



Accenture Strategy

Private equity

Tapping technology for greater value

About the authors



Dr. J. Neely

Senior Managing Director,
Accenture Strategy,
Mergers & Acquisitions
Global Lead

J. serves as global lead for Mergers & Acquisitions (M&A) within Accenture Strategy. His role focuses on working with leading clients on global M&A transformation deals to address the critical issues facing their businesses. Over the past decade, he has been a prolific author and thought leader on M&A and industry-related topics. J. holds a Ph.D. from the Massachusetts Institute of Technology. He is based in Cleveland.



Felix Hessel

Managing Director,
Accenture Strategy,
Mergers & Acquisitions
and Private Equity

Felix helps companies define and effectively execute their buy- and sell-side M&A agenda from pre-deal work to international post-merger integration, carve-out and post-deal transformation programs. He has worked on M&A projects across all industries with both serial corporate dealmakers and leading global private equity funds. Felix is based in Zurich.



Dr. Dominik Krimpmann

Managing Director,
Accenture Technology
Strategy & Advisory, Mergers
& Acquisitions Lead

Dominik's professional mission is to help global companies think today about which innovation will impact them tomorrow, while simultaneously guiding them to implement successful technology-driven strategies from start to finish. He is a specialist in Tech M&A, executing large transactions with state-of-the-art technologies. Dominik holds a Ph.D. in business. He is based in Düsseldorf.



Masao Ueno

Managing Director,
Accenture Strategy,
Mergers & Acquisitions
and Private Equity

Masao is a recognized global expert and experienced leader who understands the opportunities and challenges facing clients in their pursuit of growth and profitability. Bringing industry relevant expertise, he works closely with his clients to develop strategies and implement value creation programs that are tailored to the client needs and drive maximum impact and value. Masao is based in Tokyo.

Private equity firms are leaving value on the table.

The impact of technology is often underestimated by private equity leaders in the M&A deal cycle.

Making it a priority can reveal untapped potential.

To tap that potential, private equity leaders should consider retiring a historical deal pattern: viewing technology primarily as a cost line item and source of risk. If they instead use technology as a value creation lever in portfolio transactions, they can gain a competitive edge.

Then vs. now

The traditional approach to deals often involves just a basic level of technology due diligence, ensuring no massive IT issues exist.

This approach allows private equity (PE) teams to tick the box that there are no glaring red flags to discuss with the Investment Committee. But technology-savvy deal teams know that digital and foundational technology, when viewed as a value creation lever and handled in the right way, can help a company take a deal from good to great.

While this holds true for virtually all PE firms, the current level of technology adoption varies greatly—both between PE firms and between deal teams within those firms. As the competition for deals at high-valuation levels intensifies, PE firms that become more sophisticated in using technology as a value creator gain a differentiating advantage.





