Life after M&A: A guide to platform consolidation in financial services

Overcoming the complexity of multiple overlapping systems and achieving operational efficiency with your platforms

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Design. Engineering. AI.

Mergers and acquisitions are par for the course. But how do you make them deliver?

"**M&A in financial services is hot in 2024, but is expected to turn red hot in 2025.**"

Hyder Jumabhoy
Partner, White & Case LLP

Over the past decade, the European banking sector has increasingly relied on mergers and acquisitions for growth. Dealogic reports that the total value of M&A announced in Q2 2024 reached €13.8 billion, with an average of 27 deals occurring each quarter since 2008. This includes large seasoned banks, such as UBS buying Credit Suisse, and challenger banks, like Virgin Money's merger with the UK's Nationwide Building Society.

Some of the most common reasons financial institutions pursue mergers and acquisitions are:

- Expansions, across markets or service offerings.
- Compliance, acquiring local banks for a better licensing footprint.
- Consolidation of subsidiaries to gain higher efficiencies.
- Reducing the competitive landscape.
- Technology leapfrogging through the acquisition of competitive software or valuable data.

Despite being an extremely popular growth strategy, M&As don't always succeed in meeting their goals. Without a clear strategic approach to post-merger integration, the new entity doesn't rise beyond the sum of its parts.

This is visible in the digital core of the new organization. Complex and disparate systems, usually legacy, of the two or more merging entities hinder agility, create fragmentation, introduce compliance risks, drive up costs and impede customer experience.

Ignoring post-M&A integration and technology consolidation makes subsequent digital transformation significantly harder. Increased complexity and fragmentation run counter to every successful digital transformation playbook, particularly in financial services, where regulatory compliance adds another challenging dimension.

In this ebook, we present platform consolidation as a progressive, powerful and sustainable strategy that simplifies the technology estate and processes to enable the business to focus on achieving the competitive advantage it sought from an M&A. We demonstrate how you can streamline your technology infrastructure to achieve greater efficiency, enhance security and unlock new growth opportunities.
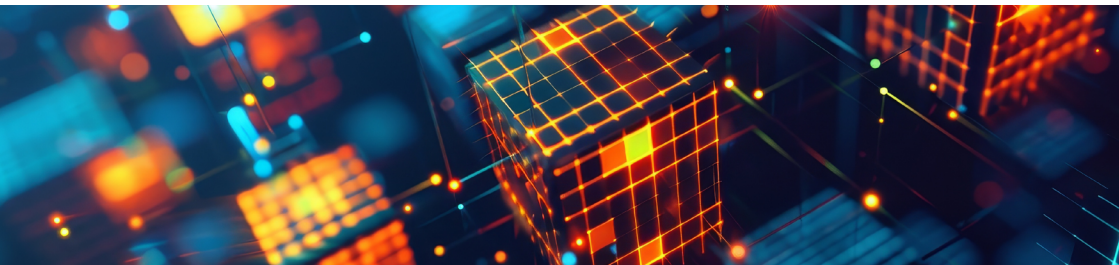
Understanding platform consolidation

The what, why and why now

The word platform means different things to different people. So, let's begin by defining the term for the purposes of this ebook.

Borrowing Evan Bottcher's words, "a digital platform is a foundation of self-service APIs, tools, services, knowledge and support which are arranged as a compelling internal product."

In that context, platform consolidation is the unifying of technology infrastructure and common shared business capabilities by migrating, combining, integrating and standardizing software, services, tools and data across all organizations in the M&A.

Platform consolidation is a strategic activity that pays attention to every technology piece of the puzzle and puts them all together in a coherent, meaningful way. It helps the merged organization reduce risk, complexity and cost to make the most of all technology investments by all parties involved.

Reducing redundancies: A good platform consolidation strategy examines and identifies redundancies. More importantly, it makes thoughtful decisions about what is to be eliminated.

Streamlining processes: Platform consolidation uses technology to nudge cross-functional teams to follow streamlined processes. It provides opportunities for everyone to envision better and move forward as one.

Data integration: A comprehensive platform consolidation strategy considers data a key asset, finding ways to integrate datasets from both organizations while maintaining quality, security and ownership along domain boundaries.

Scaling extensibility: Building a consolidated platform as a self-service toolkit enables business teams to create products quickly, go-to-market effectively and scale offerings sustainably, driving the top line.

Economy: Most of all, platform consolidation helps in eliminating wastage, enhancing consistency, introducing flexibility, optimizing utilization, improving return on technology investments and pushing the bottom line.

In the face of inflationary pressures, volatile markets, regulatory challenges and a potential recession, a robust foundational platform can be a competitive advantage as it drives innovation with both speed and economy. Before we get into how to build one, let's explore what it entails.

