Managing IT Integration Risk in Acquisitions

This article presents a framework for assessing IT integration risk in acquisitions. Using the experience of Trelleborg AB, a serial acquirer, we illustrate the framework’s merits for managing high-risk acquisitions and identifying low-risk acquisitions. Based on insights gained from Trelleborg, we provide recommendations for CIOs on assessing and managing IT-related risk in acquisitions.1,2

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Importance of Managing IT Integration Risks in Acquisitions

Acquisitions of companies and business units have become important components of corporate growth strategies. Appropriately executed, acquisitions enable growth in scale or scope, create opportunities for future business and give access to important resources. In 2014, there were over 40,400 mergers and acquisitions worldwide, with a total value of $3.5 trillion.3

IT integration (integration of hardware, software, data and related business processes) is the second most frequent reason for acquisition failure.4 Accenture and McKinsey reported that 45%-60% of the expected benefits from acquisitions depend directly on effective IT integration.5 The combined organization cannot function effectively and leverage business synergies until the IT of the acquired business unit is integrated with the acquirer’s existing IT. In addition, companies with stronger IT integration capabilities are more successful in creating value from acquisitions than their peers.7 For the CIOs of acquiring companies, IT integration presents a critical management challenge.

1 Dorothy Leidner is the accepting senior editor for this article.
2 We would like to thank Trelleborg AB, in particular Jan T. Pettersson and Alain Guillon, for their generous contribution to this research. Individuals at Trelleborg contributed rich information about the actions and events in Trelleborg’s acquisitions. We also thank Lund Institute of Economic Research, which made this research possible through the learning partnership with Trelleborg AB. Our thanks also to the editors and reviewers of the Practice-based Research mini-track of the 2015 Hawaiian International Conference of Systems Science for their insightful input on an earlier version of this article.
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However, although IT integration is essential to realize the business synergies that motivate an acquisition, only 24% of companies include IT in the due diligence before the acquisition. When a potential target emerges on the acquisition radar, the acquirer usually has only a short amount of time to assess potential combination synergies and threats to value creation to prepare a competitive bid. In this frenzy of activity, anything not deemed to be a potential “deal breaker” may be pushed aside to reduce complexity. Often, IT is not considered crucial to the deal and, as a consequence, the IT function is not involved until the firm is committed to put in an offer for the target (see Figure 1).

Delaying the involvement of the IT function until contract negotiation or even as part of integration planning can work well, and there are many examples in the academic and business literature of acquirers that rapidly consolidate IT systems post-acquisition. But there are also many examples where the challenge of IT integration has been underestimated and subsequently mismanaged. In these cases, earlier IT involvement at the target identification stage would have been beneficial.

There are distinctive differences in the degree of difficulty presented by various acquisition IT integration projects, ranging from migrating a minor set of data to the challenge of a complete IT redevelopment program. Some acquisition IT integration challenges present substantially higher risk that can impede the realization of acquisition benefits through overspending in the integration process, destroy value or delay benefits (details about the possible negative outcomes of IT integration mismanagement are provided in the sections that follow).

To ensure the appropriate level of engagement of the IT function and to avoid situations where IT becomes the reason the acquirer does not realize the anticipated value, an acquiring organization must address two questions:

- What are the drivers of a high-risk acquisition IT integration project?
- How can the CIO manage these risk drivers to avoid a failed integration project?

In this article, we answer these questions by drawing on research on acquisition IT integration and on the experiences of Trelleborg AB, a Swedish-based industry group that between 1996 and 2011 made 77 acquisitions to develop into a global business with 22,000 employees. (The research that underpins this article is described in the Appendix.) Through these acquisitions, Trelleborg transformed from a diversified conglomerate to an industrial group focused on polymer technologies.

For pragmatic reasons, including legal limitations, time constraints in the acquisition review process and uncertainty about which deals eventually materialize, Trelleborg’s IT function frequently only got involved at the contract negotiation phase. Despite this, Trelleborg learned to conduct an IT risk assessment that identified potential IT integration risks through a progressive risk analysis process where senior business managers assumed some responsibility for sensing IT risk drivers when approaching an acquisition target. Identifying potentially risky IT integration projects enabled Trelleborg to manage the risk...
drivers in high-risk acquisitions and to reap the advantages of identifying low-risk acquisitions early on. This ability helped Trelleborg to stay focused on the acquisition assessment process and to involve the IT function early on in the acquisition process only when IT integration was critical to the acquisition outcome.

Over time, Trelleborg gained the reputation of being a skilled acquirer that frequently obtained important business benefits from its acquisitions. Although some of its experience may be different from that of other companies, Trelleborg’s approach to dealing with acquisition IT risk provides a general framework for prospective acquirers to manage IT-related risk in acquisitions.

In the following sections, we build on existing research on acquisition IT integration to identify three areas of IT risks (overspending, value destruction and benefit delay) and four risk drivers (integration extent, integration method, time pressure and integration novelty). Using the acquisition experiences of Trelleborg, we illustrate the effects of underestimating IT risk in a high-risk acquisition, the value of managing IT risk in a high-risk acquisition and the advantages of establishing early on that an acquisition is low risk in terms of IT integration.

We then combine Trelleborg’s acquisition IT integration experiences with the three risk areas and four risk drivers to develop an Acquisition IT Integration Risk Assessment Framework, which can be used to assess IT integration risks and identify strategies for mitigating them. We show how Trelleborg used the knowledge encapsulated in this framework to progressively gain an understanding of IT risk levels in its acquisitions.

Finally, we present the lessons distilled from Trelleborg’s acquisition IT integration projects. These lessons will help CIOs in other organizations to establish their own acquisition IT integration risk management practices.

**Acquisition IT Integration Risk Areas**

Success or failure with IT integration following an acquisition typically does not depend on whether integration is achieved or not. Instead, it is determined by how many resources and much time are needed to complete the necessary IT integration and how effective the consolidated solution is. Thus, acquisition IT integration risk has to do with possible suboptimal outcomes of an integration project that could negatively affect the acquisition outcome. There are three principle ways in which IT integration can impact acquisition outcome: overspending, value destruction and benefit delay.

**Risk of Overspending**

The overspending risk means that IT integration may be achieved, but at high cost. Overspending can arise from applying an incorrect IT integration strategy that has to be revised, from rebuilding resources where an existing resource could have been reused or from using expensive consultants for tasks that the acquirer’s own IT organization could have handled. Overspending may, in the worst case, offset the business benefits of an acquisition.

