ISACA Journal Author Blog

The Role of IT in Mergers and Acquisitions

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There is general agreement that mergers and acquisitions (M&A) activity has an overall success rate of less than 50%. In fact, according to a 2015 Deloitte survey of 800 executives involved in M&As, nearly 60% of the respondents considered a recent M&A in their firm to be "very unsuccessful" to "somewhat successful" in terms of post-merger integration. Furthermore, information technology (IT) was the functional area that was ranked the highest in "need for improvement" in terms of integration skills and capabilities in the future. This is in line with previous studies in which 50-60% of synergies in mergers were reported as relating directly or indirectly to IT. Most IT issues did not get addressed through due diligence or in the early stages of post-merger planning. In fact, one relatively recent piece on this topic focused on the banking sector suggests that "integration processes are more beneficial to acquiring firms with greater IT investment."

In my recent *Journal* article, my coauthor and I suggest looking closely at technical, managerial and user/application level risk factors as a part of the M&A pre-merger due diligence. This effort would also evaluate the potential real costs of IT integration post-merger and contribute to the overall M&A valuation. Some of this approach is already widely recommended by M&A advisors and major consulting firms.

We recommend going even further by creating a national M&A IT integration database that provides anonymous inventory of IT integration risk factors and costs before and after an M&A to better understand how IT integration risk impacts the valuation and success or failure of M&As. This proposal, of course, has inherent challenges that are not easily overcome.

Read Deepak Khazanchi and Vipin Arora's recent *Journal* article:
"Evaluating IT Integration Risk Prior to Mergers and Acquisitions," *ISACA Journal*, volume 1, 2016.

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