Mergers and Acquisitions Made Easy (And Successful)

Leverage data virtualization for seamless M&A that deliver expected gains.

Companies engage in mergers and acquisitions (M&A) to gain new capabilities, reduce operational costs, eliminate competitors, and enter new markets. Unfortunately, most M&A efforts fail to deliver the results that upper management expects. If this sounds like an exaggeration, the Harvard Business Review (April 2011) estimated the percentage of M&A that fall into this category to be between 70 and 90%.

One reason for this high failure rate is that M&A activities need to be resolved as quickly as possible, since they carry a cost, yet they require complex integrations at the technology level, which take time. Employee and customer data, sales processes, and financial information all need to be integrated while upper management runs the stopwatch. It is important to note that divestitures, though they are the opposite of acquisitions, are watched just as closely, since they present the exact same set of challenges.

The Limitations of Traditional Approaches

Traditional data integration approaches seldom perform on schedule. They first replicate data from the acquired company and then load it into the acquiring company's systems or data lake in scheduled batches. To keep up with the changing data, they perform synchronizations daily, weekly, and monthly. Such approaches often require the creation of custom integration code, which must be re-written and re-tested to accommodate the slightest change. With so many points of failure and synchronization challenges, delays are common, and hard to foresee or prevent.

Data virtualization is a flexible, modern data integration technology that enables real-time data access for the practically immediate resolution of M&A transitions. In this brief, we illustrate how that works, and then close with two examples of companies that have leveraged data virtualization for successful M&A and divestiture activities.

How Does Data Virtualization Work?

Data virtualization is a data consolidation and integration technology. But, whereas most data integration solutions move a copy of the data to a new, consolidated source, data virtualization offers a completely different approach.

Rather than moving the data, data virtualization provides a view of the integrated data, leaving the source data exactly where it is. This means that companies do not have to pay the costs of moving and housing the data, and yet they still gain all of the benefits of data integration. Such views abstract users from the complexities of access, such as where the data is stored or what type of system it is stored on.

Because data virtualization accommodates existing infrastructure in its existing state, it is relatively easy to implement, compared with other solutions. And because it provides data in real time, from a variety of systems that are normally very time consuming to integrate, such as transactional processing systems and cloud-based storage systems, it supports seamless M&A activities and divestitures.

With data virtualization, companies can:

1. Browse the acquired company's data, prior to the merger.

Before any data is moved or merged, companies can use data virtualization to connect to and browse the acquired company's data, so the acquiring company can take any necessary steps for a successful M&A.

2. Create real-time, integrated views across both companies.

This enables the acquired company employees to get to work immediately, without being impacted by the migration. The migration can occur "behind the scenes," without affecting users.

3. Custom-fit the data to the needs of different users.

Data virtualization handles all of the formatting and semantics, so that data is delivered in the format that different users expect and require.

4. Be ready for the next acquisition.

With the data virtualization layer in place, companies can easily facilitate future acquisitions and divestitures.

Case Studies

Next, we present the case studies of two companies: A Leading Chip Manufacturing Firm, which leveraged data virtualization to enable a seamless M&A, and The Automobile Association of America (AAA), which leveraged data virtualization to enable a seamless divestiture.

A Leading Chip Manufacturer (The Firm)

The Firm is a global manufacturer of computer chips. Like any large company, The Firm acquires and divests of companies on a regular basis. During large acquisitions, The Firm needs to merge and integrate the acquired company's systems, a process that can take several months. The Firm needed a solution that could streamline this process.

The Solution

The Firm deployed the Denodo Platform, which serves as a data virtualization layer above the acquired company's systems and The Firm's core internal systems. Through the Denodo Platform, employees in a large, newly acquired company can immediately access The Firm's processes and information systems, while still using the credentials issued by the acquired company.

