A Forrester Consulting
Thought Leadership Paper
Commissioned By LeanIX

July 2021

Successful M&A Is Data Driven

IT Provides Insights That Enable M&A Decisions



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IT's involvement in M&A is often overlooked despite the critical insights it provides.



86% of enterprise architecture tool users found EA tools effective in supporting M&A work.

Executive Summary

As companies embark on a merger, acquisition, or divesture, they need to deliver synergies and translate these changes into shareholder value. Last year, capability growth, regulation, and localization of supply chains were major drivers, leading to an increased need for insights that an enterprise architect (EA) can provide to guide a new operating model.[1]

LeanIX commissioned Forrester Consulting to evaluate the role of IT and enterprise architecture leaders in mergers, acquisitions, and carve-outs; the challenges they face; and the technologies that could help them overcome those challenges and ensure they create business value after mergers and acquisitions (M&A) and divestment activities. Forrester conducted an online survey with 217 M&A decision-makers from financial services, pharmaceutical, and technology companies that were undertaking or had undertaken a merger, acquisition, and/or divestment in the last 12 months.

From this group of companies that were highly active in the M&A space, we found that IT involvement in M&As is high, but often overlooked. Despite this, IT — and EAs in particular — can deliver critical insights across all stages of M&A, ensuring alignment across the business with the right tools and that the transformation does not disrupt day-to-day operations.

KEY FINDINGS

- **Effective M&As need IT involvement across all stages, but especially in planning.** Enterprise architecture leaders use relevant data to map out assets and risks, support integration with roadmaps that use the required skill sets, and ultimately build an adaptive IT organization ready to support the organization's mission in the future without disrupting the client experience. This makes IT key to the M&A process.
- **Striking the right balance between transformation and business continuity is critical.** The ability to maintain normal processes (37%) and grappling with divergent technology standards (35%) were the most challenging tasks during M&A. EAs are well positioned to provide support during the M&A process, but they must change the perception of enterprise architecture. Fifty-seven percent of respondents reported seeing EAs' primary purpose as shaping either business or technology projects, rather than being a strategic partner, which is at odds with strategic M&A activity.
- **Technology can bridge the gap between departments and ensure decisions are based on insights.** EAs deliver valuable insights during the complete M&A process, whether the firm uses an enterprise architecture tool or not. Eighty-six percent of the respondents that used an Enterprise Architecture Management Suite (EAMS) found it effective and reported their organizations realized a higher level of architectural benefit realization. The use of an EAMS tool was effective in the planning and execution phases of M&A, where the focus is on SWOT, sustainability, and capability assessments.

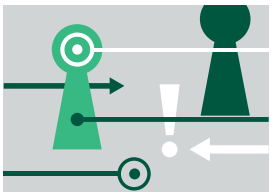
M&A Success Depends On Architectural Insights

In today's rapidly changing economy, M&As are a core strategic option for business decision-makers as they find ways to adapt to overall market volatility and uncertainty. Mergers, acquisitions, and divestures continue to be a consistent and growing trend.[2]

The survey respondents highlighted that the top-priority drivers of M&A are gaining direct access to customers (83%), increasing market presence (82%), and increasing customer market share (81%). To help create value from M&A, technology leaders and EAs must deliver on key technology and people synergies to maintain normal processes during the transition period, while also integrating IT landscapes. They must seamlessly integrate applications, infrastructure technology, and business processes to continue delivering customer value.

The IT department must undertake the necessary preparation to support the business once M&A planning starts. Without a well-thought-out and effectively managed plan, IT risks an incomplete integration, business frustration with its capability, loss of critical staff, higher costs, and an unnecessarily complex environment.[3] Respondents indicated that IT is involved at a high level across all stages of M&A and divestment activity, particularly at stages including the identification of M&A opportunities (77%), selection of target companies (59%), and postmerger integration (64%) (see Figure 1). IT plays a critical role in:

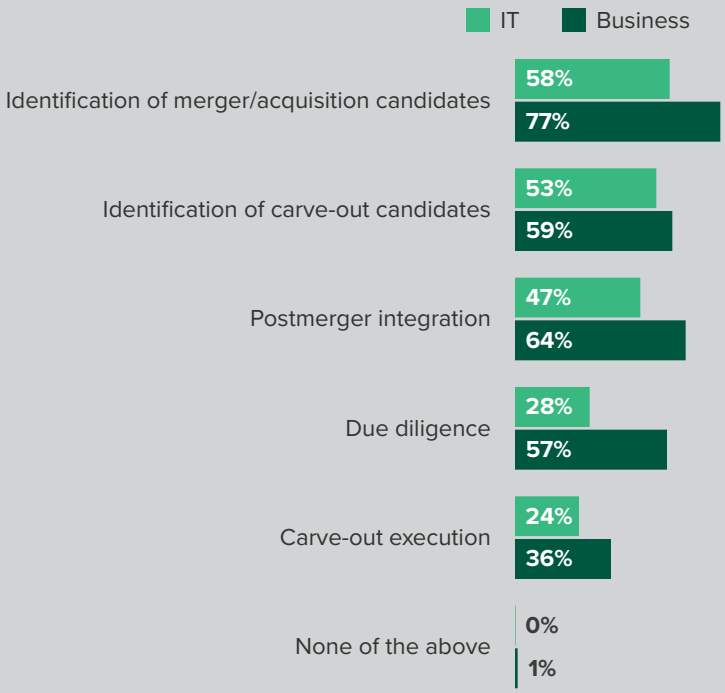
- **Premerger due diligence and planning.** Before an M&A takes place, IT plays a key role in evaluating the impact of the transition on the IT operating model, and assessing and improving readiness for the integration. A dated, unscalable, and inflexible IT landscape is a source of risk to M&A if the organization can't quickly make changes to support changed business models or a larger set of customers or product types. During the due diligence phase, IT plays a key role in validating the target's technology landscape, including their systems, data, staff, and processes (45%). IT also determines hard costs and savings (41%) and maps out a new operating model and technology strategy (40%) for the new organization for both current and upcoming years.
- **Assessing the impact on the business and operating model.** During the execution and post-execution phases, IT continues to keep a very close eye on the IT financials and processes, as well as demonstrate the value IT can provide to the new organization. Forty-eight percent of respondents said that IT is involved in assessing their and the target company's IT operating models, IT financial management, and IT processes (see Figure 2). Through all the stages of M&A activity, IT was very involved in reviewing the IT processes.



