# Infrastructure services delivery planning for M&A: An ounce of prevention

Part of the *#Tech @the heart of M&A* series on M&A technology topics

Your company has just entered into an M&A transaction and you immediately begin to compile a lengthy, daunting list of the divestiture- and/or integration-related changes that your information technology (IT) infrastructure may require: separating or migrating applications and assets, building new data centers, reorganizing operations, retaining/restructuring talent, and more.

One important area that merits close attention is IT infrastructure service delivery. Surprisingly, IT leaders often don't spend as much time as they should thinking about how their infrastructure services are delivered, even if that infrastructure is the backbone upon which the entire IT service delivery runs.

As Benjamin Franklin said, "An ounce of prevention is worth a pound of cure." This adage certainly applies to infrastructure services delivery planning during an M&A transaction. Understanding how your current delivery model should adapt to absorb additional demand stemming from M&A activities is critical to a successful Day 1 transition. Inefficient service delivery can slow IT transformation and threaten Day 1 readiness for the entire company. In a separation, it can also greatly increase the number of Transition Service Agreements (TSAs) and, thus, the capital expenditure required to cover IT services that cannot be separated by the close date.

To prepare your IT infrastructure to manage an M&A-related services delivery load (e.g., requirements intake and server/database provisioning), you should consider the need to implement some or all of the following steps:

- Conduct a readiness assessment and shore up gaps in the delivery model
- Compile an inventory of services required to support transaction-derived activities
- Consider leveraging cloud infrastructure capabilities—Infrastructure as a Service (IaaS), Platform as a Service (PaaS), or Software as a Service (SaaS)—to expedite delivery, reduce risk, and manage cost
- Partner and communicate with business and application teams on infrastructure delivery
- Measure and control the delivery of services

### Ways to prepare for M&A-related infrastructure services delivery

Steady-state infrastructure delivery excellence does not ensure a company's readiness to support the unique demands of an M&A transaction. A separation or acquisition creates major disruptions to IT organizations and increases the demand for IT infrastructure services by an order of magnitude. Immature service delivery models can compound infrastructure limitations and quickly bury IT organizations. Even companies with more mature delivery models are often unprepared to meet an M&A transaction's additional needs. Activity-focused problems can manifest themselves in a number of ways; both seller and buyer will likely have to make adjustments. For example:

- Infrastructure teams may not be properly staffed to manage transaction workloads while maintaining focus on delivering "run-the-business" activities
- IT organizations are often not ready to support the accelerated scaling, provisioning, or delivery required
- Infrastructure services delivery may be delayed because teams do not have a clear understanding of requirements and timelines, or they do not have the appropriate tools to meet the aggressive timelines
- Application teams, particularly on the buyer side, may not have a clear understanding of how to request the new infrastructure services
- Resources may not be prepared to provide status and updates to address additional deal-related scrutiny, taking time away from valuable delivery activities

In contrast, delivery models tuned for an M&A transaction can speed up services delivery, facilitate resource management, increase visibility into project progress, and quickly identify areas of concern. Through our support of many M&A transactions, Deloitte has identified five steps to facilitate infrastructure service readiness. This is not an "all or nothing" proposition. Each step operates independently but all reinforce each other. If your company is already strong in one area or decides to move in a direction that doesn't require a specific step, you can still craft a robust approach that meets your M&A transition needs.

### 1. Conduct a readiness assessment and shore up gaps in the delivery model.

To determine transition readiness, you should assess your delivery model's maturity and preparedness for transaction activities. Establishing a baseline for current service delivery capabilities and understanding M&A transaction requirements can help you fine tune the model (people, processes, and tools) in advance of transition activities. Typically, preparedness is assessed around a few key dimensions:

- *Requesting services*—What is the baseline catalog used to request services and how widely is it adopted?
- *Delivering services*—What adjustments, if any, to the current service level agreements (SLAs) will be needed to support the unique requirements of the M&A transaction? How can transaction-related work be put in a different, potentially prioritized, queue?
- *Flexibility and scalability*—What alternate service delivery models (e.g., IaaS and PaaS) should be considered to address scalability, cost variability, and delivery flexibility?

