Post-Merger Integration
How to achieve quick wins and successful long-term strategy at the same time?

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Following the merger between Fortis and BNP Paribas in 2009, the newly formed entity BGL BNP Paribas S.A. - carried out a very important merger integration programme involving the business and technical platforms of the former BGL and BNP Paribas entities in Luxembourg.

From 2010 to 2012, different projects within this large programme were designed to support the integration of BNP Paribas and BGL. Generally speaking, the strategy of the programme relied on 4 principles:

1. The integration effort should be transparent for the customers of the new entity
2. Organise the commercial business lines of BGL BNP Paribas along the BNP Paribas model: Retail Banking (RB), Wealth Management (WM) and Corporate and Investment Banking (CIB)
3. The technical part of the merger had to go 'live' in a 'big bang' modus (on a three-day holiday weekend)
4. An extensive re-use of existing platforms, which in this case meant pre-existing BGL platforms (with the notable exception of the CIB business line)

To illustrate the complexity and potential pitfalls of the technical part of a merger, we focused on the programme coordination team (CIT) and CIB projects of the programme, largely because the latter proved to be the most complex to implement given the short timeframe.

Time over money

Post-merger integration risks are related to uncertainty and resistance to change. Involvement of the whole organisation through concrete actions will make the process quicker and less painful as each stakeholder is called for contribution. From a 'change management' perspective, it is essential to keep integration efforts in a very ambitious time box. While a complete analysis and design phase is mandatory, overly extending a programme rollout can hinder people buying in, which again could balloon costs, especially if integration teams are frequently changed during the project. In this sense, it is good practise to prefer 'time over money'.

The tactical approach was to identify projects that could result in quick wins which build up morale and the future operating backbone of the bank. For the CIB business line, this meant migrating BGL's treasury from the legacy infrastructure to the CIB BNP Paribas Group platforms in September 2010. Like for the other business lines and functions, this was followed by the global 'fold-in', i.e. the complete integration of both BGL and BNP Paribas Luxembourg on 1st November of the same year.

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Achieving a quick integration means being well-prepared, involving the right people from both organisations in core business tasks (communicating, planning, decision-making and assembling) and having a strong dedicated core integration team.

Operational rollout should be championed by strong leaders within both organisations, i.e. key resources from both entities who were appointed to run the integration programme. Of course, direct access to the top management is of paramount importance in defining the operational and business strategy as well as the way/phases through which to achieve it.

Those managers have the overall operational responsibility for appointing the key stakeholders/experts who will support them on the project, reviewing and managing time schedules, defining priorities, initiating projects and change management, monitoring the implementation of planned activities and handling post-merger related issues as they arise.

The local governance of this large programme was built on a classical programme management structure:

- A local integration committee functioned as the main steering body on all local pre- & post-merger efforts (Luxembourg integration committee)
- A programme steering committee *(Comité de Pilotage)* governed all the technical and operational aspects of the merger programme. It mainly supervised the GAP bridging projects (IT projects to adapt target IT system) and data migration projects (projects aiming to realise the fold-in)
- The Luxembourg integration governance reported to the BNP Paribas Group Integration Structure steered by a group integration committee which followed all integration programmes in each country/domain
- Local operational committees on the various projects of the programme managed day-to-day decisions on project level
- The merger strategy was based on a 'big bang' approach in three steps:
    1. Migration of the customer database and contracts and management of intermediate period (as the databases were migrated one month before the balance sheet)
    2. Migration of the balance sheet, e.g. accounting data (customer products, positions and bank's positions)
    3. After-care period to follow up pending issues or post-fold-in activities

