



Mapping the DNA of M&A value

Spoiler: Technology runs through it

Accenture Strategy

Foreword: A day in the life

“I wish I’d been involved sooner. I had no idea the deal was going to close so quickly,” said Vrinda, CIO of a financial services firm that was just beginning its journey as a serial acquirer.

“But the last deal went so well,” her CEO replied. “Technology integration was fairly simple, and we were up and running quickly as one organization.”

Vrinda weighed her words carefully. “We got lucky in that deal. The compatibility was a gift, really. It appears the firm we’ve just acquired has a tech landscape that has little in common with ours—different ERP platform, flaws in its cybersecurity, a minimalist business continuity plan. All these issues will impact ultimate value—and the timeline for synergy realization.

I’d like to see how we can best integrate, but also optimize for growth to support combined business goals. Can we adjust the timeline?”

“I’ve already committed to the board of directors,” he said. “I’ll need your game plan early next week. Tell me what you need.”

Vrinda sighed. What she needed was to turn back the clock and get a seat at the table before deal announcement. Then she’d already have a thorough analysis in hand, as well as a comprehensive IT strategy on an achievable timeline.

While this scenario is not based on a real company, it’s also not fiction. We see similar scenes play out in companies around the world. As enterprises mature and strengthen their M&A capabilities, they’re learning as

they go. They have some way to travel: in a recent survey conducted by Accenture Research, less than a quarter of respondents said they were able to meet or exceed synergy targets within the committed timeframe for the majority of their transactions.¹

Having worked with thousands of companies on M&A over the years, we know there is a better way.



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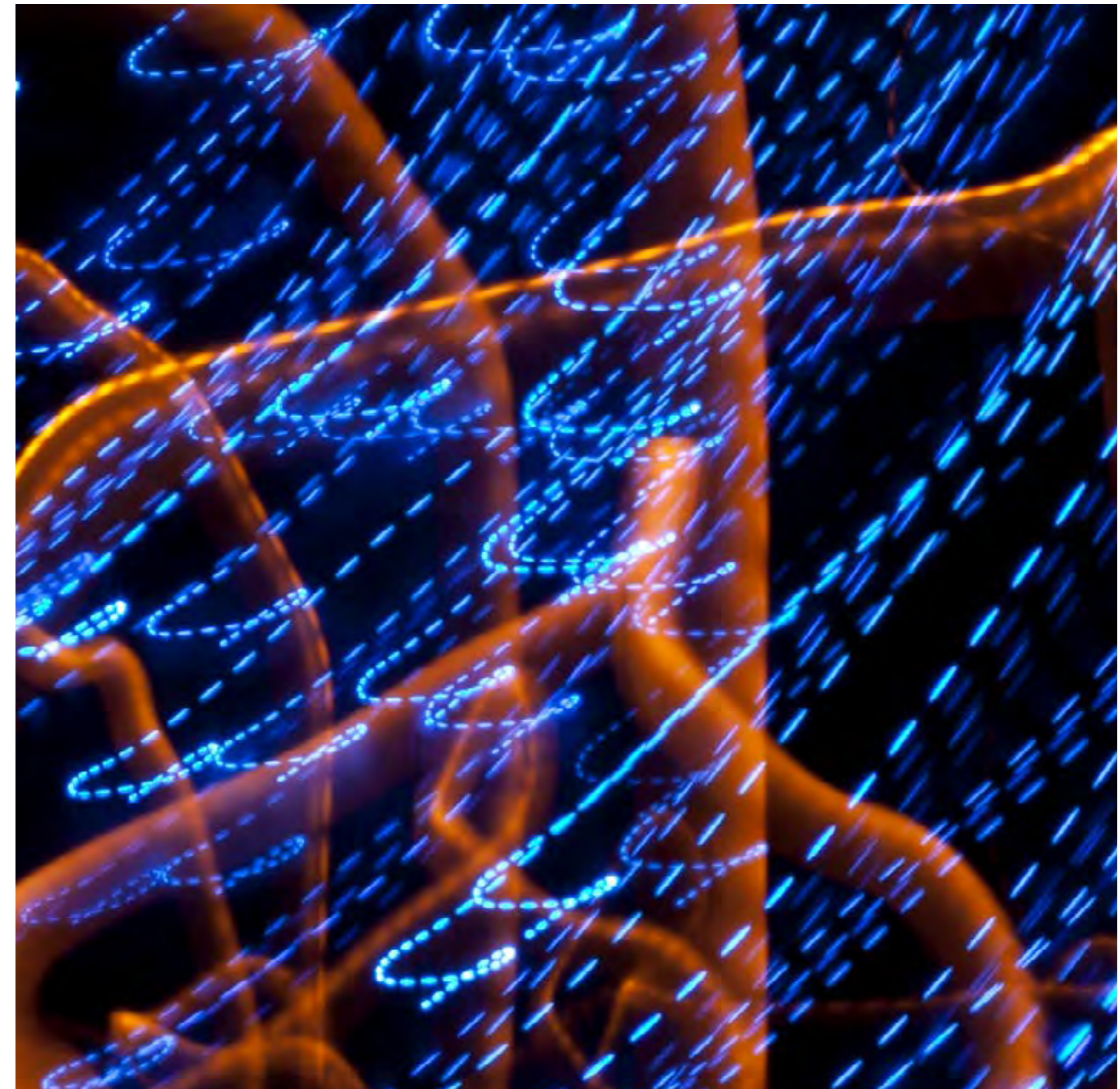
Over decades of M&A deals, rarely was technology the headliner. Even experienced CEOs and boards of directors only infrequently mapped business value beyond the traditional norms—cost synergies, commercial logic and growth.