**Risk of Value Destruction**

This risk arises from replacing the target’s unique/critical IT in a way that may limit the value of the acquisition. The risk of value destruction is primarily associated with the method used to carry out the IT integration project. One common method is to partially or fully replace the target’s IT systems with those of the acquirer. This is attractive because the target instantly becomes integrated with the acquirer. However, if the acquired unit derived substantial competitive advantage from the retired IT systems, this method for IT integration leads to value destruction.

**Risk of Benefit Delay**

This risk arises from business synergies being delayed because of a poorly orchestrated IT integration process. Delays in evaluating

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Table 1: Acquisition IT Integration Risk Drivers

<table>
<thead>
<tr>
<th>Risk Driver</th>
<th>Components</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extent (what to integrate)</td>
<td>• Process scope—number and extent of business processes to be integrated</td>
</tr>
<tr>
<td>Amount of information and business processes</td>
<td>• Data intensity—amount and complexity of data</td>
</tr>
<tr>
<td>needing IT integration.</td>
<td></td>
</tr>
<tr>
<td>Method (how to integrate)</td>
<td>• Business disruption—degree of disruption to valued business processes</td>
</tr>
<tr>
<td>More disruptive and/or radical methods may be</td>
<td>• New development—need for development of new IT resources</td>
</tr>
<tr>
<td>required.</td>
<td></td>
</tr>
<tr>
<td>Time pressure (source of pressure)</td>
<td>• From inside—seller’s timeframe for supporting acquisition; internal</td>
</tr>
<tr>
<td>Constrains what can be accomplished in the</td>
<td>pressure to achieve synergy.</td>
</tr>
<tr>
<td>short term.</td>
<td>• From outside—investors demand for synergies.</td>
</tr>
<tr>
<td>Novelty (lack of know-how)</td>
<td>• Business know-how—(internal and external) of project planning and</td>
</tr>
<tr>
<td>Experience and/or access to existing or outside</td>
<td>implementing integration processes</td>
</tr>
<tr>
<td>knowledge.</td>
<td>• IT know-how—(internal and external) of project planning and implementing</td>
</tr>
<tr>
<td></td>
<td>IT integration.</td>
</tr>
</tbody>
</table>

IT integration options, gaining access to competencies, correcting mistakes or rebuilding critical IT resources lost in the transition lead to the delayed realization of business benefits.

Acquisition IT Integration Risk Drivers

Acquisition IT integration risks have four common risk drivers identified in the literature and observed in the Trelleborg cases: integration extent, integration method, time pressure and integration novelty (See Table 1).

Integration Extent Risk Driver

IT integration extent refers to what needs to be integrated with IT in an acquisition. If the scope of business processes to be integrated is large (high extent), there will be more risk than if there are few business processes to integrate (low extent). Good documentation of business processes further reduces risk. Also, the data intensity of the processes to be integrated contributes to the extent of the challenge; high intensity means more data needs to be transferred.¹¹

Three factors determine what needs to be integrated: (1) prospective business synergies, (2) future IT costs and (3) the acquired unit’s dependence on unique IT. The concept of synergy is essential for understanding the rational reasons why companies make acquisitions. Synergy in this context is when two units can be run more efficiently and/or more effectively together, rather than apart. The prospect of synergies motivates an acquisition, and IT should therefore be integrated to the extent that is necessary to enable synergies to be realized. Thus, if the acquisition is expected to bring synergies in sales, IT support for sales needs to be integrated. However, if the expected synergies do not depend on IT integration (for example, an acquisition of an innovative startup that is to be retained as a separate unit while it matures), the risk arising from the integration extent driver drops toward zero.

In addition to IT integration to enable the expected synergies of an acquisition, there might also be IT cost reasons for replacing the target’s IT systems with those of the acquirer. Replacement will reduce future maintenance because only one system will have to be maintained instead of two. However, cost-based replacement should be considered only if it does

not destroy any competitive advantage that
depended on the target’s systems.

Integration Method Risk Driver
Several potential methods can be used
to integrate the target’s IT with that of the
acquirer. Different methods have varying levels
of complexity, and higher degrees of complexity
mean more uncertainty, equating to greater risk.
Methods that preserve existing IT systems and
leave existing business processes undisturbed are
less complex and therefore less risky.

The five commonly used methods are rip
and replace, bolt-on, sculpt, combine and start-
over, each of which comes with specific business
implications and tradeoffs (see Table 2).

Each integration method might involve
tradeoffs. For example, to facilitate the speed of
integration, the acquirer might choose the rip and
replace method, even though it erases some good

<table>
<thead>
<tr>
<th>Method</th>
<th>Description</th>
<th>Complexity</th>
<th>Business Impact/Tradeoffs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rip and</td>
<td>The target’s IT systems are retired and</td>
<td>Lowest</td>
<td>● Destroys IT-related capabilities in the target</td>
</tr>
<tr>
<td>Replace</td>
<td>replaced by the acquirer’s existing systems. Data from the target’s systems</td>
<td></td>
<td>● Disrupts target’s business processes</td>
</tr>
<tr>
<td></td>
<td>is converted and transferred to the acquirer’s systems.</td>
<td></td>
<td>● Introduces acquirer’s business practices in target</td>
</tr>
<tr>
<td>Bolt-on</td>
<td>Retains some of the target’s systems, but the target is largely supported by</td>
<td>Low</td>
<td>● Potential scale-based synergies are not realized</td>
</tr>
<tr>
<td></td>
<td>the acquirer’s systems. This leads to partial standardization, with some</td>
<td></td>
<td>● Add-ons may over time cause the IT infrastructure to become complex</td>
</tr>
<tr>
<td></td>
<td>common IT shared between the acquirer and target. The remaining systems are</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>bolted on to the acquirer’s IT platform.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sculpt</td>
<td>Most of the target’s IT is replaced by the acquirer’s IT, but specific</td>
<td>Medium</td>
<td>● Destroys IT-related capabilities in the target</td>
</tr>
<tr>
<td></td>
<td>systems are carefully selected, carved out and made the new standard in</td>
<td></td>
<td>● Applies only when the target can be fully supported by the acquirer’s IT</td>
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<tr>
<td></td>
<td>the merged organization. This is the preferred method if the target has</td>
<td></td>
<td>● Establishes best practice across the merged organization</td>
</tr>
<tr>
<td></td>
<td>superior IT-enabled business processes.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Combine</td>
<td>A selective and potentially political process in which the acquirer’s and</td>
<td>High</td>
<td>● Adds to infrastructure complexity, with corresponding high maintenance costs and growth</td>
</tr>
<tr>
<td></td>
<td>target’s corresponding systems are evaluated. For each process, the best</td>
<td></td>
<td>constraints</td>
</tr>
<tr>
<td></td>
<td>solution is picked and becomes the standard in the combined organization.</td>
<td></td>
<td>● Requires a political negotiation process</td>
</tr>
<tr>
<td></td>
<td>The different systems are bridged by interfaces.</td>
<td></td>
<td>● Establishes best practice across the merged organization</td>
</tr>
<tr>
<td>Start-</td>
<td>This method is necessary if neither the acquirer’s nor the target’s IT</td>
<td>Highest</td>
<td>● Requires substantial resources and is uncertain</td>
</tr>
<tr>
<td>over</td>
<td>supports the business of the combined organization. New IT functionality</td>
<td></td>
<td>● Does not limit what can be done</td>
</tr>
<tr>
<td></td>
<td>has to be developed. Doing this is frequently costly and difficult, given</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>the time pressure to realize post-acquisition synergies.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 2: Complexity and Business Consequences of IT Integration Methods
IT-related capabilities in the target. Or, it might be necessary to reduce the scope of integration to not disrupt the target. There might also be situations when the acquirer has to embark on a complex integration project despite the high risk.

