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**point*of*VIEW**

# THE LYNCHPINS OF A SUCCESSFUL INTEGRATION

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**MERGERS AND ACQUISITIONS** are an increasingly common way for organizations to grow, expand their client base, add new products and services, and enter new geographies. Despite the growth in the number of transactions, few organizations have mastered the complexity of post-merger integration—in other words, how to realize the value that drove the transaction in the first place. In this article, we describe the “lynchpins” of integration – that is, the most critical individuals that each business function needs to provide to make the integration of the new business a success.

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## Information technology

IT continues to be one of the most complicated (and costly) areas of integration. Simply considering “IT” as one big category can cause you to overlook some critical integration needs. Instead, select a senior IT executive to be the integration leader, as well as an experienced program manager, an infrastructure expert, and a data architect or business process expert to be your integration lynchpins. It is important that all of these individuals are very familiar with the nitty-gritty of your IT systems and operations, which means they will typically need to be employees rather than consultants. It is also important to consider which critical integration initiatives would benefit from teaming your integration lead with a “mirror” from the acquired company to facilitate knowledge transfer and collaboration.

When selecting your IT integration leaders, look for people that can be “aggressive facilitators”—individuals that offer suggestions and help the integration team make decisions, or at least inform them. Many business leaders don’t understand the tangled web of systems they have, and will need their IT leaders to make recommendations and offer guidance. IT leaders can’t sit idly by waiting for the business to make decisions or critical time will be wasted. They need to push the business decisions forward and ask the right questions:

- What business process changes are in scope for the integration?
- Is the business benefit enabled by integrating a particular IT system worth the investment?
- Are the business subject matter experts available and dedicated to the project?



*IT and business leaders need to partner at every step along the transformation journey—from initial planning through testing, user training and implementation.*



IT projects often fail because business subject matter experts aren’t engaged, available, and prepared. IT and business leaders need to partner at every step along the transformation journey—from initial planning through testing, user training and implementation. IT leaders shouldn’t tell the business what to do for integration. Rather, they should inform the business leader of the IT solution options and let him or her drive the scoping process and request funding approval for the needed IT initiatives. These types of IT leaders are true lynchpins to enabling successful integration.

Successful data migration is critical to any integration. That’s why assigning the right data architect or business process expert to your team of lynchpins is so important. For example, in a healthcare organization the relationship between

providers, patients, service lines, and especially billing can be quite complicated. In many cases, legacy systems that have been built over the years may cut corners and the relationship among data elements can be either misaligned or at least very “loose.” Find a strong data architect who understands these complex system relationships and have him or her map the data from the current state to the desired future state.

Lastly, most IT organizations will find it critical to address IT security and regulatory compliance during integration, which makes a security expert another lynchpin for success. Security and compliance is one of the most critical and yet least understood areas of risk for most organizations during an integration. For example, healthcare and life science organizations should consider the complexities of ensuring FDA, HIPAA and HITECH compliance both during diligence as well as when planning future changes to processes and systems.

## **Operations**

A key challenge faced by operations leaders is that many decisions must be made from a financial and legal perspective before it becomes operational. So, long lead times often exist, which can impede progress.

The operations lynchpin is usually a director or vice president of operations—an individual capable of making critical scope decisions on process change. In life sciences and manufacturing, you may want to pair your operational lynchpin with a quality lead. In most cases, the operational integration workload falls largely on the acquired company, which is

challenged with how to support process change while implementing a new system and also keeping production running at high quality. There are a lot of competing priorities and demands, which can limit how quickly change can happen. Identify a lynchpin for operations integration from the acquired company, as well as your own company, and give those leaders enough resources to integrate business processes and systems without sacrificing quality or impacting current operations.

## **Change management**

In every deal we’ve been involved with, cultural integration and change management have been critical factors to success. That is especially true with cross-border deals, as they add a layer of complexity from a cultural integration, legal, tax and IT standpoint.

When selecting your change management lynchpin, choose wisely. The most effective change leaders are C-level executives that are ready, willing and able to champion change within the organization. Even if you hire a third party to assist, you need a strong “face” of change. Pick a leader that is well-respected, well-known and well-equipped to conduct town halls, film videos and communicate effectively.

## **Finance**

One of the most visible areas during integration is naturally finance. Yes, you need to make sure employees continue to get paid, but you also face the complexities of merging ERP systems, complying with Sarbanes-Oxley, and understanding

new tax and reporting requirements. Certainly your CFO is a critical part of any transaction, but in many larger organizations the real lynchpin may be someone at a lower level – like a finance director. The lower level finance leader should understand vendor relationships (e.g., local banks), current ERP software functionality and custom features, reporting requirements and other day-to-day tasks that are critical to running the business. Many organizations mistakenly consider the integration of ERP systems solely IT's responsibility. While IT can help integrate or merge systems, the finance team is critical in making decisions and planning integration in partnership with IT – especially when the acquisition opens up new tax, reporting, and currency requirements. Manual processes can wreak havoc on the organization and partnering to find the right technology to automate and empower teams to scale efficiently is critical.

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## Legal

Your legal team has been involved since well before the transaction closes. But in a post-close world, a key lynchpin is your compliance director. It's critical not to contradict the separation of entities or violate the terms of the transition services agreement. In many cases, compliance directors can be resisters – any time a new idea is presented, the answer is no. They are so risk-averse that they end up impeding progress. A true lynchpin is able to understand, manage and mitigate risk so that the organization can move forward.



## Human resources

Yes, your HR team has a heavy hand in the beginning, especially for day one and the subsequent first 100 days. They will be working closely with payroll on making sure employees get paid and receive benefits. But, there are a variety of complexities often overlooked because they fall into the “gray” area between HR and IT. Who controls permissions, access rights, and system and facility access as personnel changes happen? In some companies, the employee system of record for access rights is managed by IT. In others, it's managed by HR. How do you integrate Active Directory with your HR portal? Are the systems kept well in synch? Managing permissions and system access rights across both the acquired and parent company is critical for regulatory compliance and security, so consider assigning an experienced HR manager to your team of lynchpins.

## PREPARE YOUR BUSINESS FOR SUCCESS

As you consider your next transaction, start to identify leaders in your organization that can be your lynchpins—the individuals that will ensure your integration is one of the few that succeed instead of one of the many that fail. If your organization is like most, the individuals equipped to be lynchpins are fully engaged with daily management responsibilities, so don't be afraid to look to third parties to help support these leaders and help with your integration in other ways “behind the scenes.” Integrations create a lot of extra work in addition to your teams' day jobs - and they are stressful. Consultants with integration experience can add significant value when your team needs support in various areas of the business.



## About West Monroe Partners

West Monroe is a progressive business and technology consulting firm that partners with dynamic organizations to reimagine, build, and operate their businesses at peak performance. Our team of more than 900 professionals is comprised of an uncommon blend of business consultants and deep technologists.

This unique combination of expertise enables us to design, develop, implement, and run strategic business and technology solutions that yield a dramatic commercial impact on our clients' profitability and performance. For more information, please visit [westmonroepartners.com](http://westmonroepartners.com).

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Munzoor Shaikh is a director in the firm's Healthcare practice, with a primary focus on managed care, health insurance, population health, and wellness. Munzoor has more than 18 years of experience in management and technology consulting, which he applies to drive business transformation for West Monroe's healthcare clients.

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