BEYOND THE FIRST 100 DAYS:

Leveraging Artificial Intelligence to Accelerate Post-Merger Integration and Improve Operational Outcomes

In the world of private equity (PE)-backed portfolio companies, post-merger integration (PMI) is rarely a onetime occurrence. More than 6 out of 10 PE-backed acquisitions are driven by deal theses that include some form of future M&A or divestiture—perhaps a buy-and-build strategy to capture value through enhanced market penetration, cross selling or economies of scale, or perhaps a platform acquisition strategy that includes a multiyear plan for add-ons in a fragmented industry ripe for consolidation. For the leaders of those portfolio companies—as well as for PE firms making the investments—PMI must be a capability, not just an event.

Artificial intelligence (AI) can speed up your PMI capability and make it more effective—today. In earlier articles we have shown **how to take advantage of generative AI (GenAI) early in the deal lifecycle to improve the due diligence phase** and **how to apply GenAI during sign-to-close planning to maximize cash generation and improve working capital in the first 100 days.**

But AI can do far more beyond the first 100 days. All deals—and especially acquisitions predicated on continuing M&A activity—require significant change in the way newly joined companies will operate. Several daunting and important PMI tasks await, but we see three areas that are critical to PMI outcomes where AI can have an immediate and positive impact: accelerating integration of service delivery models, streamlining organizational design for combined entities, and driving vendor contract rationalization.

Service delivery, organizational design, and contract rationalization are operational issues with huge implications for both cost and revenue. And they are difficult to execute. Historically, integrating and optimizing diverse service delivery models, assessing options for organizational design, and rationalizing vendors and their contracts have required tedious and time-consuming work representing a long and often complex journey through data that is difficult to track down or accessible only through tribal knowledge and extensive interviewing. And where data is scarce, politics can flourish. But the job must be done; and the longer it takes, the harder it is to start realizing the value in a deal thesis. Plus, no matter how many times you do it, it doesn't necessarily get easier or scale efficiently, given that no two companies or integrations are identical.
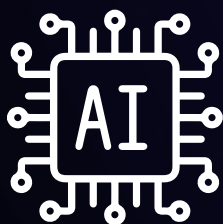
ENTER GENERATIVE AI

Executives and investors who know how to use GenAI can shorten the time-consuming analysis and relieve the administrative burden typically required to do those jobs and, ultimately, accelerate time to value across the entire deal lifecycle. GenAI cannot magically penetrate all the nuances and complexities associated with this job; neither can it make up for data that is incomplete or wrong. But when AI-enabled tools are expert guided and combined with institutional knowledge, they can cut weeks off the integration process. Adding well-taught and well-managed AI to your PMI tool kit is like provisioning aerial reconnaissance and precision weapons for those in the trenches: it can dramatically speed up their ability to zero in on the information they need, recommend potential solutions to guide outcomes, and rapidly help frame data and issues so that decision-makers can act more quickly and knowledgeably.

Let's look at each of them in turn.

SERVICE DELIVERY MODELS
are frameworks or approaches that businesses use for delivering products or services both externally to customers and internally to employees.

Some companies own their warehouses and fleets; others rent them or outsource the services. Some sell through intermediaries like wholesalers or brokers; some sell direct. Internally, some companies execute back-office IT, legal, and human resources services in-house; some deliver corporate services via a combination of outsourced and in-house resources; and many outsource such functions entirely, governed by contracts and service-level agreements.

Because no two businesses deliver goods or services in the same way, integration becomes complex—especially when a portfolio company is in a highly acquisitive period and must combine several acquisitions annually. Corporate office locations or manufacturing centers may be dispersed and situated in nonstrategic locations. Different providers might be engaged to deliver the same outsourced services—and as a company grows, certain outsourced services might become cheaper to provide in-house or consolidate under a single provider. Service level requirements, too, may vary significantly both internally and with regard to third-party support.

In all those areas, management teams and operating partners must make challenging decisions on what to retain, whom to retain, what to combine, and what to divest or eliminate. Failure to address those issues during the critical first months of PMI costs money—and can also confuse both customers and internal employees as they try to buy from or work at the new organization.

GenAI's ability to ingest and analyze complex and disparate data can help operating partners and management teams sort through those questions. Given the right prompts. GenAI can vacuum up data on operational footprint and facilities, such as site-level leased/owned square footage, dedicated head count, office utilization rates, and lease terms and conditions, and then can help propose consolidation or co-location opportunities in a combined company scenario. GenAI can assess business process outsourcing vendor rates, compare and contrast existing terms and service agreements, and help management develop options to optimize spend, including outsourcing, insourcing, offshoring, or nearshoring.

