

Moving IT Forward

What IT leaders need to consider during mergers and acquisitions

CIOs have a complex undertaking during mergers and acquisitions: They often have to reconcile people and systems of multiple companies while being a driver of cost reduction once a merger is completed. Most mergers fail to deliver anticipated value due to risks that are not fully contemplated and mitigated.

Harrah's Entertainment has seen tremendous growth over the past decade, much of it fueled by acquisitions. In 2004 the company announced it would acquire Caesars Entertainment. Previously its acquisitions had been mostly one or two properties at a time, but Caesars owned 15 casinos worldwide and the merger would nearly double the company's size.

Harrah's IT department has long been a significant driver of business value for the company. In the years before the Caesars acquisition, the

department focused on projects that enhanced the bottom line. As a result, other important projects became lower priorities, such as increasing the high availability of systems, knowledge management, and training initiatives.

Faced with doubling its size, Harrah's IT confronted critical risks associated with systems availability and business process knowledge. IT leadership used the acquisition as a catalyst to push forward on initiatives that had value beyond the acquisition.

Heath Daughtrey, Harrah's vice president of IT services and integration, was ultimately responsible.

He says, "If planning and execution are done well, these landmark events should incubate competencies that transfer beyond mergers and acquisitions to serve the everyday operations of the company."

In order to integrate Caesars, Daughtrey focused on innovation, process, and partnerships. Innovation came in areas such as training and testing automation. In the past, training concentrated on the systems, specifically the online menus and reporting. Daughtrey decided to incorporate more business process training. He realized that in order to train more than 5,000 Caesars property staff members about Harrah's capabilities, the training should focus on the end-to-end business process.


Now, rather than just providing training on the system menus and reporting of a casino management system, training materials explain the flows and logic through all systems on the gaming floor, tailored to each casino's unique operational model. New hires can obtain a broader understanding of business processes, automated versus manual processes, intradepartmental dependencies, and customer touch points.

Daughtrey also realized that in order to integrate all Caesars properties over a five-month period, there needed to be a focus on automating data conversion and data validation. Harrah's ran multiple automated data integrity queries and checks. These routines verified accuracy of more than 90 percent of all data, allowing the property data validation teams to focus on a smaller subset of the data and important nuances.

Harrah's chose to invest in the high availability and scalability of systems. After the integration, all of Harrah's properties benefited by improved uptime in the core operational and marketing system. Harrah's campaign management system and Harrahs.com now have full business and system resumption in less than one hour versus 72 hours previously. Harrah's also used the acquisition to evaluate strategic partnerships and forge relationships with others that could assist with Caesars and also with more long-term global expansion. Specifically, Harrah's needed partners who could help open and convert dozens of properties worldwide.

A merger or a joint venture is a major business challenge. To ensure that the acquiring organization is positioned to absorb the acquired entity while minimizing risk, it is vital to consider previously neglected areas.

CIOs should view such events as a reason to find ways to improve the outcome of the acquisition, while also creating longer term value for the combined entity. ■

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