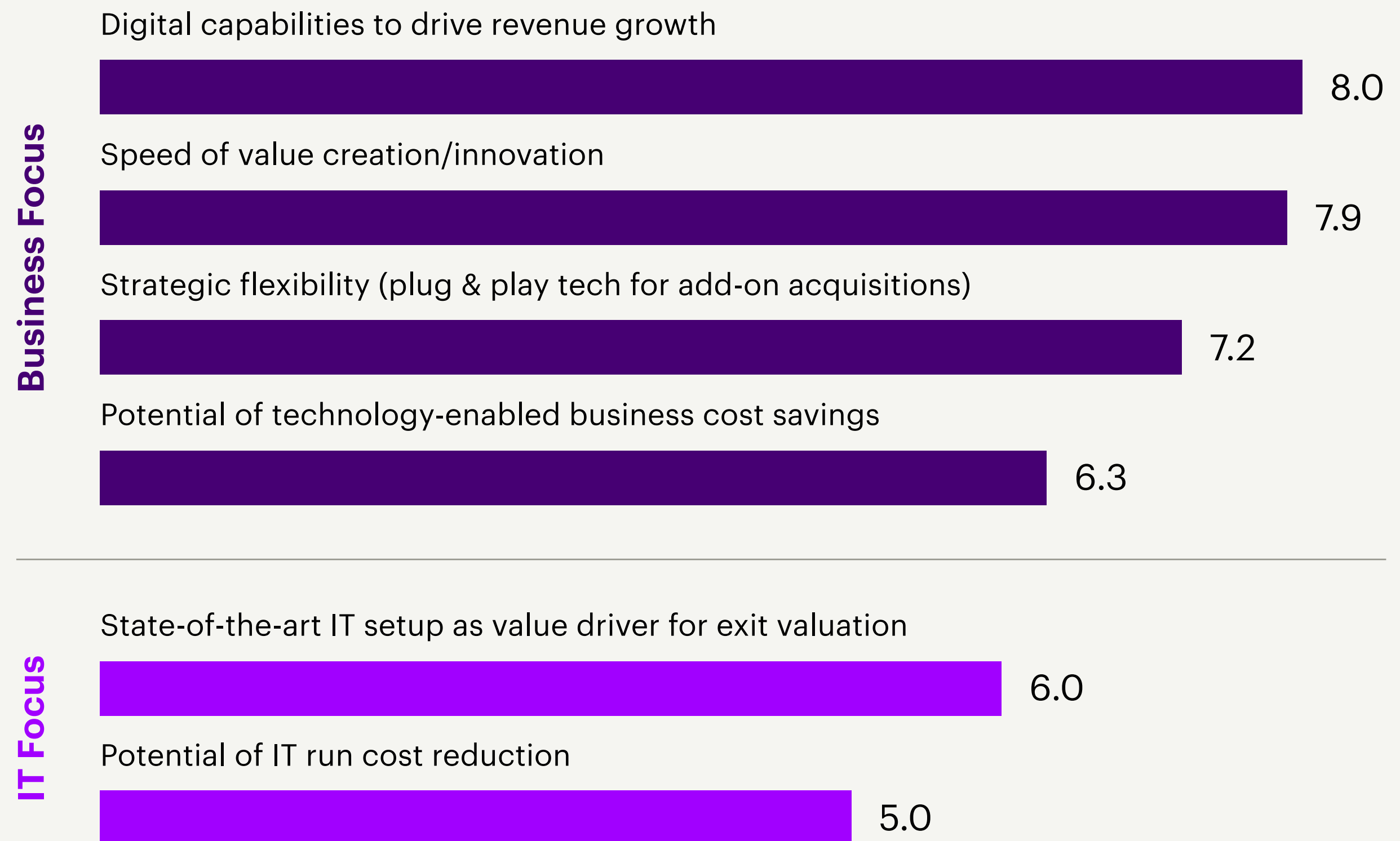
Private equity leaders share their thoughts

We asked 50 PE leaders from Europe and North America about their track record with technology.

The majority of leaders we surveyed had more than a decade of experience, with fund sizes ranging from US\$1 billion to over US\$100 billion. As Figure 1 shows, they lean toward a business focus when considering technology value creation levers. Setting up foundational technology from a cost reduction perspective ranked further down the list of priorities.¹

Their ambition and focus on business value are positive, but foundational technology—along with a holistic view of the “art of the possible” of these value levers—needs to be a priority as well to achieve what these leaders intend.

Figure 1: The perceived importance of technology value creation levers by PE leaders.



Source: Accenture Strategy survey of PE leaders, 2021. Points given on a scale from 1 (not important) to 10 (very important).

