MCBERNSTEIN DATA

The Key to Effectively Managing Data and Information in Mergers, Acquisitions and Divestitures

By Lynn Molfetta

Financial Services and Healthcare systems will continue to consolidate. What hidden asset do they have in common and how can they successfully manage the merger, acquisition and divestiture process to ensure the asset value is considered and retained?

Business continue to grow and evolve, regardless of market cycles. Whether motivated by external or internal factors - sector convergence, geopolitical uncertainties, opportunistic reasons, or desire to streamline operations - growth can be achieved by buying, selling, combining or pruning businesses and divisions. The one constant is always change.

In the last few years we've seen headlines of large healthcare related activity: GE selling their BioPharma division for $21B; Dignity Health and Catholic Health Initiatives combined in a $29 Billion megamerger between the two Catholic health systems with 142 hospitals and 700 care sites. In financial services we've seen mergers, acquisitions and divestitures: over 130 mergers and acquisition transactions of Registered Investment Advisors (RIAs) occurred in 2019, resulting in larger Private Equity backed RIA firms; CIT Group completed a $1B of Mutual of Omaha's savings bank subsidiary, Mutual of Omaha Bank; BB&T and SunTrust Bank combining in a $66B merger to form Truist Bank, while divesting of 30 bank branches with $2.4B in deposits to First Horizon Bank in order to satisfy the Department of Justice.

What all these transactions have in common is the merging or diverging of disparate business ecosystems. Businesses assemble and articulate their plans, and count on individuals to execute them. They create project teams of internal experts, and external advisors, covering groups such as Legal, Tax, and Finance, leaving out critical groups with long-standing and defined areas of accountability such as Compliance, Data Privacy, Technology. What happens when you are dealing with a new asset that involves all of these groups with no historically defined responsibility, by virtue of it being new, growing and changing? Underlying almost all business functions are the intangible assets of data and information. How do you begin to plan an actionable strategy around them?

Mergers and Acquisitions (M&As) between two companies bring together two sets of data, systems, business processes and people. A divestiture is the untangling of those sets. Underlying the sets is data and information. Is there any information held in the business for sale that could prove useful? What information will be needed by the buyer, by the seller, or by both, need to be determined under the pressure of time. How can that be done effectively and efficiently? Here is where the proper approach to Information Governance can make a difference, focusing on a unifying, underlying methodology. Essential facts and questions need to be addressed.

- *Bringing people to the table*: Successful transactions require everyone working together, rather than focused on fiefdoms or executing within a 'silo' mentality. There needs to be a dedicated team that span business units, functions and boundaries to begin to pose and answer questions.

- *Coordinating and streamlining business processes.* How are we handling the information and data? Who owns the process? Who should own the process?

- *Evaluating technology platforms.* What systems exist? Which easily share data? Which can be altered to handle data better? Is the technology outdated? Have we migrated to the cloud? Have security issues been addressed such as Privacy?

- *Reviewing and determining, tagging data.* What data is required to be maintained for Business, Legal or Regulatory reasons by the buyer or seller? These are paramount and important questions to answer. Studies have shown that roughly only a quarter of a company's information is useful and required to maintain. But, without identifying, cataloging and tagging the data, companies tend to keep everything, leaving both parties with unnecessary expense and risk.

Resources and time can be wasted on each step due to a lack of expertise, empowerment, and communication. The process is a series of challenges that can be mastered rather than avoided.

These clear priorities should be followed:

- *Ensure ALL stakeholders are at the table from the beginning.* Very often the M&A team comes together forgetting to include the groups that understand the records impacted.

- *Include all data sources and media types.* Lots of times areas are forgotten such as on-site storage locations (file cabinets, manager's desk, designated storage areas) and third-party storage vendors (applies to all media types and record/information management services).

- *Identify and create an Inventory.* This avoids casting a wide net and going on a 'wild goose chase'. Search related to the M&A transaction should include record types, account ownership, identification of co-mingled records, etc. and the appropriate volumes (# of cartons, size of electronic records).

- *Determine records that have existing Legal Holds.* Not identifying how and by whom the Legal Hold related records will be maintained during the post divestment- activity can stop the project dead in its tracks.

- *Focus on what matters and why it matters.* Don't wait to be called to the table. Defining and prioritizing is an essential step. It creates engaged and educated employees and empowers the organization to be proactive versus reactive in moving.

How you proceed can make all the difference in mitigating risk and learning lessons to try again. Creating a checklist for employees involved in Divestitures, Mergers, and Acquisitions provides guidance and consideration to the key criteria most commonly addressed and will help save time and resources in the long run.

In closing, if done correctly, there will be tangible and intangible rewards in efficiency gains, cost avoidance, and risk mitigation.

For more information on this topic contact: info@bernsteindata.com