Prodapt

Harmonizing operating models to achieve M&A goals

Deploy the Unified Operations Framework (UOF) for a streamlined operating model transformation—achieve a 25% Opex reduction with Zero service disruptions

[Whitepaper]

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Executive Summary

M&As in the Telecom, Media & Technology segment is expected to increase through 2024 as technology advancements and release of pent-up deal appetite lead to a flurry of investments, according to this PWC report. Pursuing this route, Communications Service Providers (CSPs) may adopt shortcuts towards operating model transformation. However, a contrasting perspective from McKinsey emphasizes the importance of careful planning and execution when transitioning from two separate operating models to a newly integrated one. Even in ideal conditions, harmonizing operating models is:

- **Complex:** Demands alignment of vision, careful attention to regulatory and legal aspects, and an intricate approach to integration
- **Time-Consuming:** Requires meticulous planning and effective change management, making it a time-intensive process
- **Challenging:** The process is further complicated by the need for expedited realization of business value following the M&A, adding an extra layer of challenge and urgency to the endeavor

To unlock the complete potential of M&A and establish operational harmony, CSPs must:

- Prioritize a strategic, comprehensive approach to **operating model harmonization**, encompassing cultural alignment and technology integration
- Establish a meticulous plan with an emphasis on **change management**. This approach ensures a well-executed transition that minimizes disruptions
- **Continuously assess and adapt** to the evolving landscape post-harmonization. Flexibility and responsiveness are vital in achieving sustainable results

While speed is often a key driver in M&A activities, the harmonization of operating models necessitates a balanced approach that values precision and strategic planning. This whitepaper elucidates the methodology through which CSPs can adeptly navigate the complex journey of aligning operating models in the context of M&As, employing our **Unified Operations Framework (UOF).** The framework helps pinpoint operational changes and offers distinct steps for implementing a unified operating model, resulting in a 25% Opex reduction. The ultimate goal is to fortify the merged entity, making it more resilient and competitive.

Key Challenges in setting up business operations during M&A

In the ever-evolving and highly competitive telecommunications industry, where technology advances at an unprecedented pace and customer expectations continually rise, M&As have become a strategic imperative. However, the success of these endeavors depends on how effectively the merged entities unify their operating models. Below are some neglected operations impeding effective model unification.

- **Streamlining role redundancy:** Role redundancy refers to situations where multiple individuals or teams within the merged organizations perform similar or overlapping functions. This redundancy can lead to inefficiencies, increased operational costs, and confusion about responsibilities.

- **Improving maturity levels:** In the context of M&A, two organizations may have varying levels of process maturity or operational efficiency. Overlooking enhancements to maturity levels may lead to an inferior integrated model, causing siloed and delayed operations.

- **Standardizing evaluation system:** Post M&A, the combined entity must abandon prior evaluation frameworks, requiring meticulous alignment to establish a unified assessment system. Neglecting this may lead to operational inefficiencies, misaligned goals, and hindered decision-making, jeopardizing the overall success of integration.

Failing to address role redundancy, evaluation misalignments, and operational maturity post-M&A can lead to several consequences, such as a sharp **30% rise in operational expenditures**, increased customer churn rates, and a diminished competitive edge.

Unified Operations Framework to streamline processes, optimize resources, and integrate systems and teams effectively post M&A

Leverage the **Unified Operations Framework (UOF)** to streamline and define the unified operating model following an M&A. UOF employs function and objective-driven approaches to pinpoint areas for operational change. Moreover, it provides specific steps for implementing this unified model.

