

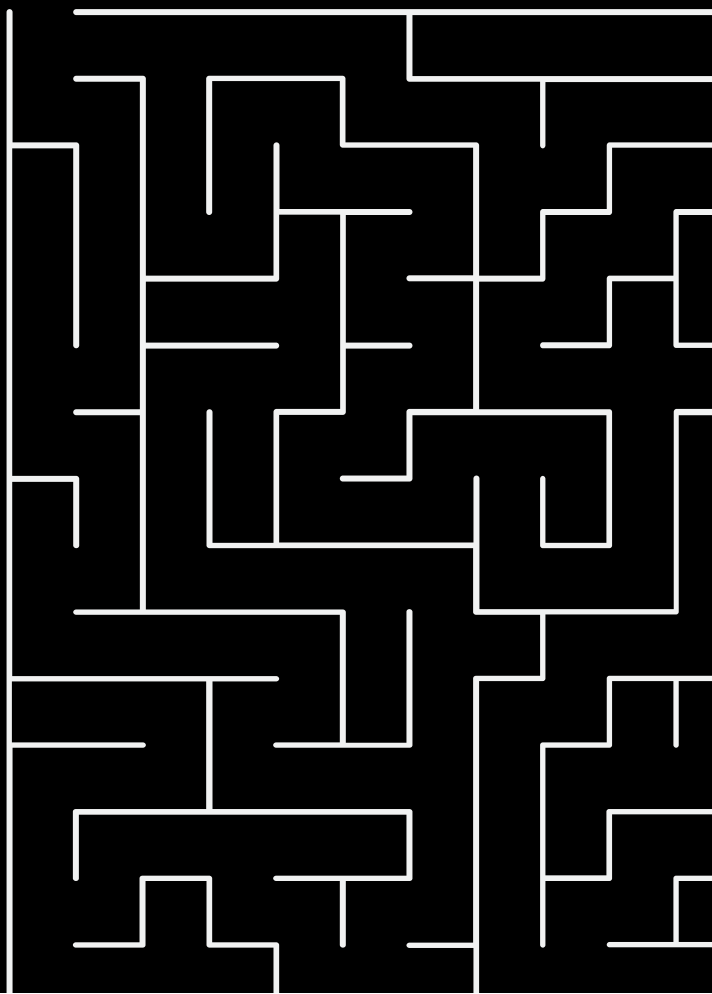
thirdøctet

# Guiding Modern SMB IT and Acquisitions



A STEP-BY-STEP GUIDE

Acquiring a new business? Find out where to begin and how to achieve IT success.





# About US

thirdoctet

We are a Managed IT Services provider for small to medium-sized businesses looking to support and empower their employees with IT that enables them to be at their best in today's remote and hybrid work environment.

We believe successful businesses are built on happy, engaged, and collaborative employees who can focus on high-value and deeply meaningful work. Our technology solutions focus on removing physical place and technology as a barrier to productivity and engagement, allowing employees to work when, where, and however they choose, minimizing "time to productive", and allowing for a personalized definition of their own work-life balance.

This is how we better your world through innovative and meaningful technology.

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# IT Integration During Acquisition

Business acquisitions hold enormous potential for small-to-medium businesses (SMBs), offering opportunities to broaden their capabilities, customer base, and market reach.

According to PwC's 2023 Canadian M&A Outlook, the M&A landscape in Canada is shaped by diverse factors such as rising interest rates, inflation, wage increases, economic uncertainty, and global politics. These elements create challenges and prospects for dealmakers, with new openings surfacing from recalibrated valuations, abundant capital, and intensifying corporate competitiveness.

Regardless of the uncertainties, 54% of Canadian corporate leaders aren't planning to delay deals in 2023 to circumvent potential economic hurdles and volatility. In other words, the M&A momentum will persist, encompassing potential acquisitions by and within the SMB space.

The thrill of M&A can be coupled with numerous challenges. Each phase requires deliberate thought and management, from due diligence to cultural integration.