More recently, that orthodoxy is showing its flaws. With the rise of digital, C-suite executives and boards recognize that technology and business are intertwined. In the DNA of M&A value, technology forms a key strand.

Tech is vital to the M&A genome

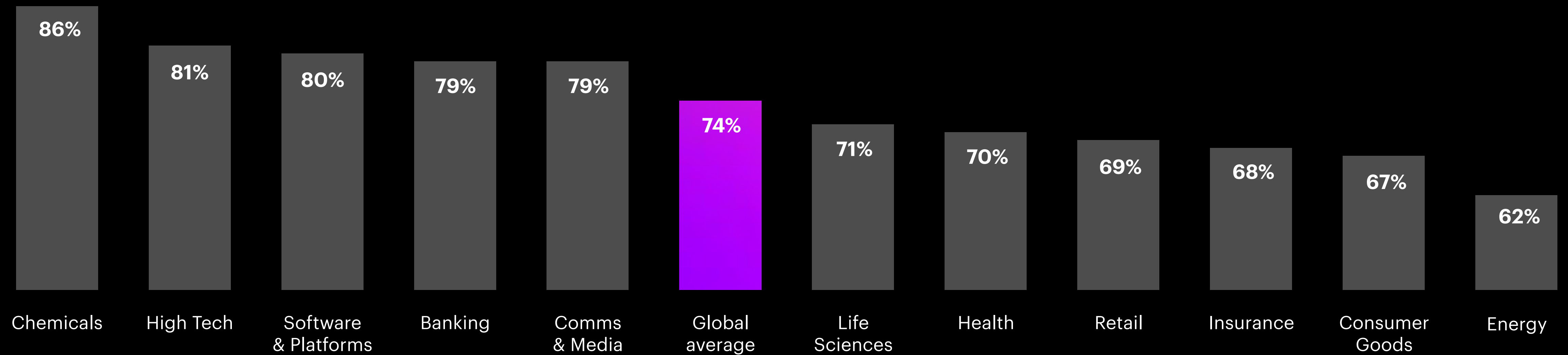
Recent M&A enthusiasm involves an increasing number of players globally, with more companies pursuing serial M&A.

It appears enterprises are gaining wisdom as they gain experience.



Accenture research shows that nearly three-quarters of CEOs (74%) now see technology integration in M&A as a source of competitive advantage or growth enabler, rather than the cost of doing business.²

Figure 1: Across industries, C-suite executives see technology integration in M&A as a competitive advantage or growth enabler.

