Role of Enterprise Architecture in Mergers & Acquisitions

Satish Chandra, Mahindra Satyam

Agenda

Definitions

EA and M&A related experiences

Need for EA Intervention in M&A

Using EA in M & A Scenarios

Discussion

Definitions of Enterprise and Architecture

Enterprise

- An entire enterprise, encompassing all of its information systems

- A specific domain within the enterprise
    - In both cases, the architecture crosses multiple systems, and multiple functional groups within the enterprise.
    - An extended enterprise includes partners, suppliers, and customers.

Architecture

- The fundamental organization of a system, embodied in its components, their relationships to each other and the environment, and the principles governing its design and evolution. - ANSI/IEEE Std 1471-2000

    - The Open Group

Enterprise Architecture

- Enterprise Architecture (EA) is a Collection of Architectures

- EA models Business, Data, Application and Technology as different views that have clear linkages and ensure consistency across the views

- There should be a consensus of all the stakeholders about the EA

- An EA integrates Business and IT to ensure that Business Drivers drive the IT of an organization

- EA occupies a vast space and necessitates the coming together of specialists from various fields (from both Business and IT)

Definition of M & A

A general term used to refer to the consolidation of companies. A merger is a combination of two companies to form a new company, while an acquisition is the purchase of one company by another in which no new company is formed
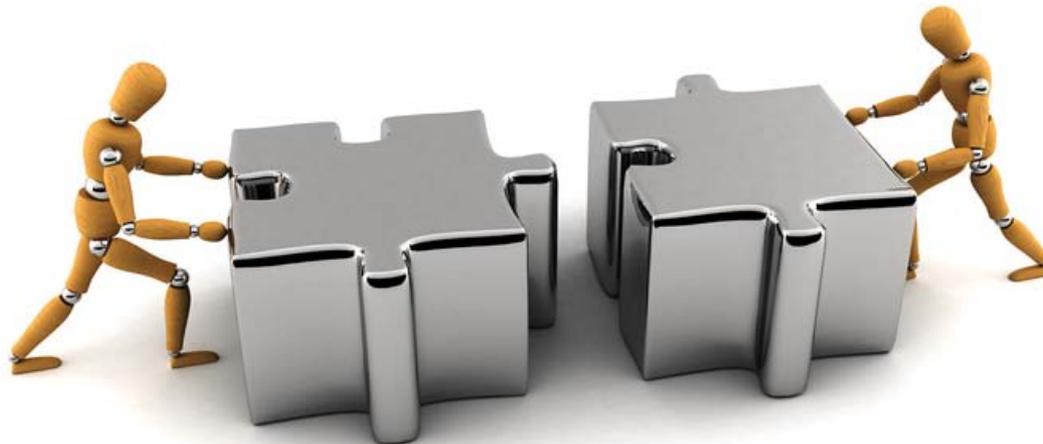
- http://www.investopedia.com/terms/m/mergersandacquisitions.asp

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Case Study 1 - Background

The Bank was expanding rapidly both organically and inorganically

M & A across various geographies

Disparate systems with each system catering to specific business functions

Resulted in redundancy with the existence of multiple core banking applications, multiple electronic banking interfaces and so on

Many of the applications operated in silos and data duplicated between systems

Case Study 1 - Solution

Strategic initiative for implementation of a centralized Core Banking Solution (CBS)

Development of an Architecture Blue Book consisting of

- AS-IS and TO-BE environments

- Roadmap for transition from AS-IS to TO-BE

- Implementation Governance

Case study 2 - Background

Company with suite of products for Supply Chain and Asset Management

The Product Company was acquired by a major aerospace and defense company

Wanted to explore the possibility of usage of SOA and RFID based technologies

Case Study 2 - Solution

Strategy definition study

Development of a Strategy Definition White Paper

- Strategy Definition

- Implementation Governance

- Evaluation of SOA products

- Development of Proof of Concept

Case Study 3 - Background

GIS Data Provider

Acquired by a Telecommunications Corporation

Operating across various geographies

Different approaches to deal with business processes

Estimated Exponential Growth in handling tickets and related requests

Case Study 3 - Solution

Study of AS-IS and Development of TO-BE architectures

Recommendation to transition from AS-IS state to TO-BE state

Development of Proof of Concept

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IT strategy for M & A Success

McKinsey's analysis shows that many mergers don't live up to expectations, because they stumble on the integration of technology and operations. The recommendation is that a well-planned strategy for IT integration can help mergers succeed. McKinsey have underlined the need for companies to improve their M & A skills in view of the expected rise in the number of mergers and acquisitions over the next few years.

Understanding the strategic value of IT in M&A, JANUARY 2011, • Hugo Sarrazin and Andy West, McKinsey Quarterly,

https://www.mckinseyquarterly.com/Understanding_the_strategic_value_of_IT_in_MA_2709

Need to consider IT in M & A Scenarios

IT plays a major role during the Post-Merger Integration (PMI). Nevertheless, today IT is often underrepresented in the merger planning phase leading to problems during the integration

IT Transformation in the Context of Mergers & Acquisitions Findings from a Series of Expert Interviews in the German Banking Industry Andreas Freitag, Florian Matthes, Christopher Schulz, wwwmatthes.in.tum.de

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Intent of the presentation

What specifically does TOGAF contain?
TOGAF provides a common-sense, practical, prudent, and effective method of developing an enterprise architecture.