A dated, unscalable, and inflexible IT landscape is a source of risk to M&A.

Figure 1

"In what stages of your company's merger, acquisition, or divestment was your IT department involved?"

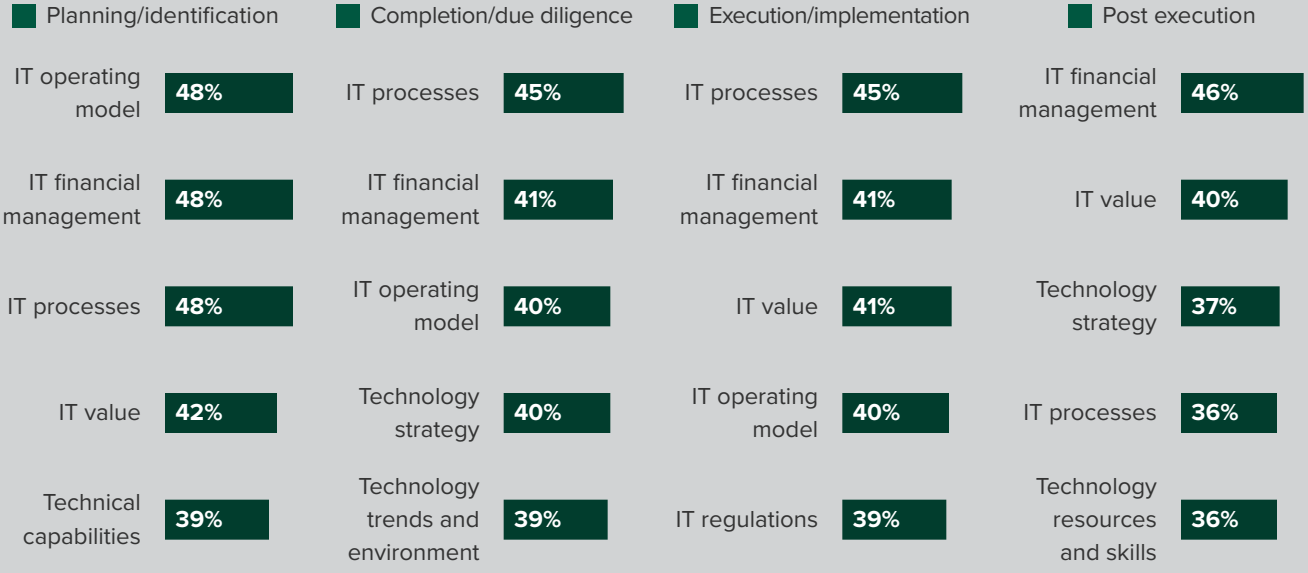


IT plays a key role in validating the target's technology landcape, operating model, and technology strategy.

Base: 217 business and technology decision-makers at enterprises in the financial services, pharmaceuticals, and technology industries
Source: A commissioned study conducted by Forrester Consulting on behalf of LeanIX, March 2021

Figure 2

"For each of the following stages of your M&A/divestment activities, please select which areas you were/are involved in."



Base: 132 technology decision-makers at enterprises in the financial services, pharmaceuticals, and technology industries
Note: Showing top 5
Source: A commissioned study conducted by Forrester Consulting on behalf of LeanIX, March 2021

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BUSINESS LACKS VISIBILITY INTO IT'S INVOLVEMENT

- Despite the critical role that IT and EAs play in supporting the business, their contribution is not always visible to business leadership. IT's involvement was perceived to be lower across all stages of the M&A activities, especially regarding the identification of merger/acquisition candidates and their role in due diligence and postmerger integrations:
- 77% of IT respondents indicated IT was involved in the identification/planning stage, but only 58% of the business respondents felt the same way.
- In the due diligence phase, the gap was even greater. Only 28% of business respondents noted IT's involvement versus 57% of the respondents on the IT side, who indicated they had been involved in this stage.

ENTERPRISE ARCHITECTURE PLAYS A CRITICAL ROLE

Enterprise architecture plays a key role within IT, specifically in regard to technology standards and policy development, roadmap creation, and technical/architecture debt reduction across most phases of M&A/divestment. EAs are critical for:

