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POST-MERGER INTEGRATION: SUCCESS STORIES AND GUIDANCE FOR GOVCONS

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CohnReznick LLP

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CohnReznick's Government Contracting Industry practice helps federal contractors optimize performance by providing strategic advice on compliance and federal regulations, while also providing a range of audit, tax, and business advisory services.

We provide full life-cycle support of your contract, and as you seek to grow, we help you stay ahead o the curve by implementing proactive strategies to increase profitability and competitiveness, while minimizing the costs and effects of regulatory noncompliance.

MEET ALLY SOLUTIONS GROUP

At Ally, for the last 20 years, we have been dedicated to our client partnerships — We have worked with some of the largest Fortune 100 clients around the world helping them to implement large scale business transformation projects of all types. The one thing they have in common is that each and every initiative is customized for their individual objectives.

The result is a personalized *definition of success.*

We partner with leaders in building meaningful change strategies that transform culture and improve business results.

- Build and execute large-scale change strategy
- Improve the connectedness of the culture with Change Resiliency programs and practices
- Support leaders in driving large-scale change with coaching and support
- Rescue failing projects
- Restructure organizations
- Lead critical projects
- Implement business strategy by translating into actionable initiatives
- Transform culture through change and learning programs
- Teach people how to do their jobs differently
- Improve business health

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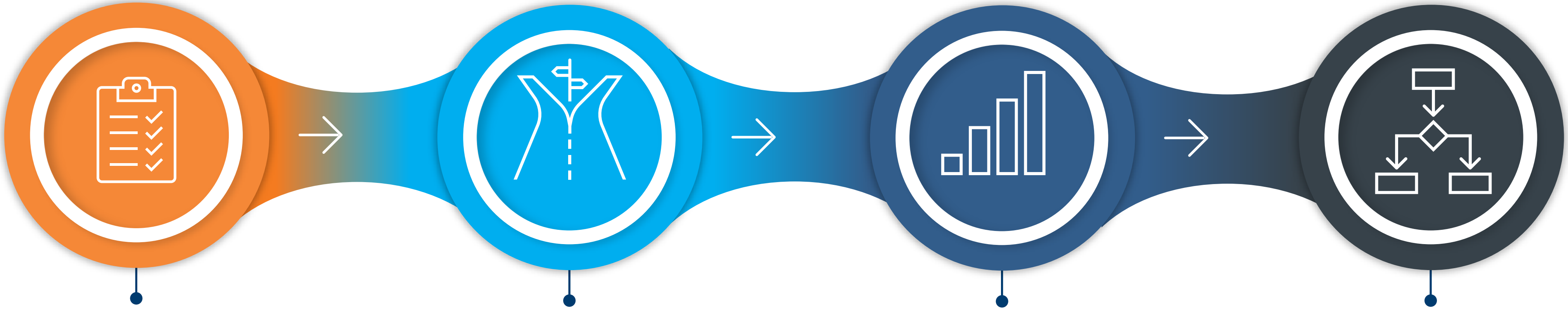
AGENDA

- Overview of the key milestones in successful post-merger integration
- Key considerations for government contractors pre- and post-transaction
- Integration challenges and opportunities for finance, technology, and communication
- Best practices and roadmap for the first 100 Days, integration, and optimization

THE GOVCON M&A PLAYBOOK

M&A INTEGRATION ROADMAP

Create value through the assimilation and integration process



Integration Planning

- Plan for, execute, monitor, and assess the success of acquisition integration
- Identify risks, improve internal controls, identify KPIs for post-integration success
- Assimilate finance and accounting, augment professional resources and determine protocols for financial reporting
- Prioritize key business processes, identify best practices, and define/design consolidated business and operational processes across key functions

Strategy & Roadmap

- Determine integration strategy, milestones, outcomes, and timeline
- Establish KPIs and integration drivers
- Develop strategic integration roadmap with initiatives and recommended activities for successful and efficient consolidation

Functional Assessment

- Conduct in-depth assessment of key business unit functions, business model, and landscape
- Organization
- Human capital
- Processes
- Policy
- Technology
- Record Keeping
- Controls
- Reporting

People, Policy, Process & System Alignment

- Cross walk and provide recommendations for integration, alignment, and consolidation
- Integration and project management
- Interim executive or staff augmentation
- Automation
- Change management
- Implementation