The five integration methods range from low to high complexity. Complexity is determined by the extent of new IT development (hardware, software and related practices) required and the degree to which a method may disrupt ongoing business and information processes (see Figure 2). Disruptions imply a temporary drop in productivity related to the introduction of new IT resources, followed by an increase as the merged organization adapts to using the new practices associated with the newly introduced IT. In this context, complexity should be understood as a subjective managerial judgment, based on general factors including new development, elements to be integrated (systems, applications, data, processes, etc.) and, most importantly, their mutual interdependencies.

Rip and Replace Integration Method. The rip and replace method is the least complex because it allows use of what the acquirer already has to support the acquisition. Once the IT has been integrated, the acquisition will be complete, and the combined organization can immediately start benefiting from the business synergies that motivated the acquisition. However, the condition for being able to employ a full rip and replace method is that all the business processes of the target can be supported by the acquiring organization’s existing IT. The risk is that this integration method introduces “worst practice” into the previously superior business processes of the target. Moreover, the rip and replace method may cause significant disruption in the target if the operational practices of the acquirer and target are very different.

Bolt-on Integration Method. The bolt-on method is the second least complex of the five integration methods, conforming essentially to the same logic as the rip and replace method. But despite its low complexity, there is still a risk that the bolt-on method might destroy value by replacing the target’s IT systems. The additional challenge with this method is to identify the target’s unique IT systems and integrate them with the acquirer’s IT. If this is done correctly, it should be possible to avoid destroying value within the target. The downside of the bolt-on method is that continually bolting on new IT can, over time, create a highly heterogeneous IT infrastructure that is expensive to maintain.

Sculpt Integration Method. The sculpt method seeks to deal with the risk of introducing “worst practice” by describing the acquirer’s business processes to the target and asking “Can you improve these processes?” If the answer is “yes,” the target’s IT that supports the specific processes is identified and assessed so the relevant IT functionality can be rebuilt (or carved out) in the acquirer’s IT. The advantage of the sculpt integration method is that it results in a homogenous IT infrastructure instead of a patchwork. The limitation is that this method is suitable only when the target displays best

**Figure 2: Integration Complexity as a Function of Integration Extent and Integration Method**
practice in a limited number of processes, otherwise the amount of carving out will require substantial resources. Moreover, there has to be a full match between the acquirer’s and the target’s IT; if this is not the case, the sculpt integration method has to be combined with the bolt-on method.

**Combine Integration Method.** The combine method is relatively easy to carry out when the combination can be made by carving out specific IT from the target to replace the acquirer’s corresponding IT. However, this method becomes complicated when dealing with a combination of equals. As well as often becoming a highly political process, the result is a complex patchwork of interdependent IT that originally was not designed to work together.

**Start-over Integration Method.** The start over method completely redevelops IT systems to support the combined organization. A more moderate, but still complex, challenge would be the redevelopment of the IT systems to support a specific business unit within a larger organization. History shows that large-scale IT development projects are both expensive and uncertain, and therefore high risk.

The essential differences between the five acquisition IT integration methods are depicted in Figure 3.

**Time Pressure Risk Driver**

The time pressure risk driver influences the integration timeframe of acquisition IT integration. Because completed IT integration is a prerequisite for realizing most of the synergies from an acquisition, IT management typically experiences a high level of internal pressure to complete the integration as soon as possible.\(^\text{12}\) However, if the acquired unit is divested from a business with multiple units, there is also external time pressure from the seller and from the diffuse “market.”\(^\text{13}\) Typically, there is pressure to quickly integrate basic infrastructural services such as email, intranet and phones.


all of which need to be available immediately after the acquisition. However, most acquirers have the capabilities to quickly integrate such infrastructural services. The critical question is what time pressure is there to integrate IT that enables business synergies from the acquisition.

Everything else being equal, fast IT integration enables the synergies that motivated the acquisition and has a positive financial impact. However, there is at least one very good reason why an acquirer might want to postpone an acquisition IT integration project. If a substantial IT platform upgrade is on the horizon, the IT integration could be included in that platform change. IT integration projects are frequently very expensive, sometimes costing hundreds of millions of dollars. It makes sense for an acquirer that will soon be moving to a new platform to avoid having that expense twice.

In minor acquisitions, the acquired unit is frequently divested from another large firm. This type of acquisition increases the need for rapid IT integration because the divesting firm will likely be unwilling to support the transferred business. Typically, unless the critical IT systems are specified in the contract, the seller will be unwilling to devote resources to supporting the systems after the transfer contract has expired. Thus, standalone businesses are less risky acquisition targets because they present no natural deadline for the IT integration project.¹⁴

Stock market investors also influence decisions by public companies on the timing of acquisition IT integration. Investors expect the promised synergies to be realized within a short timeframe after the acquisition deal,¹⁵ which creates a high level of time pressure to finalize IT integration and can lead to “quick fixes” that are suboptimal in the long run. However, if the acquirer knows that some synergies will not be realized until the next IT platform update, it can exclude these benefits from the material provided to investors when the acquisition is announced.

**Integration Novelty Risk Driver**

The integration novelty risk driver refers to the acquirer’s experience and/or access to existing or outside knowledge to address the IT integration challenge. To be successful, two tasks need to be accomplished: the design of the IT integration and the implementation of the designed IT integration.¹⁶ Designing the IT integration includes determining the extent of integration required, the integration method required to realize potential business benefits and the timeframe of the project. Implementation requires different competencies, depending on the extent of the integration and the method chosen. Different technical skills and understanding of existing IT systems are required for redeploying IT systems than those required for carving out systems or developing new systems.