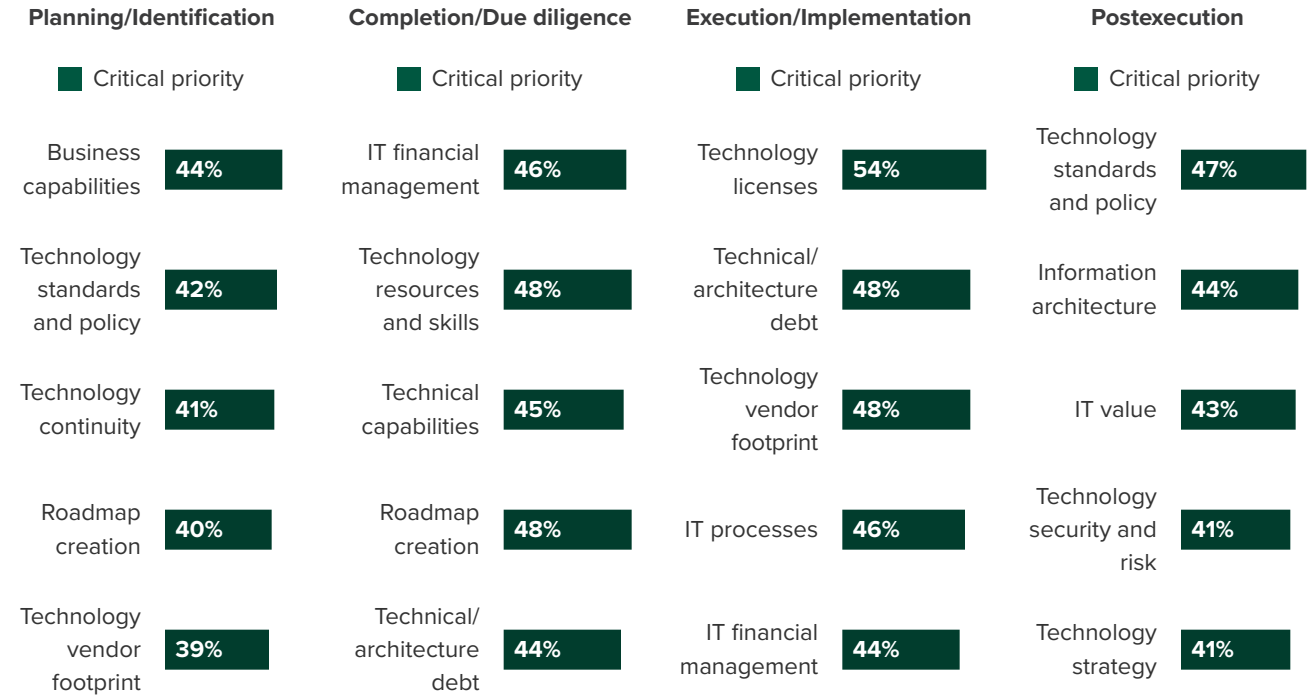
- **Mapping out assets and risks.** In the planning/identification stage, EAs focus on assessing the company's overall business capabilities (44%), determining how the target company would map against their technology standards and policies (42%), making plans for technology continuity (41%), and creating an initial roadmap for the future organization (40%) (see Figure 3).
- **Building the roadmap and the skill sets required to deliver smooth integration.** During the due diligence phase, EAs map out the technology resources and skills needed for integration work and the new organization (48%), refine the roadmap for the coming months/years (48%), map out the detailed costs for the integration (46%), and assess the technical capabilities (45%). At this time architects can start to make plans to reduce existing technical/architecture debt.
- **Ensuring quick wins from vendor consolidation without risking impact on customers.** As the organization moves into the execution phase, it works with vendors to consolidate license agreements (54%) and refine its vendor footprint (48%). Work on reducing technical debt comes more to the forefront (48%) as it develops more detailed integration plans taking into consideration the effects on customers and suppliers.
- **Looking into the future and building an adaptive "future fit" IT organization.** Once the execution work has been completed, EAs look at building a more adaptive organization that leverages more flexible governance through its new technology standards and policies (47%) without compromising their security (41%) and resiliency. Efforts to examine and solidify information architecture (44%) and look at the value the new IT organization can provide (43%) become more critical at this stage.

EAs can help make insights-based decisions that speed up the ROI of the M&A.

IT and EAs are well positioned to help the organization make insight-based decisions that will speed up the return of investment, but there are many challenges that need to be overcome to ensure success.

Figure 3

"How much of a priority was the involvement of enterprise architecture in the following activities?"



Base: 132 technology decision-makers at enterprises in the financial services, pharmaceuticals, and technology industries
Source: A commissioned study conducted by Forrester Consulting on behalf of LeanIX, March 2021

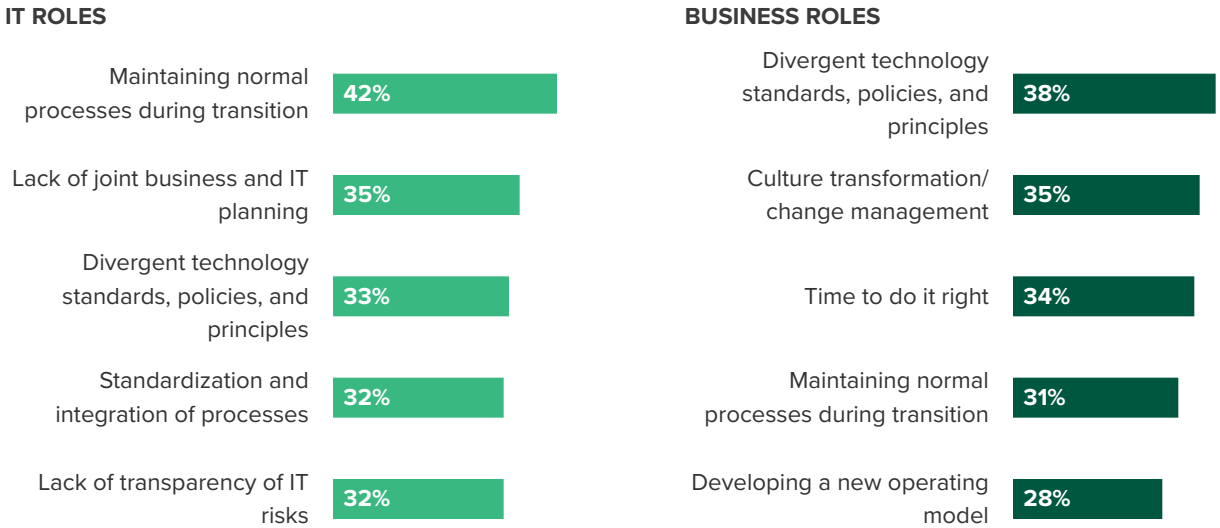
Effectively Balancing Transformation And Ongoing Operations Is A Challenge

In an M&A or divestment situation, business management typically looks for revenue and profitability synergies, while IT management focuses on achieving operational stability. This involves completing integration projects across processes, applications, policies, and practices. While maintaining normal processes and divergent technology environments were the shared top challenges across business and IT survey respondents, there were some contrasting views of the main challenges the business and technology management groups faced:

› **Divergent technology standards pose challenges to business roles and change management should not be overlooked.** Having to bring together varying technology environments (38%) and two differing cultures (35%) presents challenges that change management need to overcome (see Figure 4). With the pressure to achieve quick cost savings, business stakeholders didn't have the time to do the M&A work right (34%) while maintaining normal processes during the transformation (31%) and developing the new operating model (28%).