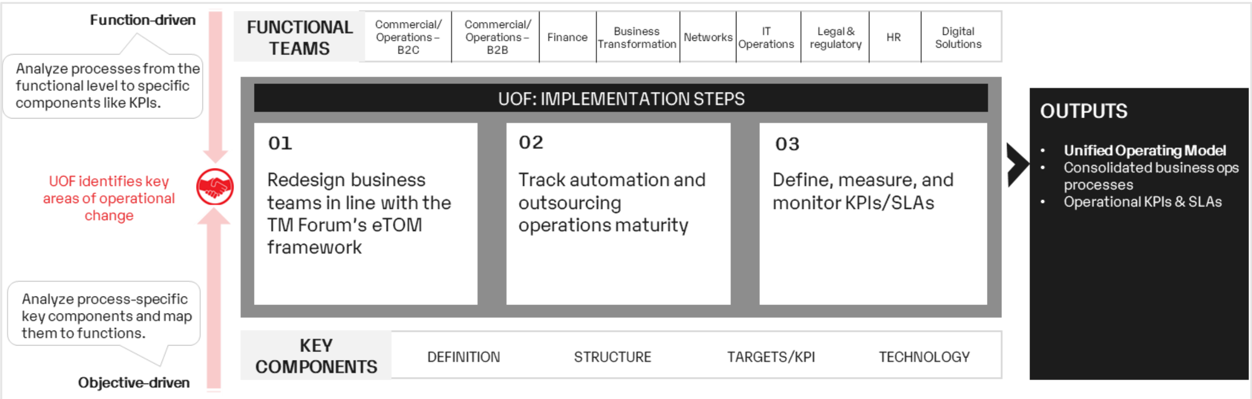


Figure 1: UOF overview

The three key implementation steps recommended by UOF are:

1. Redesign business teams in line with TM Forum's eTOM framework
2. Track automation and outsourcing maturity
3. Define, measure, and monitor KPIs/SLAs

With UOF, you can achieve a reduction of **approximately 25%** in operational expenditures, alongside a **threefold** acceleration in the migration timeline.

#1. Redesign business teams in line with TM Forum's eTOM framework

Post M&A, CSPs encounter challenges in redesigning their business teams due to competing priorities, resistance to change, skill gaps, and talent loss, resulting in inefficiencies, conflicts, and reduced motivation. Restructure your organization by identifying and fixing people and process gaps in three easy steps:

Step 1: Identify process gaps

Map the as-is organization structure of the combined entity to the eTOM framework to analyze process gaps. Customize the eTOM framework to streamline post-M&A operations across local, central, new, and cross-BU processes.

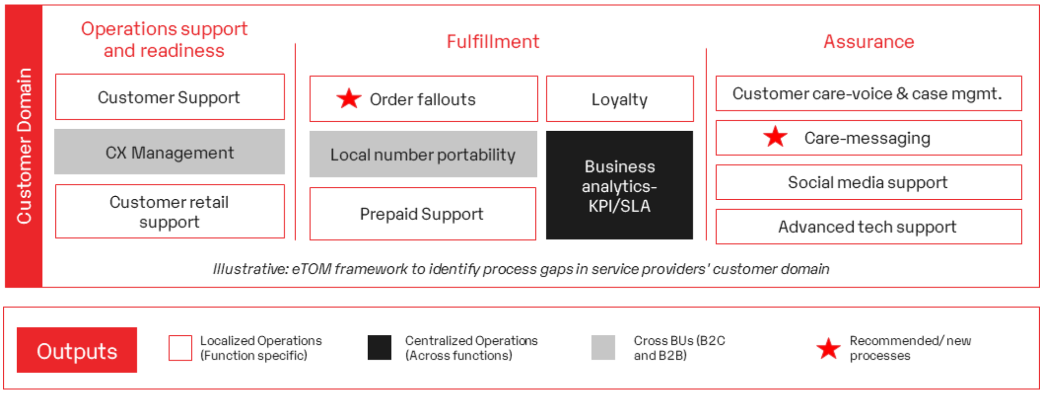


Figure 2: eTOM framework to identify process gaps in service providers' customer domain

Example: For the customer domain,

- Introduce the order fallouts process to smoothly migrate data and localize the process for specific functions
- Leverage Local Number Portability for both B2B and B2C customers
- Align KPIs/SLAs across functions

Step 2: Propose new teams/roles/capacity

Establish new positions utilizing a prioritization framework like MoSCoW, creating a fully functional structure encompassing both centralized and decentralized roles necessary for the organization.