GenAI can read and analyze contracts to examine service-level agreements, pinpoint differences, and propose standardization for both internal and external resources.

ORGANIZATIONAL DESIGN
is another area in which GenAI can help executives untangle complex issues and identify opportunities to improve performance or reduce expenses.

How do you integrate two functions in a time-efficient manner? Organizational charts, job titles, and job descriptions often misrepresent who really does what. Even common back-office corporate functions such as finance, legal, and human resources vary drastically from company to company. Many organizations lack definition of key outcomes and established KPIs for measuring performance. As a result, the integration process must be hands on, requiring numerous interviews with functional leadership, and often takes weeks and weeks to complete—especially in organizations with more than a few hundred employees.

AI tools can help rapidly combine census files and roster data. It can help standardize job taxonomy and enable management to quickly assess which roles and responsibilities may be duplicative across two or more organizations. AI can also recommend potential organizational and direct reporting line alignment for employees who may have conveyed as part of a carve-out acquisition but whose direct managers did not convey within the transaction perimeter.

The recommendation of alignment helps integration teams get a quick sense of where to conduct deep assessments of functional workloads and individual roles and responsibilities, thereby connecting people with processes and connecting processes with the future-state, combined company organization.

GenAI can do even more: It can also assess dozens of peer organizations based on industry, revenue, or head count, thereby giving management a sense of its options by seeing the best-in-class organizational designs of other companies with similar characteristics. In our experience, GenAI can reduce the time needed to develop an optimized post-merger organizational design by days, even weeks.

And that advantage will compound and increase when a PE firm and a portfolio company deploy GenAI across a series of rollup acquisitions, as the technology "learns" from one deal to the next.

VENDOR SELECTION AND CONTRACT REVIEW
can be one of the most time-consuming PMI activities.

Acquired companies may have hundreds or thousands of contracts with hundreds or thousands of vendors. Sometimes the acquiring company will have the same vendors, but the terms differ. Almost always there is opportunity to consolidate spend and harmonize terms; invariably, the two companies' internal vendor-management processes should be brought together; and virtually every case offers an opportunity to renegotiate pricing and terms. Internal vendor spend data is usually messy on both sides of a deal. Data management in procurement systems is rarely uniform. We've seen cases in which the same vendor appeared in databases under more than a dozen different names. Without AI, reconciling and categorizing vendors takes days; reviewing and reconciling terms and conditions takes weeks; and while the clock ticks, value is slipping away like sand in an hourglass.

GenAI was born to help with this job. Many use cases have established that GenAI can rapidly:

- Accelerate the harmonization and integration of vendor names and spend categories from disparate systems and formats

- Combine spend categories across multiple legal entities

- Mesh and standardize spend taxonomies

- Classify each vendor into tiered descriptions of spend categories so that management can zero in on the most-important suppliers or identify contracts most suitable for renegotiation

- Identify tactical tail spend—the scores of small, infrequent, or one-off purchases that elude a formal procurement process and cause waste that often hides undetected

At the same time, AI can help with rationalization of contractual terms and conditions. Think of AI as a skilled legal associate able to conduct a line-by-line review of contracts. Well-trained AI can conduct such rationalization faster and more accurately than people can. It can pinpoint duplicative contracts and be taught to discover discrepancies in pricing and terms for the same or similar products and services—such as with customer relationship management (CRM), enterprise resource planning (ERP), cloud computing, and payroll-processing solutions—to enable integration teams to zero in on which contract renegotiations would yield the greatest value.

Service delivery integration, organizational design, and vendor rationalization are of course interrelated: Together they are foundational stones for proper PMI. And putting them securely in place is essential so that a PE firm can turn its investment thesis into a reality. GenAI is increasingly becoming a critical tool for operating partners, management teams, and integration teams. Like any tool, it is only as good as its users: it takes knowledgeable users to point it at the right use cases and to guide it. It has to be used by people who know the business problems it can solve and who know the business value it can help them create. The use of digital tools in the forms of machine learning, large language models, and others can help show executives where to find high-value opportunities quickly, thereby cutting down on time and administrative burden. Leveraging AI to improve PMI activities will produce improved operational outcomes, result in faster time to value, and, ultimately, lead to higher returns—thereby creating a competitive advantage for the portfolio companies and the firms that invest in AI's use.

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ABOUT US

For more than 40 years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges – circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring and risk mitigation.

These are the moments when everything is on the line – a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA – so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.