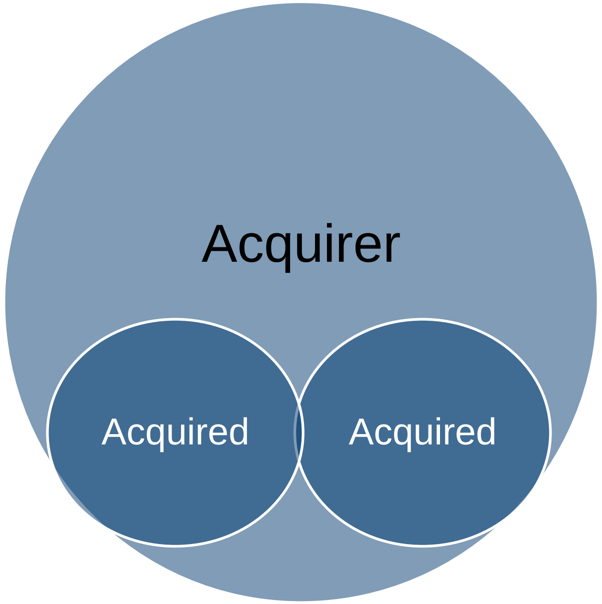
INDUSTRY CONSIDERATIONS

- Regulatory Oversight
- Legislative and Compliance Restrictions
- Contract Vehicles and Business Composition
  - Type and duration
  - Access
  - Limitations – set aside, subcontractor, recompete risks
- Physical and Information Security Requirements
- Personal Identifiable Information Restrictions
- CMMC and Technology Certifications
- Personnel/Talent

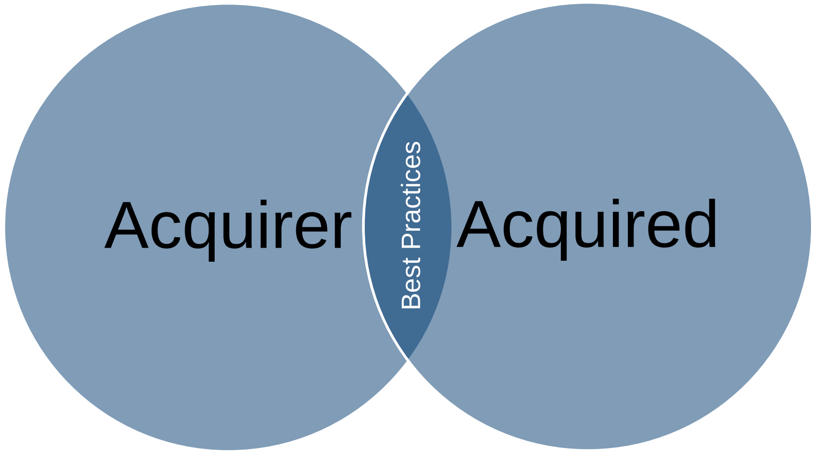
FINANCE CONSIDERATIONS IN M&A

INTEGRATION PHILOSOPHY

- **Acquired Company is Absorbed**
  - Align people – redundancies addressed
  - Adopt policies and procedures
  - Extract Finance and HR data
  - Assume acquired Co's culture
  - Shorter timeline, less collaboration



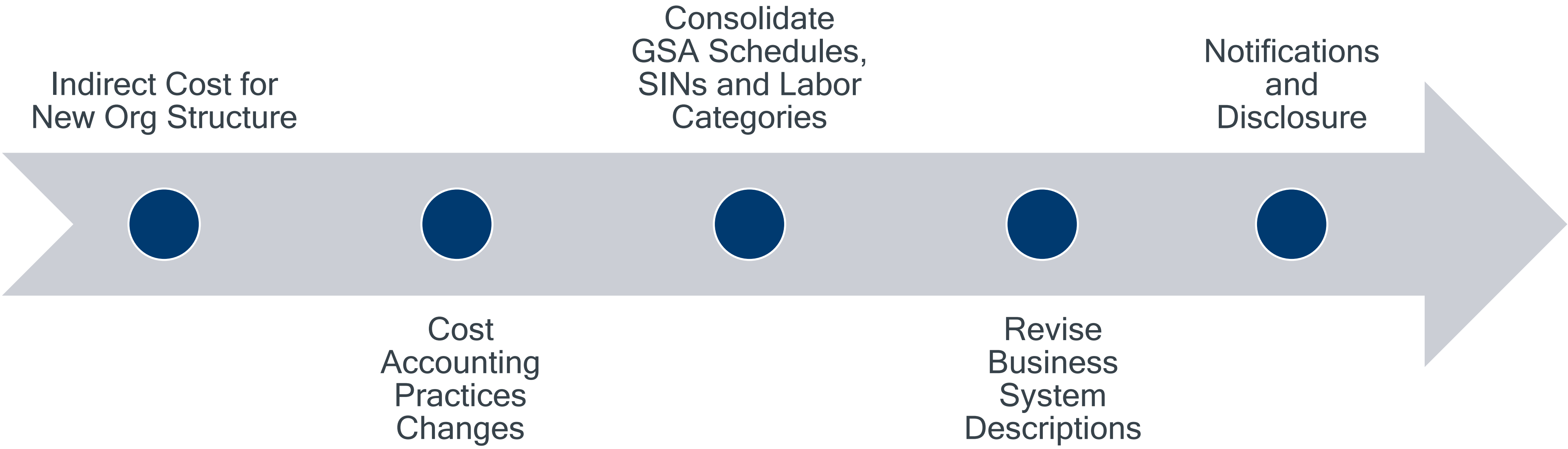
- **Best of Breed – Take the best of both**
  - Align people – address redundancy, succession, capabilities, and growth
  - Select best policy, practices, systems
  - Integrate and align culture
  - Intentional and time consuming