M Must have	S Should have	C Could have	W Won't have
Roles mandatory for successful M&A. E.g., Trainer	Important positions that add significant value in completing the M&A. E.g., Knowledge Specialist	Desirable positions but not critical for M&A. E.g., Process excellence	Positions that are not a priority during M&A.

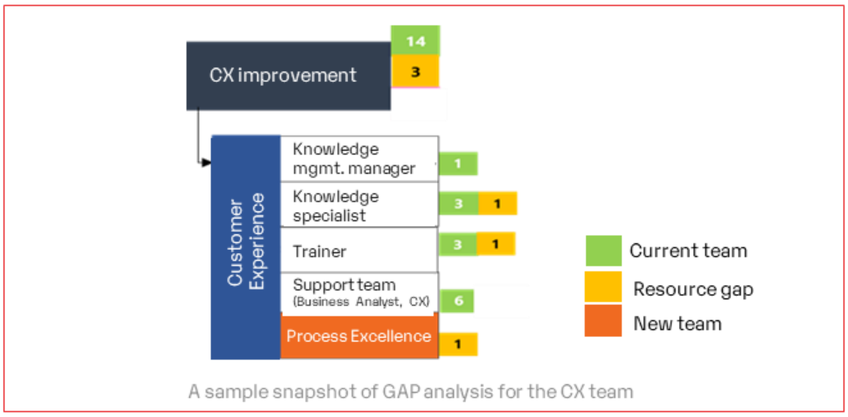
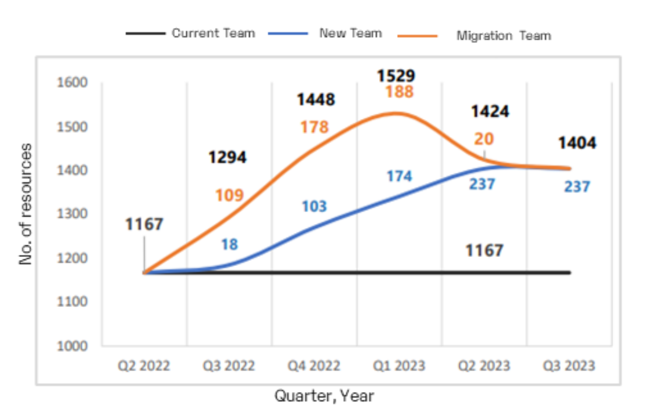


Figure 3:MoSCoW Framework

Step 3: Prepare resource scalability matrix with timelines

Compose a comprehensive skill-set document detailing roles and responsibilities. Develop a scalability matrix with recommendations for a migration timeline, estimating resources for new and existing roles based on business needs and volume predictions. Create a tailored training plan for newly onboarded resources.



