

Mergers & Acquisitions Case Study – Microsoft Dynamics AX ERP



● ● ● Background and challenge

A large hardware company was purchased by a consortium of Chinese investors that required a divestiture of its software business. This would require a carve-out of the software business customers, contracts, and product lines that were comingled with existing legal entities that are to remain with the hardware business. Complex business logic would need to be discovered, created, and applied to make this happen.

The overall transaction and Transitional Service Agreement (TSA) for the acquisition resulted in several critical ERP adaption needs, as the enterprise software business was comingled with rest of the hardware business across multiple legal entities in their legacy SAP ERP system.

Key Points

- Timeline: The carve-out of ERP had to be completed according to an aggressive schedule determined by the business transaction close date
- The project involved close to 50 legal entities – including KOFAX, Readsoft and other businesses that carried out operations in Americas, EMEA, and APAC using multiple currencies
- Project team members were located in many international locations
- Impact on existing reporting and integrations with other critical systems in Kofax's ecosystem had to be considered and addressed.
- Complex business logic was required for the carve-out. Data collected as part of the project required a high level of granularity to support go forward business and historical audits.

● ● ● Implementation Approach

The Real Dynamics team brought a seasoned M&A project methodology to each project phase: configuring new and existing legal entities, developing the business rules for the ERP carve-out, and structuring the data migration process. All business stakeholders were also kept engaged throughout the project for definition of rules and validation.

Key Project Attributes

- Created legal entities and setups across modules for Americas, EMEA, and APAC businesses in the existing Microsoft Dynamics AX 2009 instance
- All configurations were promoted to Production early in the project to avoid the need for reconfiguring them during each round of testing. Subsequently, all configuration fixes were promoted to Production as soon as ready and tested
- Business rules for the carve-out were defined across data entities such as Customers, Products, Vendors, Open Purchase Orders, Open Projects, Inventory, Assets, Open AR & AP, and GL Opening Balances. Engaging the business teams and providing them the right level of support during this process was critical
- Two rounds of testing and issue resolution were needed
- Real Dynamics developed the Cutover Planning and Post Go-Live Support needs in conjunction with the business
- Integrations with Time Keeping, banking integration, Sales Tax, etc. systems were required
- Data migration involved migrating data into new legal entities and clean up in existing entities (e.g. GL Transactions for the Perceptive business were migrated to new legal entities in preparation for future carve-out activities)
- User security framework was implemented by legal entity
- A dedicated "Data Archive" reporting platform was created and implemented within the project timeline to give existing and acquired users a comprehensive historical reporting experience

Results

KOFAX was able to meet TSA requirements of a functioning ERP system within the prescribed deadline by leveraging a lean, experienced, reasonably-sized team. The overall transition to the new system setup & processes with business users was also smooth.

George Bock

Sr. Director,
IT Business Applications,
Kofax, Inc.

“We needed a small and effective team with M&A expertise to execute on this mission-critical project. The Real Dynamics Team demonstrated ample experience in helping customers with acquisitions and carve-outs and was able to understand our unique needs for this migration. In addition, their extensive knowledge of the Microsoft Dynamics AX technology stack was key to our success. Their global presence was critical in ensuring 24x7 progression of tasks and timely responses on issues.”

John Cowley

Vice President, Finance
Kofax, Inc.

“As part of our M&A project, we needed a team that could straddle the technical and business aspects equally well. Real Dynamics was adept at understanding technical jargon and the language of the business to bridge the gap in pulling everyone on the project together. They succeeded in understanding our complex business model, including our professional services business, to ensure we could continue to deliver on customer contracts, pay our vendors, and develop Financial, Operational, and Audit reporting, all critical to continue running the business. IT systems were an essential part of this transaction and Real Dynamics was a true partner in helping us get to the finish line quickly.”

Yogesh Kasat

Principal,
Real Dynamics

“It has been a pleasure working with the KOFAX team and being part of their journey. At Real Dynamics, we have expertise in helping customers with acquisitions and carve-outs from, and to, the Dynamics AX platform. Our customers benefit from our investments in tools and processes best suited for mergers and acquisition projects, covering: project management, solution and functional architecture, data conversion and reporting tools using the Microsoft technology platform.”

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Additional References:

<https://www.kofax.com/About/Press-Releases/2017/Thoma-Bravo-Completes-the-Acquisition-of-Lexmark-Enterprise-Software>