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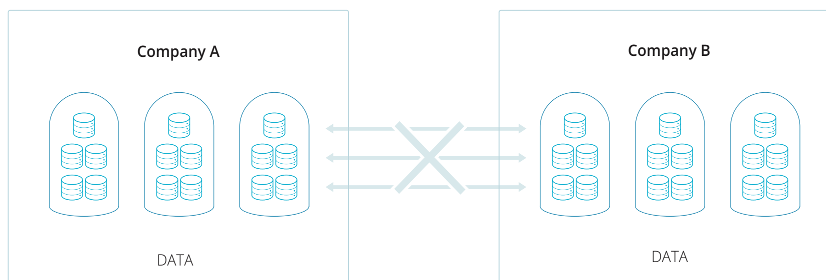
Three Ways Siloed Data Devalues Acquisitions

Acquisitions are difficult pursuits for most enterprises. There is often a tremendous amount of due diligence that takes place prior to purchasing another company. Executives are concerned with understanding market attractiveness and product line fit, among other variables, to determine if investment is warranted. However, not much attention, media or otherwise, is paid to assessing how effectively two companies can integrate. This is concerning because, in fact, many acquisitions fail to economically return as much as anticipated due to their inability to effectively integrate. Certainly culture and other aspects are major factors here but one of the most prominent is IT integration.



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In an environment of ever-increasing access to data, information is a company's most valuable asset. Insights generated from data captured frequently make the difference between good decisions and poor ones. Enterprises everywhere are implementing systems to capture data around web traffic, customer sentiment on social media, interactions with prospects, and so on. When an organization acquires another company, they also acquire these systems. They not only gained rights to product and distribution channels, but also to the collective knowledge captured by the target. However, failing to capture that knowledge and integrate it into the new enterprise could significantly devalue the purchase and potentially doom the acquisition.

Here are three ways in which keeping data siloed can harm an acquisition:

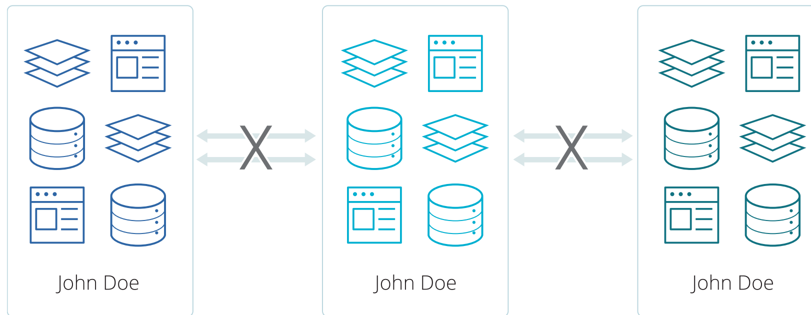
1. Failure To Capture Cross-Sell And Upsell Opportunities

A large customer base in an industry of interest is certainly a reason why an enterprise would look to expand inorganically. For example, a company manufacturing diagnostic imaging systems may look to acquire a clinical informatics vendor to not only boost their offering portfolio but to broaden their base of customers. This opens up tremendous cross-selling opportunities, as one business can now leverage the installed base of the other to push their products.

This scenario, however, assumes there is a significant amount of clarity with regards to which accounts are unique to each business and where there is overlap. Unfortunately, often times this 'single view of the customer' doesn't materialize. The primary reason is that two companies almost always manage their customer data differently. Different CRM systems may be used to track customers and, most importantly, in different ways. Two companies will most often track different attributes. For example, one company may capture customer mailing address data and the other does not. Moreover, even the common attributes and customers that are captured are named in a variety of ways. This is where the real complications start to occur with regards to integrating data. It is very difficult for a customer to know that 'contact information' is the same attribute as 'email address' or that 'MGH' and 'Massachusetts General Hospital' are the same customer without manually interrogating the data and writing rules around it.

Without the rapid, accurate creation of a single view of your customer that integrates both enterprises' datasets,

the acquirer is leaving money on the table. This is because those overlapping customers will not be identified (or be identified too late) and the connections necessary to make a sale will not take place. This is crippling for an acquisition that is focused on driving revenue through expansion of the customer base.

