eBook series

Microsoft Dynamics 365

How M&A Events Enable CFOs to Disruption-Proof Their Organisations

01 Introduction: A skyrocketing M&A landscape

M&A deal volume is poised to rise. According to Deloitte's M&A Trends 2019 report, 79% of survey respondents expect the number of deals they close in the next 12 months to increase.[1] While market expectations vary, respondents also anticipate an increase in the total annual dollar value of deals between 500 million and 10 billion USD.[2] Meanwhile, business leaders across virtually every industry are increasingly pointing to M&A as a major component of their company growth strategies.

Facing trends like rising IT complexity, CFOs face significant challenges and opportunities when considering how the inevitability of M&A events may affect their organisation. Executives must anticipate and plan for how their IT strategies will affect acquired companies or those being acquired.

By embracing digital transformation and strategically aligning IT priorities with finance objectives, CFOs can gain end-to-end business visibility to build their competitive edge and create new value. M&A events present a critical opportunity to collaborate with IT to unlock value and disruption-proof their businesses. One of the key ways finance leaders can do this is by partnering with IT leaders to move beyond traditional enterprise resource planning (ERP) systems to a cloud-based, predictive insights-focused platform.

In this eBook, we'll present how finance leaders and CFOs can drive growth in the context of an active and dynamic M&A environment.

02
M&A outcomes are linked to unlocking value through digital transformation

Whether planning for or managing M&A outcomes, or simply keeping an eye on the future, IT considerations are important to enterprises keen on gaining competitive advantage and stimulating growth.[3] A focus on modernising their ERP systems enables executives to generate growth, as well as 'disruption-proof' their organisations. From medium-sized businesses to large enterprises, finance leaders facing the current M&A environment, or even an actual merger, should know that the success of their role is increasingly tied to how they merge their ERP with their IT infrastructure.

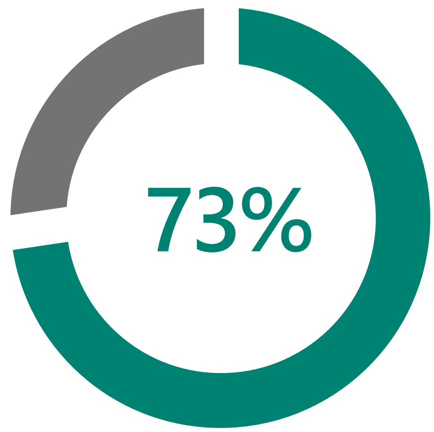
New market conditions and technology platforms offer growth potential. By optimising IT architecture in relation to ERP, finance executives can gain the visibility needed to determine ideal avenues for growth without breaking existing business-critical processes.

For an M&A event, leaders must be prepared for significant organisational miscommunication, error-laden analysis and missing background information. The good news: with alignment between groups like finance and supply chain, enabled by technology, organisations with holistic enterprise visibility can integrate and analyse data across the organisation. This allows them to: (1) generate insights that optimise growth and (2) understand their business and customers in ways that only recently were practically impossible.

Unlocking growth via new insights

Humans now create more data in a year than in thousands of years of prior history. This trend may be poised to accelerate.[4] Data and seemingly small insights can lead to significant revelations, and in turn can affect future outcomes.

A 2018 IDG survey found 73% of enterprises have 'at least one application, or a portion of their computing infrastructure already in the cloud'.[5] Companies are finding cloud architectures ideal for understanding data, particularly given their exponentially increasing volume, variety and velocity.[6] As a result, modern ERP solutions are able to deploy customisable applications, achieving visibility into specific and relevant aspects of IT that was previously impossible in on-premises environments. CFOs are using these insights to drive value, for instance, by identifying promising areas for long-term investment and company focus that they might have previously overlooked.



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Developing intelligence and predictive analytics for enterprises

Since the early 2010s, automation, predictive analytics and cloud computing have contributed trillions of dollars to global market capitalisations and company balance sheets. Whether implementing new generations of mobile networking technology or a shift to the cloud, enterprises across every industry are experiencing some form of technological transformation.

Because of evolving technologies, there are many reasons to be optimistic: enterprises have new ways to gain a deeper understanding of their business and their customers. Plus, they can adapt accordingly, with greater accuracy than ever before.

To identify these insights, CFOs must know where their data and assets live, and a modern, cloud-based ERP solution can provide an end-to-end view of that data for finance, operations and supply chain systems across the enterprise.

Armed with a fuller understanding of how their business works and what their customers want, companies can turn these insights into the competitive advantages they need to disrupt competitors and increase value.

03
Identifying challenges and considerations

CFOs are looking to smaller players and upstart vendors as key to their strategies. However, risk and compliance challenges can present unforeseen costs during an M&A event, particularly as companies work to combine complicated infrastructure.

As businesses merge, the process can become painstaking and costly if not managed correctly across stakeholders, technology platforms and partners. McKinsey has found that for M&A events, most opportunities for organisational efficiencies and alignment (such as across finance, HR and logistics) are IT-related.[7] With the changing CFO-CIO relationship, finance leaders are accountable for choosing an ERP solution that helps strengthen the IT relationship, especially for M&A events.

Embracing forces of disruption

Surveys find digital transformation is top of mind for CIOs. With more CIOs reporting to CFOs, both executives are positioned to align their vision and build a more resilient enterprise with greater agility.