There are two main sources of the knowledge and skills needed to address an acquisition IT integration challenge: (1) from within the acquirer’s own organization and (2) external sources, such as consultants. Serial acquirers (such as Trelleborg) tend to get better at acquisition IT integration over time through learning. Formal learning takes the form of guidelines, checklists, methods and documentation from previous acquisitions. Informal learning occurs through practice development, the personal experience of people involved in integration projects, organizational structures and the reuse of the acquirer’s own IT setup. Frequent acquirers can build two types of knowledge.¹⁷ For the implementation task, it is possible to build organizational routines for the most common implementation challenges, such as a rip and replace method to integrate a minor acquisition target. In addition, frequent acquirers can build expertise that enables them to select the right method and to adapt existing routines to match unique features of a particular acquisition.

In addition to in-house integration competencies, consultants provide another source of knowledge and skills.¹⁸ For novice acquirers, consultants can provide the expertise needed for planning and managing the entire

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acquisition IT integration project. Good consultants possess experience accumulated across many acquisitions by a range of different acquirers. However, more frequent acquirers tend to rely less on external sources of expertise. By letting their own personnel plan and lead acquisitions, the learning experiences stay within the organization and can be used for future acquisitions.

How Trelleborg Managed Acquisition IT Integration Risk

Trelleborg AB has grown to a global industry group with businesses based on processed polymer materials. In the mid-1990s, Trelleborg launched a corporate strategy termed “concentration and expansion.” At that time, the company was a diversified organization concentrated in the Nordic countries. Divestment of non-core operations had put it in a strong financial position, enabling it to focus on growth in businesses with advanced polymer technologies. The target for average growth in this area was 8%-10% annually over an economic cycle. Between 1996 and 2011, organic growth was supplemented by 77 acquisitions of complementary operations. In 2011, the group was structured in four divisions (Sealing Solutions, Wheel Systems, Engineered Systems and Automotive) and had 22,000 employees in 44 countries. Sales rose to €3.4 billion ($3.65 billion) in 2011, generating a profit (EBIT) of €280 million ($301 million).19

During its acquisition program, Trelleborg faced a wide variety of IT integration challenges, addressed by an equally divergent set of solutions. These solutions ranged from small rip and replace integrations done in months to a complete rebuilding of business units’ IT systems that took years to implement. Accumulating experiences across these acquisitions, Trelleborg developed a set of IT integration routines that could be enacted when appropriate, as well as more general IT integration expertise that enabled the company to choose the most appropriate IT integration method. As part of this general expertise, Trelleborg also developed a process for assessing and managing acquisition IT integration risk.20 This process involves interplay between senior business managers and IT managers as the prospective acquisition targets are investigated along the dimensions of IT integration extent, integration method, time pressure and integration novelty.

Below, we present three of Trelleborg’s acquisitions (see Table 3). We have selected these cases from Trelleborg’s 77 acquisitions because they clearly illustrate how acquisition IT risk drivers can be identified and managed (or not managed):

- The Kléber acquisition illustrates the effects of underestimating the IT integration challenge in a high-risk acquisition.

Table 3: Key Data for the Three Acquisitions

<table>
<thead>
<tr>
<th>Target</th>
<th>Year Acquired</th>
<th>Year Integrated</th>
<th>Acquisition Price (€m)</th>
<th>Seller</th>
<th>Business</th>
<th>Target Sales (€m)</th>
<th>Target’s No. of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kléber</td>
<td>1996</td>
<td>2006</td>
<td>40</td>
<td>Michelin (FR)</td>
<td>Industrial hose</td>
<td>60</td>
<td>750</td>
</tr>
<tr>
<td>Dynaflex</td>
<td>2004</td>
<td>2004</td>
<td>15</td>
<td>Manuli (IT)</td>
<td>Specialty hose</td>
<td>15</td>
<td>50</td>
</tr>
<tr>
<td>CRP Group</td>
<td>2006</td>
<td>2009</td>
<td>100</td>
<td>Barclays (U.K.)</td>
<td>Offshore equipment</td>
<td>100</td>
<td>500</td>
</tr>
</tbody>
</table>

19 Euro/dollar conversion rate as of January 2016.

20 For an extensive analysis of how Trelleborg learned to manage acquisitions, see Henningsson, S., op. cit., 2015.
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- The CRP acquisition illustrates how a high-risk acquisition can be managed if the IT risk is identified early on.
- The Dynaflex acquisition illustrates the advantage of establishing that an acquisition is lower risk.

**Kléber Acquisition: Effects of Underestimating IT Integration Challenge**

Early in its acquisition experience, Trelleborg acquired Kléber to build a scale-based business in the hose industry. Trelleborg’s hose business had been struggling for some time, and it was uncertain if it would be part of the redefined core business. The situation in Kléber was similar, where the current owner had avoided long-term investments while trying to sell the business. Several prospective buyers before Trelleborg declined acquiring Kléber. Because of this, Trelleborg managed to negotiate a favorable financial deal and acquired Kléber from Michelin France in 1996.

Kléber was four times larger than Trelleborg’s own hose business units. By combining the resources of its own units with those of Kléber, Trelleborg aimed to reposition its hose business as having a low-cost, scale-based strategy. By combining Kléber with the existing hose businesses in the new Trelleborg Industrial Hose unit, Trelleborg expected economies of scale to be achieved in production, sales and distribution.

“*In terms of production, the two units ... were very compatible ... Overlapping was also limited in geographical terms. Trelleborg was more Nordic, more niche. Kléber was more continental, had a larger product range and had a wider distribution network.*” — Sales Manager, Trelleborg Industrial Hose

While the due diligence team recognized the potential for extensive IT integration, because Kléber’s IT platform was completely standalone and fully operational, the team did not identify an immediate need for an IT integration project. With limited IT risk assessment conducted by business managers on the due diligence team, IT integration was not seen as a major threat to realizing value from the acquisition. With the short timeframe of the due diligence phase and time pressure from the contract negotiations, little thought was given to IT integration.

However, the limited attention given to the risk assessment of acquisition IT integration created barriers to realizing the business value of the Kléber acquisition. Pre-acquisition, Trelleborg’s hose business was supported by an IT platform based on a highly customized implementation of the Movex enterprise resource planning (ERP) system, and that platform was well aligned with Trelleborg’s niche-based business strategy. Using the rip and replace method, Trelleborg decided to move Kléber’s systems onto the Movex-based platform. However, with the arrival of a new management team, this integration project was cancelled in 1998.

“If you look [at the requirement specification for the system], it is a detailed description of what everyone was doing already. The people providing input for this had never worked with the system themselves; the only thing they knew was that they wanted exactly the same as they already had. ... The only idea was to have the same as before.” — Operations Manager, Trelleborg Industrial Hose

The new operations manager of the hose business assessed the progress of the integration project and saw that the Movex platform was customized to meet the requirements of the old hose business’s niche strategy. It was not designed to support the desired scale-based operations of the combined unit. Also, with the new millennium approaching, Trelleborg faced another challenge in that Kléber’s existing Bergounix ERP system was not expected to be Y2K compatible. Despite the external and internal pressure to realize the promised benefits of the acquisition, the operations manager understood that fundamental IT change now required using the start-over integration method to ensure the acquisition’s benefits were realized.