TYPICAL DEAL AND INTEGRATION ISSUES

Key Employee Retention	Future success maybe tied to strength of management and technical skills of key personnel (contract).
Cash Flow Timing	Progress Billings, Claims, Inventory, AR, Unbilled, WIP
Subcontracts and Small Business Set Asides	Revenue at risk with change in ownership
Cost Pools and Allowable / Unallowable Costs	Audits of incurred costs may result in adjustments to revenue
Pipeline, Funding Status, and Revenue	Unfunded contracts or committed expenses above funding levels. Out of cycle EACs/True ups

KEY CONSIDERATIONS AND MILESTONES



COST ACCOUNTING ALIGNMENT

Incurred Cost Submission	Cost Accounting Standards	Forward Pricing Rates
• Recent Audits • Open Years • Questioned Costs • Over/Under Billings • Provisional vs Actuals	• Disclosure Statements • Report Changes to Cost Accounting • N/A for Small Business	• Forward Pricing Rate Agreement • Use provisional billing rates as basis for pricing

FINANCE INTEGRATION CHECKLIST

Finance Organization

↓

Treasury & Cash Management

↓

Reporting

↓

Business Process & Systems

↓

Risk Management

↓

Internal Controls & Compliance

How do I balance the focus on survival and the work that drives synergies and mission?

COMMON CHALLENGES

Speed ♦ Alignment ♦ Disruption ♦ Synergies ♦ IRR

Align business practices and processes

Stand up one company and achieve synergies

Execute the acquisition thesis with buy-in from stakeholders

INTEGRATION PITFALLS

- Poor Planning and Decision Making
- Siloed, Unstructured, or Misaligned Milestones and Timelines
- Pace and Cadence or Unattainable Timelines
- Separate or Disjointed Processes
- Compliance
  - Indirect Rate structure design and cost allocation, Allowable Costs, DCAA
- Culture

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PATH TO FINANCE INTEGRATION AND SYNERGIES

Transaction 1 Week
Initial Announcement (LOI), and Launch Integration Planning

- Review business drivers and vision, and confirm your intended business integration model
- Understand functional areas planning constraints
- Review scope, scale, and nature of expected synergies
- Define financial planning assumptions and develop the finance integration planning approach

Transition 1-2 Weeks
Signing/Definitive Agreement, Financial & Operation Readiness

- Assess current business model, processes and capabilities, and prioritize integration tasks
- Determine change readiness and communication cadence
- Define transition roadmap and cutover task list for Day 1
- Develop task list & project plan for people, process, and policy alignment in First 100 days

Integration 100 Days
Deal Close and Day 1, and 100 Day Milestone

- **DAY ONE**
  Support CFO to ensure business continuity with minimal disruption
- Monitor cutover plan activities and commence communication plan
- **FIRST 100 DAYS**
  Facilitate execution of the 100-day plan
- Support, monitor and report on the integration process and administer the communication plan

Optimization Per Plan

- Improved Financial Processes
- Structure the Organization for excellence
- Reporting and data alignment
- Technology Enablement

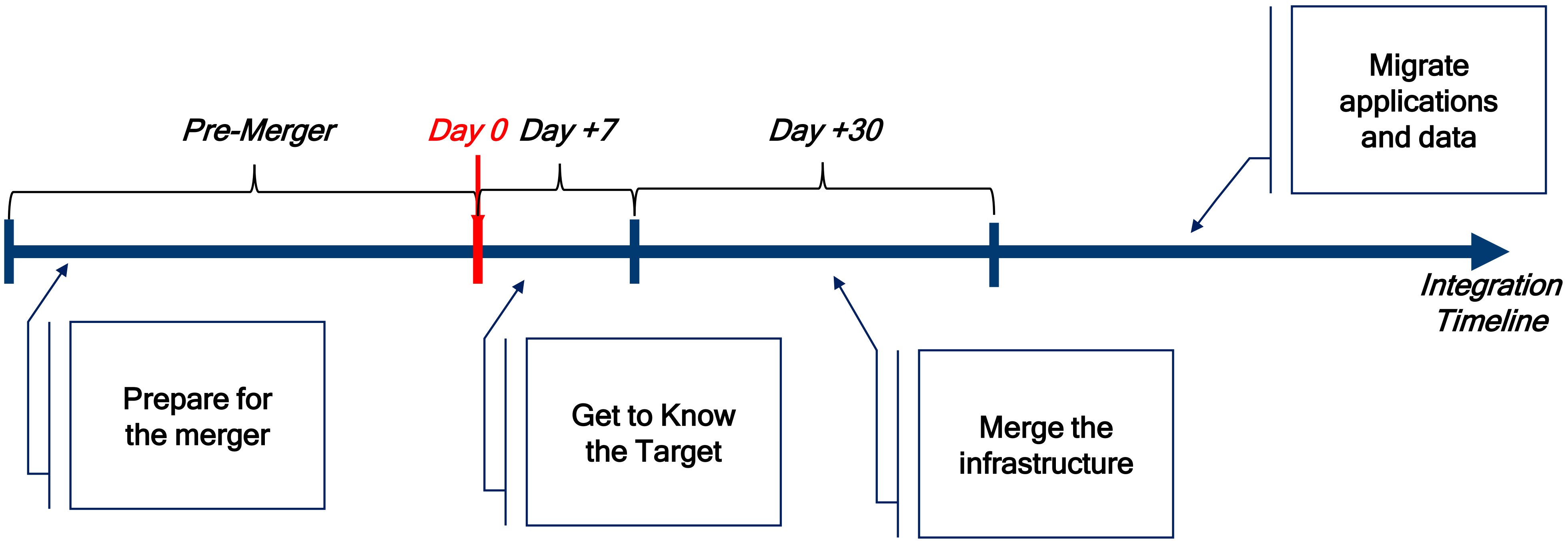
- Cash Alignment & Treasury & Debt Management
- Purchase Price Accounting
- Order to Cash
- Procure to Pay
- Record to Report
- Budgeting, Planning and Forecasting
- Management and Financial Reporting

