, integration, and closeout of an M&A:

- **Complex analytics—all M&A phases**
 - Network Infrastructure Audit
 - Application Dependency Mapping
 - Network Performance Baseline
 - Application Performance Baseline
 - End User Experience Baseline
 - Operational KPI Validation
- **Troubleshooting and diagnostics—planning and Integration phases**
 - Network Performance Diagnostics
 - Application Performance Diagnostics
 - End User Performance Diagnostics
- **Performance acceleration, optimization, network agility—planning/design/integration phases**
 - Application Performance Optimization
 - Software-Defined Network (SDN)
 - DevOps
 - Application Redesign/Refactoring for Cloud migration
- **Consolidation, integration, and implementation—design and integration phases**
 - Network Infrastructure Update/Reconfiguration
 - Network WAN Consolidation/Upgrade
 - Application Consolidation/Upgrade
 - Cloud/SaaS Application Design/Implementation
 - Application/Data Center Migration
 - End User Rehome/Migration

Each M&A phase should define Key Performance Indicators (KPIs) to assure that business and M&A integration scheduled objectives are being met.

Continuous Process Improvement

The minimum objective of an M&A is to complete the required phases in the prescribed timeframe, while also achieving the identified technical and business objectives. Often, this results in redundant systems, resources, and misaligned operational and business processes that complicate post M&A operational performance and business initiatives.

To maximize the technical and business benefits of an M&A, high performing, fully aligned teams possess the skill sets to identify areas to optimize cost, performance, and process through the adoption of Continuous Service Improvement approach. This can provide an optimal post M&A operational and business environment through the removal, reconfiguration, or optimization of under-utilized assets, ITSM processes, and adoption of DevOps and SDN to enable technical and business agility.

Stage 3: Integration

Once due diligence has been successfully completed and the M&A transaction has been closed, the integration of assets, workforce, and technical and business processes can now commence. This will help accomplish the business value and outcomes initially communicated to the market and investors.

5. Planning and Design

The effective execution of the Planning and Design phases are based on the following three principles:

- Recognizing obstacles
- Operational integrity and business continuity
- Tech, skills, and process

These phases require an iterative method, based on a continuous feedback loop to make decisions given current and accurate data and insights. The aim is to minimize integration schedule delays, optimize network and operational efficiency, and minimize service outages and business impact. The key inputs, outputs and insights for the Planning and Design phases are:

- Network and application performance and utilization to determine impact of integration and cost optimization
- End user performance and utilization to establish usage patterns, business process workflow, and Shadow IT use
- Current performance issues which need to be resolved prior to the execution phase
- Current performance and utilization baseline established, define post integration desired baseline if required
- Asset inventory and utilization to determine compliance issues and consolidation
- Use of Software Defined Network solution to enable business agility and simplify end user integration
- WAN performance and utilization to identify application optimization opportunities to improve end user experience

6. Execution

The final phase of the M&A process is critical to the future of the combined companies and requires an optimal integration cadence to mitigate business-impacting issues when customer and investor attention will be focused on the execution.

The success of you Execution phase should be based on the following principles:

- Operational integrity and business continuity
- Tech, Skills, and Process
- Planning and Design

The priorities for this phase of integration to ensure success are:

- Minimize service outages which can impact end users and business impact
- Optimal cadence execution which should address both the speed and scale of integration phases
- Optimization of network infrastructure, performance, and operational processes to reduce cost, complexity, and increase operational efficiency, business agility, and end user and customer satisfaction

During this phase all performance and utilization validation will be based upon current baseline to determine if it is tracking towards desired baseline defined in the planning and design phases. Any identified issues from planning and design needs to have been resolved before the integration phase begins. At minimum a comprehensive internal communications plan should be developed to provide updates of M&A progress and issues which could impact their performance. The key metrics and insights for the Execution phase are:

- End user experience performance
- Network performance and utilization
- Application performance and utilization
- # of Integration related trouble tickets and user and business impact if data is available

M&A Closeout

Quite often, organizations undergo major transformation initiatives with little to no communication between customers, end-users, partners, and investors. This white paper illustrates how bringing together all parties through transparent and strategic planning will contribute to a successful M&A execution. Furthermore, the visibility and data this process requires are immensely valuable even once the M&A has been completed.

They can provide critical business insights into operational execution, innovation, and cost controls, which consequently will strengthen your enterprise in the long term as well. Additionally, communicating key execution and operational metric and insights will attract high quality personnel, partners, and investments to drive revenue and development.

In sum, your M&A initiative does not end once you finish the final stage. It is an ongoing process to improve your business through constant changes and growth, in order to achieve and retain your competitive edge in today's marketplace.

About Riverbed

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The logo for Riverbed, featuring the word "riverbed" in a lowercase, orange, sans-serif font.