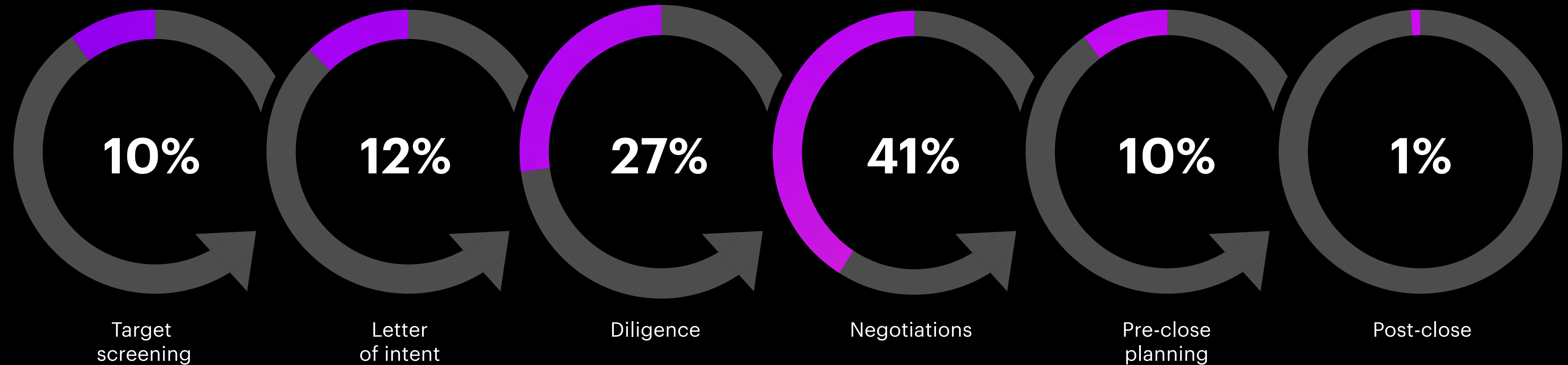


Source: Accenture Research, Technology in M&A survey, 2022.

Given the shift, it's striking that less than one in four CEOs report that technology due diligence was conducted for most of their deals over the past three years. The perception? Technology is crucial to business success. The reality? With deals closing at an accelerated pace—and oftentimes with multiple potential buyers for a target—there is pressure to move quickly, and resources are scarce.

In the rush to get the deal done, the early effort required to maximize value either does not happen or falls short. In more than half of deals, the CIO organization was not involved before deal negotiations started.³

Figure 2: For the majority of deals, the CIO organization does not get involved until the negotiations phase of the deal cycle.



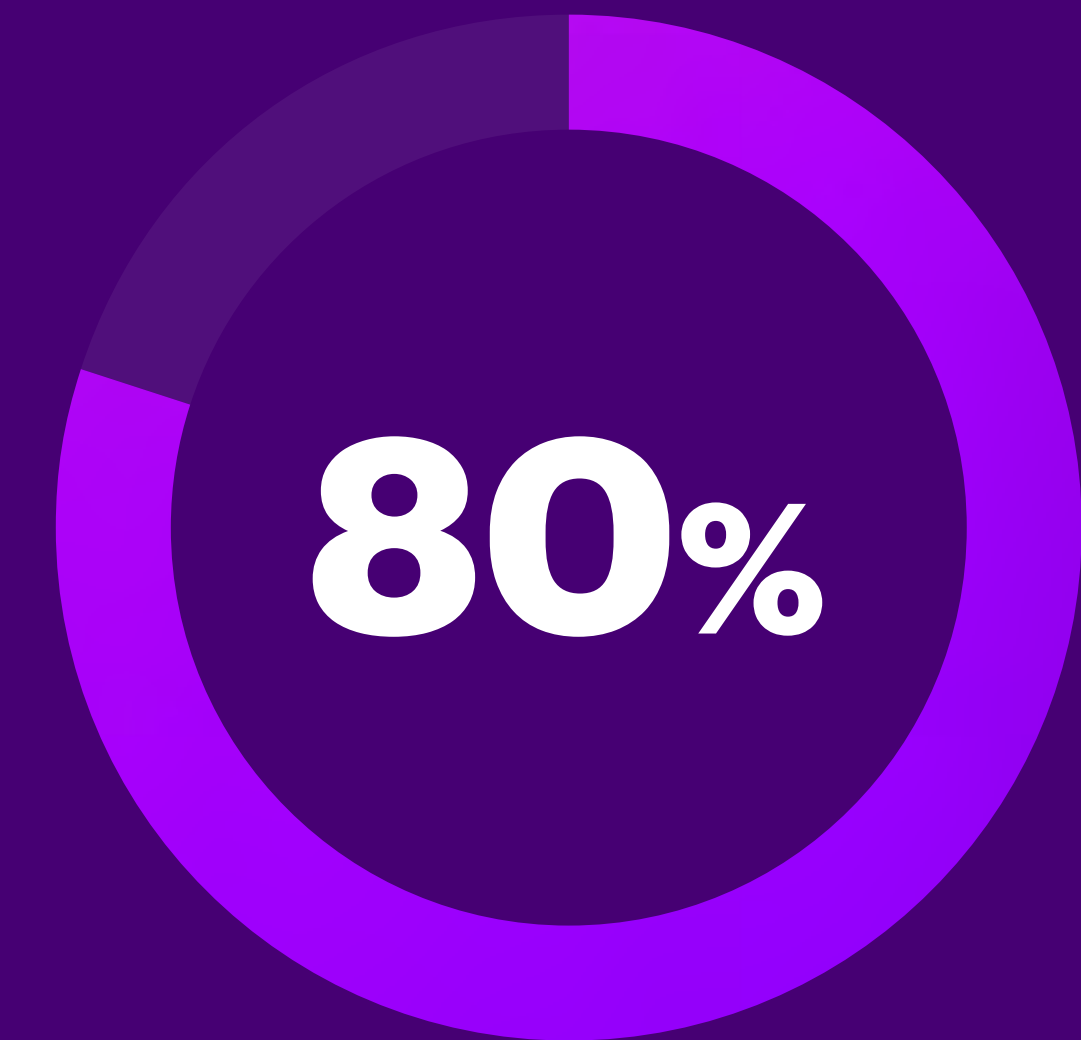
Source: Accenture Research, Technology in M&A survey, 2022.