BEST PRACTICES AND QUICK WIN OPPORTUNITIES

- Identify leadership, pace and cadence differences
- Establish the integration plan and revisit often to realize the acquisition value
- Align and harmonize people, processes, and culture
- Understand the scope of change required, involve stakeholders, engage champions, and deploy sufficient resources to avoid and navigate the integration pitfall
- Focus on planning, resourcing, monitoring and value creation - short and long term

IT & SECURITY CONSIDERATIONS

TYPICAL IT INTEGRATION TIMELINE



IT INTEGRATION KEY EXECUTION PRINCIPLES

Establish an IT PMI PMO	The Acquirer needs to establish at the earliest possible time a post merger integration project management office to work with the overall enterprise program office to ensure alignment of activities, communication to stakeholders, etc.
Understand major deadlines, context and risks	The integration team needs to understand the context of pre- and post-merger-integration and can mitigate risks and rapidly providing implementable solutions. They must be familiar with the speed and result oriented approach required to implement critical deadlines for a successful PMI.
Understand Value, State Direction and Measure Impact	The first step to put IT to the service of the enterprise is to have a well-defined Information Technologies Strategy, so that the significant existing and future investment made in that field translate into measurable competitive advantages.
Small SWAT team of experts	The team should be kept to a minimum number of experienced professionals that have performed similar initiatives in the various IT domains.
Take into account sensitivity of the topics and involve all necessary stakeholders	Proper communication to the appropriate audiences will ensure better management of expectations and validation of alternatives being considered. The team must used to deal with situations requiring upmost confidentiality level.

PREPARE FOR THE MERGER

- Stand up an IT Post-Merger Integration Project Management Office (IT PMI PMO)
  - Understand the business objectives and align IT PMI activities accordingly
  - Establish regular cadence of communications with other stakeholders
  - Establish a project plan outlining clear milestones for all PMI activities
- Identify the needed expertise and organize small SWAT teams of experts per integration domain to focus on integration
- Identify and retain vendor(s) with local capabilities to assist in implementing the post-acquisition activities, if necessary.

"GET TO KNOW THE TARGET"

- Document the Target's IT organizational structure, including the IT roles and responsibilities. Interview the Target's IT staff with the objective of identifying the "champions" and the "blockers".

- Perform a high-level evaluation of Target's infrastructure, such as network, including remote and wireless access, computing environment, including backup and contingency environment. Determine potential risk areas and key considerations in the future.

  - Document an overview of the network of the Target including a list of Internet Service Providers (ISP) and other network service providers (NSP), routers, switches, and firewalls, remote access tools, DNS filtering, VPN technologies, Intrusion detection systems (IPS), etc.

  - Document server architecture such as operating systems (OS), hypervisors used, cloud services, etc.

- Document security services such as anti-malware, endpoint detection and response (EDR), or monitor detection and response (MDR). Access control services such as single sign-on (SSO), multi-factor authenticator (MFA), and password policies.

MERGE THE IT INFRASTRUCTURE

- Obtain full access to the Target’s network and perform a security scan to identify potential vulnerabilities such as end of life OS, software versions, open ports, unneeded services, and other vulnerabilities.
- Ensure anti-malware / endpoint protection is in place and meets the agreed-upon standards.
- Ensure backup processes are secure and there exists an offline version of the backup.
- Upgrade unsupported / unpatched servers / operating systems to the approved version to the extent possible.
- Ensure appropriate firewall / remote access protections are in place
- Start monitoring the Target’s internet domains and perform external scan to identify external vulnerabilities.
- Identify the remaining longer-term integration projects in conjunction with the business, such as, ERP integration, website migration, and sunset of legacy applications.

