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Day One readiness
Enabling business continuity through effective
execution of complex transactions

Large M&A transactions, including acquisitions and divestitures, are undertaken for a number of reasons. However, what often remains consistent throughout is the objective to accelerate the pace of change through inorganic growth or strategic realignment. In this rapidly evolving environment, business as usual must continue: products shipped; services rendered; invoices sent; regulatory reports filed; and payments collected.

In an M&A environment, there is little time for error. One misstep may mean thousands of invoices go unpaid for months, severely impacting cash flow. Shipping delays may cause skeptical customers to explore other options to meet their needs, while competitors capitalize on the uncertainty brought about by the transaction by planting fear, uncertainty, and doubt in the media.

Avoiding such surprises and effectively managing the transaction, while maintaining business continuity, can be achieved by undertaking a series of readiness certifications or Ready Checkpoints (RCPs). RCPs are an assessment of readiness designed to help a company avoid surprises while executing the transaction.

RCPs can be instrumental in galvanizing and aligning the transaction teams while moving toward a common goal of enabling business continuity and de-risking the integration, separation, or divestiture. Additionally, the RCP should be implemented to help accelerate operational readiness (i.e., Operational Day One or OD1), while allowing for ample time to prepare for Legal Day One or LD1[1], and ultimately help position the business for long-term growth by pressure-testing specific operational activities. Moreover, leveraging a proven and battle-tested RCP playbook (with complementary digital solutions) is critical to enabling Day One readiness and business continuity.

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1   In a separation or divestiture, Operational Day One is when the New Company (NewCo) is operationally separate from the Remaining Company (RemainCo). Legal Day One is when the transaction is complete.

In the case of integrations, RCPs are generally undertaken two or three weeks to a couple of months prior to close (Legal Day One) to allow time for teams to course correct if necessary. In the case of divestitures or separations, this can be done prior to Operational Day One when the business is operationally stabilized, and generally up until two months prior to Legal Day One, when the transaction is legally complete.

Readiness can be certified in countries, business groups, functions, workstreams, and/or processes. Cross-functional alignment and transparency is critical when it comes to the major operating disciplines of an enterprise: Quote to Cash, Procure to Pay, Hire to Retire, or Record to Report processes.

A customer or employee experience themed RCP can help identify issues before they escalate. It is often prudent to coordinate customer experience workshops to develop plans and playbooks to aid thinking through the impact of transaction related changes from the customer's perspective. For example, one company developed a plan to update customer accounts. When an auto-generated customer notification went out

noting that their passwords had changed, customers assumed their accounts had been hacked. Surprised customers flooded call-centers causing wait times to exceed two hours as the issue snowballed into a PR debacle. Had the company engaged in an end-to-end customer experience RCP, this type of situation could have been avoided.

Taking steps to get ahead of issues and provide visibility through RCPs helps keep the organization aligned on critical areas such as customer experience. In a recent divestiture, a company developed detailed customer and partner playbooks and walked through specific changes with top customers and partners. The RCP process was utilized to report on the plan execution progress to provide visibility and awareness with leadership and specific cross-functional stakeholders who also needed to align on the progress of customer outreach. As a result, there was minimal disruption to customers and partners as the playbooks provided the desired level of awareness to changes taking place during the separation process.

Structuring the RCP approach to navigate complex deal dynamics

Traditional Day One preparation is a simple "Day One Certification" which entails readiness sign-off at a workstream or functional level. This sign-off may be designed to address some of the following illustrative issues:

Function	Integration or (separation or divestiture) activity
Marketing	• NewCo brand and website rollout timeline
Go-to-market	• Managing (maintaining) important accounts
	• Sales team integration (separation) readiness
	• Sales ops process refinements (separation)
	• Customer and supplier contract rationalization (migration)
	• Day One rules of engagement for sales motions
Services	• Contract rationalization (migration)
	• Service level alignment (continuity)
Supply chain	• Supplier readiness
	• Factory rationalization (separation)
	• Regulatory approval
Procurement	• Contract readiness (separation)
	• Service alignment (continuity)
HR	• Organizational design
	• Payroll setup
	• Employee migration
	• Benefit plan rationalization (setup)
Real estate	• Security and badging deployment (separation)
	• IT access consolidation (migration)
	• Location strategy
IT	• Application/infrastructure integration and rationalization (cloning)
	• Cutover planning and asset integration
	• User acceptance testing (UAT)
Finance (including Tax, Treasury, and Controllership)	• Financial close
	• Opening balance sheet
	• Banking strategy and cash management
	• Data retention and audit
	• Financial valuations
	• Carve-out financials
Shared services	• Shared Service optimization (separation)
Legal	• Legal entity structure, formation, registration, integration (separation), and dissolution/liquidation

As the level of complexity of the transaction increases, the need for more broad pressure testing often grows. The drivers of complexity can include:

- Number of regions and countries
- Number of functional workstreams impacted and the underlying synergy/dis-synergy goals set forth by the transaction
- Number of systems/applications being cloned/rationalized
- Business groups directly impacted by the transformation

Many teams are adept at working within their siloed workstream to prepare for OD1/LD1. Problems often arise at the handoff between functions. RCPs can be used to increase communication and alignment between functions and help lower the go-live risk.

