

IT Infrastructure in Post-Merger Integration

Strengthening your company's technological
backbone



PwC Point of View





Introduction

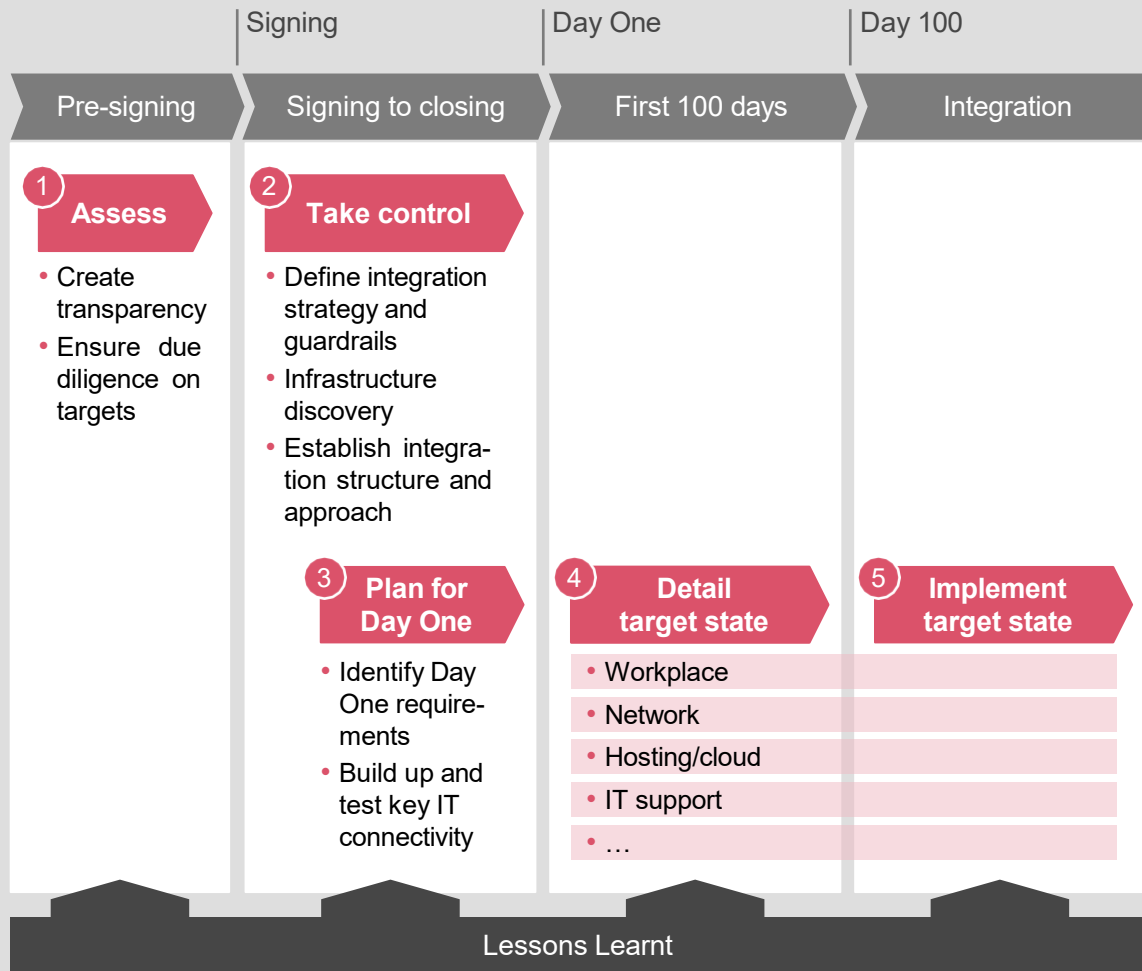
If you think about IT infrastructure in a post-merger integration (PMI), you might think of all the technical topics you need to consider and which seem far away from the actual business. Although it is true that many technical details need to be dealt with, we found that IT infrastructure is a crucial element of successful business integration:

- Collaboration infrastructure is essential for staff to work together effectively and efficiently. Services like email, chat, document exchange, telephony and video conferencing provide common platforms for teams to communicate and collaborate in a new, joint organisation across former company borders.
- IT infrastructure forms the backbone of seamless business process integration. Joint, harmonised services such as compute, storage and connectivity lay the foundation for system integration and data exchange.
- IT infrastructure also has many touchpoints with employees of the legacy organisation. The way that IT services and support are provided shapes the working experience of staff in the new, joint company.