Perception vs. reality

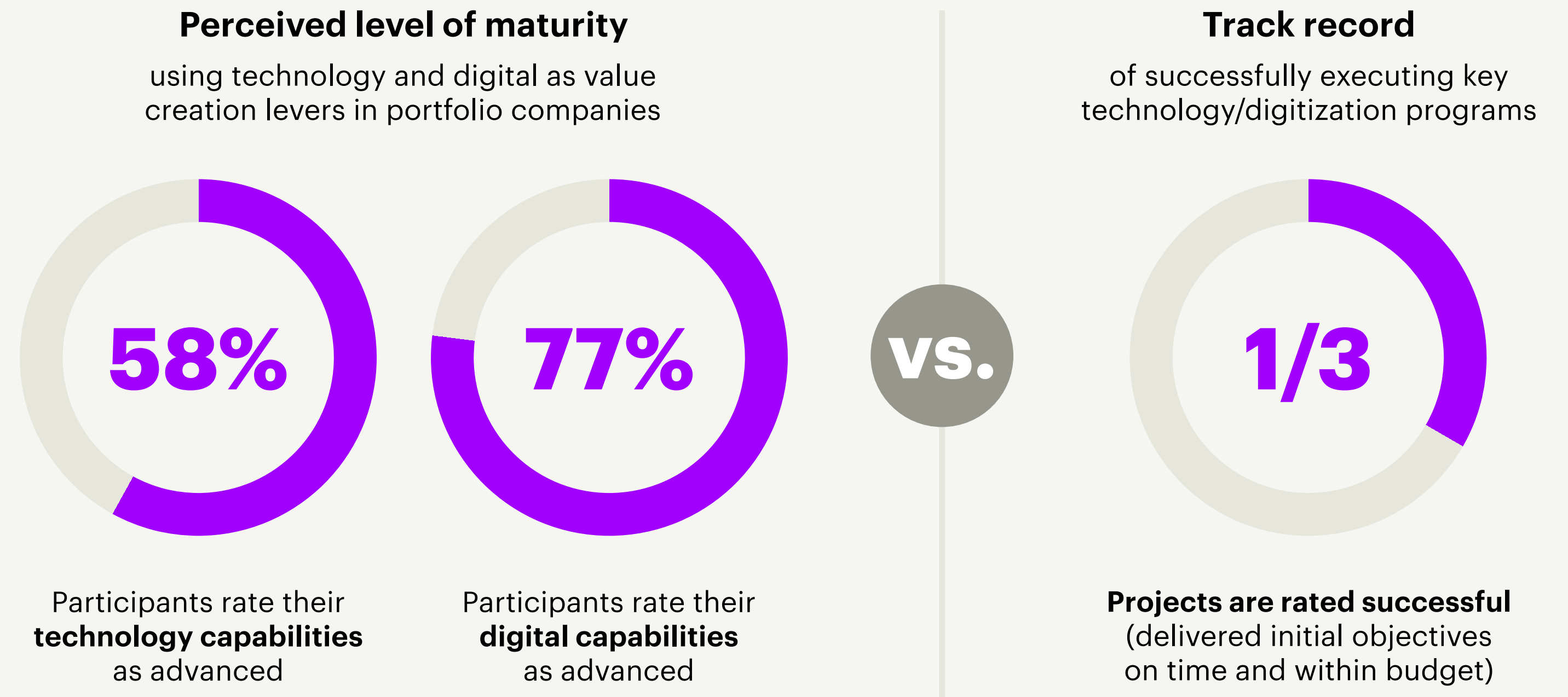
When it comes to technology value creation, PE firms are facing a gap between expectations and execution.



As we look at executing technology and digitization projects, PE executives' track record is not living up to their perception of their company's sophistication and maturity level for the same (see Figure 2). Respondents had higher confidence of success than the numbers support.

Nearly six out of 10 PE leaders surveyed rated their *technology* capabilities as advanced, and more than three quarters of respondents thought of their *digital* capabilities as advanced. The reality begs to differ: Only one in three projects meets the initial goals and is delivered on time and within budget.²

