Mastering your bank merger

12 steps to unlocking M&A success

UNLOCK THE E-BOOK

More than two-thirds of banks in the KBW Regional Banking Index (.KRX) have a greater than 50% chance of being acquired over the next 12 months.

Source: Reuters

With regional and community banks on a wave of consolidation, a merger or acquisition (M&A) may be the right strategic move for you. While it represents the opportunity to boost income, increase depositor value and better manage volatility, it's a complex process that requires acumen outside the normal course of business.

By heeding the following 12 steps, you'll set the stage for success by unlocking a proven course of action that links people, platforms and partners – one that reimagines systems and processes, eliminates redundancies and realigns resources.

But before getting lost in the details, remember the big picture: It's all about responsibly managing the money that's entrusted to you at every stage of its journey – at rest, in motion or hard at work for the people you serve.

1. Define the target operating model

Begin by identifying your strategy, the products and services you'll offer, and the underlying structure, processes and systems that will deliver those products and services to your clients. During this stage, it is crucial to consider the requirements of the combined bank, specifically how they can be integrated to create a cohesive operating model.

2. Evaluate systems conversions

Next, develop a conversion strategy that aligns with your target operating model. This involves evaluating the current technology stacks for each bank, including core banking systems, online banking platforms and other software or applications used by one or both banks. It is important to consider future scalability and integration capabilities to ensure that you can accommodate your new growth goals.

3. Assess IT infrastructure

At this point, you'll want to determine how to integrate your IT infrastructures, including networks, servers and data storage facilities. During this phase, you'll identify gaps, redundancies or incompatibilities that may affect the integration process – a complex and time-consuming but necessary step for seamless post-merger operations.

The overriding goal of a TOM should be to make the most of new technology features and functions, while reducing risk, boosting your efficiency and maximizing return on your investment.

"In the near future, AI is expected to significantly improve the efficiency and effectiveness of the due diligence process by helping to identify potential problems and to make informed decisions earlier in the M&A transaction."

Source: EY

4. Focus on cost savings

If the previous step reveals redundancies, you may need to remove duplicate IT environments, as well as staff, branches, support and shared services teams. It is essential that you expedite the transition to future state platforms as quickly as possible to realize these cost savings, but equally important to minimize any end-client impact.

5. Identify potential risks

Challenges and risks are bound to arise during the systems conversion process. Now's the time to identify any potential problems so you can mitigate their impact. Leveraging a proven methodology is critical. Strong risk management processes can help manage the risks and overcome the lack of prior experience by implementing conversion best practices.

6. Introduce artificial intelligence.

During the acquisition, AI can save hundreds of man-hours expediting mundane tasks such as cleansing the data that needs to be merged, as well as summarizing documents and procedures from the acquired bank. Then, post-merger, take advantage of all AI has to offer in terms of providing personalized service and discovering new insights about your combined customer base.

7. Guard data security

The merging of two banks brings together a large amount of sensitive customer data. Make data security and privacy a priority to protect your customers' information from potential breaches or leaks. This may involve implementing proper protocols for data transfer and storage, conducting thorough audits, applying stronger security measures and ensuring compliance.

8. Develop an effective transition plan

A meticulous transition plan should be risk-averse while still achieving desired outcomes – cost savings, improved customer experience, scalability or enhanced offerings. The plan should outline detailed steps and activities, with clearly defined roles and responsibilities for both banks. Establishing guiding principles at the onset creates consistency and alignment to the strategic vision.

9. Manage employee realignment and retention

M&A often involves employee transitions and restructuring. It is important to have a clear plan in place for managing these changes and providing support for employees who may be affected. You must also have a plan for retaining, engaging, developing and training the post-merger staff, as well as fostering a collaborative and inclusive culture that supports the combined entity's vision and values.

A seamless customer experience requires a single brand promise, set of products and services, and overall identity.

10. Communicate with stakeholders

Effective communication and transparency with customers, shareholders and employees are crucial before, during and after the merger. In the case of customers, be sure to develop a regular cadence of communications that spell out modifications to their products and services, changes at their local branch or any action they need to take.

11. Consider the customer experience

It's critical to create a seamless customer experience across both entities. This requires a single brand promise, set of products and services, and overall identity. For example, changes in online banking or mobile apps should be communicated clearly to customers beforehand to avoid confusion or frustration. Needless to say, you must guard against disruptions in service during the transition period.