While we don't claim to be M&A maestros, we deeply understand the complexities surrounding specific process components, particularly operational and systems integration. Partnering with a Managed IT Services Provider (MSP) can significantly streamline this journey.

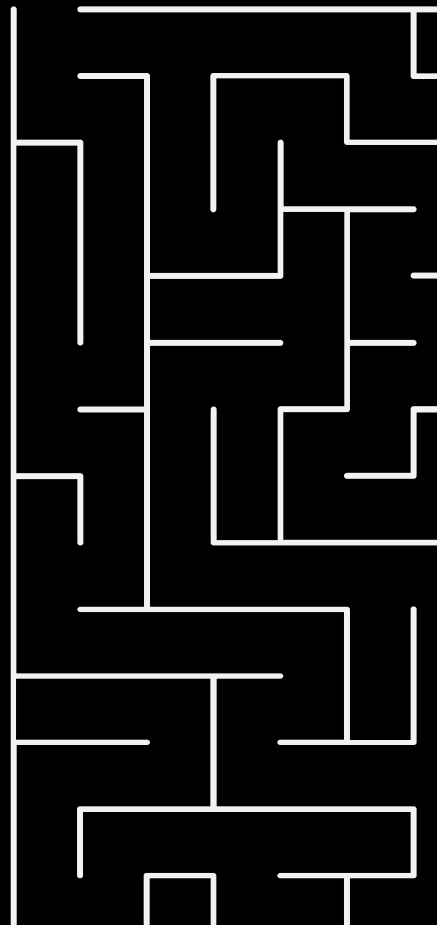
This workbook is your companion in the acquisition process, designed to prompt valuable insights and pave the way for successful systems integration.

P.S. Remember, we're here to assist whenever you need us. Best of luck on your acquisition journey.



SECTION 1

# Pre-Acquisition Planning



# Pre-Acquisition Planning

## 1. IDENTIFYING IT NEEDS.

Before undertaking an acquisition, you must clearly understand your post-acquisition IT needs. This involves examining your current IT infrastructure and identifying areas that need improvement or expansion.

- Describe your current IT infrastructure. What are its strengths and weaknesses?
- What IT-related challenges do you anticipate might occur during and after the acquisition?
- What specific IT skills and resources do you have in-house? What do you lack?
- How will the acquisition change your IT needs? (Think in terms of scale, complexity, security, compliance, etc.)
- How do you envision your IT infrastructure after the acquisition?

## 2. ENGAGE IT EXPERTS.

Bringing IT experts early in the planning process is crucial. They can provide valuable insights, advice, and help you navigate the complex IT landscape. Please be sure to look for experts who have experience in your industry and with acquisitions. They should have a strong reputation and be able to provide references. Questions to ask potential IT experts:

- Have you worked on similar acquisitions before?
- How would you approach our acquisition from an IT perspective?
- Can you provide references from past clients?
- What is your approach to data security during an acquisition?
- How do you handle IT system integration?

## 3. CHOOSING AN MSP

A Managed IT Services Provider (MSP) can be a valuable partner during an acquisition. They can manage your IT infrastructure, freeing you to focus on other aspects of the acquisition.