MIGRATE APPLICATIONS AND DATA

- Migration of each application and its associated data is its own standalone project. However, most migration projects share certain common steps:
  - The migration plan needs to be aligned with your business goals and include a communication strategy and a change management strategy
  - Assess your existing data environment.
  - Clean house: orphaned users, unused content and workflows, duplicate content
  - Redesign the information architecture to consider changes to workflow automation, project management plans, project management platforms, and organizational structure changes that may affect information flow. Restructure your existing information architecture to align it with the redesigned architecture.
  - Prepare your destination environments: optimizing server performance, configuring web applications, creating backups, testing the restore, mapping out a metadata plan for your content and running a test migration.
  - Execute the move in waves
  - Don’t forget about post-migration testing and back up

COMMUNICATION CONSIDERATIONS

ORGANIZATIONAL CHANGE MANAGEMENT

Organizational Change (Developing the Competency)	Change Leadership (Building Resiliency)	Change Management (Project-based Change Strategy)
Enterprise Change Strategy Training PMO, HR, and Project Teams in OCM Organizational Change Center of Excellence **The Corporate Kindness Project*	Facilitated Change Leaders Program Defining Vision & Influence Executive Sponsorship Coaching **Change Resiliency for Leaders and Teams*	Business Readiness Strategy Stakeholder Management Project Branding Communication Planning, Design and Implementation Training/Learning Design, Development & Delivery

**Corporate Programs*

CHANGE MANAGEMENT STRATEGY IMPACT

STRATEGY

Stakeholder Engagement

- Conduct Interviews to:
  - Understand end-user needs (WIIFM)
  - Uncover potential barriers to change
  - Understand Process Changes & inter-dependencies

Change Management & Comms Plan

- Identify the course of action needed to manage end-users through the change

Tactics

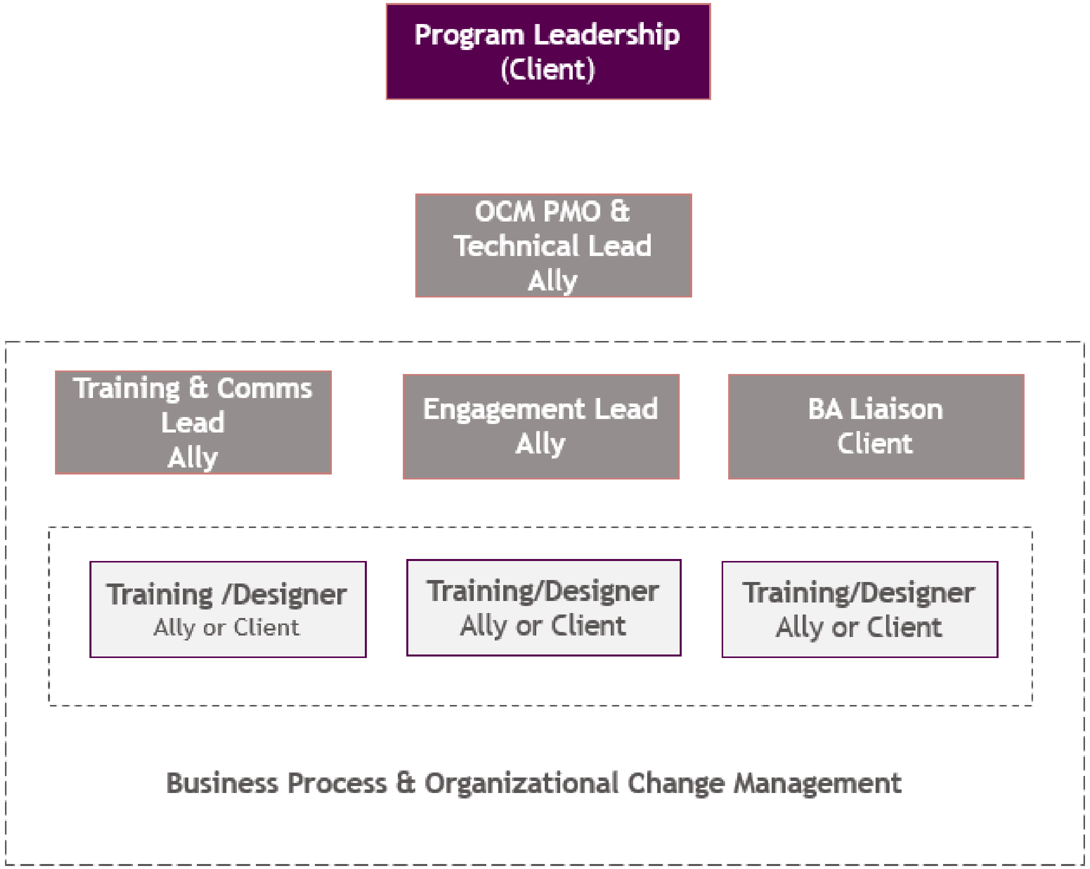
- Create vehicles to facilitate end-user awareness, engagement & adoption

