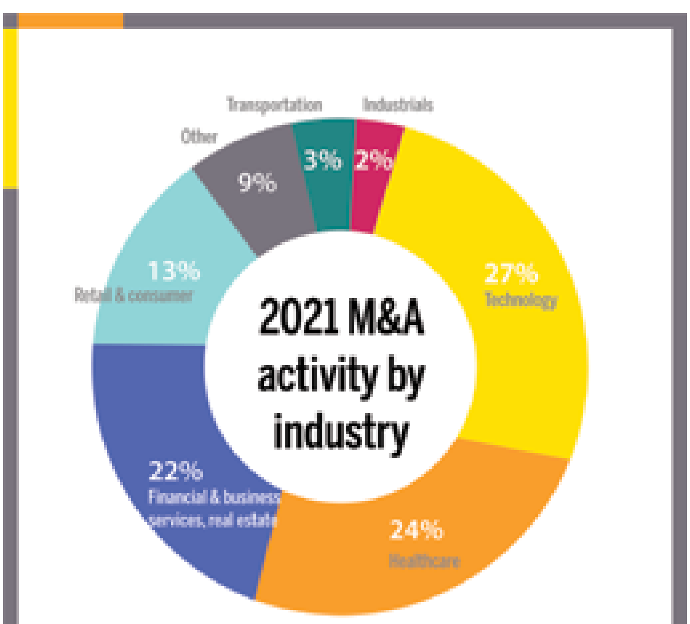
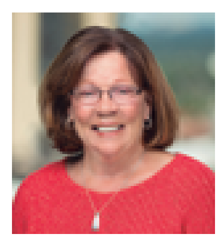
Uncovering Hidden Savings in the M&A Integration Process

By Ann Flynn, President & CEO, IQ Telecom

A recent Lexology® article cited research done by investment advisor FJ Capital Management on banking mergers and acquisitions (M&As). It indicates that M&As will accelerate by mid-2021 and continue robustly for five years. This long period of bank M&A activity is likely to result in as much as 50 percent fewer banks in the United States over the next decade. In addition, respondents weighing in on a Datasite® survey also expect M&A activity to increase in 2021. This research points to financial and real estate services that will account for 22 percent of this activity. (See inset)



Source: Datasite® 2021 M&A Outlook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The world has seen how the COVID-19 pandemic has reshaped our lives, affecting all industries. While recovery is expected, there are many variables, including governmental, technology and health care that will influence ongoing M&A activity. Domestically, under the new administration, we are likely to see more regulatory enforcement in the financial services industry.

Business leaders navigating through an M&A process typically look at efficiencies and overall cost savings. While they focus on reducing the cost of office space, staff expenses, and consolidating administrative functions, they can overlook voice and data expenditures as another opportunity to reduce expenses. The departments that manage IT services are typically not at the table during the planning process. While finance departments are responsible for paying these costs, they often do not have time, visibility and/or expertise on how to reduce these expenses across the organization as sites close and merge.

Facilities departments often manage physical locations, while IT and finance oversee technology, software, physical workstations, onsite and remote worker support. Connecting the expense to the facilities requires multiple departments working together to identify services, costs and the demographics of each location. Companies frequently lack this visibility into their costs and services that allow them to make the decisions about what to retain and what to eliminate. While downsizing sites and head count is typical in an M&A process, identifying and reducing telecom expenses is not. Accounts Payable often pays invoices without knowing what services are billed or what technology changes are being done.

Not unique to banking is the decentralization of vendors and staff that support IT services and/or telephone providers. Businesses with multiple sites often have the main office manage the data services

for all remote locations, while field locations manage local voice services. This further complicates the challenge of wrapping your arms around this information across sites to determine how, or what, services and expenses can be adjusted and/or eliminated to support site changes. Therefore, visibility of services and costs become extremely valuable.

By the time a merger or acquisition is announced, the executive decisionmakers have discussed, established, and worked through a checklist of priorities for consolidations and cost saving opportunities. It is highly recommended that the management teams guiding the M&A process should ask: "How do we identify the voice/data services and systems across the organization with the goal of eliminating unused and unnecessary services to further reduce costs?"

Another apt question is: "How do we identify what we are paying for and what these services support?" This all circles back to visibility. Accurate and thorough audits of inventory and expenses across all sites brings all of these services and costs front and center.

A typical telecom expense management company manages processing invoices, creating payment files, and reporting on those expenses. Finance departments are then responsible for paying these on time and allocating expenses across the organization. Validating the accuracy and the necessity of the expenses is often not part of the payment process.

As the banking industry shifts and changes due to technological advances and the game-changer COVID-19 pandemic, it must also be focused on market share and customer service. To attract and retain consumers, banking needs to be about availability and convenience which can directly influence decisions of where to locate offices and what services to offer at each location.

At the end of the day, it is all about supporting the customer as variables continue to fluctuate. It is, therefore, important for organizations to know what services they have and what they are paying for to identify what changes to make. This may sound like common sense, but: How do you know if you need to change technology and/or add services, if you do not know your inventory? This is where visibility becomes key to identifying additional savings throughout the merger and/or acquisition processes which are designed to leverage technology, reduce costs, secure customers and increase market share."

Ann Flynn saw a need for holistic, location-based, inventory-centric telecom management, cost containment, and high-quality customer service. In response, she established IQ Telecom in 2001, a certified Woman-Owned Enterprise, and developed a proprietary telecom services solution, IQ360°. Flynn has received accolades from enterprise clients for outstanding performance and numerous awards, including Women of Innovation. Contact Flynn, president andCEO, at (860) 882-0500. or ann.flynn@iqt360.com