“*After two years, they came to the conclusion that it would take about 1,000 working days to develop the new Movex system to support the Kléber integration ... It couldn’t be justified by future savings.*” — Operations Manager, Trelleborg Industrial Hose
Given the inability to immediately achieve integration benefits, the new management team decided to restructure the combined unit to capture scale advantages. Production was moved to the former Kléber site, providing production-based economies of scale. Single functional heads were appointed in a centralized cost-focused structure. To gain time and quickly start reaping minor benefits, Kléber’s Bergounix-based platform was initially retained, using a temporary bolt-on IT integration method.

Over time, the Bergounix platform, which was expensive to maintain and extend, was replaced by a central, standard Movex system.

“It took almost two years] because they would say that it was impossible to invoice an Italian, Spanish or German customer from France ... I think it was a cultural issue and an issue of wanting control over the business.” Operations Manager, Trelleborg Industrial Hose

The old Trelleborg hose business was finally moved to the new Movex system in 2005 to complete the start-over integration method. As a consequence, costs were reduced and Trelleborg Industrial Hose finally became profitable.

“In 1999, three years after the acquisition, we lost €3 million. The ROA [return on assets] was negative, while for the Trelleborg Group the standard was 15%. We have improved every year since then, and last year we had a ROA of 17%.” Operations Manager, Trelleborg Industrial Hose

“... we waited ... until we had migrated all other units. When they said that it was impossible, we could just point to what ... proved that it worked.” Operations Manager, Trelleborg hose business unit

It is possible that Trelleborg could never have completely avoided the IT integration problems encountered in the Kléber acquisition. The unrecognized preconditions of the acquisition were that neither the pre-existing IT platform of the existing hose business nor Kléber’s IT platform could support the global, scale-based hose business. The initial rip and replace IT integration method was abandoned after two years when management recognized the risk of continuing with this approach and wrote off the costs incurred to date. Needless to say, Trelleborg shareholders were not impressed by the total of 10 years until the business benefits of the acquisition were fully realized. Luckily, Trelleborg learned from this experience, as illustrated below when it faced a similar IT integration challenge in the acquisition of CRP.

**CRP Acquisition: Managing a High-Risk Acquisition**

Trelleborg completed the acquisition of CRP in 2006 from a private equity fund headed by Barclays in the U.K. CRP had five U.K.- and U.S.-based production units. The company was active in systems for seismic surveys, drilling operations and subsea production, with solutions for deepwater flow assurance and buoyancy systems, as well as many specialized engineered polymer-based solutions. Sales and marketing offices were located in important offshore areas. As a result of the acquisition, Trelleborg’s oil- and gas-related operations were expected to grow to 7%-8% of total group sales.

CRP was a profitable business with operations related primarily to hydraulic systems for the subsea sector of the oil and gas business.

“The CRP acquisition was a step into an attractive segment. We already had some business within this segment, but with CRP we at least tripled our presence in that segment.” CFO, Trelleborg Engineered Systems

During due diligence, Trelleborg recognized that its strong presence in northern Europe was complemented by CRP’s similar business in the U.K. and U.S. CRP’s production facilities (and its head office) were located in Skelmersdale and Barrow-in-Furness in the U.K., with additional facilities in Randolph and Canton, Massachusetts, and Houston, Texas, in the U.S. Trelleborg saw the acquisition as a way of extending its market reach, with the two businesses providing similar products but in different markets. This complementarity promised long-term potential economies of scale in production, scheduling and logistics. However, rather than moving quickly to exploit the complementarities, Trelleborg decided that, given their separate market geographies
and the need to rebuild neglected capabilities at CRP, the two businesses would initially be kept separate.

Although the start-over method was eventually used to integrate Kléber’s IT, the CRP integration project began differently. This time, initial risk assessments were carried out, including detailed judgments on integration extent and novelty. These assessments led Trelleborg to understand it needed to completely rebuild the IT systems supporting the merged business in hydraulic systems to fully realize the economies of scale.

The IT manager of the Engineered Systems Division was responsible for the IT integration of CRP.

“I learned about the deal only weeks before it took place. This is how things go normally. You cannot prepare for everything; you discuss and plan for numerous deals simultaneously. … I don’t think anyone can foresee which deals will come about in the end, so only when the deal is about to happen will they involve me.” IT manager, Trelleborg Engineered Systems

When announcing the CRP acquisition to the market, Trelleborg only stated the expected synergies that were possible to realize without full IT integration. This reduced the external pressure. Eventually, after further assessment of the state of CRP’s IT systems, it was decided that a full start-over integration project was required.

“We discussed the ERP and … knew that we had to replace it over time. In that way it was simple.” CFO, Trelleborg Engineered Systems

While Trelleborg rebuilt and improved the capabilities of CRP, Trelleborg’s IT function worked on replacing CRP’s outdated ERP with a Movex implementation. When this was completed after two years, the corresponding unit from Trelleborg (Trelleborg Viking) was moved onto CRP’s new Movex platform, and scale benefits were realized by 2009, which marked the end of the start-over IT integration project.

CRP is an example of the advantage of managing the risk in the acquisition of a business that requires a high-risk IT start-over project. The acquisition of Dynaflex described below illustrates the advantage of IT integration risk management in a lower-risk acquisition.

Dynaflex Acquisition: Benefits of Identifying a Low-Risk Acquisition

Recovering from the Kléber acquisition, in 2004, Trelleborg made a second acquisition in the hose industry, acquiring the small niche-player Dynaflex from the Italian industry group Manuli. Trelleborg and Dynaflex both had hose production facilities in central France. However, their core customers and products were independent of each other. Trelleborg manufactured and serviced a wide range of hose products, while Dynaflex specialized in the production of hydraulic hoses for the oil and petrochemical industries, where it enjoyed a reputation for technology leadership. Acquiring Dynaflex would provide Trelleborg with new production facilities that could benefit from Trelleborg’s established distribution network. The intention was to grow Dynaflex’s business by launching its products in markets where Trelleborg had a strong position.

The acquisition of Dynaflex was, however, complicated by another acquisition in the hose business taking place at the same time. Former Dynaflex employees had set up their own manufacturing company, Unifluid, in the late 1990s, which had become one of Dynaflex’s major competitors. The acquisition of Dynaflex was conditional on an acquisition of Unifluid as well, since scale advantages could be derived from the combination of the two with Trelleborg. With Unifluid being a break-out from Dynaflex, the outcome of the three-way acquisition negotiation was uncertain for some time. As two of the involved parties were direct competitors, negotiations were also hindered by their unwillingness to disclose much information about their operations.