> " *We exceeded our organizational goals towards data services made available for reuse. There was a significant improvement in time to develop and deploy web service using Denodo in comparison with traditional development methodologies. Our overall experience was great. Denodo listened to our product enhancement requests and made it easy to work with them."*
>
> **- Enterprise Architect, A Leading Chip Manufacturing Firm**
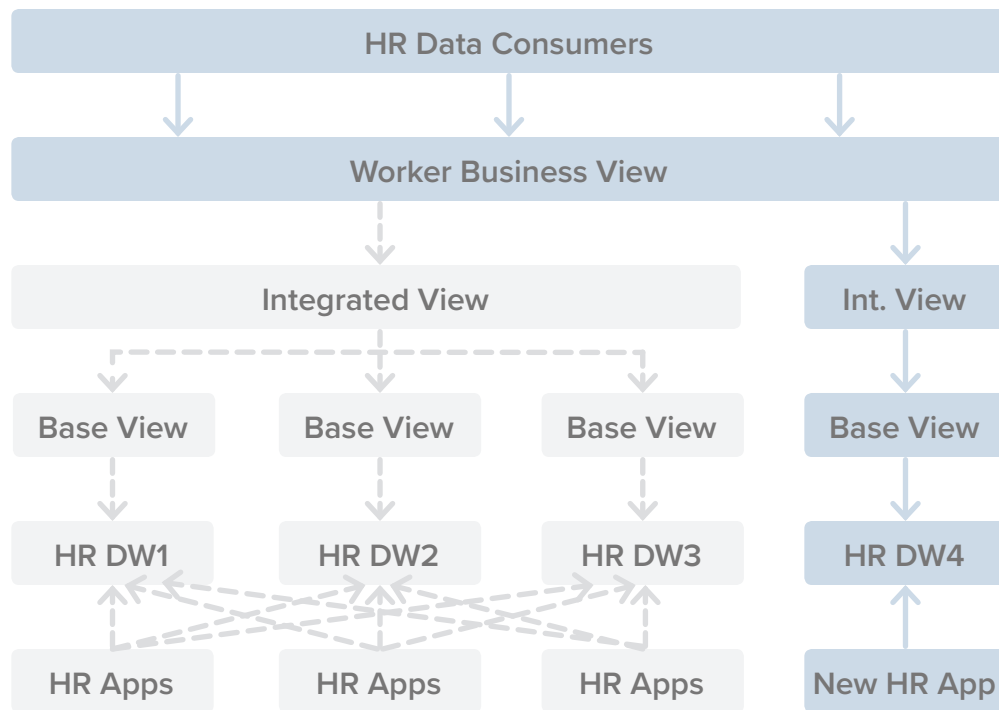

Figure 1: Single point of entry for HR data consumption across many acquisitions

Results

The acquisition proceeded seamlessly, without extensive coding. With data virtualization, The Firm was able to support the acquired company's existing business processes very closely. The acquisition was achieved so rapidly that it was essentially "plug and play," and management considered it a success.

The Automobile Association of America

The Northern California, Nevada, and Utah branch of the Automobile Association of America (AAA NCNU) is the second-largest branch of the national organization. Recently, the branch reorganized its operations to create a for-profit Insurance division and a not-for-profit Auto division (or Auto Club).

Because the two divisions shared IT resources, AAA needed a solution for facilitating the separation with a minimal disruption of daily operations. Additionally, since the company would be building new IT infrastructure from the ground up, AAA wanted to infuse the new IT infrastructure with added flexibility and agility, enabling the branch to introduce future changes at the source, target, or middleware layers without disrupting existing workflows.

