Mergers & Acquisitions in a Data Warehousing Environment

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ABSTRACT

Since the start of deregulation in the Telecommunications Industry, mergers and acquisitions have been in the news everyday. It began with telecommunications companies around the country merging together; it expanded to telecommunications companies around the world; and it spread to every other industry. Mergers and acquisitions have become the new way of doing business as global economies open their markets to each other.

With the mergers and acquisitions of companies come mergers and acquisitions of data. As companies were getting exposed to the information superhighway, they turned to data warehousing methods for handling the large volumes of data. With mergers and acquisitions, a new element of complexity was introduced, namely a new structure of data from different systems, different industries, and different business rules.

The SAS system, with its multi-vendor and multi-operating system capabilities, was again ready to embrace the new challenge: to provide the tools through its Data Warehousing, Data Mining, and Internet products for a reliable and concrete business solution.

THE CHALLENGE

As companies acquire new portfolios or merge with other companies, they face a data challenge that can confuse and paralyze the normal operations of companies. For the remaining part of this presentation, I will use the word "acquire" to represent both mergers and acquisitions, since the data issues are very similar in both cases. To allow for a more detailed examination of this subject, I will use a case study of a financial institution acquiring a portfolio of accounts that would increase the company's size by 25 percent.

The process of a merger starts with a company searching for an interesting company, or part of a company, to acquire that would better increase the value of its stock. In doing so, an evaluation of the new company needs to take place, to arrive at a profitable and effective bid price. In the initial stages, research on the public information of the company of interest is the main source for evaluation. That gives a very general idea of the value of the company with very superficial high level data.

The next step is to get more solid portfolio data for evaluation. This data is probably best provided on some kind of storage media such as magnetic tape, accompanied by a record layout and some basic portfolio statistics. The challenge starts with reading the incoming data, analyzing it, and then arriving at a price for the portfolio that is low enough to be profitable and high enough to be interesting to the selling company. The even bigger challenge is that all that work has to happen within a very small time frame, with a window ranging from a week to a couple of months.

There are numerous issues that can arise that can make the above process a nightmare. First, inconsistencies between what was on tape versus what was intended to be on tape could waste a great deal of the precious time available, having the acquiring company going back and forth between reexamining the data and calling the selling company for more information. You want to make the right decision with the data in the short time you have, and you want to maintain a good relationship with the selling company for the eventual acceptance of your bid.

After you eventually and successfully read the tape, you then start validating and analyzing the data. At the same time, external sources of supportive data will come from Credit Bureaus and third party vendors that have their own way

of reporting data, that is unique for each vendor. Now you add even more complexity to your processing, looking for a reliable supportive analysis to help you make the final bidding decision.

The legal aspects of the deal and data processing also contribute further to the restrictions of quick and efficient decision making. Certain data could not be shared between vendors and different state rules could apply to the acquiring company and to the prospective portfolio for acquisition.

Once the processing is finally completed, supporting reports are produced and the bid is successfully accepted, a new challenge arises that will require merging information regarding the company with the new acquired portfolio. The bidding process was basically done independently from the company's own data. Now a new process starts, where a transformation of the acquired data needs to take place in order to unite it with the existing company's data.

Mapping the new data, new marketing challenges and reevaluation of policies in place could cause a completely new way of thinking within the company. Ideas from both sides could create new policies and a new look for the whole company. The next section of this paper describes how we took the process from bidding to the complete merging of the new portfolios into the company and the tools that allowed us to accomplish it efficiently and smoothly.

THE PHILOS SOLUTION

When our company was first introduced to the above scenario we immediately started thinking of automated processes and structures of data that would better serve the acquisition of new portfolios or new companies. The product of that thought process was the emergence of Philos' e.MAMS (electronic Mergers, Acquisitions and Marketing Solution). This product helps make the bidding process quick, clean and efficient, and prepares data for possible transformation and final incorporation into the existing databases for the company.

Through a series of user-friendly screens and easy processing of the bidding data, several standard and customized reports help provide an initial value of the portfolio, along with a list of any validation issues that need to further be researched with the selling company. The standard reports, both graphical and tabular, give detailed, multi-dimensional looks at the portfolio that also guide the user for further customized analysis of the data.

As soon as answers to the different research issues are received, a reevaluation of the portfolio can take place without much manual intervention. A "what if" analysis also makes decision making more intelligent and more productive. The user is now able to concentrate on studying well-presented reports, instead of spending 90% of his or her time dealing with data processing.

In the event that the acquisition goes through (which has been made more probable and more profitable through the use of e.MAMS), most of the transformation of the new data to the company's own existing data will have already been done. The mapping of the new data is almost completed, marketing campaigns can start right away, and the shareholders can start enjoying better value for their stock.

What makes e.MAMS' success possible is a combination of Data Warehousing techniques and the power of the SAS system. From the initial stage of the bidding process, a data warehousing structure is set up to make the processing and analysis of data quick and efficient. The combination of OLAP tools, MDDB, and WEB interface makes this product ideal for these kinds of scenarios. Having multiple files coming from different operating systems or different database systems is seamless work for SAS and the e.MAMS product.

One of the biggest advantages of e.MAMS is that the bidding process actually serves as a pilot data warehousing project for the final transformation of the data, and eventually, for company-wide implementation. GUI interfaces, ease of use, and efficient processing and analysis are three of the main qualities of

e.MAMS. On top of that, a marketing campaign tool makes the design and tracking of new campaigns easy and efficient. By the time you acquire the portfolio, you can have a marketing campaign in place with contact history and backend analysis ready to go.

CONCLUSION

Mergers and Acquisitions do not have to be a stressful experience. It should rather be an exciting time for employees, shareholders and customers alike by just using e.MAMS knowledge acquisition coupled together with an array of high-tech tools provided by the power and flexibility of the SAS system. Other systems might be able to do parts of the whole process, but none comes close the complete solution that e.MAMS provided through the Philos experience and the power and flexibility of SAS.

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