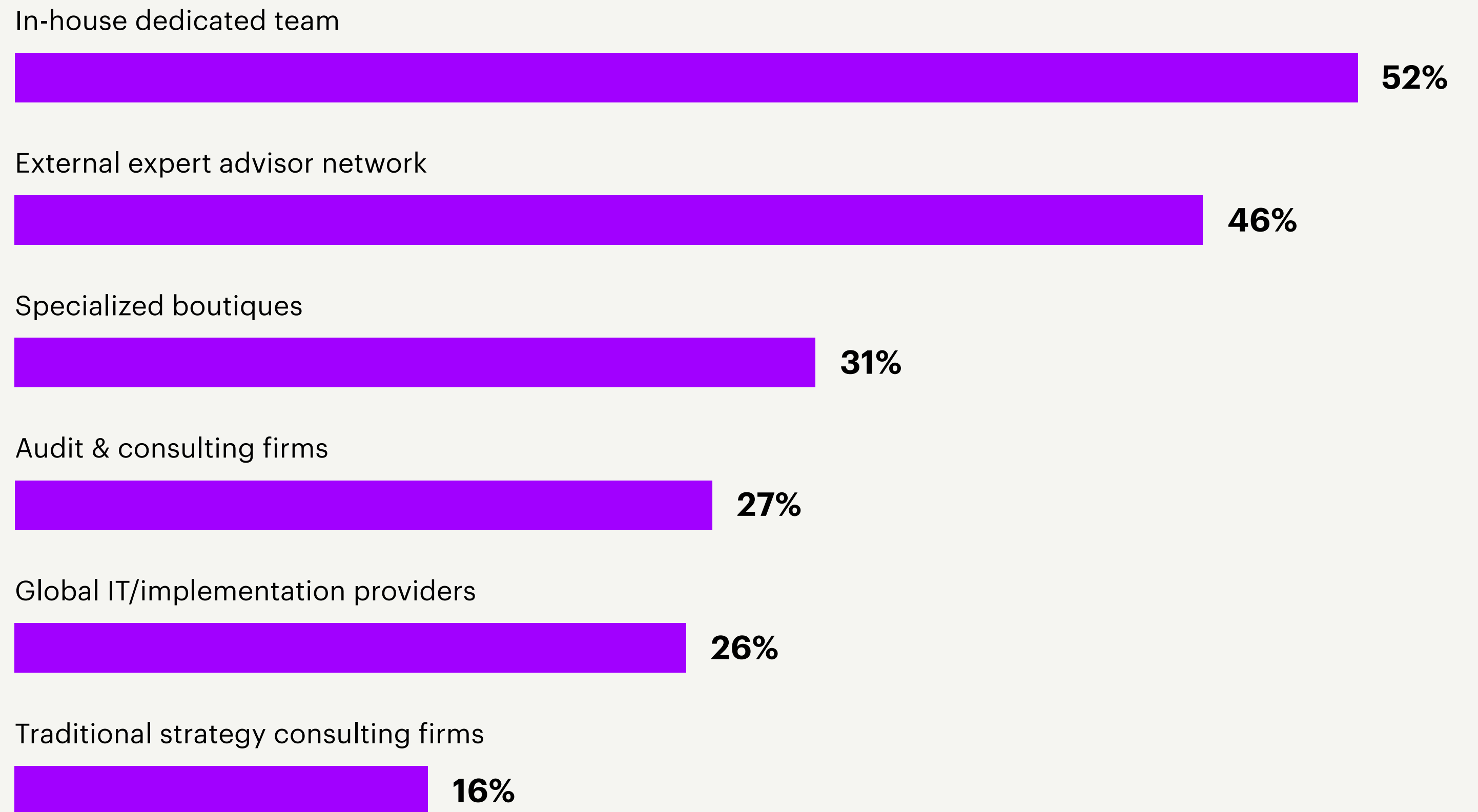
Figure 2: The gap between perceived sophistication and project track record.



Source: Accenture Strategy survey of PE leaders, 2021.

One reason for the gap between perceived sophistication and project track record is less rigor and standardization around the technology versus commercial aspects of a deal. Clear playbooks exist to guide PE teams in the commercial realm—less so for technology strategy and issues. Also, our research shows that technology issues are addressed in the due diligence phase by a wide variety of advisors in a fragmented landscape—often as an addendum to a due diligence mandate focused on a different topic (see Figure 3).

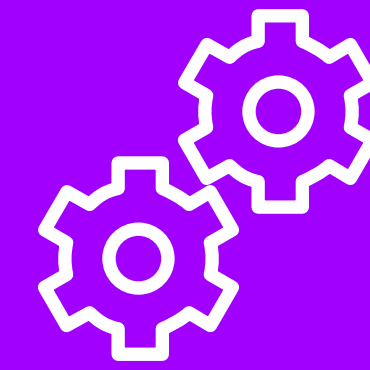
Figure 3: Technology due diligence is handled by a fragmented landscape of advisors.



Source: Accenture Strategy survey of PE leaders, 2021.

In addition, external advisors involved pre-deal in technology due diligence are rarely held accountable for transformation projects post-deal. Just one out of five respondents indicated that they typically use the same advisors for pre-deal assessment and post-deal transformation.³ The lack of consistency can have material consequences including:

- 1. A shortfall of hands-on implementation experience** leads to overly optimistic—or at times pessimistic—pre-deal analysis with unrealistic implementation lead times and budget assumptions.
- 2. Post-deal teams may not consider themselves accountable** for pre-deal analysis, planning and solutioning, resulting in having to start from square one for actual transformation. If the same advisory firm handles both the pre- and post-deal phases, any estimates given by the advisory firm are to be committed to in the execution phase.
- 3. Critical momentum is lost in the team swap and ramp-up.** PE firms can lose two to three months of time-to-value before they can implement the plan due to the need to ramp up the new advisor.⁴
- 4. Deal teams may approach solutioning with a focus that is too narrow** because they are not aware of the art of the possible. For example, using a greenfield approach with [cloud-based technology](#) can help them achieve more than working from legacy technology solutions.