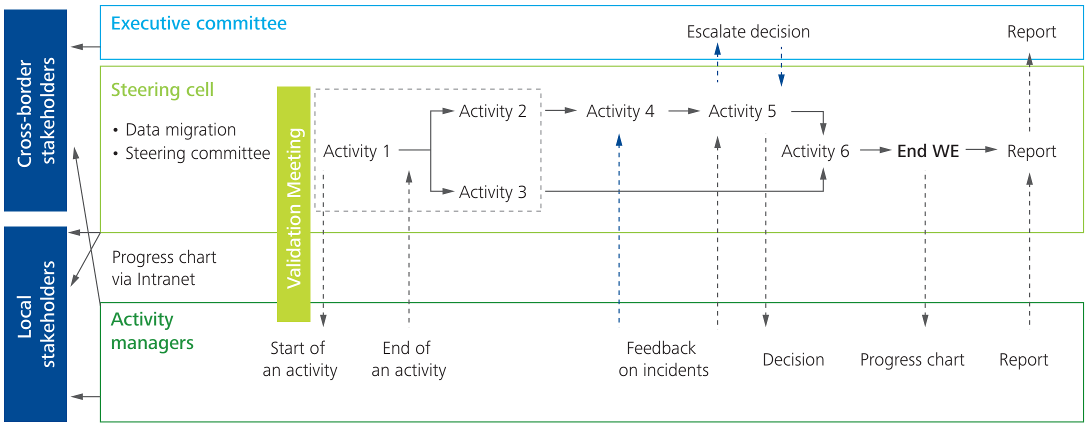
To manage and pilot all these works consistently, from an end-to-end point of view, a Central Migration Team (*Cellule de Pilotage*) was put in place to monitor and pilot the sequence of project go-lives during the merger weekend. The CIT acted as the single point of contact among all stakeholders of the various projects and ensured there was no gap in the whole chain of tasks to be carried out. The CIT verified and challenged the migration strategy for each product and item, and checked if each migration project took into account all end-to-end aspects, more precisely the:

- Coverage of total scope of the migrated balance sheet (take into account all customers and all concerned products)
- Product mapping: for each data type or product, verification of the existence of a similar product/item within the target IT system. In case of GAPs, the team assured that a GAP bridging project took into account the adaptation of the target IT system in order to secure its migration. It was not allowed to keep items in the original system or to change the customer conditions in its disfavour
- Customer data mapping: specification of customer data (addresses) and contracts (terms & conditions) database to assure that the bank will be able to respect all the contract items after the migration
- Operational data and accounting data
- Impact on treasury positions
- Respect of legal constraints (e.g. timing of legal merger important for the planning)

Figure 1

Planning	Under responsibility	Purpose
Planning central (consolidation)	CIT	ROAD-MAP including all migration activities and its interdependencies to manage the following items: • The duration of each activity • The timing for each activity • The responsible person of each execution • The global elapse time of the migration • The logistics needed to support all works
Planning by project	Migration/project managers	Each project has its own detailed tasks planning ITs global execution tasks (activities) are aggregated in the central planning

Figure 2



Key success factors

- **The project team location:** all people involved who are part of the integration management have to work physically in the same office for the duration of the project implementation, testing and Go-Live phases. This is an important consideration and eases communication pertaining to task start and completion and towards the resolution of any issues that may arise
- **The project team communication and coordination:**
  - Tasks are centrally managed by the CIT coordination team who build up a bank-wide micro plan as the definitive task list in a consistent task scheduler. The schedule tool takes into account all technical and operational constraints in order to execute the migration activities in a consistent way (mange order of all IT, manual and control process steps)
  - The CIT team acted as a control tower on an airport. Only a formal GO given by the CIT team could give the authorisation to execute, hold or restart tasks. CIT was in charge of officially reporting task completion, calculation of total elapsed time and evaluation of the execution quality (KPI & control report after completion of each task). An official and formal escalation process was defined to use if alerts appeared (e.g. non-respect of timing, lack of quality, etc.). All these aspects were trained three times in a 'dress rehearsal mode'

As a support, a dedicated scheduling tool was implemented to support the work of the CIT—the Web Action Inventory Follow-up (WAIF)—whose role was to gather all the tasks required for the operational 'fold-in'. This inventory was fed by the CIT during the preparation phase of the project based on the detailed planning defined by all the streams within the bank (Retail, Wealth Management, Corporate and Investment Banking, Operations, HR, etc.). This planning assured a consistent migration execution process, mainly in order to sort the different IT jobs, manual interventions and controls. It also put in place 'roll-back' security mechanisms and fixed the latest possible 'point of no return'.

This tool did help make interdependencies apparent by linking all activities required for the integration together. It helped to share the reviews and corrective action after dry runs.

This finally allowed to bridge gaps and identified potential grey areas or weaknesses in the whole integration process, and helped the management to balance competing interests and objectives.