In order to encourage this communication and break down the siloes, the RCPs should work like a matrix, focusing first on functions and workstreams, then countries and regions and business groups, and finally the underlying processes. The following list shows an illustrative sequence of RCPs:

- RCP1: Workstream (vertical) readiness for high-priority attributes
- RCP2: Business group-focused end-to-end process flow (horizontal) readiness (high priority attributes)
- RCP3: Final checkpoint on additional attributes (if needed)

The table (see Figure 1) reflects the pairings of complexity attributes and RCP focus areas that can be examined in the series of one, two, or more RCPs.

Attributes that drive complexity	RCP focus areas
• Country count/presence	• Vertical functions and workstreams
• Legal entity count/structure	• Horizontal business processes
• Operational and Legal Day One timing	• Business unit-related topics
• Site size and location	• Employee experience
• Headcount	• Customer/partner experience
• Customer base	• Transaction execution
• Customer/partner channels and overlap	• Cutover
• Labor relations	• Day One readiness
• Contracts	
• Transaction agreements	
• IT systems	

Figure 1: RCP Scope Considerations

IT systems have notoriously driven transaction delays. In one situation, a company rushed to clone their systems in order to achieve an accelerated deadline. Through pressure testing in RCPs, the corporation uncovered plans to not scrub critical customer data that likely would have had major regulatory and compliance implications.

After the issue was uncovered, the company developed a process to cleanse the data from the cloned systems to take steps to help the systems remain compliant, thereby avoiding potential lawsuits, negative press, and a damaged brand.

Readiness is more than a read-out

Visibility, collaboration, pre-work, and communication are important for effective RCPs. The cross-functional pressure-testing is designed to break down organizational siloes while streamlining the development of mitigation plans to address risks and plans that fall behind schedule. The increased dialogue between global workstreams, regional leadership, and country teams enables the effectiveness of the program and helps identify critical issues. In a recent divestiture, the RCP pre-work and review sessions helped uncover gaps in understanding and inconsistency of interpretation of the execution of customer, partner, and employee communications. The leadership team reacted and had the communications team develop additional materials and draft a plan to engage the country and regional teams more closely to encourage consistent and clear messaging to the relevant stakeholders.

Other specific issues that have been identified, escalated, and resolved during implementation of the RCP structure include:

- End-to-end customer/partner contract separation and migration
- Customer communications describing the NewCo value proposition
- Execution of Day One celebrations
- Communication and consistency across the end-to-end Day One customer experience
- Lack of clarity around the operationalization of commercial agreements
- Impact of systems migration on financial close
- Lack of visibility/clarity on TSAs and SLAs
- Potential areas of channel conflict

When pressure-tested through a proper Readiness Certification process, these issues can get teased out and resolved prior to deal close.

The RCP playbook: digital solutions to accelerate readiness

Over the last few years, the RCP playbook has evolved to include digital solutions designed to accelerate M&A transaction execution and Day One readiness while maintaining business continuity. As an example, digital web-based program management tools help companies better manage cross-functional activities across an M&A project. These digital program management tools often include functionality such as:

- Synergy identification and tracking
- Project calendar and roadmaps
- Blueprinting
- Executive program dashboards
- Workstream status reporting
- Program workplans

- Risks, actions, issues and decisions logs
- Alerts and interdependency management
- Document storage libraries with eRoom and clean room functionality

Across the world, teams can collaborate on projects with a web browser. The output can be utilized as a tool in RCPs to more quickly collate cross-functional status, synergy reports, and RAID (Risk, Action, Issue, Decision) logs while also providing in-depth reporting and root cause analysis of milestone status, if needed. This level of reporting is critical to provide stakeholders (including senior leadership and executives) with a current and detailed view of the integration or divesture program at a specific point in time. Other tools that help identify potential issues and accelerate overall readiness include:

- Agile online cross-functional program management and executive reporting tools
- Digital web-based "Walk-the-Walls" for cross-functional milestone and dependency alignment
- Interactive facility consolidation scenario planning
- Robotics process automation designed to rapidly accelerate contract separation/ rationalization
- Visual Tableau-based country complexity modeling dashboards