END-USER EXPERIENCE

End-users will participate in any of the following activities as a result of the applicable Change Management strategy

- Change Impact Workshops
- Change Agent Network
- Communications
  - Broad Communications (Newsletters, Yammer Community, etc.)
  - Targeted Communications
- SharePoint Learning Portal
- Training (System & Business Process)
- Surveys - Readiness (Pre-Deployment) & Post-Deployment Evaluation: Training Feedback & Success
- Hyper-care Support e.g., Office Hours, SharePoint site, FAQ's, Yammer Community

CHANGE MANAGEMENT TEAM



Role	Responsibility
Program & Functional Leadership	• Provides guidance and oversight to the Change Management team
Engagement Lead	• Defines the Stakeholder Engagement plan and conducts sessions to ensure understanding of stakeholders and change impacts (e.g., Impacts Assessment, Stakeholder mapping, Change Network) • Defines the Structure, System, Processes to ensure impacted stakeholders/ end users have the right mindset and behaviors to drive adoption for each release (e.g., readiness assessment, change monitoring)
Training & Communications Lead	• OCM, communications, and training alignment and coordination • Communications strategy and plan • Defines the Training Approach per release and oversees the development of the release training content to ensure content is aligned with the build and Stakeholder/Impacts assessment • Defines the Release Communication plan and oversees the development of the content to ensure content is streamlined, clear and describes the “what’s in it for me”
OCM Technical Lead	• OCM Project Management • Support Training team to help document To-Be Process changes • Participates in business process sessions to aid developing process and support materials • End-user SharePoint Support (communications, training material, support) site development and administration • Launch support (launch page and other assets) • Hypercare Call Support
Training/Design	• Develops Release Training Content for users and trainers • Develops Release Communications (e.g., System Updates, Go Live Communications, Training Communications)

ENGAGEMENT

Create a listing of key stakeholders and their needs

Gain actionable insights into the impacts of the change by role

Map the level of impact against roles

Develop an approach to ensure adoption and usability

01 Stakeholder Assessment

- Gather names, roles and project involvement
- Align with area or process within the project
- Interview process leads to gain understanding of process change and impact to roles

02 Change Impact Workshops

- Based on stakeholder feedback, hold workshops with role representatives to share changes
- Gather feedback on the impact the process change will have on their role, what they may need to do differently and how we can help them adopt more quickly

03 Audience Analysis

- Create a heat map comparing the new processes to roles
- Based on workshop outputs, plot level of impact for each of the areas (high, medium, low)
- Provide insights to level of support needed by role to ensure ease of adoption

04 Change Management Plan

- Based on all findings create change approach and share "read-outs" with stakeholders, training and communication teams
- Include resistance management, readiness assessment and post go-live tracking to support launch and continuous improvement

COMMUNICATIONS STRATEGY

1 Awareness & Engagement

- Launch Change Agent Network
- Robust Communication Planning (email, Yammer, SharePoint)
- Engage Subject Matter Exprts (SMEs) in Workshops/Focus Groups
- Develop communications distribution and approval process(es)

2 Communications

- Broad Communications
  - Newsletters, General Announcements, “Go-Live”
- Targeted Communications
  - Organizational “WIIFM”
  - Role-centric (Training, Critical Dates)

3 Training

- Integrated System & Business Process Training
- Persona Packets
- Quick Reference Cards
- Additional assets as needed

4 Feedback

- Surveys
- Change Impact Workshops/Focus Groups
- Lessons Learned
  - Refine feedback for future implementation

COMMUNICATIONS PROCESS

Broad Communications: e.g. Awareness, Newsletters, "Go-Live" Announcements

1. OCM & PMO Core Team Gather Content
2. OCM Team Develops
3. OCM Team Reviews & Approves
4. Approvals by SMEs & Program/Project Leadership
5. Send to SteerCo for awareness (1 Day ahead of Dist)
6. Sent from Program/Project email
7. Audience

Cadence:

- Awareness & Newsletters - Monthly
- 2-3 weeks ahead of Go-live
- Day before Release

Targeted Communications: Functionality-specific, End-user Activities (training, critical dates)

1. OCM & SMEs Gather Content
2. OCM Team Develops
3. OCM Team Reviews & Approves
4. Approvals by SMEs & Program/Project Leadership
5. Sent from Program/Project email
6. Audience - Targeted

Cadence:

- Project Specific Updates - as needed
- Reminders 1 week ahead of event or as needed (training, critical dates, etc.)