Figure 4

"What were your company's top challenges with regards to your recent M&A/divestment activity?"



Base: 217 business and technology decision-makers at enterprises in the financial services, pharmaceuticals, and technology industries
Note: Showing top 5
Source: A commissioned study conducted by Forrester Consulting on behalf of LeanIX, March 2021

› **IT has to grapple with keeping the lights on and minimizing disruption.** The biggest challenge for IT was maintaining normal processes during the transition to ensure operational stability (42%). IT felt that the lack of joint business and IT planning (35%) was particularly daunting, which indicates how important it is to have business and IT aligned in earlier stages of the M&A to ensure both parties understand the complexity of change, have a clear common vision of the combined company's target state, and posess a roadmap and timeline to get there. Core work around harmonizing divergent technology standards (33%), the standardization and integration of process (32%), and a lack of transparency of IT risks (32%) were other integration hurdles.

ENTERPRISE ARCHITECTS SHAPE PROJECTS RATHER THAN STRATEGIES

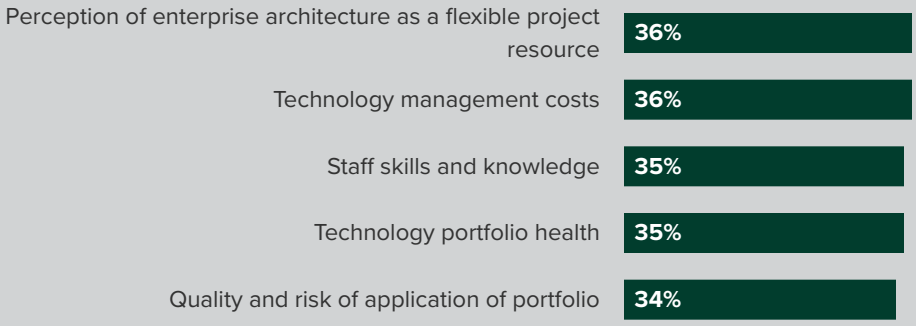
Forrester divided enterprise architecture archetypes into four classifications based on their focus and orientation: technology strategy, technology project, business strategy, and business project.[4] Twenty-nine percent of the architecture respondents fell into the technology project archetype where EAs assess technology capabilities and work on shaping the technology project portfolio. Another 28% said they are business project-focused EAs that assess business capabilities and collaborate with the project management office (PMO) to share the project portfolio. Technology strategy focused EAs were 23% of the respondents, while only 20% focused on business strategy and were invited to play a more active role in the M&A strategy from its onset.

Architecture respondents also felt that the perception of enterprise architecture as a flexible project resource (36%) impacted their ability to mature, move into the strategy realm, and more proactively influence the business strategy or translate it to define an IT strategy that enables the business.

In addition to being focused on project work, architects' focus on technology management costs (36%), technology portfolio health (35%), and a lack of staff skills and knowledge (35%) keep them from maturing their enterprise architecture practices — and moving from managing a portfolio of technology assets to business capabilities and, eventually, to architectural products (see Figure 5).[5]

Figure 5

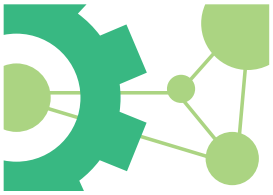
"What are your company's top challenges with maturing your enterprise architecture practice?"



Base: 132 business and technology decision-makers at enterprises in the financial services, pharmaceuticals, and technology industries
Note: Showing top 5
Source: A commissioned study conducted by Forrester Consulting on behalf of LeanIX, March 2021

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Shared Tools That Provide Relevant Insights Create A Strong Foundation