Sample resource scalability plan

Figure 4: Sample resource scalability plan with newer business teams

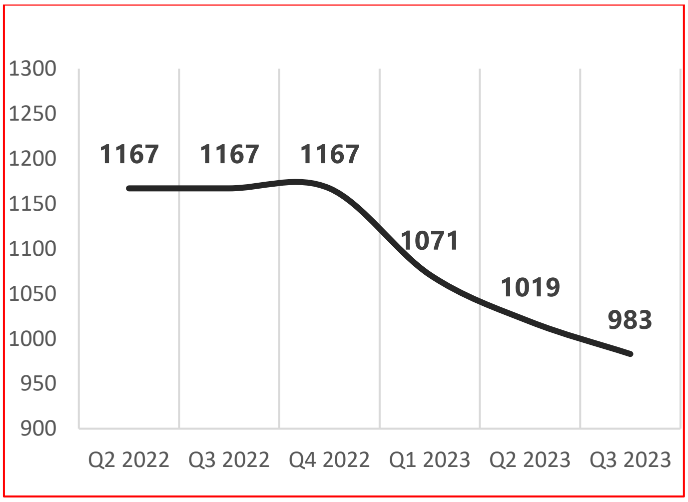


Figure 5: Sample resource plan with no new business teams

#2. Track automation and outsourcing operations maturity

Evaluate the maturity of outsourced and automated processes for both entities post M&A. Compare outsourcing maturity and automation potential, and conduct cost-benefit analysis for each process to guide decisions. For e.g., Post-M&A, if one entity uses a self-service chatbot and the other relies on contact center agents, leveraging the chatbot technology can improve automation and reduce operational costs for the combined entity.

Further, develop a **process maturity matrix** integrating automation potential and outsourcing maturity to prioritize and assess processes for implementation using a decision table. Utilize pre-existing BOTs to swiftly execute prioritized processes, ensuring quick implementation. Implement an orchestration platform such as **Prodapt's Unified Task Orchestration Platform (UTOP)** to facilitate smooth handoffs between tasks.

Decision Table

Automation	Outsourcing: Low	Outsourcing: High
Low	In-house	Outsource
High	Automate	Automate

Figure 6: Decision table to guide automation and outsourcing

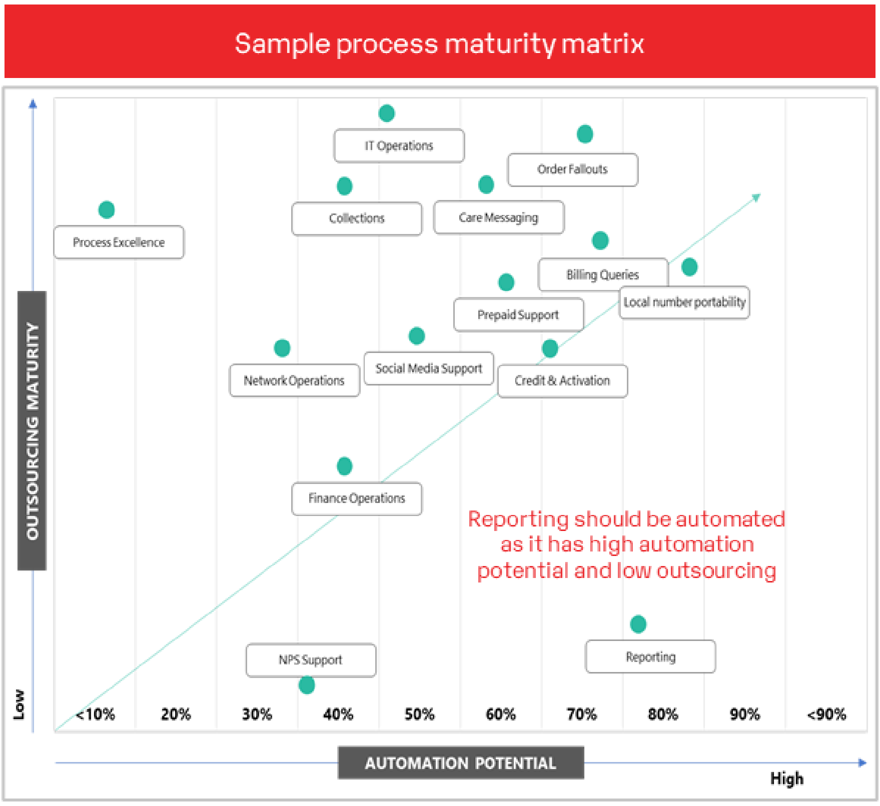


Figure 7: Sample process maturity matrix

#3. Define, measure, and monitor KPIs/SLAs

Establishing new Key Performance Indicators (KPIs) post-M&A is crucial to ensure that the combined entity aligns with its revised business objectives, integrates operations effectively, establishes synergies, and accurately measures the success of the integration process.