Therefore, we believe that it is important to have a clearly defined plan for IT infrastructure integration for both Day One and the future state, as well as a thorough understanding of interdependencies with other integration streams.

In this white paper, we will demonstrate an approach to IT infrastructure integration and summarise the key success factors and lessons learnt based on best practice and our recent projects.

Our approach to IT infrastructure integration



PwC's general approach to post-merger integration (PMI) is structured along the deal phases (see figure). During each phase, a set of activities is required to prepare, plan and implement successful integration of the IT infrastructure.

1 | Assess

As part of pre-deal due diligence, a couple of basic pieces of information on IT infrastructure need to be gathered. This information needs to feed into the overall deal negotiation and merger business case. Therefore, you need to identify key differences in infrastructure strategy and setup which may lead to incompatibility and/or require more effort to integrate (e.g. Microsoft vs. Google office software). You should also identify key risk areas involving outdated technology or where investment is needed (e.g. outdated operating systems still in use).

2 | Take control and set the course

In this early stage, you need to decide on your strategy for IT infrastructure integration. Do you want to fully integrate both legacy landscapes, or are you going to aim for very focused, selective integration? Depending on legal restrictions in the pre-closure phase, the first information exchange regarding current infrastructure setup between the still separated companies can begin. Besides gaining valuable insights which will influence your integration approach, this is also a good opportunity to start building relationships and lay the foundation for later teamwork.

Our experience has shown that it is very important to come up with a clearly formulated and well aligned integration approach – i.e. how do you envision the target infrastructure state and what are the guardrails for decision making? Regardless of the integration approach ('winner takes all' or 'best-of-both-worlds'), having all teams aligned to the chosen method can avoid unnecessary discussions when designing the future state and conflicts between legacy teams. For the later stages, it is also helpful to formulate this target state in the form of an infrastructure vision statement and set key integration targets and priorities for the first 100 days and the first year.

3 | Plan for Day One

The amount of short-term IT integration required for Day One depends on your individual business setup and requirements. Usually, we see that companies aim for basic collaboration integration solutions to allow their business teams to start working together after Day One. Another important immediate measure is enabling access for key business applications required to control the joint business and start leveraging synergies.

IT infrastructure leads should ask the following questions to define the integrated IT infrastructure support required for Day One (see below):

4 | Detail target state

Based on your chosen integration strategy (full vs. partial integration) and integration approach, you now need to define the future state for your integrated infrastructure landscape. You should not only consider the infrastructure technologies (platforms and products), but also the infrastructure service portfolio, the support and delivery structure (global vs. regional vs. local), and the organisational dimension (organisational structure, people and skills).

As part of this phase, you should create rough integration cost and resource estimates for each of the infrastructure domains. This is a major input for the overall PMI business case.

Questions for Day One



Collaboration

- ❑ Will all employees use one joint email domain after Day One?
- ❑ Do calendars need to be integrated to coordinate joint meetings?
- ❑ Which platforms/tools will be required for virtual meetings?
- ❑ How will teams collaborate or exchange documents and information from Day One onwards?

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Applications

- ❑ Which business applications and user groups will need cross-company access (e.g. finance/controlling, HR, management reporting)?
- ❑ Which other internal information platforms (e.g. intranet) need to be made available?
- ❑ What access method is required/suitable (direct vs. virtualised)?

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Support

- ❑ What are the service hours required in both legacy organisations?
- ❑ Which are the critical business processes that need attention during and after Day One?
- ❑ How will support be provided to users who run into issues with new solutions on day one?
- ❑ How will tickets be routed to the right service desk in case of cross-landscape issues?