Only

20%

of respondents indicated that they typically use the same advisors for pre-deal assessment and post-deal transformation.









A person in a dark jacket and jeans is walking up a red-carpeted staircase in a modern building. The staircase is framed by large glass windows with black frames. The person is looking down as they ascend. The background shows a tiled wall and a bright light source, possibly a window or skylight.

Why many firms miss out on full value

We studied a dozen sizeable technology/ERP transformation projects conducted by the same PE firm with 12 different portfolio companies, conducting a post-mortem analysis to see how close to target state they were.⁵

Through this thorough analysis, we were able to collect the main reasons for being unable to achieve the target state and maximum value:





Transformation preparation

 Missing resources & capabilities	 No systematic enterprise architecture management	 Insufficient management of interdependencies	 Low leadership involvement
 Immature vendor management	 Unsuitable implementation partner	 Low E2E business process understanding	 Missing data management & quality

Project management

 Low overall program governance	 Limited organizational change management	 Low program transparency	 Unmanaged scope changes
 Insufficient business/IT alignment	 Lack of risk management	 Wrong/non-fitting delivery approach	 Missing value case

Project execution

 Immature solution selection process	 Selection of unsuitable software	 Lack of basic quality assurance methodology	 Unprepared operating organization
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Source: Accenture Strategy analysis, 2022.

Factors for success

Throughout the technology initiatives in their M&A deals, PE leaders will need to guide their teams to value.

We see several factors contribute to success again and again when it comes to technology initiatives in M&A deals. Technology value creation is not just about programs, though. It starts with and is driven by the people involved—both leaders and employees who are impacted by the deal (see Figure 4).



Figure 4: Successful technology value creation programs start with people.

Expectations of leadership team



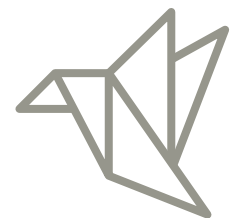
Leadership commitment

Be involved in every step of the way



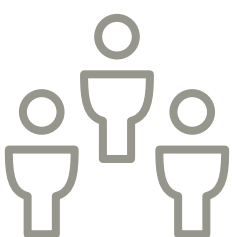
Strategic view

Align with long-term business strategy and value creation



Pragmatism

Design solutions that are fit-for-purpose and adjust in case of unplanned events



Team player

Accompany employees into the new setup as there might be changes for you too



Tech-savvy operating partner

Qualify underlying technology solutions on suitability for the company

Proven guidelines for technology programs in M&A



Value first

Perform a synergy and value case driven transformation



Accelerated execution

Prioritize, using [an Agile approach](#), with fast releases and quick adjustments



