



# Altus

clear thinking for Financial Services

## Mergers and Acquisitions

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The ink has barely dried on the agreement for the latest acquisition before you, the head of the integration programme, are faced with a mass of seemingly conflicting demands: "Realise economies of scale"; "Don't impact the business"; "Retain key competencies"; "Make the organisation more efficient"; "Quick ROI".

The transition phase following a merger or acquisition is critical. Whilst the goal is clear – to deliver a unified organisation, supported by a single business operating model – the size, complexity and unfamiliarity of this task means that organisations typically stumble through this crucial period.

Altus have practical experience of turning grand integration strategies into practical results on the ground and this service line is designed to share a few of our insights.



### The Issue

Despite the recent glut of mergers and acquisitions in the Financial Services sector, practice has not made perfect. Mistakes commonly made during the transition include the following:

**Loss of value through rushing to consolidate the businesses based upon the lowest common denominator.** The unique aspects (e.g. processes, data, applications) of each party are not understood and the resulting organisation does not benefit from lessons learnt previously.

**Premature focus on systems rather than processes.** All too often integration work is led by the systems involved rather than underlying business considerations. Typically, the most cost-effective legacy is nominated and the business processes are moulded to fit it.

**Failure to fully consider regulatory constraints,** including compliance, tax and legal restrictions. Regulatory issues are often not identified until late in the transition. This is particularly likely when an acquisition involves a new territory or market.

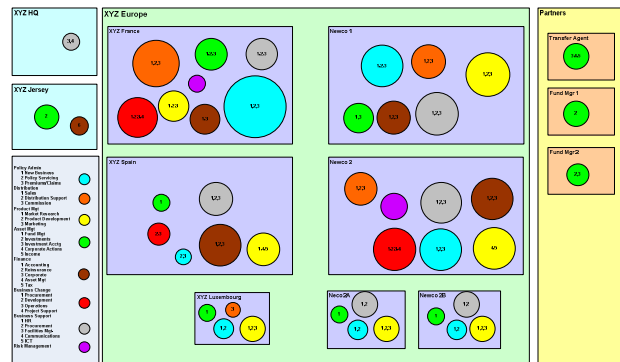
**Underestimation of complexity due to the 'language-barrier'.** Key to the consolidation of business processes is the ability to integrate the information. Whilst the underlying data sets may at first appear a 'close fit', the meaning of that data is often very different.

**Rushing to migrate products from the same regulatory category onto a single administration platform,** without first understanding the nuances of those products.

**Integration programme scope-creep.** The transition phase is often viewed as an opportunity to introduce other related changes.

**Expectations of the internal capability of one organisation may be unrealistically high** if the other has processes and procedures at different level of

Current organisation-capability map — an example



maturity. This disparity is more likely to be hidden in areas such as audit, quality control and governance than in normal line of business areas, which are well publicised and understood.

**Resistance to change.** This could be driven by political, cultural or system factors, but may be presented in terms of regulation, cost or feasibility.

### The Altus approach

Each merger is unique and certain to be complex. Unfortunately, there is no 'silver bullet' solution. The Altus approach is pragmatic: we define the business and systems architecture that is most appropriate for the expanded organisation, based on the business drivers for the merger/acquisition.

The essential first step is to establish a thorough understanding of the current situation, building on the work undertaken in the due diligence phase. This entails detailed analysis of the capabilities, processes, systems and infrastructure of the organisations. Time spent on this analysis will repay its cost many times over.

Rather than focusing on systems consolidation at the outset, Altus takes an architectural view. We ask fundamental questions of the business, specifically: what, how, why and who.

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### The Altus Approach (cont.)

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Factors affecting the new organisation must also be understood, including strategy, competition, regulation, anticipated growth and customer expectation. Only then can options for a sustainable architecture be proposed.

When defining architectural options, Altus ensures that the “why not?” questions are considered at an early stage – that is, we identify, understand and document the constraints. For instance, those imposed by compliance, legal and tax regulation.

Altus will provide a complete picture of data across all the businesses. This will not only indicate the underlying data elements, but describe the meaning of that data and its dependencies. Only then can an accurate assessment be made of the complexity of consolidation.

It is imperative to understand not just what products are administered (many FS organisations cannot answer this question simply), but why they are different and how they are supported. Fundamental questions need to be asked regarding consolidation: is this feasible; is it cost effective; to what degree should this be done (e.g. system or business process level); and even should the business look to outsource or sell?

Altus believes it is vital to establish firm boundaries for the integration programme. The temptation to load the programme with related changes that add risk and cost must be resisted. The objective of delivering a unified business is paramount.

Altus would look to establish an effective governance function across the enlarged organisation at an early stage, to enforce alignment of initiatives in the transition phase (and beyond) with the chosen architecture. There is a need to assess the procedures already in place and establish best working practices.

The Altus approach is to present options visually wherever possible, through easily understood diagrams that depict

the appropriate level of detail for the target audience. Architectures are complex and key decision-makers are busy, however it is vital to get buy-in at the CEO level, for instance, to push through business change.

Our independence ensures that our recommendations are driven by the benefits that can be delivered to the business, as opposed to a desire to fit clients to a ‘one-size-fits-all’ model.

Through this approach Altus will ensure that your new, expanded business will be greater than the sum of its parts.

### The Benefits

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Key benefits of the Altus approach at this critical time for the business include:

- Establishing up-front a clear definition and understanding of the problem from a neutral, experienced viewpoint.
- Driving change from the perspective of the new, expanded business, rather than focusing on integrating systems.
- Enabling your organisation to make the critical choices that it needs to, through the presentation of clearly expressed, pragmatic options for the way ahead.
- Adding value through our extensive Financial Services experience, identifying likely issues early and advising on their resolution.
- The legacy of an approach to business change that will support future iterations.

Through delivering these benefits Altus can reduce the pain of the transition process and give you much greater confidence in the resulting business and systems architecture.




## clear thinking for Financial Services

Altus understand Financial Services - the products, the processes, the people and the systems that make the whole thing tick. With years of experience in complex change programmes, we understand that successful solutions begin with the business.

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