As technology and business become inextricably intertwined, the value gleaned from a merger or acquisition depends on getting tech right—early, not months after deal close. Technology is a big enabler of synergies, and early tech engagement increases confidence in the deal team’s synergy realization plans.

Beyond enterprise technology, companies must also consider the integration and impact of platform technology. In a world where business is technology and technology is business, platforms are the name of the game. Get those right, providing the right end-to-end experience for your customers and employees, and growth generally follows.

The numbers tell the story. For 70% of the deals that underperformed their 24-month shareholder return sector average, dealmakers had put limited emphasis on technology early in the deal cycle. In the transactions that beat their sector averages, however, an overwhelming majority (80%) placed significant emphasis on technology.⁴

Here we provide a peek behind the curtain, courtesy of Accenture’s latest research on technology in M&A as well as our years of experience helping clients navigate the landscape.



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Going beyond integration

In today's deals, technology is more than a question of integration. Some of the savviest firms are using deals as an opportunity to optimize.

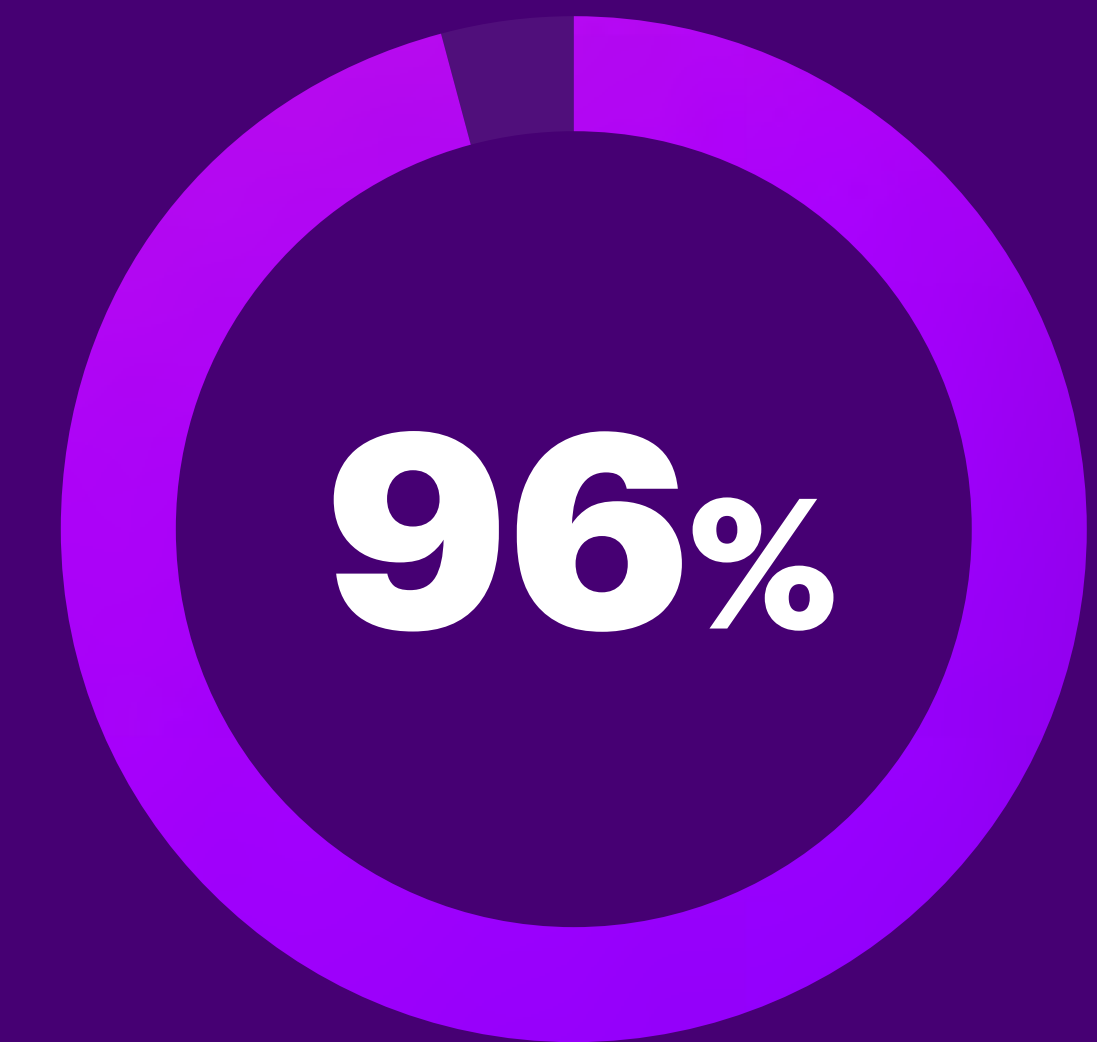


In many mergers and acquisitions technology is still seen as the problem child. It's regarded as something to deal with as opposed to one of the best ways to create value. For instance, a large health insurer recently bought a platform business. Rather than engaging in a bold, out-of-the-box exercise to maximize the value of this platform, a "let's bolt it on" approach was taken to minimize friction. It showed in the result, which was far less visionary than it could have been. Significant optimization opportunities were missed.⁵

CEOs assign the highest priority to tech capabilities, before even products, services and talent.⁶ That emphasis just doesn't appear to be translating into action in many M&A scenarios. The effort, when undertaken comprehensively, is worth it. A whopping 96% of CIOs report they have seen technology due diligence uncover issues or opportunities that had material impact on certain deals.⁷