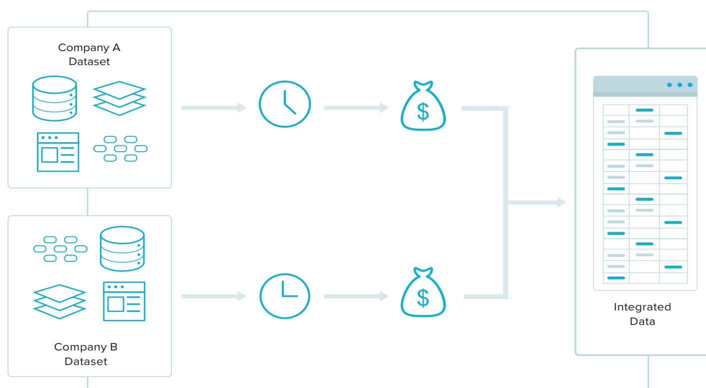


2. Inability To Take Advantage Of Cost-Savings And Cash Flow Opportunities

The acquisition of a company in or adjacent to your sector almost always means there is some overlap with regards to suppliers. If, for example, a company that manufacturers trucks and SUVs purchased a company that manufactures sedans, there will likely be considerable overlap in terms of components needed to make, for example, the engines of each vehicle. This is not something unexpected; however, identifying and taking advantage of this overlap is something very difficult for most enterprises. If done well, a unified view of all suppliers and parts could empower the new company to identify opportunities for consolidation of component purchases to lower cost per component and improve payment terms with suppliers, helping the new organization's cost base and cash flow. Often, significant cost-savings are budgeted into the ROI for an acquisition (especially the acquisition of a large firm), and the failure to deliver on this could spell disaster for the acquisition.

Unfortunately, it's not easy for acquiring companies to spin up a single view of suppliers or parts. Typically, this information is captured and managed in different ways and in different systems across both organizations. This could include multiple ERP systems, spreadsheets, dedicated databases, etc. Integrating all of that data is a monumental undertaking and time is of the essence.

Traditional methods of integrating this data are, unfortunately, slow and don't scale well. They are very labor intensive and require exponential resources as data sources are added, due to the inefficiencies that are inherent within their methods. Slow, expensive integration tactics, or the failure to integrate data silos at all, lead to unrealized potential with an acquisition. Every day the procurement organization doesn't know where more affordable parts can be sourced and how they can use their leverage to attain the most desirable prices is another day they are not operating in the most cost-effective manner and not realizing the full economic benefit of the merger.



Traditional methods of integrating data are slow and costly.

3. Regulatory Fines and Non-Compliance

Operating a business in a regulated vertical is often very challenging. In addition to continuously trying to support your customers' current and future needs as well as dealing with competition, organizations need to demonstrate compliance with applicable regulations, often at many different levels. Demonstrating compliance with a myriad of regulations is a very difficult task and requires manual effort from large internal teams to demonstrate compliance. When acquiring a company in a regulated vertical, ensuring compliance can be twice as difficult. Your internal compliance teams may not understand the exact business regulations that apply to the new acquisition and a failure to demonstrate compliance can result in hefty fines, or worse, for a business. It is always in the best interest of an acquirer to understand not only what regulations will apply to the newly formed organization but how it will demonstrate compliance with them.

Unfortunately, much of this information lives in information silos, from spreadsheets to dedicated compliance solutions. It is a very long and manual effort to integrate this data to generate a complete view of a particular topic in order to demonstrate compliance. What if, for example, the merged company was forced to comply

with BCBS 239? It would be very difficult to create an "unequivocal single source of truth across risk and finance to ensure data consistency, transparency, security, and traceability" through the manual integration of relevant data, let alone in a timely manner. Simply stated, these siloed data sources created by the merging of two companies open up the new enterprise to financial risk associated with non-compliance, sometimes costing the organization millions of dollars.

Tamr Helps Companies Overcome These M&A Obstacles

Given both the number of integration challenges that acquirers face and severity of those challenges, it's no wonder organizations spend money on finding best in class integration solutions after purchasing a company. At the top of that list should be solutions for integrating siloed data across the new enterprise in order to avoid the significant costs (both direct and opportunity) mentioned above.

Unfortunately, the solutions that organizations are presented with today are insufficient. They require significant amounts of manual labor to integrate data and at an exponentially rising rate of time and cost as data sources are added. Tamr, on the other hand, excels at unifying data with tremendous speed and scalability. This is primarily through its unique combination of machine learning and expert sourcing. Tamr creates unified datasets by enabling users to identify attributes (columns) of interest and automatically aligns source attributes referencing the same thing. Once data is pulled in, Tamr clusters entities (rows) that reference the same thing in an automated fashion. When Tamr isn't confident enough in a particular match, as defined by an organization's standards, it provides the user the capability to ask experts in the organization for validation. The user-generated feedback is then incorporated into Tamr's algorithms so that the system learns and becomes smarter over time, requiring continuously less human involvement. This not only helps improve speed and scalability but ensures high levels of accuracy.

Tamr has experience creating robust, unified datasets that remedy problems around creating a complete view of customers, suppliers / parts, and compliance data for the purposes of ensuring a seamless integration of organizations. Whether it's integration of ERP systems, CRM systems, data warehouses, or any other data repository of virtually any size, Tamr can conduct unification with the speed and scale to ensure newly formed organizations immediately receive comprehensive insight that enable them to leverage economic opportunities and protect themselves.