Once the three parties had finally agreed on terms and conditions that enabled the deal to happen, Trelleborg needed to move quickly. The sales manager of Trelleborg’s hose business unit, who was leading the negotiations on behalf of Trelleborg, drew up preliminary conditions that he circulated through the management team in the hose business unit. While the IT function was
generally aware about the talks, uncertainty on whether the deal would eventually go ahead had limited its involvement.

“One week before the deal was signed, our sales manager came to me saying that we were about to acquire Dynaflex. I asked him, ‘What about IT? Do we need to support them on day one, or how do we do it?’ ‘Good question, I’ll get back to you on that!’ he replied. A few hours later, he came back saying that they decided that the seller would keep its IT alive for six months. After that, we had to have them over on our platform.’” IT Manager, Trelleborg Industrial Hose

Given the six-month deadline for integrating Dynaflex’s IT, the IT manager had to quickly assess the acquisition IT integration challenge. To do this, he assessed the four risk drivers, starting with IT integration extent. Trelleborg had a scale-based business manufacturing low- and medium-pressure composite hoses. Dynaflex was a small, efficient and flexible producer of hydraulic hoses for high-pressure applications. The manufacturing processes for the two types of hoses are fundamentally different and were not possible to combine. Completely absorbing Dynaflex into Trelleborg’s procedures for composite hose production would destroy the efficiency and flexibility of the acquired unit. However, the acquisition was motivated by the opportunity for Dynaflex to expand its sales through using Trelleborg’s established sales organization.

“For each process, we investigated ‘How are they doing it today?’ and ‘How should it be done in the future?’” Systems Integrator, Trelleborg Engineered Systems

Only after understanding the synergies expected from the acquisition could the IT manager make an initial assessment of what business processes needed to be IT integrated. He realized that only a limited number of processes (mainly purchasing, sales and financial reporting) needed to be integrated and that these processes were relatively low in terms of data intensity (compared to real-time data sharing of production, scheduling and logistics). Thus, the extent risk driver for the IT integration project was low.

Next, the IT manager considered which IT integration method would be required. Dynaflex was a small, efficient business with flexible production. Replacing that with Trelleborg’s central solution would destroy the very reason for the acquisition of the business.

“Dynaflex was a small, efficient and flexible business. If we had implemented the full Movex package, we would have destroyed that flexibility.” IT Manager, Trelleborg Industrial Hose

The IT manager realized, therefore, that a complete rip and replace integration method would damage the acquisition value. However, given that only the production part of Dynaflex’s IT needed to be preserved, he saw that a bolt-on IT integration method was possible. The rest of Dynaflex’s IT could be migrated to Trelleborg’s platform to enable shared purchasing, sales and financial reporting. This meant that the required IT integration method was lower risk. Together with the lower extent risk, this meant the IT integration challenge had low complexity.

“...we went through all processes in detail investigating if it really was possible to work in that way.” Systems Integrator, Trelleborg Engineered Systems

In addition, the IT manager knew that the IT organization was capable of facing another acquisition IT integration challenge. The people responsible for the IT integration of Dynaflex had recently been involved with another, larger, acquisition and had completely rebuilt the IT platform. Further, the IT manager knew that his organization could call on the same team that had recently successfully integrated 13 production units in the centralization project. Thus, the integration novelty risk driver was low.

“We had been the same team for three to four years. We knew what worked. That was why they asked me.” Systems Integrator, Trelleborg Engineered Systems

Finally, the IT manager assessed if the IT organization was capable of meeting the six-month deadline. Compared to the Kléber and
Managing IT Integration Risk in Acquisitions

CRP acquisition IT integration projects, which had each taken several years to complete, the integration of Dynaflex’s IT was completely different. Knowing that Trelleborg faced an acquisition IT integration project with a lower extent risk, lower method risk and lower novelty risk, the IT manager was confident that the six-month deadline would not pose a problem. This knowledge gave Trelleborg a better negotiation position in preparing the final transfer contract.

Framework for Assessing Risk in Acquisition IT Integration Projects

When a potential acquisition target is identified, the acquirer has to rapidly learn about the resources and capabilities of the target to determine potential acquisition benefits and weaknesses. Several factors constrain this learning process, including legal restrictions, unwillingness of the target to disclose confidential information and limited availability of management attention. In addition, the time for the acquisition review process is typically short, and there is large uncertainty about which deals in the acquirer’s target portfolio will eventually materialize.

In Trelleborg’s later acquisitions, the acquisition team took a progressive approach toward IT risk assessment and mitigation. Members of the acquisition team (including the CFO of Trelleborg Engineered Systems) were sufficiently IT-savvy to broadly understand the overall method and extent of the IT integration needed, and the degree to which this would put constraints on the realization of acquisition benefits. When additional attention to IT was needed, the acquisition team informed the IT manager responsible for integration about the plans, who would then assess the available capabilities (integration novelty risk driver) and timeframe (time pressure risk driver) needed to carry out the integration.

Trelleborg’s experiences show it is crucial for general managers directly involved in due diligence and contract negotiation to have a basic understanding of the conditions in which IT integration could be a critical threat to acquisition benefits. They also need to understand when the IT function should be brought into the due diligence team to assess potential roadblocks to benefits realization. Understanding the conditions that may require a high-risk start-over IT integration project is important because the start-over method can significantly delay a substantial part of the projected business benefits of an acquisition. This method has to be used if neither the acquirer’s nor the target’s existing IT systems can be modified to support the combined organization. This situation will exist if (a) there is a fundamental IT misalignment with the post-acquisition business strategy in an acquisition that is made to strategically reposition a business unit (as in Trelleborg’s acquisition of Kléber) and/or (b) it is not possible to scale up the IT systems to the volumes of the combined organizations (as in Trelleborg’s acquisition of CRP).

Trelleborg eventually learned to take account of IT integration risks in the initial reviews of acquisition targets by developing an awareness of IT issues in the general management review teams and calling on IT managers when potential risks where identified. With this approach, IT integration risk was assessed progressively. It enabled Trelleborg to pursue its aggressive acquisition strategy (up to 10 a year) while identifying high-risk IT integration acquisitions. Moreover, given that Trelleborg evaluated a much larger number of potential acquisitions, the staged involvement of IT prevented the IT function from being overwhelmed by requests to review all potential acquisitions.