For example, during pre-announcement diligence for a luxury retail client, we examined the target's technology stack with the CIO. We found significant remediations would be needed due to technology incompatibilities, increasing the cost to integrate. This ultimately contributed to the deal not moving forward, since the business case didn't meet the buyer's price-to-earnings metrics. Because of its technology due diligence, the company avoided a bad deal.

The M&A world has changed but mindsets have been slow to follow. More than half (52%) of companies logging M&A activity described themselves as primarily acquiring digital companies or assets.⁸ Technology can no longer be viewed as part of housekeeping because it's at the heart of an increasing number of transactions. It's a value creator and should be treated as one, strategically and operationally.



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Winning at leapfrog

Firms who focus solely on integration risk being three to four years behind the market as their competitors kick off tech modernization and innovation programs. Optimization allows them not only to keep up, but to jump ahead in a significant leapfrog move.



A merger or acquisition is an opportunity to cover significant ground in a short period. It's all about value at a faster clip through compressed transformation. Companies that treat it as such, from a technology perspective, are [reaping the benefits](#).

Savvy executives are realizing that they can merge their technology journey with their M&A journey. For example, a recent merger in the oil and gas industry [prompted a cloud journey](#). As a result, company leaders saw a 30% reduction in technology infrastructure costs at a significant return on investment (ROI). For every dollar in one-time investment, they reaped a dollar in recurring savings. This is significant, considering that technology savings typically require a 2-7x investment for every dollar of recurring savings.⁹

Market conditions have created the shift toward this conundrum—and have swung the pendulum in favor of optimization. Truncated technology cycles and the rise of composable architectures mean legacy systems can quickly become deadweight.