Through the use of the RCP playbook's digital solutions (see Figure 2), companies can accelerate the readiness process to keep the execution timeline on track or ahead of schedule.
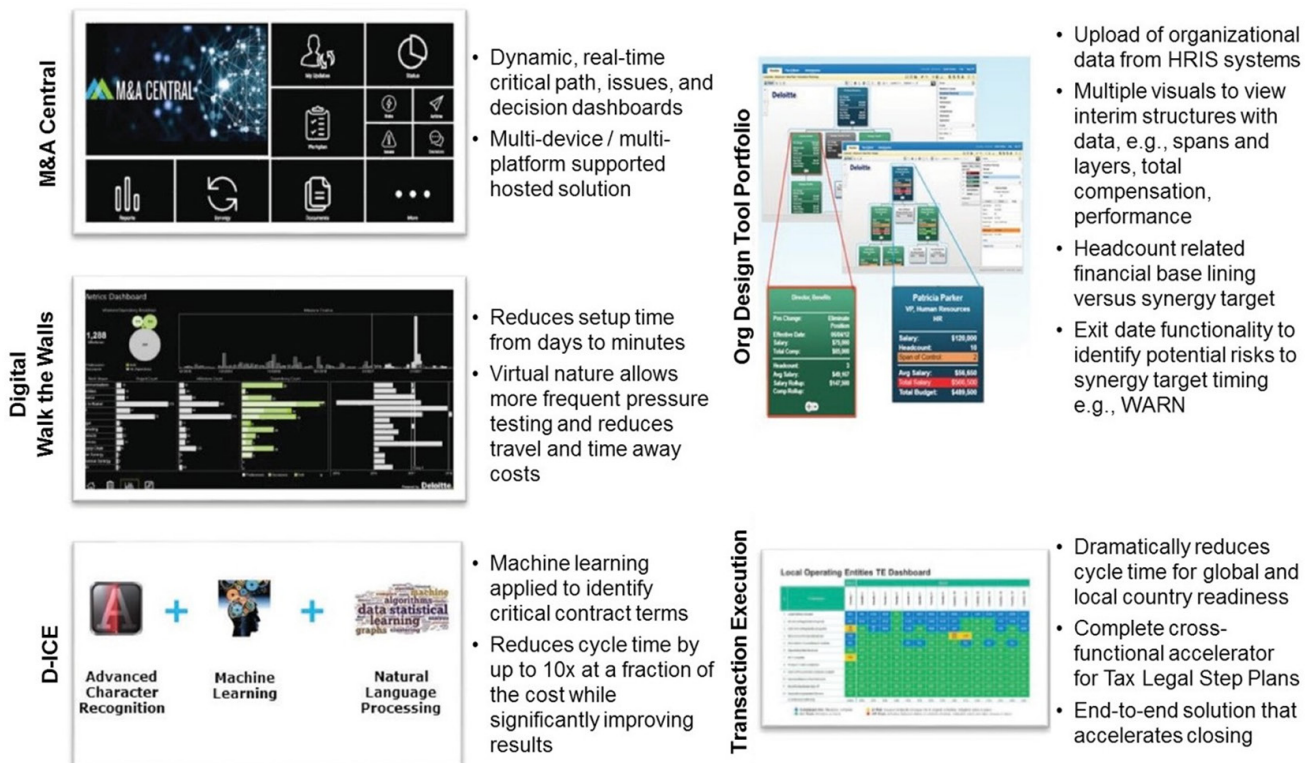

M&A Central
- Dynamic, real-time critical path, issues, and decision dashboards
- Multi-device / multi-platform supported hosted solution

Digital Walk the Walls
- Reduces setup time from days to minutes
- Virtual nature allows more frequent pressure testing and reduces travel and time away costs

D-ICE — Advanced Character Recognition + Machine Learning + Natural Language Processing
- Machine learning applied to identify critical contract terms
- Reduces cycle time by up to 10x at a fraction of the cost while significantly improving results

Org Design Tool Portfolio
- Upload of organizational data from HRIS systems
- Multiple visuals to view interim structures with data, e.g., spans and layers, total compensation, performance
- Headcount related financial base lining versus synergy target
- Exit date functionality to identify potential risks to synergy target timing e.g., WARN

Transaction Execution
- Dramatically reduces cycle time for global and local country readiness
- Complete cross-functional accelerator for Tax Legal Step Plans
- End-to-end solution that accelerates closing

Figure 2: RCP playbook's digital solutions (Deloitte Consulting LLP)

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Positioned for long-term sustainable growth

Complex transactions can be fraught with risks and challenges. Proper pressure-testing through the use of RCPs, guided by a proven RCP playbook with the latest digital solutions, enables effective and timely execution of complex transactions. Many deal teams, especially those involved in highly complex, transformational events, should consider how Ready Checkpoints and digital accelerators can help them better prepare for Operational Day One and Legal Day One and help position the business for long-term, sustainable growth.

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