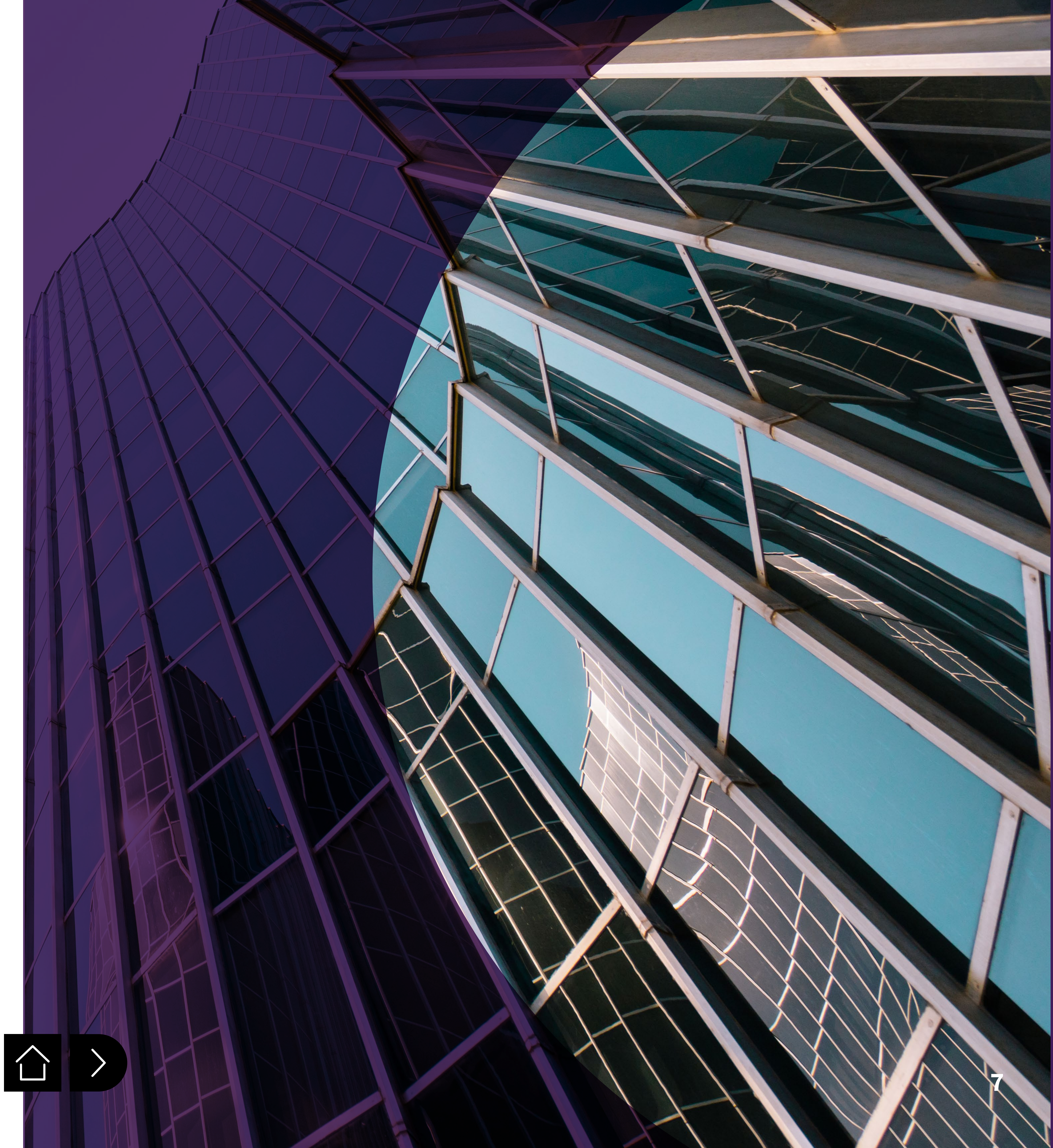
12. Engage an experienced partner

Navigating the different aspects of M&A can be complex and challenging, so it is essential to partner with experienced professionals who can provide guidance and expertise throughout the process, from defining the future state through execution of the conversion and the ultimate emergence of your strong new bank. The experience of a partner can be the differentiating factor in the program's success.

M&A can offer significant opportunities and benefits for banks, but it is a complex process requiring detailed planning and execution, especially from a technology perspective. By focusing on these 12 steps, you can ensure a smooth transition for employees, continue providing excellent customer service and set a solid foundation for future growth and scalability. This strategic approach can significantly increase the chances of a successful merger, making the new entity stronger, more secure and ready to face the future of banking.

FIS: Your partner for M&A success

A core transformation is a major challenge, but one that can be overcome with the right strategy, solution and partner. FIS can help you unlock transformational change and maximize your performance. With a history of successful client conversions using our proven methodology, FIS ensures smooth transitions during the M&A process. This expertise extends to managing due diligence and prioritizing investments for growth. In an environment where regulatory approval uncertainty is on the rise, having a partner like FIS, who understands the complexities of financial institution merger transactions, becomes critical. So, whether you're navigating the uncertainties of a merger, seeking to streamline your operations post-acquisition, or looking for a partner to help drive your growth strategy, FIS is here to guide you every step of the way.



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