It's a question of investment in legacy versus investment in new tech. These decisions are difficult to grapple with in the throes of a deal. That's why deciding on the M&A vision and technology strategy that fits your company's goals—outside of the time constraints of a deal—makes sense. It allows you to hit the ground running.

Accenture studied the success of serial dealmakers. We found that the most acquisitive firms outperformed less frequent acquirers by 129% in North America, by 91% in Asia Pacific and by 75% in Europe.¹⁰

One of the actions we see, again and again, contributing to that success is this: the best serial dealmakers don't just create the M&A vision. They share it broadly across the C-suite to align all areas of the company. This way, the CIO organization has a clear view into desired end states and can optimize for the best synergy scenarios. They can't optimize everything at once, but with this guide in hand, they can make selective bets on where fundamental changes need to be made in the tech architecture to be frontrunners in the industry.

Banking on an Agile approach

Two US financial institutions applied an Agile integration approach during their merger to maintain innovation during the integration, but also to position the combined entity as a future innovation leader.

Both entered the merger with different levels of Agile maturity. As the deal came together, cross-disciplinary teams collaborated to identify outcomes-based integration projects that could benefit most from an Agile approach. One of the most important was the implementation of a new digital platform for customers.

In a traditional M&A integration approach, the development of a new platform would have likely been tabled until the integration was complete.

Customers from one bank would simply have been migrated to the other bank's existing platform. However, the Agile approach enabled the joint team to keep customers' digital experiences—and the company's innovation capabilities—on the front burner.

Over time, the Agile integration approach has expanded. Integration teams present demos of possible integration projects to leadership monthly. It's a great example of using an M&A event to fuel future business value.

Source: Accenture Strategy client experience, 2020.

Approaching tech holistically

We've emphasized technology as a value creator and growth enabler. However, we don't want to underplay the efficiency and risk lenses.



01 Driving efficiencies

Nine out of 10 CIOs and CTOs (93%) agree that M&A can accelerate in-flight tech initiatives such as architecture modernization and journey to cloud. But an almost equal number (92%) say technology is a key driver in minimizing and avoiding Transitional Service Agreements (TSAs).¹¹

For TSAs, cost savings are essential, but time also matters. A private equity firm buyer cut its TSA period from 36 months to 15 months by implementing a cloud-based greenfield IT system.¹² In the process, they created more strategic freedom while reducing costs.

Efficiencies go far beyond TSAs. A global company was wrapping up its own major Enterprise Resource Planning (ERP) cloud transformation program when it acquired a large pharmaceutical target. On the heels of its own transformation, the acquirer brought the target's ERP system directly into the cloud. In the process, the acquirer was able to reduce costs and accelerate the migration timeline for the target's major markets.¹³

02 Getting to value quickly

It's important to note that, while technology is often seen as the "longest tent pole" in M&A, business value can be delivered much sooner. While the full project might take 12-24 months, integrated analytics capabilities can be set up within two months using a joint data lake and interface platform. For a recent telco joint venture, Accenture set up a shared data platform. This temporary, symmetric service combines and processes data from both parties through pre-integrated artificial intelligence and analytics capabilities, augmented through Accenture's support and security model. The platform allows for the joint venture to immediately become a data-driven business, using a secure, cloud-based platform, and start cross-selling from Day One.

03 Approaching cybersecurity proactively

Our research showed that cybersecurity was the top technology challenge in M&A transactions over the past three years.¹⁴ For instance, Accenture's cybersecurity due diligence reviews reveal that 35% of diligence efforts uncover a minimum of US\$8 million in remediation costs.¹⁵

Our client experience shows that approximately 60% of companies still use a legacy approach to [cybersecurity due diligence](#).¹⁶ Diligence teams generally

default to a simplistic checklist to assess cyber risk, consisting of a series of targeted questions with binary responses. It is very difficult to get a complete picture of the target company's cybersecurity program using these methods, leading to risks down the road that can take focus away from optimization and value creation. This is doubly true of large transactions with a global footprint, complex alliance partnerships and vendor ecosystem. A modern, multi-pronged approach involves digital technology—see Figure 3.

