

ORACLE

# Finance Starter Kit: Capitalize on M&A and Divestitures

Best practices and first steps





## Defining success for multinational and extended enterprises



New market opportunities, differentiated business models, and strategic acquisitions and divestitures can play key roles in an organization's success. However, these strategies can result in disparate finance and accounting systems that make it challenging to achieve effective enterprisewide financial reporting and analysis.

The most successful organizations and innovative finance teams address these challenges by modeling business changes from mergers, acquisitions, and divestitures, and then bringing together the disparate financial data and processes to have a single trusted source of financial information.

By establishing an enterprisewide finance and accounting platform, finance executives can identify the best merger and acquisition (M&A) targets, onboard acquisitions faster, and divest businesses efficiently. The platform can also provide your company the opportunity to standardize on a single enterprise resourcing planning (ERP) system.



# Five best practices to capitalize on M&A and divestitures

## 1 Model and plan across your enterprise

Perform strategic modeling to help assess risks and outcomes associated with M&A and divestitures. Develop financial plans and cash flow analyses to assess financial capital impacts from M&A and divestitures. Evaluate your current and future workforce needs by linking financial plans with workforce plans, and assessing organizational project impacts on corporate resources.

## 2 Establish enterprisewide business process owners

Change management is critical to M&A and divestitures success. Establish enterprisewide business process owners so that business and IT can work together on such things as how to bring together the ERP systems of the acquiring and acquired companies. Another aspect is for business and IT to work together to develop plans for business process alignment across the enterprise.



# Five best practices to capitalize on M&A and divestitures



## 3 Plan early for financial data and reporting

To ensure the best possible outcomes, decide early about how you'll achieve a single source of enterprisewide financial truth. Among other benefits, this can provide P&L owners and financial planning and analysis (FP&A) a complete view of financial performance and detailed financial information. For financial data, focus both on how to model new data structures that result from M&A and divestitures, and how to achieve effective enterprisewide chart of accounts governance.

## 4 Centralize enterprisewide record-to-report process

Eliminate redundancies in the record-to-report process by establishing an enterprisewide record-to-report process. Subledger activities continue in the legacy ERP systems, but most journal entries, revaluations, allocations, and intercompany journal entries will be performed by the corporate accounting team from the enterprisewide accounting platform. Similarly, financial reporting, and particularly statutory reports, can be generated from the platform by the financial reporting team and distributed to the respective legal entities for their statutory filings.

## 5 Make a phased move to one ERP system

The ultimate goal is to retire legacy ERP systems and move their finance and operations processes to a single cloud-based ERP system. Key decisions include:

- Whether to onboard end-to-end processes (e.g. source to pay) to the enterprise accounting platform all at once, or initially deploy finance shared services and move finance activities to the platform, then phase the move of physical operations to the cloud-based ERP system.
- Determine which legacy ERP systems to retire first and move entirely to the enterprisewide platform. Important things to consider include the age and complexity of the legacy ERP systems, and whether subsidiaries are low- or high-risk entities.



# Steps to get started

An illustration of two women shaking hands on a path. The woman on the left is wearing a white long-sleeved shirt, a maroon hijab, and dark pants. The woman on the right is wearing an orange long-sleeved shirt and blue pants. They are standing on a path that leads towards a large, light blue pillar. The background is a dark teal color with a textured, wavy pattern.

## 1. Develop an overall plan

Make sure your organization has the right applications for assessing risk, developing financial plans, performing project assessments, and determining capital needs for M&A and divestitures activities.

## 2. Define a reporting strategy

Start by taking an inventory of your global and local statutory reporting requirements including GAAP and tax. Then work with executive management to determine their requirements for the parent, subsidiaries, and other entities. Also determine if the general ledger will be used for statutory reporting only or also used for management reporting and analysis. Last, establish end-user reporting requirements for financial statements and ad-hoc reports.

## 3. Determine your financial data strategy

Involve legal, tax, and other interested parties to ensure their financial data requirements are met. There are a few things you'll need to determine. First, decide how many years of financial history to move to the enterprisewide finance and accounting platform. Next, determine whether to transfer historical and current GL data at a summary or detailed level. It's important to also determine whether to include transactional attributes as part of legacy ERP data feeds to the GL. And last, determine what reporting, audit, and reconciliation requirements are needed and the required accounting granularity.

## Quick reminders

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### Do:

- ✓ Utilize a comprehensive and connected enterprise planning solution
- ✓ Involve all key stakeholders in planning
- ✓ Establish an enterprisewide finance and accounting platform
- ✓ Develop a phased approach for one ERP system for the entire enterprise

### Don't:

- ✗ Wait until after M&A and divestitures to plan for ERP system and process impact
- ✗ Hesitate to achieve quick wins to help build momentum
- ✗ Put off developing financial reporting and financial data strategies
- ✗ Avoid establishing an enterprisewide finance and accounting platform



# Looking forward

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An economic crisis is an opportunity to acquire companies at below-market prices or divest under-performing companies. Often overlooked is how to model the resulting business and process changes, then assimilate new data and processes so that you have a single, trustworthy source of financial numbers. With a comprehensive cloud suite, you can identify M&A targets, onboard acquisitions faster, and establish an enterprise platform to harmonize accounting across multiple ERP systems.

An enterprisewide finance and accounting platform can help you ensure success with your M&A and divestiture plans. The platform also allows you to deploy finance shared services so you can move all finance processes to a centralized location, and then proceed to move all operations to the platform and attain a single, connected ERP system.

Visit our site to [learn more](#) about capitalizing on M&A and divestitures and other big moves finance should make now, or [request a demo](#).

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