Once the analysis is complete, your IT organization can create a roadmap for implementing infrastructure service delivery improvements while aligning with M&A-related requirements and timelines. Speed is of the essence, so prioritizing activities that will have the greatest up-front impact on services delivery is imperative (i.e., service request process improvements could be more important than status reporting changes).

### 2. Compile an inventory of services required to support the integration/separation.

Compiling an up-front inventory of infrastructure services should help avoid surprises later. Without a comprehensive view of existing services, you may find it difficult to determine the resources you will need to execute upcoming work; also, you may be unable to spot where that lack of knowledge might pose program delivery risks. Getting the resource demand accurate is important because it feeds directly into infrastructure cost projections. Engaging both seller and buyer application teams to compile a full inventory of required services improves project planning and collaboration.

### 3. Consider leveraging cloud infrastructure capabilities (IaaS, PaaS, or SaaS) to expedite delivery, reduce risk, and manage cost.

Even companies that possess a solid infrastructure delivery model need to manage the time and capital costs of deploying infrastructure for an M&A-generated "new" business. This often requires physical hardware installation, network and operating system build-outs, database installs and/or consolidations, and more—a process that can take months. Opting for a cloud infrastructure can shorten your infrastructure delivery time, free up critical resources, and reduce capital costs.

Growing numbers of companies are taking advantage of a transformational event such as an M&A transaction to explore opportunities using newer technologies like the cloud. Leveraging a cloud infrastructure's self-service capabilities may reduce deployment time to a matter of hours instead of weeks or months. It may also free up valuable human capital to focus on the M&A transaction's more strategic activities. For a recent client divestiture project, Deloitte established a self-service cloud environment that enabled requesters to directly provision the servers they needed.

Cloud-based IaaS options can help companies move from fixed capital costs around their IT infrastructure footprint to a more "pay by the drink" (capacity on demand) variable cost model. For instance, it can be difficult for a company accustomed to operating as a single entity to estimate how much capacity will be needed to run distinct systems after a separation. If requirements are underestimated, the organization can experience scalability issues with system load and storage. On the other hand, if capacity requirements are overestimated, valuable capital may be wasted. IaaS resolves this problem by enabling rapid capacity scaling for CPU, storage, and memory. This approach also shortens the planning cycle because it helps reduce the need to precisely estimate capacity requirements up front.

One other advantage: By leveraging an external cloud, a company can convert traditional capital expenses into operating expenses. This may be particularly important when trying to manage an expensive divestiture's up-front, one-time costs.

**4. Partner and communicate with application teams on infrastructure delivery.**

Partnering and communicating throughout an M&A transaction are sometimes overlooked by IT-focused staff, but they are important elements in a successful infrastructure separation program. Don't just inform; involve and educate. Take ownership to help ensure that all stakeholders have a firm understanding of the processes, roles, and responsibilities required for service delivery. This will help resolve process breakdowns before they occur, reduce fire drills, and increase downstream customer satisfaction. Collaborative work processes and regular communication are particularly important in helping application teams understand infrastructure requirements and responsibilities. Project leaders should consult with application teams in an M&A transaction's requirements-gathering and prioritizing phases.

**5. Measure and control the delivery of services.**

That which gets measured gets done. The M&A and IT teams should establish processes to clearly measure and control services delivery against SLAs and project plans during and after the transaction. At the project level, measurements and controls can help identify discrete infrastructure deliveries that may put critical path items at risk. At the program level, they can help uncover problems in the service delivery model by highlighting patterns of service types that are commonly past due. Once identified, this can enable effective problem reporting, empower proactive issue resolution, and reduce program risk.

The stakes in an M&A deal are high for both seller and buyer; however, by properly planning for infrastructure services delivery early in the transaction, you can smooth the road to IT separation and integration and position both companies for Day 1 success.

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