Cloud based

Use standard cloud-based platforms to accelerate implementation



Fit-to-standard

Introduce global processes to avoid complexity



Required capacity

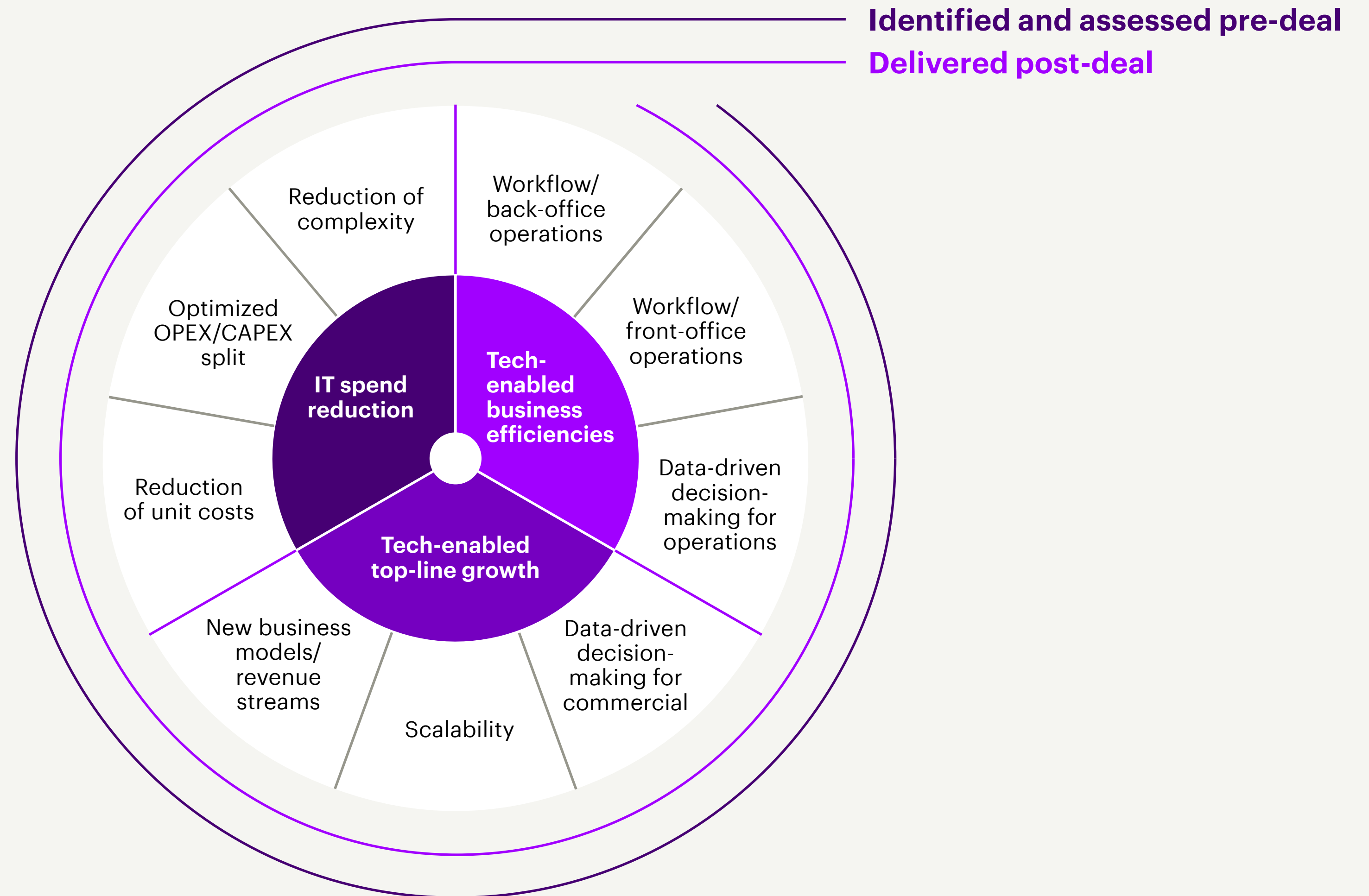
Ensure that people with key capabilities can focus on the program



Source: Accenture Strategy analysis, 2022.

Technology works as a lever to create value in a deal, but it is not being maximized. PE leaders who successfully guide their teams to greater value ensure that they identify and assess the applicable value levers in the pre-deal phase (see Figure 5). This allows leaders and their teams to have transformation impact in record time at lower risk and with proven success.

Figure 5: A focus on technology levers throughout the deal cycle drives business efficiencies and top-line growth.



Moving beyond theory

When SUSE Software Solutions was sold by Micro Focus to investment company EQT Partners, it was a landmark in the company's 30-year journey from enterprise Linux pioneer to global leader in open-source innovation.

The decisions the firm took at this key juncture would shape its future for years to come: What was the best way to manage its business and IT after the acquisition? Should it purchase the existing technology stack? What were the risks and opportunities ahead? SUSE engaged Accenture to help it discover, plan and navigate the best way forward. Together, they reviewed SUSE's existing IT set-up.

There was an extraordinary opportunity in scope. With a complex legacy systems and applications landscape, and a heavy reliance on manual processes, the company would be able to use this acquisition as a springboard for reinvention.

Change was essential and for SUSE, this was the perfect time to start afresh. Free to leave behind the old ways of working and challenge the status quo, it could build on its strong brand to create a new, standalone company—purpose-built for future growth. First, SUSE asked Accenture to carve out its business from the Micro Focus group of companies. The next step? Setting up SUSE's new business processes and IT landscape from scratch.