Based on the approach developed by Trelleborg for identifying and managing IT-related risk in acquisitions, we have created an Acquisition IT Integration Risk Assessment Framework (see Figure 4). For each of the four integration risk drivers that can create IT integration project challenges, this framework identifies the critical questions to answer when assessing acquisition IT integration risk, and the actions for mitigating the risks.

Adjust the Framework for Your Unique Context

The Acquisition IT Integration Risk Assessment Framework has been derived from Trelleborg’s acquisition experiences. Having carried out 77 acquisitions over a 15-year period, Trelleborg can be considered a serial acquirer.
Table 4: Acquisition IT Integration Risk Assessment Framework

<table>
<thead>
<tr>
<th>Risk Driver</th>
<th>Risk Assessment</th>
<th>Risk Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extent (what to integrate)</td>
<td>• What are the expected business synergies?</td>
<td>• Gain full understanding of expected synergies.</td>
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<tr>
<td></td>
<td>• What’s the extent of business processes to be integrated to realize expected synergies?</td>
<td>• Integrate what needs to be done, but not more.</td>
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<td></td>
<td>• How well are business processes documented?</td>
<td>• Assess each acquisition individually.</td>
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<tr>
<td></td>
<td>• To what extent is the data required voluminous and structured?</td>
<td>• Avoid political approaches—use cost and fact-based decision making.</td>
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<tr>
<td></td>
<td>• How much will future IT costs be when the target is integrated?</td>
<td>• Reserve funding for capital investments.</td>
</tr>
<tr>
<td>Method (how to integrate)</td>
<td>• How much business disruption is expected by employing potential methods?</td>
<td>• Transition less complex systems to leverage most important synergies.</td>
</tr>
<tr>
<td></td>
<td>• How many new IT systems will be required vs. redeploying existing systems?</td>
<td>• Consider multiple methods to achieve expected synergies.</td>
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<td></td>
<td>• Is there a risk in the acquisition of “worst practice” replacing previously superior business processes?</td>
<td>• If extensive integration is needed, inform the CEO early.</td>
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<td></td>
<td>• Can existing IT resources be extended/enhanced to support the acquisition?</td>
<td>• Proactively inform acquisition managers about more complex integration scenarios.</td>
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<tr>
<td>Time pressure (source of pressure)</td>
<td>• Is there sufficient time for sustaining the target without IT integration right now?</td>
<td>• Build an IT architecture for acquisitions.</td>
</tr>
<tr>
<td></td>
<td>• What’s the extent of internal pressure to realize synergies?</td>
<td>• With new/complex integration methods, consider delaying the integration if a new IT platform is on the horizon.</td>
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<tr>
<td></td>
<td>• How much freedom is there to maneuver?</td>
<td>• Create realistic expectations for timeframes to realize benefits.</td>
</tr>
<tr>
<td></td>
<td>• How much pressure is there from investors to realize synergies?</td>
<td>• Manage public announcements about the integration project and benefits.</td>
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<td></td>
<td>• What is the internal IT integration capacity?</td>
<td></td>
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<tr>
<td>Novelty (lack of know-how)</td>
<td>• What is the level of internal know-how for IT integration?</td>
<td>• Document and execute best practices.</td>
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<tr>
<td></td>
<td>• How much new knowledge or capability is required to plan and implement the IT integration?</td>
<td>• Engage business units to determine what is already known.</td>
</tr>
<tr>
<td></td>
<td>• Is the required knowledge related to business and/or IT?</td>
<td>• Seek advice from external sources on prior success of similar projects.</td>
</tr>
<tr>
<td></td>
<td>• Can we access the required knowledge—internally and/or externally?</td>
<td>• Weigh the pros and cons of using consultants for new tasks/challenges.</td>
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</tbody>
</table>
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However, in some regards, its experiences may be unique. Compared to a one-time acquirer, some of the IT integration risks it faced may not be as important (e.g., slight overspending). In addition, the dynamics between the risk areas may vary across industries. Trelleborg is an industrial organization, and its acquisitions were primarily to increase the scale and scope of its operations. In other industries, such as software and hi-tech industries, acquisitions are commonly driven by innovation benefits. In these industries, time might be more critical. The risk management framework should therefore be seen as heuristic guidelines and not a recipe-like cookbook, and must be interpreted by well-informed professionals in each given context.

It should also be recognized that Trelleborg’s approach to understanding IT integration risk deviates from an ideal state where all potential risks are understood at the earliest point in the acquisition process. Over time, Trelleborg learned that by using business managers experienced in acquisitions (but also possessing basic knowledge of IT) and being prepared to wait for the financial payoffs of IT integration, it was able to achieve a balance on when to involve the IT function. In essence, acquisition managers screened targets and called on IT managers when needed. Inexperienced acquirers will likely need a more careful and robust approach to IT due diligence.

In essence, acquisition managers were able to systematically explore the IT integration risk early in the due diligence process. For this to happen, business managers involved in the initial screening of potential acquisition targets must understand when its necessary to call on the IT function for a more extensive risk assessment. The other four address the IT integration risk drivers in the framework.

**Lesson 1: Educate General Managers to Understand When to Call on IT**

IT management at a firm that is considering acquisitions should do two things. First, IT should educate senior business managers (especially the CEO) on what type of acquisition will be easy or more difficult from an IT integration perspective. Let the CEO know that it is possible to systematically explore the IT integration risk early in the due diligence process. For this to happen, business managers involved in the initial screening of potential acquisition targets must understand when its necessary to call on the IT function for a more extensive risk assessment.

Second, IT management should consider how to quickly and comprehensively respond to the announcement that the firm is to make an acquisition. Using the Acquisition IT Integration Risk Assessment Framework can help to create an action plan to manage the risk drivers before the deal is finalized. Recognize that while IT may not be a starter in the acquisition game, it can be a game finisher!

Trelleborg’s experiences (some painful) taught business managers to recognize when IT could be a major threat to the acquisition. For example, when acquiring CRP the business acquisition managers considered the Acquisition IT Integration Risk Assessment Framework,
which made them very aware of the IT capital investments needed and that the full IT integration of CRP would take considerable time. With experience from earlier acquisitions, the start-over integration project was completed in less than two years. The IT organization was called in and started the extensive integration project as soon as the CRP acquisition was announced.

**Lesson 2: Integrate Only What Needs to be Integrated (but Do Integrate What Needs to Be Integrated!)**

The IT management of an acquiring company should carefully assess what business processes need integrated IT. This assessment is necessary because integrating IT is typically costly and adds risk to the acquisition. It is costly to migrate data between different systems, make connections between systems, adjust to new ways of doing business and educate users in the new IT systems. Moreover, replacing the target’s IT systems might destroy the value of the business unit. As a consequence, the number of IT systems to be integrated should not be excessive.

