Prescriptive Approach to M&A

Information Technology Integration Framework for Merger and Acquisitions
1. Identify the Need:

Acquisition Growth Pattern

Healthcare Co. is a top tier Fortune company that has grown by acquisition since the purchase of a small pharmaceuticals company in the early 1980s. Increasing reliance on IT services make it critical that efficiencies be leveraged to decreased variability and increase M&A profitability.

Context

"...Our Pharmaceutical segment revenue increased 4 percent to $93.7 billion."
- CEO

Top 5, $83.39b, 89%

PD Apps, $10.31b, 11%

Glass's Law of Complexity

"For every 25% increase in the complexity of the problem space, there is a 100% increase in the complexity of the solution space."

A pilot testing the ability to use Glass’s Law of Complexity was performed on Business App, one of the top PD Applications. Results were within 6% accuracy. Introduced complexity raised costs 44%
2. Grasp the Current Situation:

1. Discovery
   - Multiple M&A core integration teams
   - 697 total checklist items

2. Automated Mapping
   - Data transitioning from Acquisition to Support Teams

3. CMDB – M&A Module
   - 8+ separate areas for information housing
   - Approach to identify technology for refresh based on standards
   - Roadmapping based on standards analysis and understanding of TCO

The preference for integration is Level 1 (Full) – however, it has the highest level of difficulty and has the most front end cost.

“Healthcare Acquisition [full integration] is, ‘pound for pound,’ the most profitable acquisition to date.”

VP, App Design & Delivery
3. Define Engagement:

A. Recognize that M&A strategy is a **system** of interdependent components.

B. Architect the **process** as an integrated system that yields a higher level of precision.

C. Solve for **time** – driving towards business success.

Terms that Define Business Success:

1. Reduced Cost
2. Increased Market Share
3. Improved Customer Satisfaction
4. **Faster Time to Market**
5. Increased Revenue and Profits

1. Discovery (encapsulate discovery tools to accommodate domestic or international acquisitions – eliminating wait time for core to core connection)
2. Automation (map standards to discovered data and eliminate manual updating of health)
3. Turnover and Roadmapping (manage all technology and application classifications in one location – eliminating disparate systems and improving communication)
4. Determine the Most Direct Route:

1. Discovery – Ensure repeatability & Reduce Cycle Time

Initial scans show tremendous opportunity for improvement in both VA time and NVA changeovers. Automate jobs possible and manage nighttime changeovers through off-shore resource pools.

***NOTE*** Encapsulated discovery service for M&A is necessary to begin prior to establishing core to core connection. Over 8 tools are used to collect data — consolidation is needed.

2. Automation – time study reveals evidence of glasses law for estimation based on changes to tracked attributes. The more we change, the harder it is to grasp.

107 Total Apps Surveyed

Per Application
- 1.25 Days/App (no environmental change) = 12 hrs/app
- 5 Days/App (environmental change) = 40 hrs/App

Per Year
- 12 hrs x 1022 = 12264 Total Process Time
- 40 hrs x 1022 = 40880 Total Process Time

3. SDM Platform
5. Develop Countermeasures:

1. Discovery – Reduce Cycle Time and Deploy Portable Tools
   - Current discovery tool is averaging 90 days from Day 1 for scans to start
   - Reduce time 84% to 14 days with new solution

2. Automation – Health & Accountability
   - Current efforts take almost 10 weeks from end to end with an annual cadence.
   - Reduce total process time 98% to 1 day for review with automated solution

3. SDM Platform – One Location
   - Current efforts require several elements to be in place prior to go-live.
   - Improved “Faster Time to Market” drives reduction in cycle time for SDM

“3 Guiding Principles” for Implementing Lean Six Sigma within Healthcare Company:
1. Transform the performance of the organization
2. Become a vehicle for talent development
3. Improve the capacity for organizational change
6. Implement Countermeasures:

- M&A Prezi Communication Well Received – Corporate License
- Application Portfolio Management – 10/4 Go-live
- Incident and Problem Management – 11/3 Go-live
- Discovery tools proposed for company innovation funding

Opportunity for improvement – will drive the speed of deployment for other services

Yield not thy neck to fortunes yoke, but let thy dauntless mind still ride in triumph over all mischance.”

- William Shakespeare
7. Confirm Results:

One of the biggest needs of Healthcare Co. is to leverage our "Information as an Asset." IaaS is an industry gold standard that many Software as a Service (Saas) models have embodied in their offerings. Similarly, our consolidation of systems allows for more visibility, from end to end, as technicians, engineers, customer service representatives, and leadership, depend on a single system as the source of truth.

Some metrics that will be collected on all new acquisitions are:

1. Time from Day 1 to the start of first scans
2. Time from Day 1 to Checklist population
3. Time from Day 1 to Core2Core connection
4. Time from Day 1 to SDM implementation
8. Standardize and Control:

Current – Quantitative Metrics (what is reality now)

1. What is the inventory?
2. What is the composition?
3. What is the Incident Count?
4. What is the Problem Count?
5. What are the times compared to M&A Targets?

Future – Qualitative Metrics (how are we tracking to expectations)

1. How much money did we save in the last 10 acquisitions by completing our tech refresh within the initial 24 months?
2. How many Incidents did we have last quarter for our Critical Apps?
3. How many SLA are we meetings and by how much
4. What is the VOC driving us to do from an ITIL perspective?
### Project Benefits

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<tbody>
<tr>
<td>Type II Savings</td>
<td>76 Days – 84%</td>
<td>49 Days – 98%</td>
<td>60 Days</td>
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<tr>
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<td>Data Reduction – 33%</td>
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<td>Description</td>
<td>E2E visibility, high confidence, reduced cycle time, seamless handoff of matching</td>
<td>100% Increased confidence via 2 annual certification cycles</td>
<td>Seamless transition from discovery to health to SDM and road mapping</td>
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Healthcare Co benefits from this project in three separate categories as defined in the A3:

1. **Discovery** – automated discovery of the IT landscape represents a 33% reduction in the manual process of data collection and reduces the time of current discovery by 84%.
2. **Automation** – mapping discovered items to standards reduces process time by 98%.
3. **Configuration Management** – a single source of truth for project and workflow automation provides seamless transition from project phases to ongoing production support.