END-USER LEARNING PORTAL - SHAREPOINT

- Central location for all program or project information relevant to end-users
  - News & Communications
  - Learning materials
  - Support
  - Links to preexisting, complimentary material and systems
- Content dynamically organized by business role and/or other applicable category
  - Content personalized to the individual end-user
  - Multiple ways to display content
- Robust, user-friendly interface
- Evolves through the course of the program or project
- Built with out-of-the-box functionality to minimize administrative burden

END-USER LEARNING PORTAL - DETAILS

Function	Detail	Goals/Objectives
Learning – Complete list of training by role across Program/Project	Links to: • LMS Courses • Supplemental Learning (e.g. Quick Reference Guides) – SharePoint and other informational sources	Provide targeted listing of training to learners so they can understand their training requirements and more easily access a variety of learning platforms
Important Links – Other tools and sources for learning and information	Links to: • Other Learning Tools (with explanation) • System/Technical Training Learning Platforms • SharePoint Sites	Direct learners to other, complimentary tools and reference repositories to better enable them to perform their functions
Reference Documents – Documents and videos that can assist learners as they perform their functions	Links to: • Optional, Supplemental Learning – SharePoint and other informational sources • Video recordings of previously held Instructor Led Training • Informational videos	Link to, and host, additional, supplemental learning materials
Frequently Asked Questions	Consolidated Questions and Answers anticipated by the Project Team and collected by peers, by Project and Role	Enable learners to find the answers to their urgent needs
Contacts	Contacts, Change Champions, Change Agents, Coaches, etc., by Program/Project	Promote community engagement and provide assistance to learners
News and Updates	Information on upcoming events, new developments, deadlines, and activities, by Program/Project	Provide the latest information on the program or project

TRAINING DEVELOPMENT PROCESS

Identify training gaps & other requirements, scope effort, and draft training plan

Create training materials; sample components, functionality, flow, and scripts

Build, review, and update each deliverable in Alpha, Beta, Gold succession

Assign training to role-based curriculum and publish to Learning Management System (LMS)

01 Analysis

- With training POC, conduct interviews with SMEs and/or end users to identify gaps and requirements
- Identify audiences and learning objectives for each; draft topic outlines
- Sign off working training strategy

02 Design

- Through successive approximation, create a prototype of primary training deliverables
- Prototype is not functional per se; may be whiteboard sketch, PPT slide, drawing, outline, or storyboards.
- Sign off training MVP