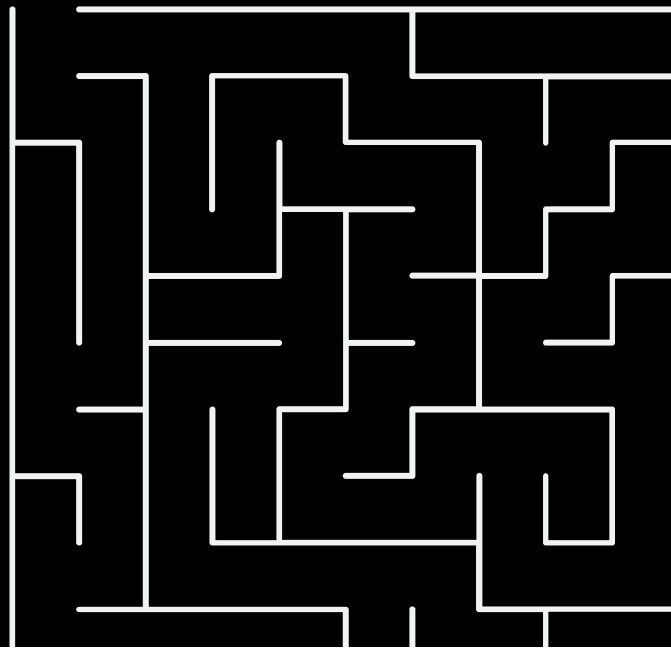
- **Experience:** Does the MSP have experience with acquisitions and in your industry?
- **Expertise:** Does the MSP have the necessary technical expertise?
- **Customer Reviews:** What do past and current clients say about the MSP?
- **Cost:** Does the cost of their services align with your budget?
- **Compatibility:** Does the MSP understand your business needs and objectives? Are they easy to communicate with and are they willing to adapt to your needs?





SECTION 2

# Due Diligence and IT Audit





# 1. Audit Target's IT

This involves thoroughly reviewing the target company's IT infrastructure. It helps you understand what you're getting into and identify potential challenges.

## GUIDE

- Key components to examine: Systems, networks, data security, software licenses, hardware conditions, IT vendor relationships, etc.
- Red flags to watch out for: Outdated systems, poor data security, lack of documentation, frequent IT-related complaints from the target's staff, etc.

## CHECKLIST

- Has the target company's IT infrastructure been audited?
- Have any issues been identified?
- Is there a remediation plan in place for these issues?
- Does the target company meet all necessary compliance requirements?

# 2. Develop Integration Plan

An IT integration plan should be developed based on the audit. This plan will outline how to merge the two companies' IT systems post-acquisition.

## QUESTIONS

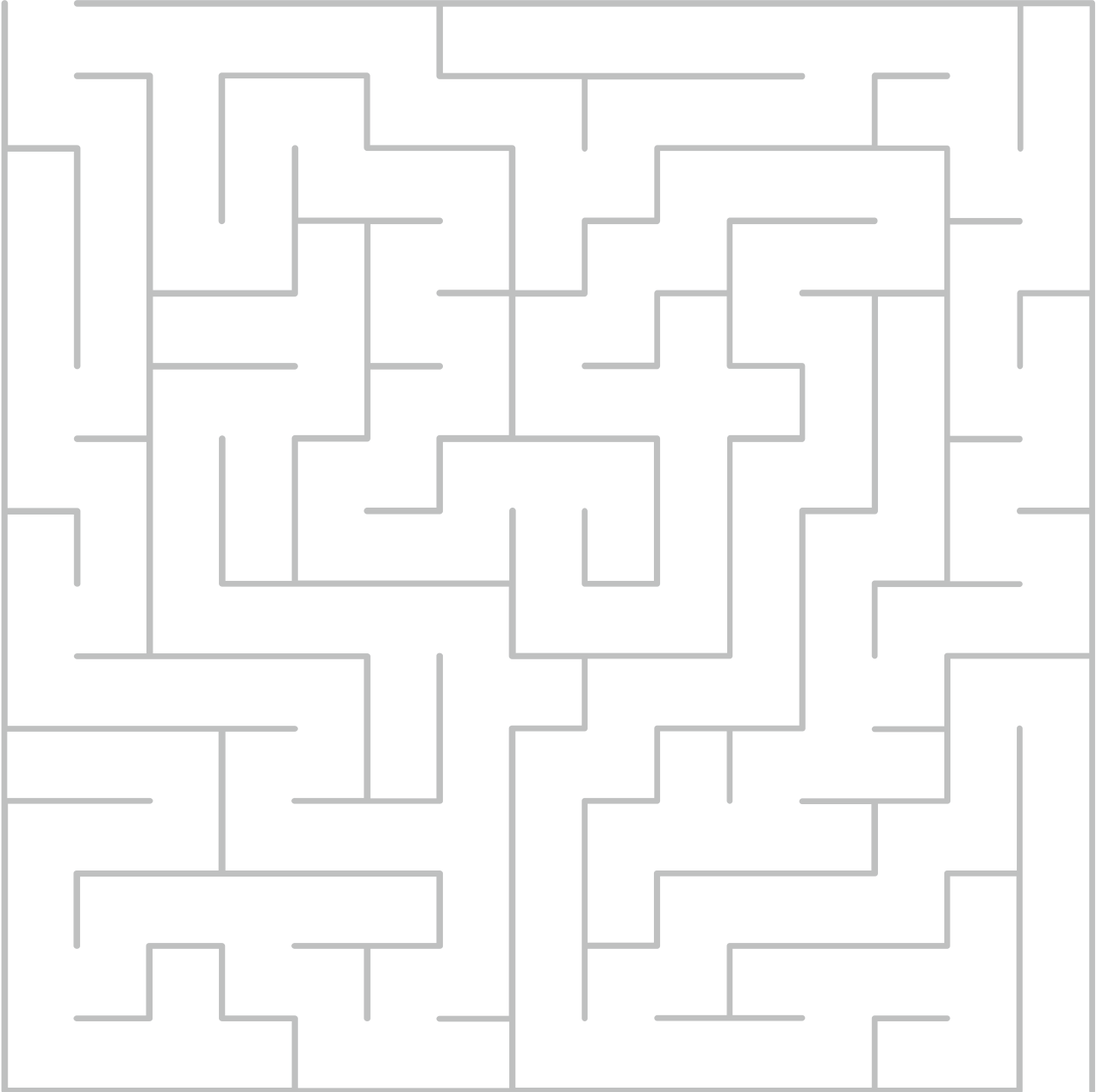
- Which systems will be retained, replaced, or upgraded?
- What is the plan for migrating data?
- How will the IT systems be tested post-integration?
- What is the timeline for the IT integration?
- What resources (people, time, money) are required for this plan?