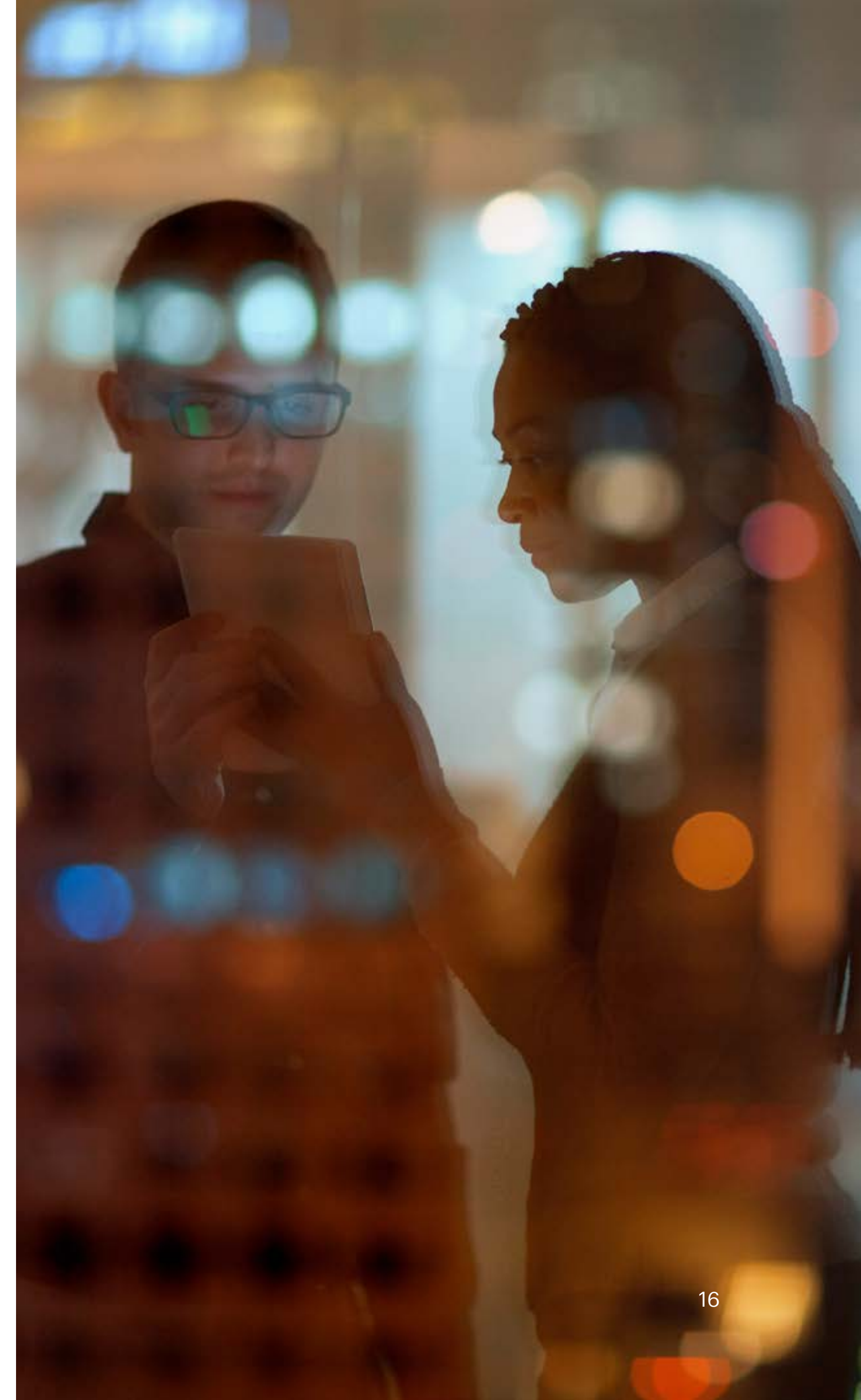
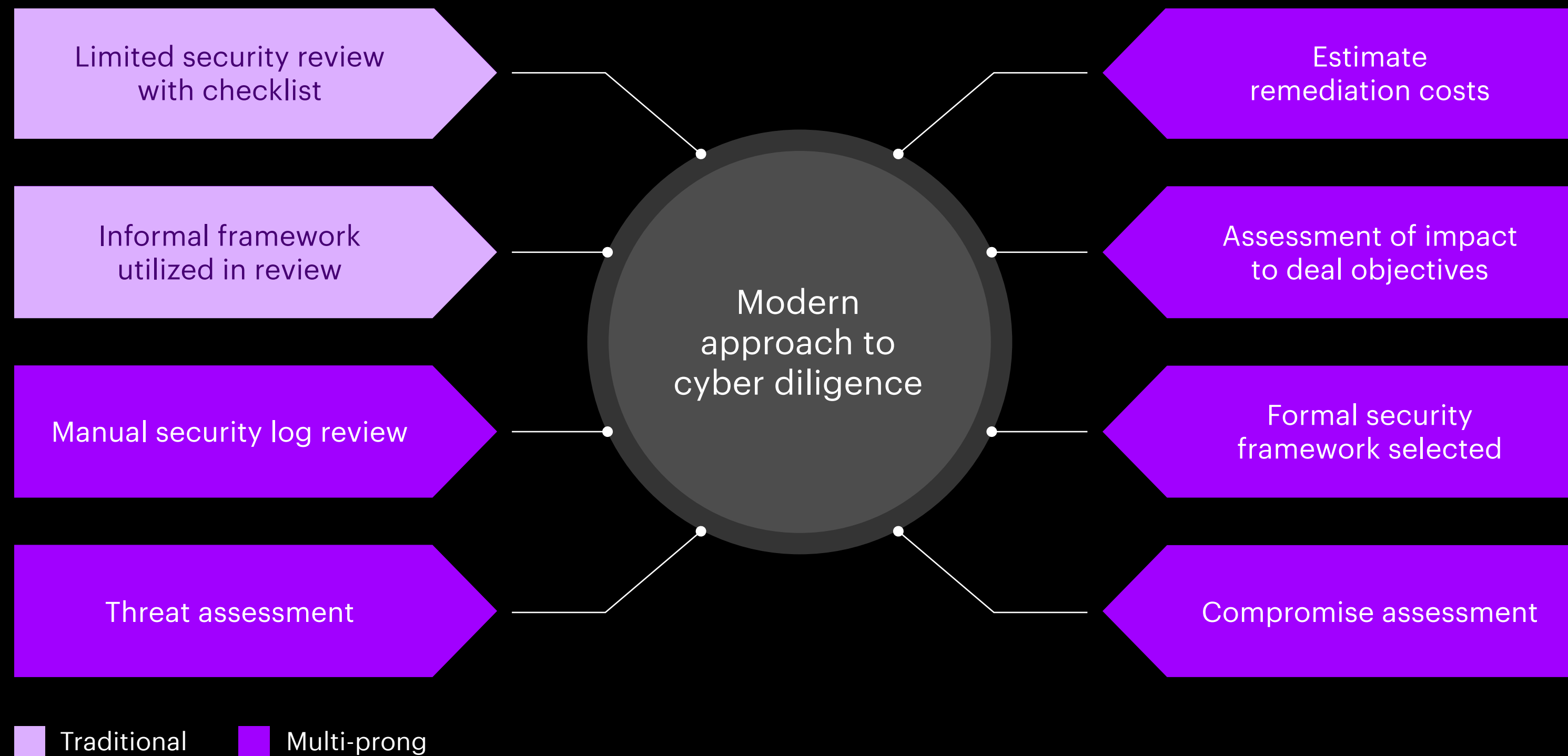


Figure 3: Cybersecurity due diligence requires more than traditional methods



Source: Accenture Research, Technology in M&A survey, 2022.

04 Guiding talent along the journey

Another important issue when it comes to technology in M&A, as reported by executive respondents, was related to people: resistance to change. Add to the picture that executives also ranked employee skills and collaboration among their top challenges.¹⁷

Technology can be a powerful tool during a merger or acquisition, but only when the people side of the equation is considered. Sharing the overall vision of the deal as well as technology initiatives. Listening closely to the workforce. Ensuring people have the required skills. Facilitating collaboration across teams and functions. These are all steps leaders can take to help ensure people embrace technology and use it to its full value.

Technology and business value: A double helix

A holistic approach to technology is essential to gaining full potential value in today's deals. That means making technology part of your M&A DNA. What can follow is the kind of growth that allows you to leapfrog competitors. Increasingly tech-savvy boards expect no less.



**Click to connect
with the authors about
how we can help your
company lead with
technology in pursuing
M&A value.**

Get in touch

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