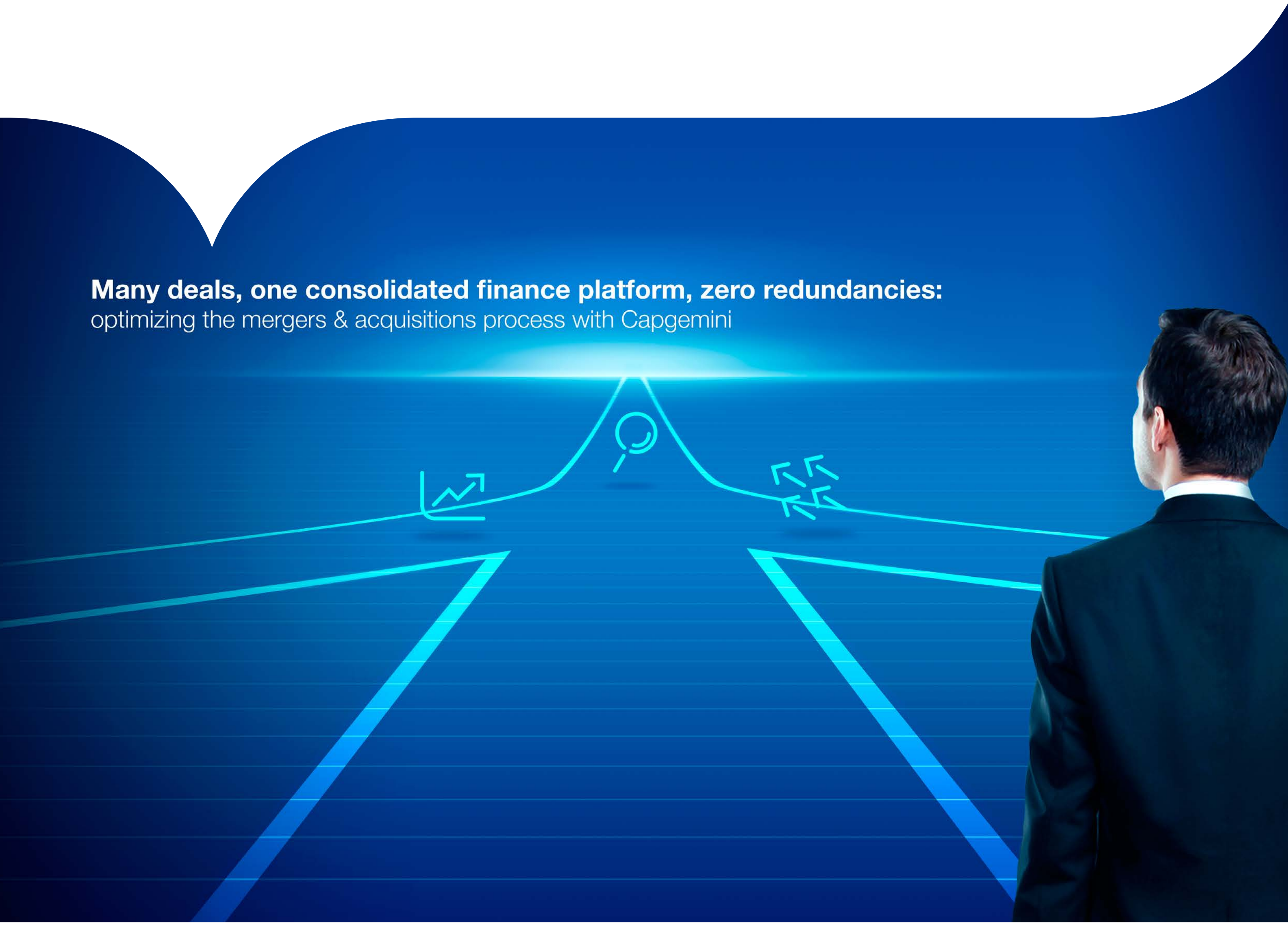
# Deal after deal. Merger after merger. Acquisition after acquisition…

**What sets one company apart from another while going through the M&A process?**

## Many deals, one consolidated finance platform, zero redundancies:
optimizing the mergers & acquisitions process with Capgemini



People matter, results count.

In the first nine months of 2013, the global M&A market was up 13% year-on-year, totaling more than $2 trillion for this time period. According to Goldman Sachs, energy & power and real estate & financials lead all sectors, with media, telecom and healthcare registering big overall gains since 2012.

## Challenges of Today's M&A Deals

Today's M&A deals are taking place across broader geographies and more diverse cultures. As expected, the focus is on operational efficiency and growth as the main sources of value in these transactions. It's not uncommon to have high hopes that each deal will deliver a more diverse product set, increased revenues and expansion to new markets. After all, the intent for M&A deals is that the combination of products, people and pipelines will move the business forward. Despite the intent, reality sets in, and the presence of globalization on a new scale, multiple new markets, major redundancies and more intricate product portfolios always create more complexity than expected. The end result can be inferior integration and failure to achieve expected growth returns. The goals, however, are to improve the ratio, maximize the return on investment and make it to the finish line unscathed.

## The Role of BPO in M&A

From a CFO's perspective, creating synergies and higher valuations through planning and strategic evaluation of the deal are not the only important issues. Board expectations of cost savings through elimination of redundancies must also be taken into consideration. This is what drives improved business performance and is where integration comes into play – now BPO steps up to the plate. If integration is one of the keys to a profitable M&A deal, it's safe to say that the acquirer needs to look at all the redundancies and eliminate them without consuming all the existing resources available. Once thought of as a simple act of labor arbitrage, today's BPO brings innovative technology solutions and processes, industry expertise and both flexible and scalable business models to get the most of the transaction.