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Connectivity

- ❑ Will there be any immediate need for direct network coupling (e.g. connecting data centres or sites)?
- ❑ Are we expecting relocation of teams or significant cross-company travel of employees which could require dedicated access options to the corporate network or the internet?

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Security

- ❑ Are there any disparities in security levels or regulations which require dedicated protection or isolation measures to safeguard company assets (e.g. setting up specific firewall rules or access restrictions)?
- ❑ Will the users of the joining company be treated as regular internal users or external users/guests during the initial phase?

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4 | Detail target state (cont'd)

When creating detailed infrastructure integration plans, you need to cover the classic dimensions of good programme and project management:

- Scope of the integration projects
- Timelines and milestones for key activities
- Costs/resources and integration synergies/savings
- Project risks and interdependencies
- Quality and change management processes

Creating a comprehensive infrastructure integration roadmap is not easy. Based on bottom-up planning in each domain, you need to identify a logical path towards the target state. This often requires you to sequence integration work – for example starting with network integration to lay the foundation for application accessibility, or integrating user repositories to allow workplace harmonisation.

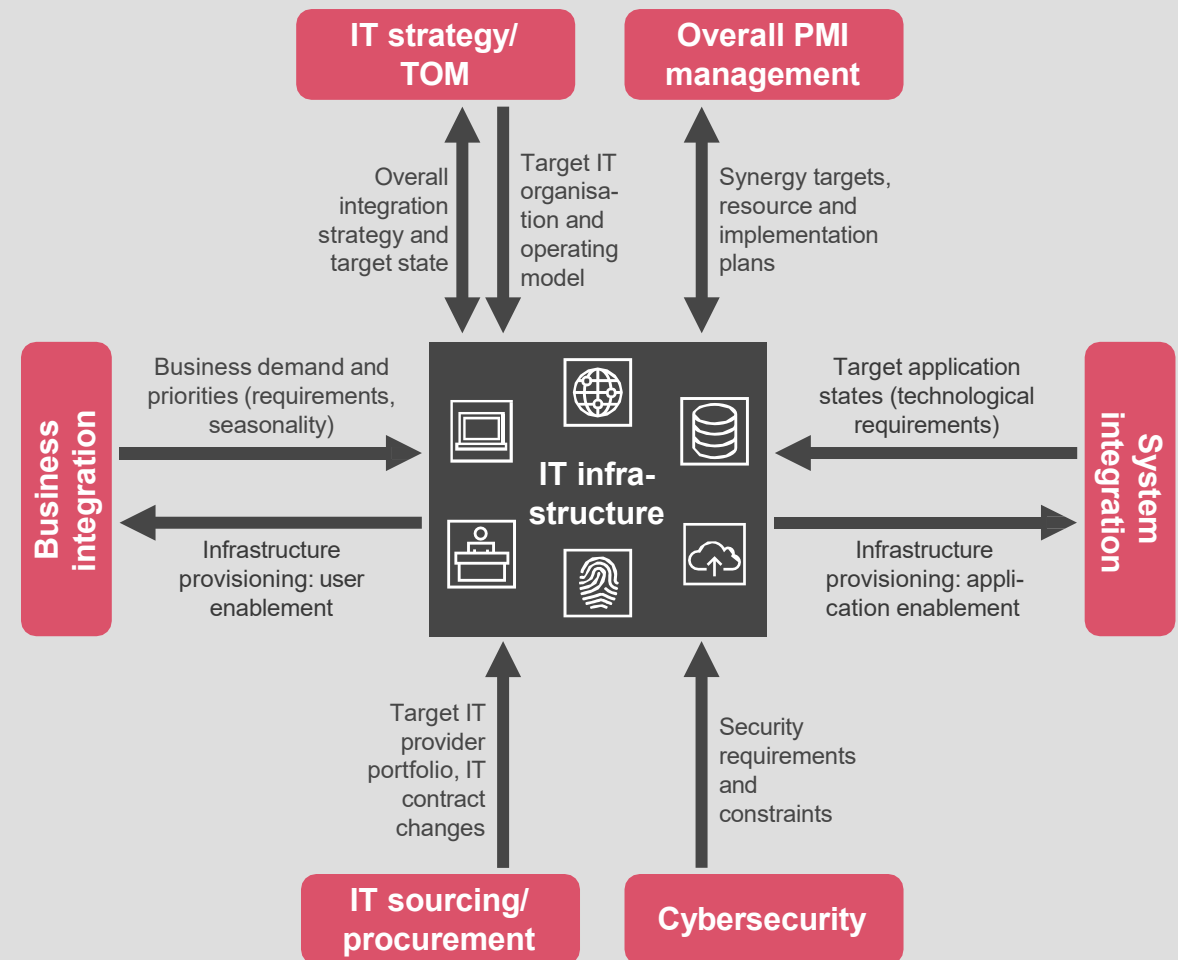
Since infrastructure provides the backbone for many other integration activities, it is crucial to identify and manage potential interdependencies early on. Some typical examples are outlined in the figure to the right.