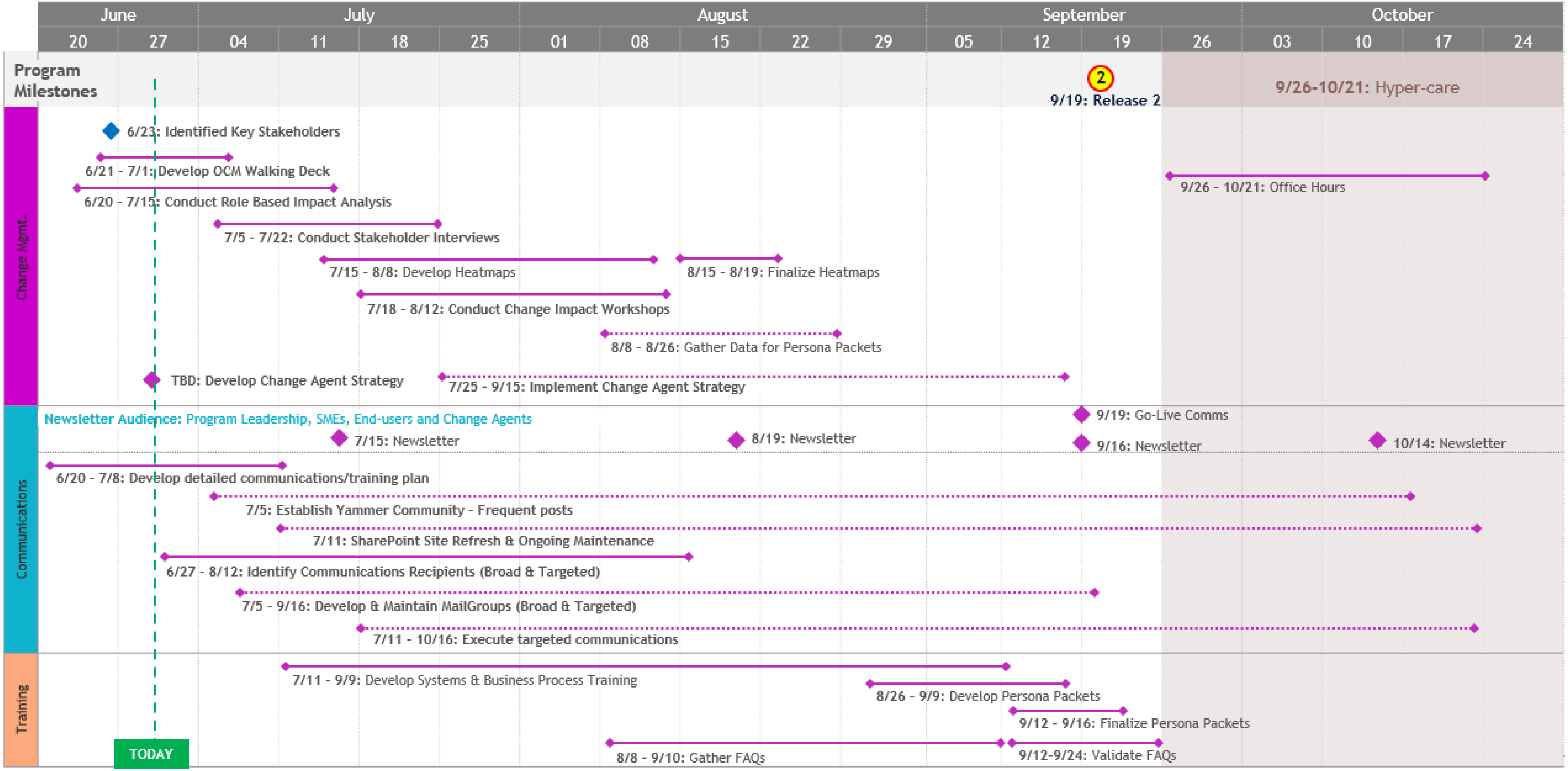
03 Develop

- ALPHA - A working version of a set number of slides or partial deliverable, i.e. introduction, main menu, and part or whole of one topic, scene, or interaction
- BETA - A working version of the entire deliverable including all interactive elements & knowledge checks.
- GOLD - Final version of the deliverable. All feedback incorporated and looking to final sign off where no additional changes are to be made.

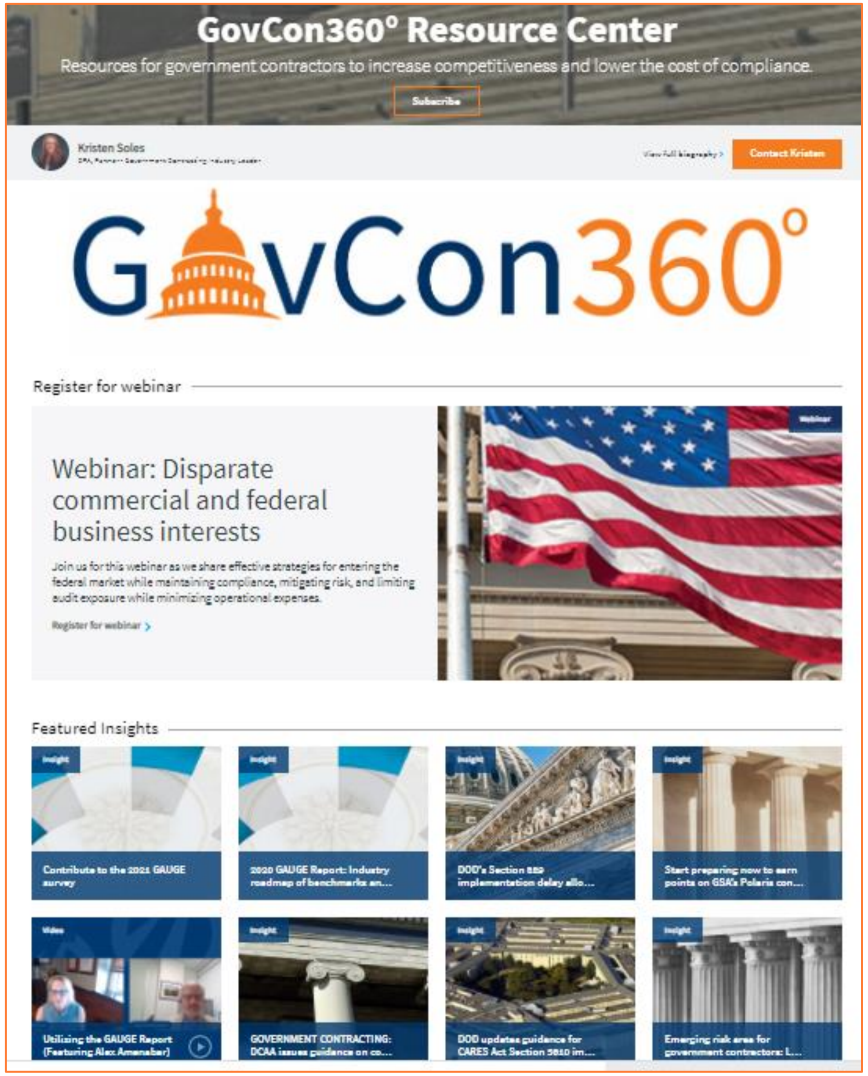
04 Implement

- Work with the business leads to assign training to roles;
  leverage existing curricula if possible, create new if necessary
- Conduct live training sessions
- Publish to LMS and push training assignments
- Release additional training communication, if required

INTEGRATED CHANGE, COMMS, TRAINING TIMELINE



GOVERNMENT CONTRACTING RESOURCES



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