BPO service providers often bring significant experience and expertise in project transitioning. Supporting the transformation of the finance organization during pre- and post-M&A, the right outsourcing provider can ensure a powerful and profitable outcome by eliminating redundancies.

## What Does BPO Look Like in M&A?

Companies that are actively pursuing acquisition strategies require access to value-adding skills, technology offerings and capabilities. Each of these acquisitions brings its own established support functions and processes that ultimately need to be integrated into the acquirer's operations. While merging their operations, it is often easier for them to reduce their internal accounting resources and opt for external parties to manage those functions at lower cost and higher efficiency. An outsourced finance organization can help eliminate the redundancies that often result from a merger or acquisition – redundancies that can undermine the business case for the merger itself.

In addition, it's important to look at the existing IT infrastructure and determine which systems stay and which need to go. Over the years, companies have adopted ERP systems, accounting systems and perhaps even built their own proprietary systems. By leveraging BPO in M&A, finance can consolidate to a single platform that is harmonized with the new business, thereby avoiding redundancies.

By combining the knowledge of the people with a single, integrated technology platform for finance and accounting, companies create a flexible staffing model to gain the benefit that was intended with the merger.

By way of example, in 2012, Capgemini's client acquired a large US business with multiple finance and accounting delivery locations in North America. There was some degree of centralization, but several key functions were scattered (for example, the collection process). The challenge with this acquisition was integrating the reporting and transparency of data and controls as well as the existing processes and technology. Capgemini was seen as a partner in this process from the very start and was brought in at the due diligence phase. Capgemini's standard operating model was used for the acquired company, and gap analysis was performed to determine how each of the organizations was operating against the target model. The workload was measured, best practices from the Capgemini Global Process Model© were leveraged and benchmarks were set against the company's standards. Capgemini then transitioned the finance and accounting functions to its designated delivery centers. Additionally, the processes platform played an important role in supporting the systems integration and moving operations to the standard instance of SAP. To ensure consistent reporting across all the delivery centers, Capgemini's Command Center platform was leveraged.

With Capgemini's experience the client was able to transform how it was operating from set point A to the target-operating model. The operation was seamless and went according to the plan.

## The Process of Getting From A to Z From "Day 1"

The key is planning this transition in advance of the deal being signed. During the due diligence phase, CFOs and account executives should stay focused on the overall strategy – closing the deal. BPO then becomes the "SWAT team", clearing out the legacy systems and establishing a ground zero for what will become the new finance department.

Ultimately, it is the CFO's responsibility to deliver faster and more effective integration of new mergers and acquisitions, thus dramatically speeding up the time to realize the targeted synergies and meet external stakeholders' demands for financial performance.

With the growing adoption of BPO services utilized in M&As, companies are building a robust foundation of outsourced service capabilities to increase effectiveness and efficiencies throughout the financial management supply chain. By moving the acquired company's relevant functions directly to the outsourced model rather than bringing them in-house and managing them internally, companies can accelerate post-merger integration and realize the planned-for value much more quickly. In some cases, the need to integrate the acquisition may actually provide the catalyst and "inflection point" for the creation of the industrialized BPO model, enabling the CFO and finance leadership to redefine the future finance operating model.

This potential to drive faster post-merger integration takes the benefits of BPO to a whole new level and well beyond the simple cost reduction that often acts as the initial motivation. There are three specific areas that are impacted:

**Maintain finance operations and service delivery:** This means meeting the external stakeholder community's requirements for business and financial information, and delivering against a combined company strategy and budget. The CFO also needs to continue to provide finance support to the rest of the enterprise with no disruption from the merger. The continuity and focus of the outsourced provider will confirm that this consistency of support is maintained, processes are integrated and improved, and innovation is applied.

**Integrate the finance function:** The CFO needs to get the "Day 1" issues right and then execute the integration program immediately and at pace. In parallel, the CFO must define and work towards achieving the future vision while also completing integration activities such as ERP implementation and/or consolidation. Again, a scalable and industrialized outsourced BPO solution supports the CFO's ability to deliver against all these goals, and provides a practicable roadmap to realize the future vision of financial operations.

**Plan and manage synergy savings for the enterprise as a whole:** The CFO must support or lead the overall integration leadership team, including helping to define and manage the processes for the planning and reporting of savings and costs. At the same time, the CFO is tasked with managing the planning, execution and realization of the finance function integration savings.

## BPO - An Engine for Value Realization

In mergers and acquisitions, the goal of financial consolidation centers on speed to value, ensuring that the integration benefits are delivered. The faster the process, the more seamless the process, the more integrated the process, the more cost-effective the process – the better. Against this backdrop, a robust and effective BPO engine at the heart of the finance and accounting functions has the ability to deliver significant cost savings and accelerate post-merger integration, which can enable continuous improvement over time.

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## About Capgemini

With more than 130,000 people in 40 countries, Capgemini is one of the world's foremost providers of consulting, technology and outsourcing services. The Group reported 2013 global revenues of EUR 10.1 billion.

Together with its clients, Capgemini creates and delivers business and technology solutions that fit their needs and drive the results they want. A deeply multicultural organization, Capgemini has developed its own way of working, the Collaborative Business Experience™, and draws on Rightshore®, its worldwide delivery model.

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