http://www.opengroup.org/architecture/togaf8-doc/arch/

Similarly, the views and opinions expressed in this presentation are meant to stimulate thought and discussion

Proposed Framework for using EA in M&A Scenarios

M & A Phases and Key Considerations during EA development phases	M & A Planning	M & A Transaction	M & A Integration Planning	M & A Integration Process
Initiation (Preliminary and Architecture Vision)	Business Case development through estimation of Business value due to M & A with EA team's support	Assessment of Fair value of M & A and bidding with EA team's support	Identification of appropriate EA framework to be adopted for the merged enterprise Tailoring the Framework Move towards Intermediate State Architectures Depending upon the industry and the risk taking ability of the business enterprises, consider use of new and emerging technologies and define principles accordingly (in all domains) Based on the vision to implement new and emerging technologies, include architects conversant with such technologies in the EA team	Transition from Intermediate State Architectures to Final State Architectures Ensure systems for compliance to M & A regulations , like financial reporting

M & A Phases and Key Considerations during EA development phases	M & A Planning	M & A Transaction	M & A Integration Planning	M & A Integration Process
Business Architecture	Acquiring organization to develop its business capability blue print and identify business capabilities that can expand its business capability or identify current gaps that can be bridged/ filled through M & A	Assess whether the target organization to be acquired can bridge the identified gaps in business capability	Development of organization structure of the merged enterprise Arrive at common vocabulary between the acquiring and acquired enterprises Identification and rationalization of shared business services Blue print the desired business capability of the integrated enterprise Identify portfolio of business services that need support from web services and SaaS	Retire business processes affected due to rationalization of shared services Implement organization structure of the merged enterprise with well defined communication plan

M & A Phases and Key Considerations during EA development phases	M & A Planning	M & A Transaction	M & A Integration Planning	M & A Integration Process
Information Systems Architecture	Group applications and data into meaningful blocks and identify the major blocks that are valuable in the long run	Group applications and data of the target organization and assess if they are complementary to the Information Systems Architecture of the Acquiring enterprise	Map the business capability of the merged enterprise to applications and data Investigate if stake holders need applications that need support from mobile or unified communications channels Data migration plan considering implementation using new technologies like cloud Disaster recovery planning for merged entity through rationalization of sites Application rationalization planning through retention of one set of applications or replacement of both (e.g. CBS approach) Consider data interoperability with the data bases/data stores in the cloud environment	Integration of various applications, like CRM, Procurement, Portal, SCM and ERP, and migration to the merged state architecture Data migration to target environment Disaster Center consolidation

M & A Phases and Key Considerations during EA development phases	M & A Planning	M & A Transaction	M & A Integration Planning	M & A Integration Process
Technology Architecture	Map the platforms and infrastructure that satisfy the application functionality identified above	Assess the fitment of the technology architectures of both the enterprises and derive a rough estimate for integration Assess whether the technology principles of the organization to be acquired are in alignment with the acquiring organization esp. if there are any existing contractual obligations in case of product organizations	Mapping of application capabilities identified in the Information Systems Architecture above to Platforms and Infrastructure Develop a blue print for moving to the intermediate stage before final integration Cost assessment for particular migration scenarios Consider Industry Standard technology models and packaged products Consider Reference Architectures/Patterns including cloud based and mobile enabled ones Infrastructure consolidation planning Conduct Cloud Readiness Assessment Evaluate alternative Cloud Computing strategies (i.e. public/private/hybrid)	Mapping of application capabilities identified in above onto implementation platforms providing a blueprint for implementation in the merged enterprise Infrastructure consolidation

M & A Phases and Key Considerations during EA development phases	M & A Planning	M & A Transaction	M & A Integration Planning	M & A Integration Process
Opportunities and Solutions and Migration Planning			Decide upon a strategy for retiring/retaining applications Develop the required transition architectures to move to intermediate state architectures Define Roadmap to move to Intermediate state architectures COTS products evaluation Develop required PoCs Phase wise migration vs Big Bang migration	Define Roadmap to move to Target state architectures and implement the projects on the roadmap Implement strategy for retiring/retaining systems/applications COTS products implementation

M & A Phases and Key Considerations during EA development phases	M & A Planning	M & A Transaction	M & A Integration Planning	M & A Integration Process
Implementation Governance			Governance Model to include design governance for SOA/Cloud/Mobile enabled design for intermediate state architectures Develop Framework in which to apply organization's standards, guidelines, and specifications to implementation projects and teams of both enterprises	Governance Model to include design governance for SOA/Cloud/Mobile enabled design for final state architectures Develop Framework in which to apply organization's standards, guidelines, and specifications to implementation projects and teams of the merged enterprise
Architecture Change Management			Lessons learned from proof of concept and pilot activities involving various technologies can be leveraged and used to shape the strategy from a bottom-up perspective	Lessons learned from proof of concept and pilot activities involving various technologies can be leveraged and used to shape the strategy from a bottom-up perspective

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Thank you

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Safe Harbor

This document contains forward-looking statements within the meaning of section 27A of Securities Act of 1933, as amended, and section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Satyam undertakes no duty to update any forward-looking statements. For a discussion of the risks associated with our business, please see the discussions under the heading "Risk Factors" in our report on Form 6-K concerning the quarter ended September 30, 2008, furnished to the Securities and Exchange Commission on 07 November, 2008, and the other reports filed with the Securities and Exchange Commission from time to time. These filings are available at http://www.sec.gov