Carve-Out and Post-Merger Integration

Executing SAP carve-out smoothly and effectively

Is your company currently or in the future-facing a divestment? The world has been faced with a long list of "new normals" recently, and divestment is no different for your business. Don't let a good business decision turn into a messy mix-up of data and information.

Executing SAP carve-out smoothly and effectively is critical in the success of a merger or acquisition. M&A's are driven by the business, with little IT involvement until it is time to deliver; if you have worked in SAP projects before, you know why this may be an issue. Here are a few things you should know to help avoid bumps in the road.

What is SAP carve-out?

In the traditional sense of the word, an SAP carve-out is a partial divestiture within a business unit that a company carries out after selling a portion of their business to an external party. A carve-out is not an implementation project, which makes it unique compared to your typical SAP projects. They are also highly confidential, with M&A deals taking place behind closed doors in a boardroom somewhere on the penthouse floor. This is due, primarily, to avoid government regulator for M&A knocking on your door.

What is considered an SAP carve-out?

External Drivers

Asset Divestiture: Sale of company asset typically done to manage the portfolio and focus on most profitable LoBs.

Equity Carve-Out: The creation of a subsidiary via Initial Public Offering where parent company remains majority stakeholder (also known as Subsidiary IPO, Split off IPO).

Spin-Off: Like equity carve-out, but without an IPO. The parent company does not receive any cash as shares of new stock are issued to existing shareholders via a stock dividend.

Business Unit Shutdown: Due to various factors, the organization has decided to shut down a specific LoB.

Internal

Re-Organization: Re-structuring company codes or plant re-allocation. It could be the merging of various conflicting ERP systems into a single global instance.

Company Split: Technical split of an SAP system. It could be in preparation for future divestiture or spin-off.

What makes carve-out projects special

Confidentiality

Mergers and acquisitions are a very secretive business by nature, leaving IT in the dark until an agreement is signed. This makes the onboarding of external partners extremely challenging and leaves little to no time for technical preparation.
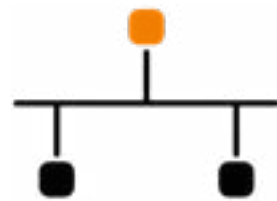
Timelines

Once M&A deals are signed, there is no going back, and closing dates are non-negotiable. This makes for tight timelines with high penalties for delayed system handover. Inadequate project scope can cost gravely without knowledge and understanding of M&A projects.
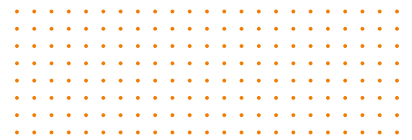
Questions that will determine the IT approach

Q1

What is being carved-out?

Consideration: Legal entity/company code or a more complex combination of business area, plant, brand and products.

Q2

Who is buying?

Consideration: Competitors will require deletions in the source system as well as extra precautions to prevent the handover of confidential data.

Q3

Is this a share deal or an asset deal?

Consideration: This determines who will be responsible for future audits and what historical and transactional data is in scope.

Q4

What is the timeline?

Consideration: Anything under three months is almost impossible without proper preparation.

Q5

Who is paying?

Consideration: Seller wants cost reduction vs. buyer wants data quality.

Q6

What is the future landscape?

Consideration: SAP ECC vs SAP S/4HANA or any other ERP. On-premise vs cloud.

Business Scenarios

No functional change

Possible Scope:
- 1:1 copy in similar SAP
- Master/ transactional data
- Deletion in source/ target

Carve-Out in SAP Clone

New processes

Possible Scope:
- Extraction, mapping, import
- Master/ transactional data
- Deletion in source

Carve-Out in new SAP

Everything from scratch

Possible Scope:
- Extraction in flat files
- Master/ transactional data
- Deletion in source

Carve-Out in any new ERP
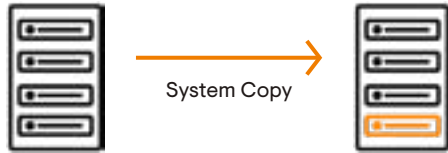
*Reference specialized tools for historical/ transactional data vs SAP LT standard scenarios with master data only.
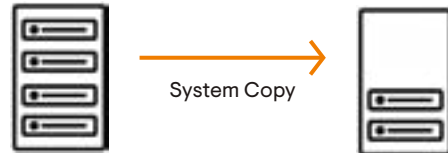
Technical options

Standard scenarios

Clone & Run

System Copy

- 1:1 System copy using SAP standard tools.
- System includes all data.
- Deletion of ABAP coding, unused customizing, users, etc.

Available Technologies: **SAP** Basis

Clone & Delete

System Copy

- 1:1 System copy using SAP standard tools.
- System includes only relevant data.
- Deletion of ABAP coding, unused customizing, users, etc.
- Deletion of data in source

Available Technologies: ET **SAP** LT

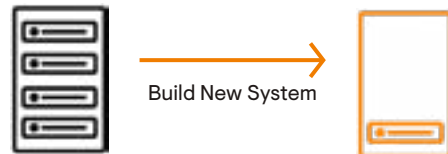## Selective scenarios

Selective Carve-out in Empty Shell Copy

Empty Shell Copy

- System copy w/o data, migrate selected data into shell copy.
- System includes only relevant data.
- Deletion of ABAP coding, unused customizing, users, etc.
- Deletion of data in source
- Business Carve-out

Available Technologies: ET

Selective Carve-out in New System

Build New System

- Build new system and migrate selected data.
- System includes only relevant data.
- Transport of ABAP coding, relevant customizing, users, etc.
- Deletion of data in source
- Transformation on new platform (SAP EEC to S/4HANA).

Available Technologies: ET

> " Typically, items such as existing work orders, WBS, cost center related POs were not possible to move and this solution seemed too good to be true! After completion of the project, everything was moved and worked perfectly as promised and the business was extremely happy with the outcome.
>
> **- Moin Ahmed, Project Manager of Pacific Drilling**

Pacific Drilling