On the other hand, integrating too few systems is also not desirable. IT integration is commonly a prerequisite for enabling business synergies. In addition, integration might provide important cost savings related to scale in IT operations. The lesson learned by Trelleborg is that IT management should find the right balance between what should be integrated and what should not.

Trelleborg assessed all its acquisitions individually to determine what should and should not be IT integrated. The general acquisition strategy was to buy business units with attractive resources that Trelleborg could develop further. Depending on how the resources could be developed within Trelleborg, it typically either left the IT of the acquired company undisturbed, fully absorbed the acquisition’s business processes into the IT of an existing Trelleborg business unit or made a selective choice of specific processes to IT integrate. These different strategies were illustrated with the acquisition case examples described earlier.

To help reduce the integration extent risk driver, it is important to determine whether something can wait to be integrated or if everything needs to be done immediately, as occurred with Trelleborg’s acquisition of CRP. This approach has also been used by other companies. For example, when Danske Bank acquired the Finnish Sampo Bank, it decided to retain the IT systems of Sampo Bank’s relatively small operations in Estonia, Latvia, Lithuania and Russia until IT integration of the Finnish operation had been completed.

**Lesson 3: Reduce Complexity Where Possible**

The complexity of acquisition IT integration projects varies significantly depending on the integration method used. With some acquisitions, there are quick absorptions; others require a multi-year project to build a completely new IT platform.

When deciding whether to acquire CRP, Trelleborg realized that to fully achieve the synergies between CRP and the corresponding Trelleborg business unit it would have to face the risk of building a completely new IT solution for the combined unit. Nevertheless, Trelleborg still chose to move ahead with the acquisition. However, to reduce pressure on deciding which IT integration method to use, Trelleborg management decided to implement an interim IT solution that could enable enough synergies to justify the acquisition. These synergies were the ones primarily communicated to stakeholders at the time of the acquisition. Eventually, a new IT solution that could enable all the synergies was developed, further improving the financial performance of the combined business unit.

To manage acquisition IT integration risk, complexity of the integration project should be reduced where and whenever possible. However, sometimes a complete start-over project is the only right decision to make. In this situation, it might be necessary to explain the challenge that lies ahead to the CEO and ask how badly he or she wants this deal.

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Lesson 4: Leave Room to Maneuver if Embarking on a High-Risk IT Integration Project

Based on the Acquisition IT Integration Risk Assessment Framework, there are three ways that an IT integration project becomes riskier:

- The integration extent is high
- A complex IT integration method is needed
- The acquirer has not done anything like this before (high integration novelty).

In retrospect, when Trelleborg acquired Kléber a short-term IT integration deadline would have been just about impossible to meet. The integration extent was very great, the synergies could be realized only by a complex integration method and Trelleborg had no experience of similar tasks.

In contrast, when facing a difficult IT integration challenge, as with Trelleborg’s acquisition of CRP, putting a tight deadline on the integration project will likely make things worse. To manage the time pressure risk driver, extend the IT integration timeframe by (a) making sure that the acquired unit can be supported by its existing IT systems as long as needed and (b) not creating expectations of gaining benefits that in reality require time to implement the enabling IT. Finally, if using the IT Integration Risk Assessment Framework early on shows that the risk is low, a short timeframe for the integration project can be set, as was the case in Trelleborg’s acquisition of Dynaflex.

Lesson 5: Understand Your Limitations

Using the Acquisition IT Integration Risk Assessment Framework helps an acquiring organization understand the amount of IT integration risk it faces and is able to cope with. Some IT acquisition integrations are very difficult to complete and are subject to intense time pressure. Can the acquirer carry out the required IT integration? Or does the acquirer think it knows how to perform a sculpt or combine IT integration project just because it previously managed to complete a few rip and replace projects?

When Trelleborg acquired Kléber, it had already conducted several rip and replace acquisition IT integration projects. Wrongly generalizing from those experiences to the new challenge, Trelleborg started a bolt-on IT integration project that, after two years, was aborted and replaced with an interim solution, and eventually required a start-over project. The IT integration following the Kléber acquisition took 10 years to fully complete! In contrast, in its CRP acquisition Trelleborg realized that a full transformation of IT was needed and therefore made sure it factored in ample time to successfully learn and execute an unfamiliar integration method (start-over).

To manage the novelty risk driver, CIOs should give themselves time to acquire the missing know-how and also consider seeking advice from external consultants with a history of success in similar acquisition IT integration projects.

Concluding Comments

When a potential acquisition target emerges on the acquirer’s radar, the acquisition team needs to develop an understanding of the IT integration challenge and the prospects for successful IT integration. The Acquisition IT Integration Risk Assessment Framework presented in this article will assist in this task. The framework is built around four important risk drivers—integration extent, integration method, time pressure and integration novelty. By reference to Trelleborg’s acquisition experiences, we have shown how each of the drivers can be managed to reduce the potential negative risk impacts of acquisition IT integration projects.

Appendix: Research Methodology

The data collection primarily comprised in-depth face-to-face interviews with senior business and IT managers from Trelleborg AB and several other companies that wish to remain anonymous. The study was a collaborative research project that included business and IT managers at Trelleborg and researchers from one of the author’s research institutions. The research objective was to develop scientifically grounded guidelines for managing acquisition IT integration. In addition to workshops and regular project meetings, 31 in-depth interviews were conducted. Key areas of focus in the interviews were the dimensions of synergistic potential, organizational integration, consolidation...
intentions, employee reaction, IT landscape, integration architecture and the role of IT integration.

Trelleborg was selected to illustrate the use of the risk management framework because it displays many general characteristics of an acquirer, not least, the typically low direct involvement of IT managers in pre-acquisition due diligence. However, Trelleborg has some characteristics that set it apart from other acquirers—for example, industry, financial stamina and type of acquisitions made. Thus, the framework developed from Trelleborg’s acquisition experiences must be considered as a general, heuristic tool that has to be interpreted in a given context.

The research team has also investigated similar areas in other large, multinational companies to validate the findings from Trelleborg’s experiences in a wider context. Observations and updates on these companies’ acquisition experiences were synthesized to inform the longitudinal nature of the experiences described in this article. The key points of these acquisition experiences were recorded and discussed by the two authors as they collaborated on research projects.

In addition to the interviews, secondary data from previously published cases and other sources was used to further validate the findings. Subsequently, nine interviews were conducted with IT professionals with experience of acquisition IT integration to validate a set of initial guidelines for addressing the acquisition IT integration challenge. During these interviews, the IT professionals assessed the draft guidelines based on their importance (how important is the issue being addressed), accessibility (how well is the advice conveyed) and suitability (how appropriate is the advice given). Based on their input, the guidelines presented in this article were developed.

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