5 | Implement target state

During the implementation phase, there are some typical issues and pitfalls you should consider when executing your integration plans:

- Which services can be implemented out of the box and where do you need data migration (consider data volume/transmission bandwidth)?
- Are there any specific requirements regarding handling of data, e.g. resulting from legal/litigation perspective, data protection regulations or other company and IT (security) policies?
- If integration requires deployment of hardware or software, have you considered the necessary purchasing and logistics processes and lead times?
- Where can you leverage tools/automation or external outsourcing?

Typical interdependencies in infrastructure integration



Five lessons learnt on infrastructure integration

Our experience has shown that it is usually not the technical complexity which leads to headaches in infrastructure integration; rather it is the 'soft' organisational or people-related topics or managerial challenges which can make or break a successful integration project. Here are some of the relevant success factors we have seen for infrastructure integration management (see below):



People matter most
... even in IT infrastructure



Establish clear ownership for
infrastructure integration targets



Plan retirement of redundant
infrastructure



Ensure buy-in from business and
application teams



Dedicated end user change
management



People matter most ... even in IT infrastructure

Especially in the very technical area of infrastructure, it is tempting to focus too much on the technological details. However, we have seen that even with rigorous technical planning, the execution of the integration projects can be hindered by the 'human factor'. Especially in large, global IT organisations, it is very hard to implement change if the teams are not on board, ignoring the change or even actively working against it.

The overall HR and organisational integration stream should support you with the task of integrating people. In addition, you should ask yourself which other measures you can take. Here are some ideas:

- **Bring the legacy teams together** – ideally face to face (e.g. in joint workshops or planning sessions) to actively foster working relationships and start growing as a team. We have seen that after-work events in particular have a long-lasting impact on bonding and non-verbal understanding in merged teams.
- **Start by pairing together leadership positions** – one from each legacy organisation. This helps to bring in the perspective of each legacy environment and creates an atmosphere of mutual understanding and respect.
- **'Force' the teams to work together across legacy company or country borders** – people otherwise tend to keep communication in their comfort zone of established environments (legacy teams, reporting lines, time zones). Sometimes you need to mix up teams to get information flowing and foster open discussion.



Establish clear ownership for infrastructure integration targets

During the 'detail target state' phase, you already laid out a clear description of the future infrastructure. For successful implementation, you need to break down and delegate individual responsibilities to the different integration teams.

In large integration projects in particular, it is vital to ensure that the teams clearly understand their integration targets and have the autonomy to steer towards them. It is often helpful to agree on KPIs to track progress over time, since infrastructure implementation projects can last a long time. Throughout the implementation phase, you also need to regularly assess whether the integration targets are still valid or need to be adjusted to internal or external changes.



Plan retirement of redundant infrastructure

The decommissioning of infrastructure platforms, products and services which you no longer need in the target environment is usually a major contributor to your business case for integration. This can be a cumbersome process, since these platforms are usually tightly integrated into your business processes, or you may still have users utilising these assets who have no interest in this change. It can also be hard for legacy IT teams to let 'their' platforms and services go, in which they have invested so much of their time and energy.

The following checklist can help in this process (see figure).