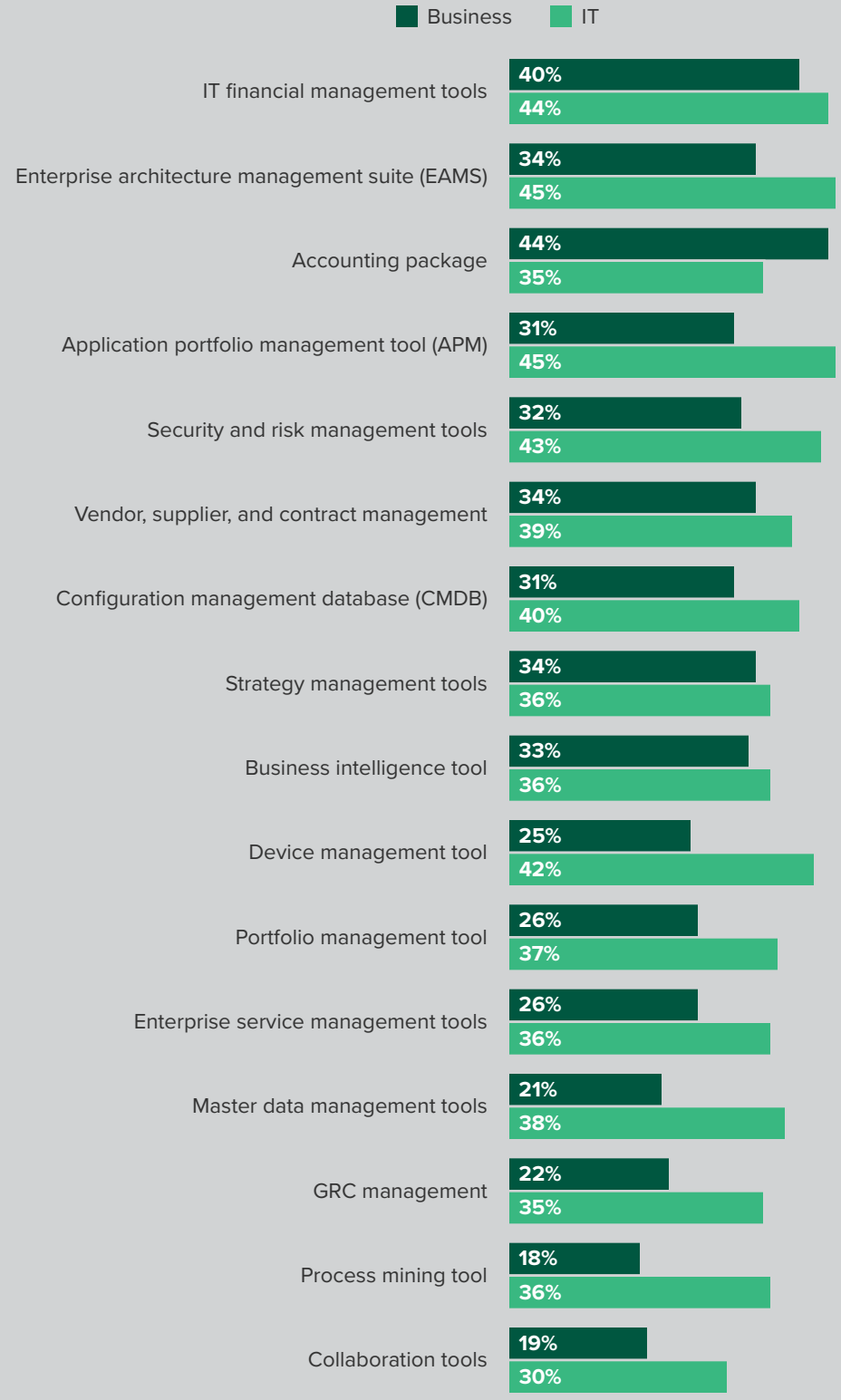
Various technologies can overcome the challenges of mapping your organization's IT and business assets during an M&A activity and, help develop a future strategy, and execute it. The survey results showed that respondents use a broad set of tools, with IT financial management (ITFM) tools being the most commonly used and EAMS a close second. IT and business users use different tool sets to support their M&A activities with some overlap:

- **Enterprise architecture and application performance management (APM) tools dominate for IT roles.** For technology leaders, enterprise architecture and APM tools were the most popular items in their tool kit. Fourty-five percent of respondents reported leveraging them for M&A work (see Figure 6). ITFM (44%), security and risk management tools (43%), and device management tools (42%) rounded out the top five.
- **Business users' tools focus on cost analysis.** Business survey respondents reported leveraging fewer tools with an accounting package being the most common (44%) followed by ITFM (40%). A substantial 34% of respondents also used EAMS, vendor, supplier, and contract management, as well as strategy management tools.

To succeed in M&A, the business, IT, and enterprise architecture teams need to understand the decisions they need to make, the data needed to inform those decisions, and which tools help analyze and interpret that data. This can only be done using a suite of tools, but decisions and data must drive tool selection, not vice versa.

Figure 6

"Which of the following tools did you use to assist you in your M&A/divestment activities?"



Base: 217 business and technology decision-makers at enterprises in the financial services, pharmaceuticals, and technology industries
Source: A commissioned study conducted by Forrester Consulting on behalf of LeanIX, March 2021

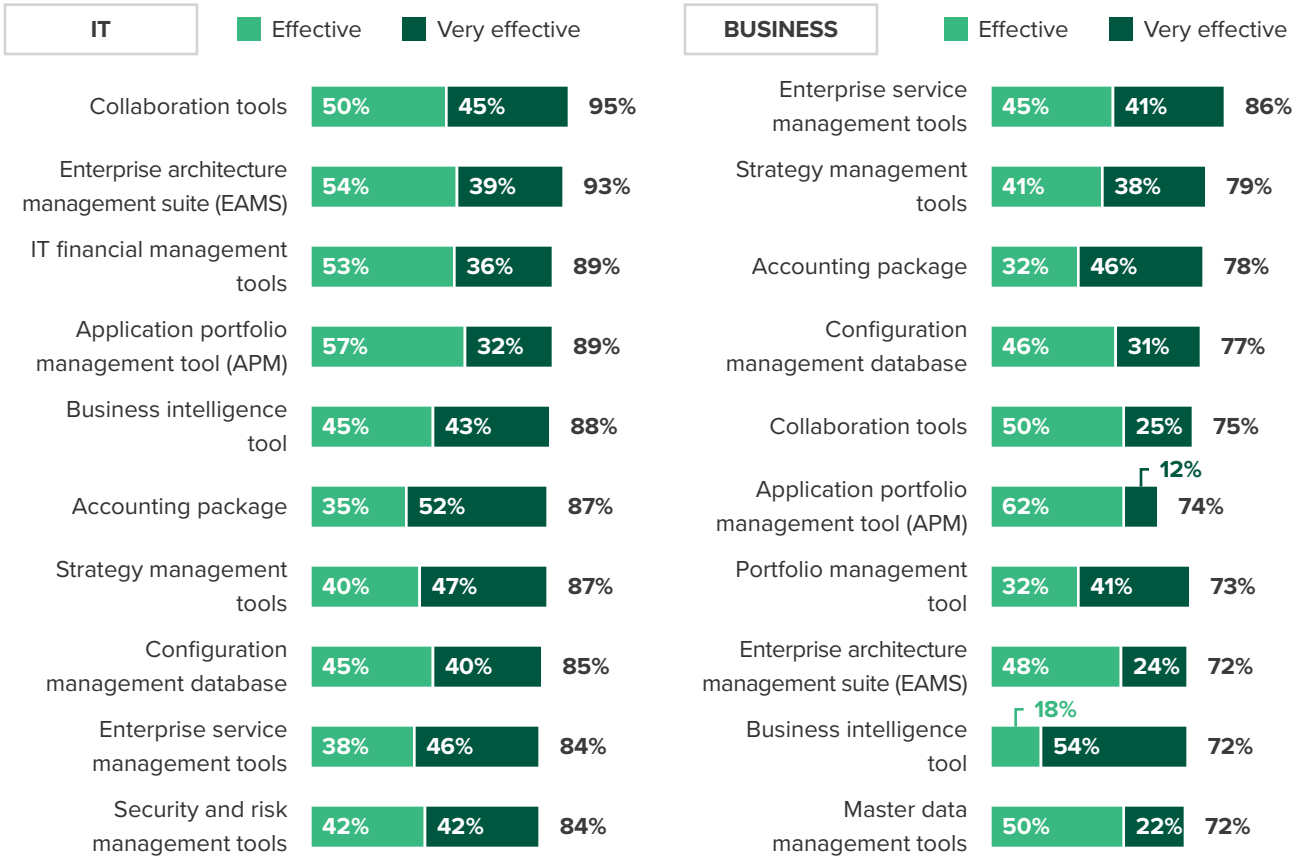
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M&A TOOL EFFECTIVENESS VARIES BETWEEN IT AND BUSINESS TEAMS