The Solution

AAA chose the Denodo Platform, which uses data virtualization to enable seamless, real-time access to data across both divisions, during the separation, for a zero-downtime migration, and which served as a foundation for greater flexibility and agility.
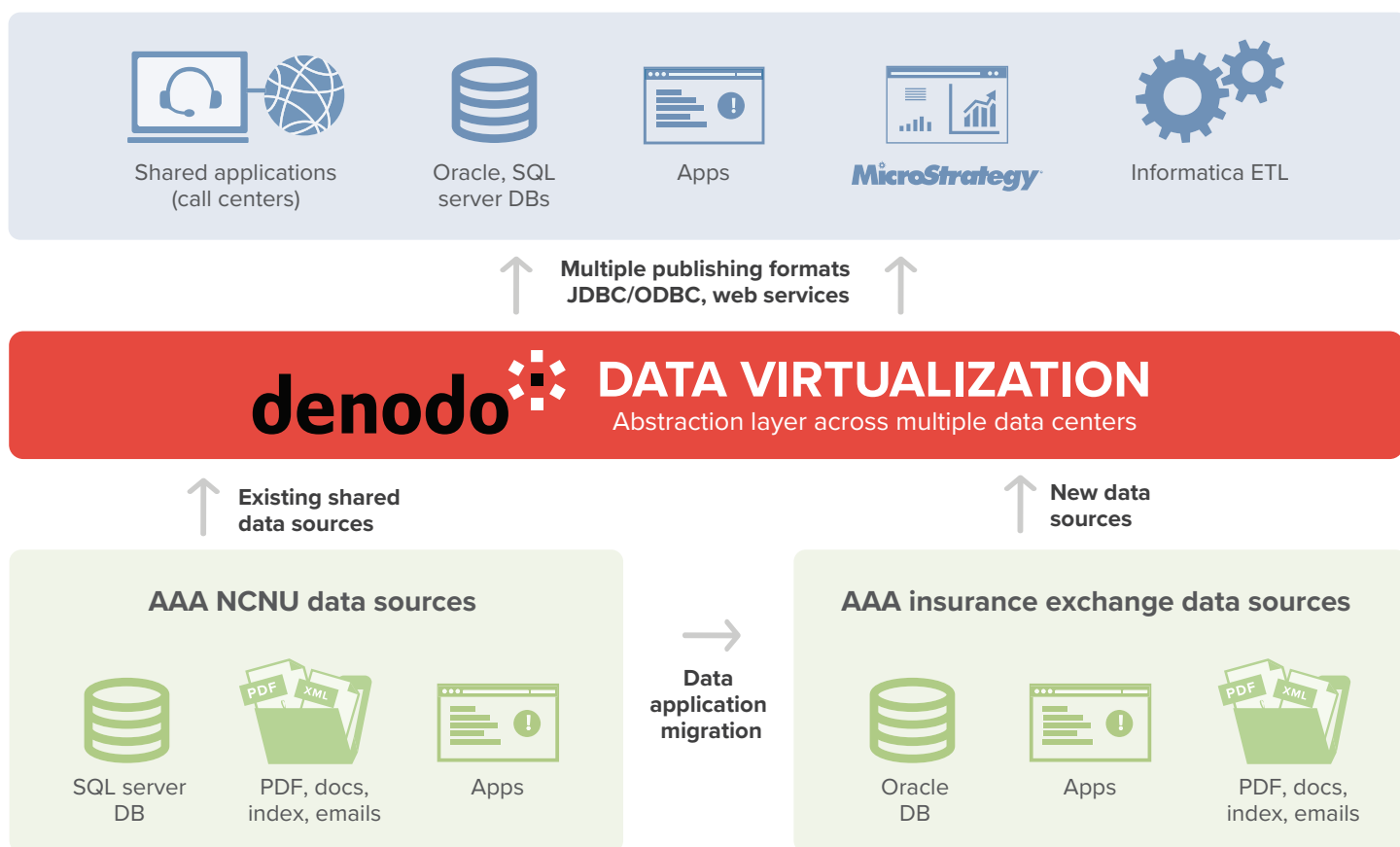
Results

Because the platform abstracts data consumers from the complexities of accessing sources, the migration from old to new systems took place in a phased process, with minimal impact on daily operations. In addition, the new infrastructure was significantly more flexible and agile: existing processes could be designed or modified very quickly (hours vs. weeks), which enabled AAA to establish new data flows without disrupting operational applications like reporting tools. Data virtualization also provided optimization and security features that enabled AAA to handle large volumes of data and enforce the necessary security restrictions on accessing entities.