Long-term vision

- Tool for defining, testing and monitoring operational integration plans
- A global plan is deployed for each migration, led by data migration coordinators (based on identified activities)
- Detailed planning (of activities) are managed by each project

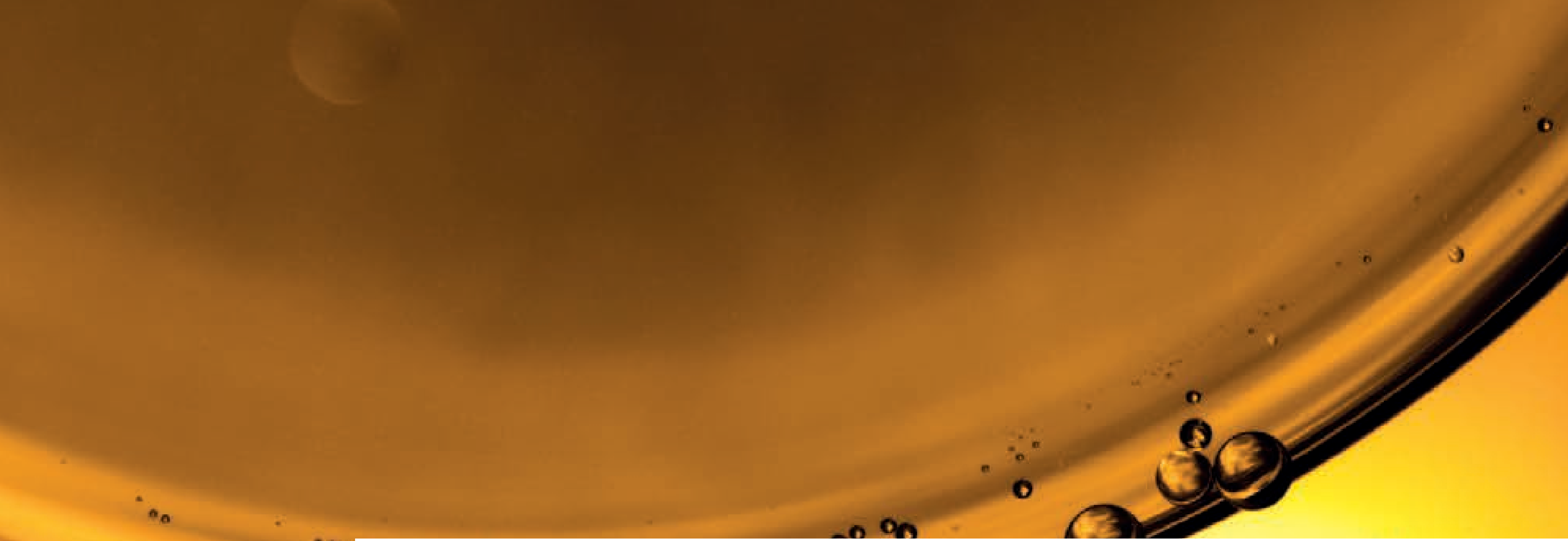
Employee buy-in enables the transition from the intense pressure of the quick wins period to the time for a sanity check and consolidation of structural solutions

Most managers hope that the integration will be carried out as quickly as possible so that they can focus completely on the operational business. However, post-merger integration also needs time to strengthen the newly defined operating model, fine-tune the systems and optimise the new organisation.

Measuring and communicating the integration's implementation and its milestone successes are also crucial to the long-term vision and strategy of the bank. By keeping these results visible, employees can experience the effectiveness of their collective efforts.

Employee buy-in enables the transition from the intense pressure of the quick wins period to the time for a sanity check and consolidation of structural solutions.

Based on the interviews of project and programme managers involved in 2010 in the integration projects for the 'fold-in' of BGL BNP Paribas and complemented by the bank industrial plan, additional projects were initiated in 2011 and 2012 to complete the post-merger integration process and enable more operational efficiencies, i.e. alignment of processes as well as front and back-office platforms with the group standards.



Conclusion

Those projects aimed at simplifying the operating model based on a harmonisation of platforms and a mutualisation of front and back-office teams in order to serve all the clients of the bank thanks to a simplified and integrated architecture.

- Quick operational integration is a requirement for buy-in. Involvement of each party is key (Business, Operations, Finance, Treasury). Terminology consistency is also very important, as the same word does not always mean exactly the same from one entity to another or in different departments
- Strong and consistent governance with clear rules needs to steer all activities
- Long-term vision and clear industrial plan need to be brought at the same time to give people visibility and confidence in the future operating model
- The buy-in of operational insiders is key. As the actual users of the existing applications and procedures, they will bring the technical expertise to the future organisation. Ideally, they should participate in the definition of the target operating model
- Senior-level leaders should encourage cross-organisational reflections and establish 'one company' measurement processes to minimise the natural tendency to stay cloistered within functional silos

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Sources:
[Materials from BGL BNP Paribas from the Integration Project]