Collaboration tools were the most effective on average for IT and business respondents and they found EAMS the second most effective with an average of 86% of respondents ranking it "Effective" or "Very effective." We found that business users ranked the effectiveness of their tools lower than technology users, though. For instance, APM tools missed the mark in delivering business respondents the insights they needed, with only 12% ranking them "Very effective" (see Figure 7).

Figure 7

"How would you rate the effectiveness of your tools and capabilities in supporting your M&A/divestment activities?"



Base: Variable business and technology decision-makers at enterprises in the financial services, pharmaceuticals, and technology industries
Note: Showing top 10
Source: A commissioned study conducted by Forrester Consulting on behalf of LeanIX, March 2021.

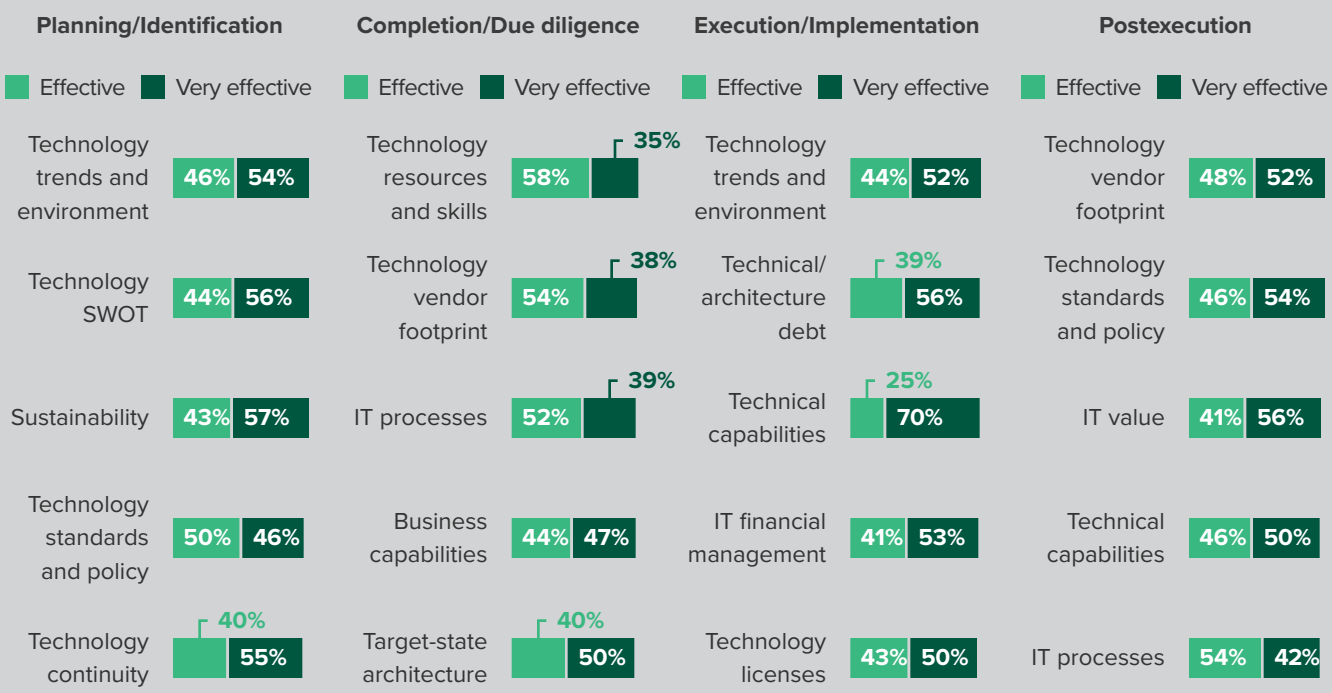
ELEVATE IT'S ROLE AND CONNECTION WITH BUSINESS USING ENTERPRISE ARCHITECTURE TOOLS

In M&A situations seeking to align the IT strategies of the two organizations, the support of the enterprise architecture tool was beneficial (43%), as was the integration of the skill sets (42%). Additionally, easier integration of applications (41%) and connecting new data sources (41%) ranked highest as benefits for respondents. By leveraging an enterprise architecture tool, the organizations' architecture and technology teams can generate insights that will help them connect with the business and realize the value of involving IT across all M&A stages, including:

- **Assessing the playing field.** Enterprise architecture tools were particularly effective in the planning stage to help map out a technology SWOT of the M&A candidate, assess the current technology environment, and map out how the target organization would impact the organization's sustainability efforts (see Figure 8). With sustainability being a high priority in many organizations, it is becoming even more important to assess sustainability fit in potential M&A candidates.