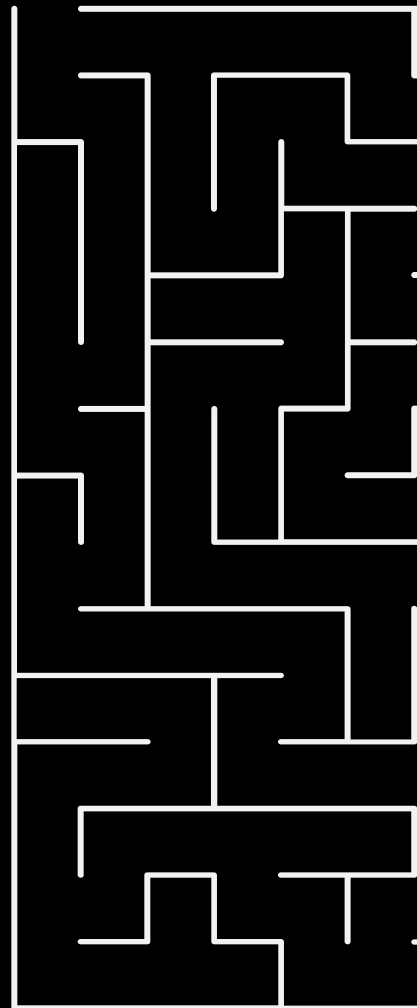


# TAKE A BREAK



SECTION 3

# Acquisition and Integration



# Communicate with Staff

Keeping your employees informed about the upcoming changes is crucial for maintaining morale and productivity during the transition period.

## WHAT TO COMMUNICATE

- Changes in systems
- New processes
- Timelines
- How the integration will impact their roles
- Expectations of staff
- How to submit feedback

## HOW TO COMMUNICATE

- In-person or virtual meetings
- E-mails
- One-on-one discussions
- Townhalls
- Newsletters

## CHECKLIST

- Have you developed a communication plan?
- Have you informed your employees about the acquisition and IT changes?
- Are there regular updates scheduled to keep staff informed during integration?
- Are there channels available for staff to ask questions or voice concerns?