IT-asset retirement checklist



Identify preconditions and dependencies for shutdowns:
Who is using or otherwise dependent on the services that you are looking to retire?



Communicate of planned retirement dates early so that everyone can plan and prepare the necessary steps.



Gain management support if needed (see also the next point on business support).



Provide information about the target platform/product/service replacing the legacy one. Give guidance (and potentially hands-on support) to legacy users on how to transition to the target state.



Define clear responsibilities for technical decommissioning and coordination of any migration or archiving activities.



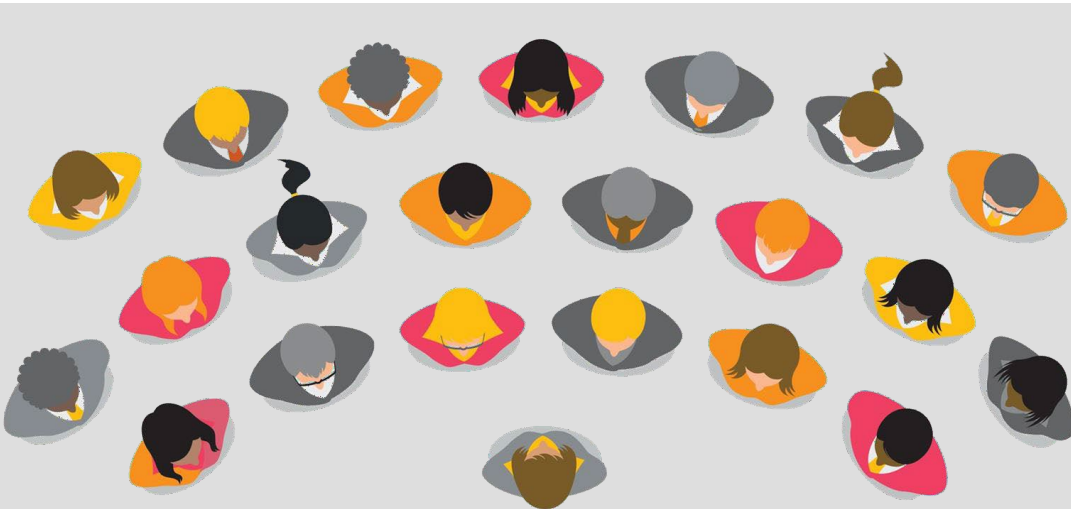
Engage with your Provider Management to ensure that IT contracts and commercial agreements are changed or terminated in due time.



Ensure buy-in from business and application teams

We have already mentioned that IT infrastructure forms the backbone of other IT services and business operations. While this is a huge responsibility, it also creates an important interdependency: you often cannot change your infrastructure without considering the impact on the business, or seeking active support and contribution from the business. In many infrastructure domains, you can only achieve your integration targets and synergies if you are closely aligned with your users and stakeholders. For example, you cannot harmonise your hosting and middleware environment if the applications leveraging these services are not adapted or migrated accordingly.

Hence, you should seek buy-in from business stakeholders at an early stage in your integration planning. During the execution phase, it is a good idea to have a cross-functional team coordinating the interdependencies – e.g. between infrastructure and application teams – and channelling the necessary communications.



Dedicated end user change management

Although the integration of your infrastructure may run mostly in the background, you will often touch on services which have a direct or indirect impact on users. Hence, you should plan proactive and regular communication to your internal IT teams, the user base (internal and external) and the relevant business units. While this will not avoid the usual hiccups that may occur, it can prevent escalation of complaints by uninformed managers ('IT service x has deteriorated') and a general negative attitude towards IT ('I don't understand what IT is doing!').

To do so, you should plan dedicated change management/communication in your infrastructure integration organisation which needs to be included in your design and implementation discussions. The task for change management support is to analyse planned infrastructure changes and identify potential impacts on business and end-users, and to then translate the technical changes into layperson's terms.

A proven communication process covers the following phases:

- **Awareness:** give general information about the target state and upcoming changes
- **Preparation:** provide user guides, documentation or training for services which have changed
- **Migration/integration:** conduct individual user communication with step-by-step guidance
- **Hypercare:** follow-up with links to further information resources

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