Figure 8

"You mentioned you leveraged an EA management suite to support your M&A/divestment activities. How effective was the tool in supporting your key activities during each stage of your M&A/divestment?"



Base: Variable business and technology decision-makers at enterprises in the financial services, pharmaceuticals, and technology industries
Note: Showing top 5 for each stage
Source: A commissioned study conducted by Forrester Consulting on behalf of LeanIX, March 2021

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› **Mapping out all details for integration and the future.** Enterprise architecture tools can help meet other major challenges organizations face, such as mapping out technology resources, technical capabilities and vendor footprint, and supporting IT process integration and optimization without disrupting continuity.

The enterprise architecture tool features and capabilities most valued included business capability (78%), security architecture (77%), and cloud architecture management (75%). In addition, service and value stream architecture (76%), customer journey analytics (76%), organizational design (74%), and people architecture management (71%) were the emerging fields that help overcome M&A challenges. Expectations of enterprise architecture have broadened significantly over the years. In M&A, the expectation is that enterprise architecture is not purely about technical architecture, but also business architecture. Non-EAs must use EAMS to succeed, especially those non-EAs in organization design, customer experience, employee experience, and operating model design.

Key Recommendations

Forrester's in-depth survey of business and technology decision-makers in Europe, North America, and Asia Pacific has yielded several key recommendations for enterprise architects and IT leaders involved in M&A and divestment work. We found that IT and EAs must work to get a seat at the due-diligence table; provide business with relevant insights into synergies and complexities to ensure they are aware of what is realistic and what is not; and leverage the M&A activity to reduce technical debt and build an organization ready for the future. To do this at your firm, you should:



Ensure that you have a financial model embedded into your architecture assessment that aligns with your M&A decisions. Focusing a financial lens on future state-of-the-organization and using frameworks like ITFM and Technology Business Management (TBM) is essential. A financial model allows you to perform financial analysis of the current and target states, applying scenario and what-if analysis capabilities that will enhance your decision-making.



Communicate compliance of the current and future architectures of the organization. Providing visibility of architectural health in a form that reflects compliance to IT standards, policies, and principles across multiple architectures gives clarity on the investments needed to reduce architectural debt. In addition, the insights guide the development of roadmaps that articulate the transition to the desired future state.



Have shared goals and performance frameworks like Objectives Key Results (OKRs) for IT and the business to align efforts. A lack of awareness of what each group is doing and delivering may lead to contradictory decisions. A shared-goals environment using the same set of tools will help each group provide transparent data and clear rationale for its decisions.



Create transparency with business capability maps and broaden the scope of architecture to include human capital assets. People architecture, which is the alignment of FTE to roles and responsibilities to capabilities and value streams, will highlight the impact M&A decisions will have on an organization's workforce and partners. This, along with leveraging business capability maps, will bring transparency across the new organization. Additionally, analyzing the impact of automated processes, unbundling and scaling capabilities, and distributing work will determine future human capital assets needs.



Make EA involvement in M&A a repeatable process. Build a set of accelerators or patterns that is used and reconfigured as needed for each M&A engagement. Ensure that all stakeholders accept and understand the templates, analysis algorithms, and editable forms that enable business, IT, and EAs to populate and analyze relevant data quickly.

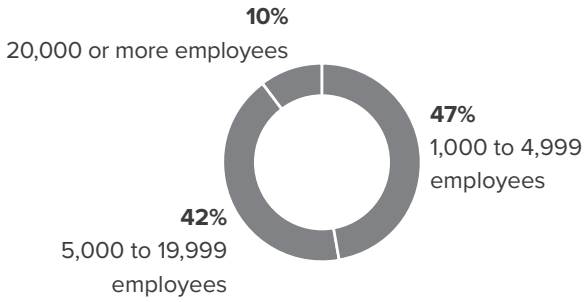
Appendix A: Methodology

In this study, Forrester conducted an online survey of 217 business and technology decision-makers at enterprises in financial services, pharmaceuticals, and technology industries in North America, Europe, and APAC. The study was used to evaluate the importance of enterprise architects and technology teams in M&A and gain a stronger understanding of the application portfolio, business capabilities, and information structure. Questions provided to the participants asked about their organizations' current activities and challenges in regard to mergers, acquisitions, and carve-outs, and the value of solutions that support M&A work across business and technology. The study began in February 2021 and was completed in April 2021.

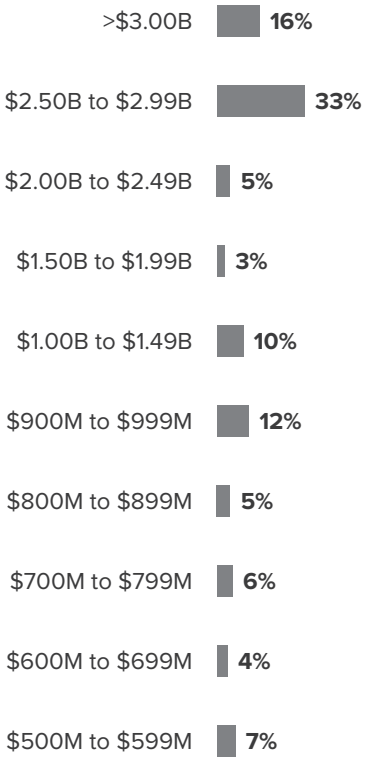
Appendix B: Demographics

COUNTRY	PERCENTAGE
Japan	**15%**
US	**15%**
Canada	**14%**
France	**14%**
Germany	**14%**
UK and Ireland	**14%**
Australia and New Zealand	**15%**