## NOTES

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# Monitor the Process

Closely monitoring the integration process helps identify and rectify issues quickly, minimizing disruptions to the business.

## QUESTIONS

- How will you monitor the progress of the integration?
- Who will be responsible for tracking this progress?
- How will you address issues or delays that arise?

## CHECKLIST

- Do you have a system in place to monitor the progress of IT integration?
- Are you checking in regularly with your MSP and internal resources?
- Are issues being resolved in a timely manner?

## NOTES

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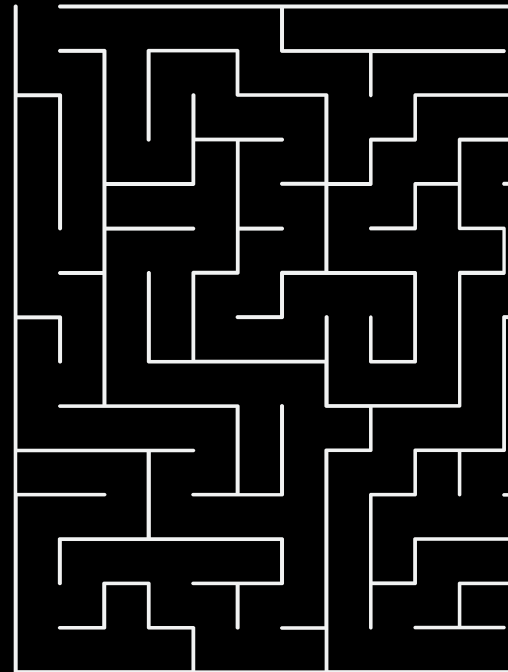






SECTION 4

# Post-Acquisition and Future Planning



# Post-Acquisition and Future Planning

## 1. CONTINUED MSP ENGAGEMENT

Even after the integration is complete, your MSP can provide invaluable ongoing support to ensure your systems operate optimally and securely.

- How will you continue to work with your MSP post-integration and what, if anything, will change?
- What ongoing services will your MSP provide, and what services need to be enhanced or added to account for post-integration?
- Have you discussed post-integration support with your MSP?
- Have you established a regular cadence with your MSP?

## 2. LONG-TERM IT STRATEGY

With your MSP, develop a long-term IT strategy for the newly expanded company to ensure continued growth and efficiency. Future business goals, potential IT upgrades, security and disaster recovery planning are among the many you should plan out.

- Have you developed a long-term IT strategy with your MSP?
- Does your IT strategy align with your future business goals?