As for disruptive forces, CFO feedback indicates that, like their IT counterparts, they're consistently seeing 'more'. Enterprise networks are more complicated. There's more software, cloud and professional services vendors to deal with. They have more globally distributed workforces, more sophisticated risk and compliance concerns, and more complex cloud, on-premises and hybrid environments. M&A activity only adds to this complexity.

Business leaders have new ways to scale their business. For example, they can create unique, customised customer experiences, improve processes and relationships with suppliers and vendors, or identify new markets and growth opportunities.

Sustainable growth is driven by visibility. Leaders must know their companies and networks, in addition to aligning their assets with the market opportunities, both existing and emerging. For this approach to be effective, it's crucial to have visibility into what matters across networks, applications and the overall data ecosystem.

Managing compliance and risk

When organisations combine networks, they often increase legal and other enterprise risks. Faced with a demanding regulatory environment, CFOs can invest their IT budget into solutions that offer predictability around risk – ultimately creating a competitive advantage.

Ideally, merging networks should be done with an optimistic vision for how the new architecture will drive growth. At the same time, these transformations must address business risk, from cybersecurity threats to regulatory challenges. Asking questions across stakeholders is important:

How many users, and what will they have access to?

How will the organisation identify opportunities and threats on the horizon, using the proprietary data at its disposal?

How can we forecast risks in an uncertain business and regulatory environment, and how can we allocate our IT investments accordingly?

The success or failure of the CFO role during M&A events is often linked to IT posture. Enterprises often have complicated, patched-together networks with many devices, servers and resources. Understanding how to merge this infrastructure is critical. CFOs are turning to cloud-based automation at scale, with an aim to deliver consistent and actionable risk and compliance insights.

04

Optimising IT architecture alongside business processes and strategy

Becoming a market leader requires companies to embrace digital transformation. M&A events create opportunities for finance leaders to collaborate with IT to achieve this. In fact, effective collaboration is essential to transforming in a way that drives new revenue and long-term growth.

Integrating disparate networks and systems can make them more efficient. But this can be especially challenging when disruptive forces are at work. Many companies are using more software vendors, applications and platforms than ever before. IT networks have never been more complex, increasing the risk of malfunction or data loss if migrated to new systems.[8]

Even before M&A events, finance executives should seek to simplify their IT infrastructure. This requires alignment with other company departments and functions, as well as an understanding of their technology infrastructure and how it affects finance, operations, supply chain, processes, sales and product strategy.

Gaining a holistic picture of enterprise processes

With CFOs in charge of allocating resources for the very survival of their business, it is critical for them to have the best possible visibility into how processes affect the entire organisation.

Imagine a business of 5000 employees. If each of those employees wastes an average of one hour a year on a redundant process, the business is losing nearly seven months of employee time annually. Now imagine a similar effect on an organisation with 50,000, or even 100,000, employees. With visibility and predictive insights, business leaders can streamline their operations to save years of employee hours.

Unlocking benefits: Shifting from legacy to cloud-based systems

In addition to becoming more standard, cloud ERP contrasts with traditional, on-premises ERP in that the latter can mean higher investment in advance and slower implementation processes. Additionally, on-premises ERP often places data security and management directly in the hands of an organisation. Cloud solutions shift certain aspects of security to cloud providers (such as the physical security of hardware), which helps streamline security management. However, that organisation may not have adequate security resources or posture, given the current cyberthreat landscape.

Nearly everyone in the enterprise ecosystem, from employees to investors to management, values predictability. The task of delivering predictability often falls to CFOs, perhaps more than for any other role.

Cloud architectures provide the key to forecasting business outcomes, which often starts with understanding basic, day-to-day processes. CFOs should look to IT visibility, achieved through cloud environments, as a critical component of their growth strategy. Visibility means unlocking insights. That, in turn, can identify growth areas and provide critical context as today's leaders seek to future-proof their organisations.

Microsoft Dynamics 365

As global industries move beyond monolithic ERP systems, Dynamics 365 is empowering enterprises to meet the challenges of an increasingly complex global business environment. By helping people make smarter decisions with real-time intelligent insights and an intuitive user-interface, Dynamics 365 Finance and Dynamics 365 Supply Chain Management transform processes faster with proven methodologies, and enable people to do business nearly anywhere, anytime, on any device, with the choice and flexibility of the cloud.

End-to-end data visibility. Predictive insights. By going beyond traditional ERP, Microsoft Dynamics 365 helps CFOs capitalise on the opportunities of M&A events by creating predictability around revenue, business risk and evolving market conditions.

Watch Demo: Introduction to Dynamics 365 >

[1] The State of the Deal: M&A Trends 2019, Deloitte.
[2] 2019 Global M&A Outlook, JPMorgan Chase.
[3] Capturing value from IT infrastructure innovation, McKinsey, 2012.
[4] How Much Data Do We Create Every Day? The Mind-Blowing Stats Everyone Should Read, Forbes, 2011.
[5] 2018 Cloud Computing Survey, IDG, 2018.
[6] M&A loves the cloud, Deloitte, 2016.
[7] Understanding the strategic value of IT in M&A, McKinsey, 2011.
[8] How do your IT complexity challenges compare to those of other CIOs?, Help Net Security, 2018.