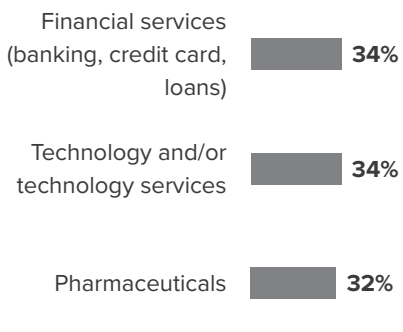
COMPANY SIZE



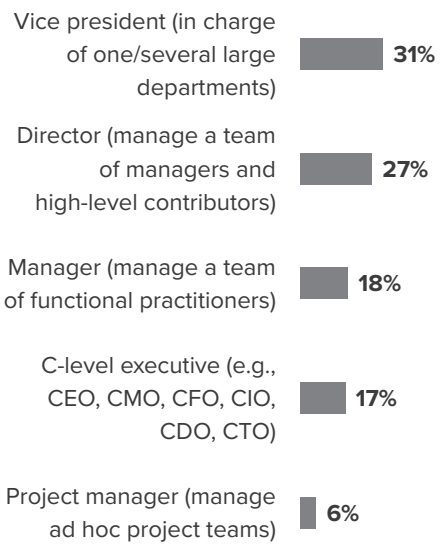
COMPANY REVENUE



INDUSTRY

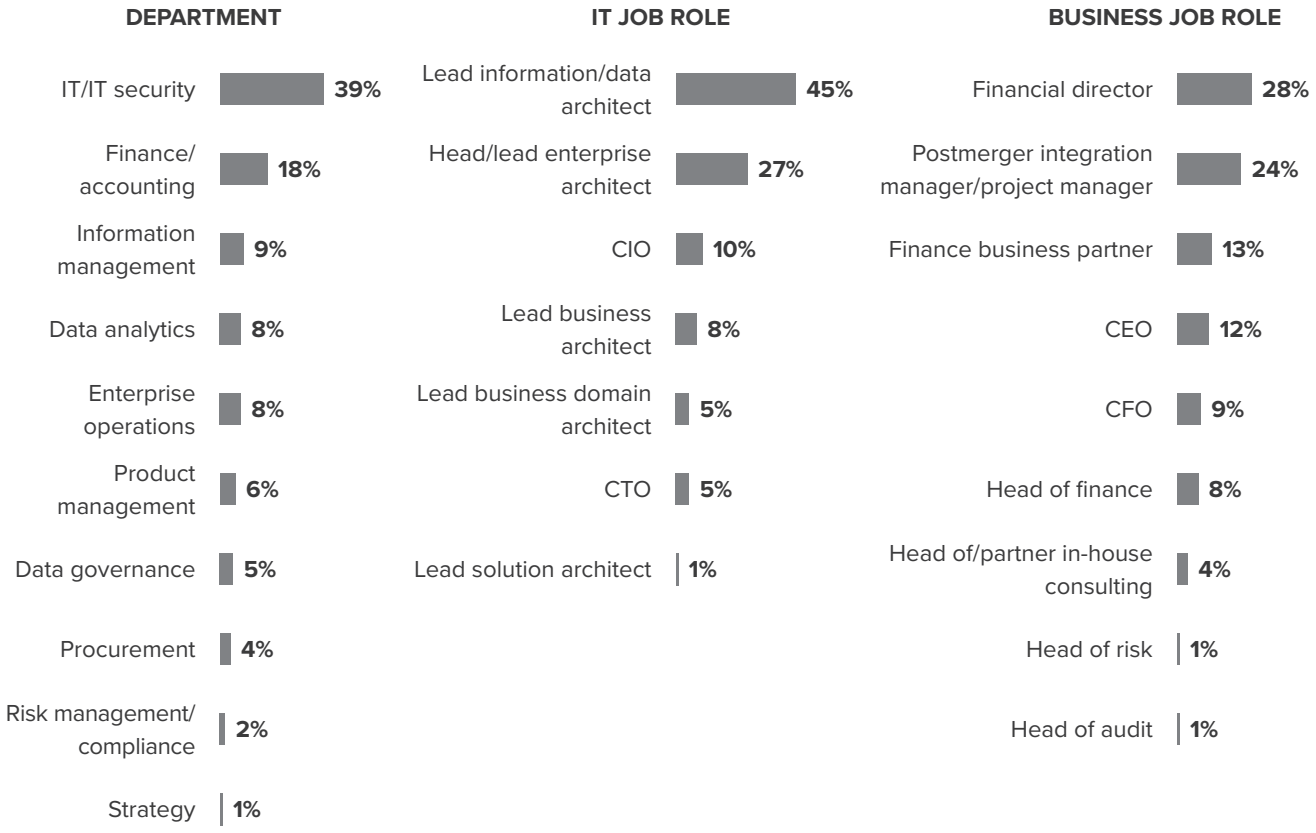


LEVEL



Base: 217 business and technology decision-makers at enterprises in the financial services, pharmaceuticals, and technology industries
Note: Percentages may not total 100 because of rounding.
Source: A commissioned study conducted by Forrester Consulting on behalf of LeanIX, March 2021

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Base: 217 business and technology decision-makers at enterprises in the financial services, pharmaceuticals, and technology industries
Note: Percentages may not total 100 because of rounding.
Source: A commissioned study conducted by Forrester Consulting on behalf of LeanIX, March 2021

Appendix C: Endnotes

[1] Source: "Letter from the Bain M&A Team: How Did You Deal?," Bain & Company press release, February 16, 2021 (https://www.bain.com/insights/letter-from-the-bain-team-how-did-you-deal-m-and-a-report-2021/).

[2] Source: "Mastering Mergers And Acquisitions," Forrester Research, Inc., April 8, 2021.

[3] Ibid.

[4] Source: "The State Of EA 2021: The EA Ecosystem Is Maturing, Leading To An Increased Business Focus," Forrester Research, Inc., May 4, 2021.

[5] Source: "Enterprise Architecture In 2025 And Beyond," Forrester Research, Inc., May 22, 2020.