Initiate the establishment of KPIs by first assessing the existing metrics for both entities and utilizing industry benchmarks to define KPIs and Service Level Agreements (SLAs). Assign threshold KPIs based on historical data, aligning them with the consensus of business owners. Develop a governance team to regularly monitor the performance metrics for the envisioned operating model. Continuously adapt and enhance KPIs based on current trends to ensure continuous improvement in operations.

Sample SLA baselining/restructuring

Snapshot of sample KPIs/SLAs for Reporting team with threshold values

KPI/Metrics	Current *	Threshold	Formula
AHT(Avg. Handling Time)	15 Mins	6 Mins	AHT=(Total talk time + Total Hold Time + After Call Work Time)/Total Number of Calls
Churn Rate	Not Tracked	22%	Number of customers lost in a single month/Number of customers you had at the beginning of the month
Service Level	70.95%	80% of calls answered in 20 seconds	(Number of calls answered in Y seconds / Total calls offered) * 100

Figure 8: Sample KPIs/SLAs for Reporting team with threshold values

To enhance performance management, align with prevailing market trends to set superior threshold values and KPIs. Utilize analytics or automated tools to effectively monitor and adjust SLA trends. Consider employing Six Sigma's Lower Control Limit (LCL) and Upper Control Limit (UCL) to ensure process stability.

Conclusion

Service providers can achieve the following benefits by successfully implementing UOF:

- 25% reduction in Opex
- 3X acceleration in migration timelines with BOTs
- 2X acceleration in M&A alignment
- Zero disruption/downtime in existing services

Case Study: How a leading integrated Communications & Entertainment Service provider across Latin America benefited from the UOF

A Communications Service Provider expanded its services by acquiring a leading wireline and wireless business. This strategic move aimed to broaden its product portfolio, bolster subscription-based services, enhance regional distribution, and elevate customer value. With a focus on minimizing business disruption, the company adopted a top-down approach to integrate operational models, metrics, and organizational structures post-acquisition. Seeking a technology partner, they aimed to efficiently design and integrate their operational model.

Client Problem:

Post-acquisition restructuring led to redundant and overlapping roles, causing resource underutilization and increased expenses. Organizational changes inadvertently led to disjointed teams, resulting in service delays and ineffective collaboration, creating silos within the company.

Prodapt Solution:

Prodapt utilized the Unified Operations Framework (UOF) to expedite M&A operations. They implemented the MoSCoW Prioritization technique to optimize team strengths and reduce overhead costs. Prodapt's approach identified automatable processes, deploying customizable bots to reduce manual effort and fast-track migration timelines. Prodapt helped establish clear SLAs/KPIs aligned with industry standards and a real-time dashboard to monitor migration-related KPIs. This approach enhanced operational efficiency during the M&A transition.

Benefits Achieved:
The client leveraged UOF to accelerate its data migration timeline by 3X and fast-track the acquisition completion process by 2X while ensuring zero disruption/downtime in services. The client achieved an OpEx reduction of 25% by successfully implementing the model.

Get started with Prodapt

Prodapt is the largest and fastest-growing specialized player in the Connectedness industry, recognized by Gartner as a Large, Telecom-Native, Regional IT Service Provider across North America, Europe, and Latin America.

With its singular focus on the domain, Prodapt has built deep expertise in the most transformative technologies that connect our world. Prodapt is a trusted partner for enterprises across all layers of the Connectedness vertical. We design, configure, and operate solutions across their digital landscape, network infrastructure, and business operations - and craft experiences that delight their customers.

Today, our clients are among the largest telecom, media, and internet firms in the world and connect 1.1+ billion people with 5.4+ billion devices globally. Prodapt works with Google, Amazon, Verizon, Vodafone, Liberty Global, Liberty Latin America, Claro, Lumen, Windstream, Rogers, Telus, KPN, Virgin Media, British Telecom, Deutsche Telekom, Cisco, Adtran, Samsung, and many more.

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