Right from the start, the time pressure was intense. Under the transitional service agreement (TSA), SUSE would have to pay each month to use Micro Focus's systems and processes after the legal separation. The sooner it could stand alone, the better—for strategic and economic reasons.⁶

With the clock ticking, Accenture designed and built a greenfield end-to-end IT landscape for SUSE—running 100% in the cloud. Accenture conceptualized, planned and implemented almost all of this new IT landscape—from strategy to execution. It also managed the few implementations performed by third parties.

Against the backdrop of the COVID-19 pandemic, the project was completed within 16 months. That was eight weeks ahead of the divestiture deadline, and 16 weeks earlier than planned. It was also much faster than the 24 months it would have taken to carve out and re-integrate the old IT stack. By going live two months ahead of schedule,

SUSE realized significant savings on the TSA fees it would otherwise have had to pay to Micro Focus. But that's just the beginning.

SUSE is now poised to grow its business in completely new directions. With new, touchless finance and sales processes, built round the customer, its partners consultancies and tech companies can easily buy and self-register their products online. They automatically receive an invoice a month later.

The user experience has been transformed. Most queries can now be handled automatically, with manual intervention reserved for the most complex interactions. The result? Partners enjoy a better experience. SUSE boosts its operational efficiency.

As business grows, SUSE's cloud-based billing can scale rapidly to process many millions more invoices. Augmented by automation and AI, SUSE's technical sales teams are also cross-selling much more effectively. Sales have already risen by 27%.⁷

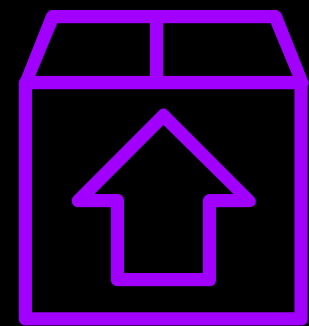
Innovation and productivity have been turbo-charged too. With state-of-the-art tools at their fingertips, developers across the Linux community can seamlessly collaborate and share code. And that's key to new growth for the business from now on.



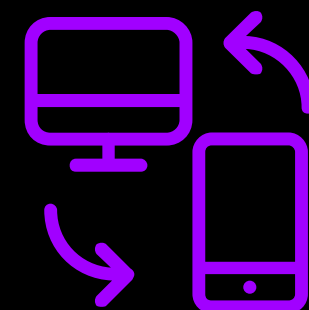
Not simple, yet easier than ever

Foundational technology and digital gains are not easy wins in portfolio transactions, even for the most seasoned PE leader. However, it becomes easier with the help of cloud technology platforms and end-to-end partners.

Partnering with business and technology experts who know the private equity space as well as they know technology helps. While not easy to design and implement, obtaining the full value from technology is easier than ever for two reasons.



First, **digital now comes “in a box.”** Core technology platforms in the cloud like Salesforce and Workday enable companies to quickly introduce state-of-the-art digital capabilities without high upfront investment or tremendous organizational change management efforts.



Second, companies like Accenture can help as **end-to-end partners** for the deals PE firms make, from due diligence to implementation, reducing time to value. We have helped some of the world’s largest PE firms with their M&A transactions across the deal cycle, with a particularly strong track record in value creation enabled by technology and digital transformation.

Tapping technology during M&A journeys activates additional value levers for PE investors, leading to cost reduction, enhanced flexibility and top-line growth. Accenture can support private equity firms every step of the way.



Click to connect with the authors about how we can help your firm leverage technology for greater value.

Get in touch

References

1. Accenture Strategy survey of 50 private equity leaders conducted in October-November 2021. Respondents were based in Belgium, Canada, the Czech Republic, Germany, France, Ireland, Italy, Spain, Sweden and the United States.
2. Ibid.
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4. Based on Accenture Strategy client experience, 2022.
5. Accenture Strategy analysis, 2022.
6. Accenture Strategy, [Digitizing mergers and acquisitions](#), 2021.
7. Accenture, [Cloud-first for the future: Fueling new growth for SUSE](#), 2021.

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Accenture Strategy works with boards, CEOs and C-suite executives to create 360° value for all stakeholders by defining and answering their most strategic business questions—including growth, profitability, technology-driven transformation, mergers and acquisitions (M&A), operating models and sustainability—with insights from AI and data science, combined with deep industry and function expertise.

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