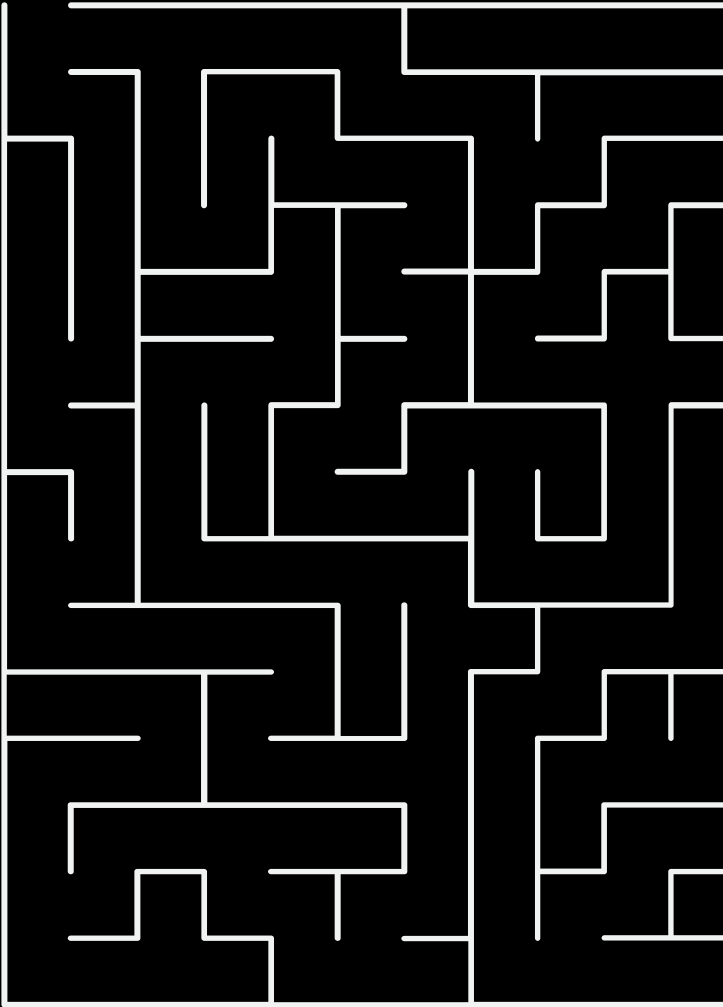
## 3. FUTURE ACQUISITIONS

If you plan to continue growing through acquisitions, take the lessons from this experience to improve future processes. What worked well during this acquisition and integration process? What challenges did you face, and how can you avoid or better handle them in the future?

- Have you documented the strengths and weaknesses of this acquisition and integration process?
- Have you developed a plan for improving future acquisitions?



# FAQS



# FAQs

## WHAT ARE THE MOST COMMON OVERLOOKED ELEMENTS OF SYSTEMS INTEGRATION?

Systems integration is a critical component of any merger or acquisition. It involves bringing together the information technology systems of both organizations to create a cohesive, efficient, and secure infrastructure. However, several aspects of systems integration can often be overlooked during the merger and acquisition process:

- **Data:** One of the most overlooked aspects of systems integration is data. The integration of unstructured data, such as files and shared drives, is relatively straightforward. However, structured data, which includes databases, can be complex and difficult to manage. Sharing structured data among disparate systems, such as CRM or ERP platforms, presents further challenges. Structured data typically holds immense intelligence about both organizations and may require extensive expertise—possibly beyond that of a managed service provider (MSP)—to properly integrate during an acquisition. It's crucial to address this early in the process.
- **Security:** Security considerations must be prioritized from the start, even before integration begins. The last thing any organization needs is a security incident during the integration process. Focus early and consistently on the existing security measures, and aim to mitigate risks before integrating the business systems. Remember, even legacy systems can introduce significant risks to the business.
- **Communication Systems:** Different email systems may have different features, user interfaces, or compatibility issues. This could lead to disruptions in communication during the integration process. Similarly, if the two companies use different telephony providers, there might be disruptions or inconsistencies in phone services, which could affect both internal and external communications.
- **Business Continuity:** Any change to technology introduces inherent risk. Whether by human fault, system errors, or security risk, data can be lost. Prior to integration, validate full backup and restore functionality of all systems. Additionally, ensure that as data is transitioned, existing backup and recovery measures are updated to reflect the newly integrated systems and data.

## WHAT ARE THE COST IMPLICATIONS OF SYSTEMS INTEGRATION DURING ACQUISITION?

The cost implications of systems integration during an acquisition can be significant and multifaceted. Costs can arise from various areas, including acquiring new hardware or software, hiring or training staff to manage the integration, and potential downtime during the transition. Additionally, merging disparate systems might require customization or the development of new interfaces, which can also contribute to the overall costs. Furthermore, indirect costs should also be considered, such as potential delays or disruptions to business operations. It's important to thoroughly evaluate and plan for these costs to ensure a successful and cost-effective integration.

## HOW CAN SYSTEMS INTEGRATION IMPACT VENDOR RELATIONSHIPS AND CONTRACTUAL OBLIGATIONS?

It's crucial to thoroughly understand the contractual obligations of both the acquiring and the acquired companies. This includes licensing agreements, service provider contracts, associated terms, cancellation clauses, and potential financial implications. During the integration process, if there are plans to decommission any vendor relationships or software, be aware that you may still have financial obligations to meet.

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