Key pillars of platform consolidation after M&A

Everything to consider before starting your platform consolidation journey

	Consolidation and eliminating redundancies
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	Aligning organizational structures
	Harmonizing data systems
	Unified platform strategy
	Communication and change management
	Fostering cross-functional collaboration
	Compliance and risk management

Mergers and acquisitions bring as many challenges as they do opportunities. Merging organizations usually have an overwhelming number of systems, datasets, processes, cultures, skill sets and business outlooks. Making them work together demands a holistic approach comprising the following pillars.
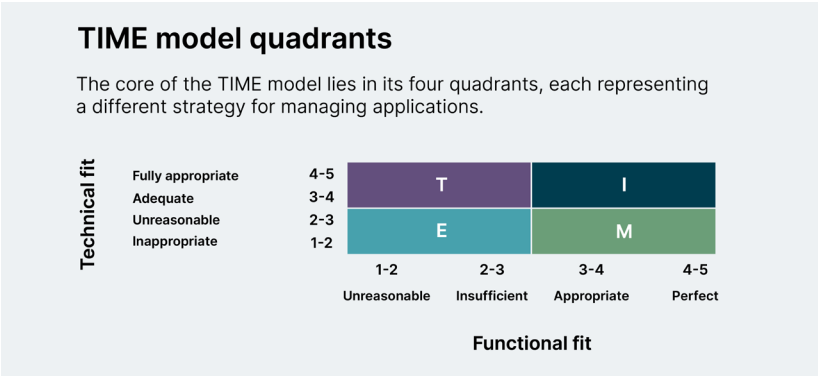
1. Consolidation and eliminating redundancies

It is common for the two merging companies to have systems of their own for each function, usually with significant overlaps. For instance, if a consumer bank merges with another, both are likely to have at least a system each for core banking, online banking, customer data management, accounting, bookkeeping and so on.

Challenge: Duplicate and overlapping systems inflate costs and complexity, while fragmenting portfolios and business operations. When you add up the costs of infrastructure, upkeep and skills required to maintain these systems, the return on technology investments diminishes rapidly. They also introduce substantial regulatory and compliance risks. Updating regulations across varied, replicated systems can lead to inconsistent implementations.

Solution: The first step in platform consolidation is to audit existing business and technical capabilities, as well as their corresponding systems. Then, unify services on a common technology stack. Gartner's TIME Model for technology portfolio optimization and rationalization is a helpful framework. It can be used to assess systems in merging firms and determine the best approach to consolidate them.

TIME stands for Tolerate, Invest, Migrate and Eliminate. All systems, whether overlapping or not, in firms being merged are assessed for their technology and functional fit. Based on the assessment, they fall in one of the quadrants in the TIME 2×2 matrix shown below.

TIME model quadrants

The core of the TIME model lies in its four quadrants, each representing a different strategy for managing applications.

Technical fit				
Fully appropriate	4-5	T		I
Adequate	3-4			
Unreasonable	2-3	E		M
Inappropriate	1-2			
		1-2	2-3	3-4	4-5
		Unreasonable	Insufficient	Appropriate	Perfect

Functional fit

Source: Gartner TIME Model in LeanIX

Applications and services in the 'Tolerate' quadrant have a high technical fit but a low functional fit. They are not strategic to the merged firm. Depending on the cost of maintenance, they may be considered for elimination, especially if they overlap with systems in the 'Invest' or 'Migrate' quadrants.

Applications and services in the 'Invest' quadrant have both a high technical and functional fit, making them strategic for the merged firm. The merged firm should prioritize investments in keeping these systems evergreen. If there are overlapping systems in other quadrants, those may be considered for elimination in favour of those in the 'Invest' quadrant. If two or more overlapping systems have equal 'Invest' ranking, total cost of ownership may be used to decide which one to continue investing in and which to eliminate.

Those in the 'Migrate' quadrant have a high functional fit and low technical fit. Non-overlapping systems in this quadrant may be migrated to a more suitable technology stack to enhance their cross-functional characteristics, including costs, thereby essentially modernizing them. Those overlapping with systems in the 'Invest' quadrant may be considered for elimination.

Finally, systems in the 'Eliminate' quadrant are potentially a risk to the business with no corresponding reward, and they should be retired.

Scenario one: Private equity and portfolio companies

A common investment strategy within private equity is backing a range of companies within a particular sector that strengthen the portfolio. Imagine three portfolio companies with the same core offering, such as mortgage servicing.

The goal of such investments is to improve operational efficiencies across all portfolio companies, enabling innovation, expanding distribution channels and penetrating new markets. The reality of this is more complex, though.

For instance, if you have two or more companies using two different technical stacks running overlapping operations on similar products, which ones do you keep and which ones do you retire?

What, then, will you do about the set of humans who build and operate that tech stack? What do you do about the business operations staff and customers? How do you migrate them without disruption?

The best platform consolidation strategy is to unify the business capabilities, products, services and their underlying technology stacks. For example, migrating the mortgage books to one servicing platform, to reap the benefits of decreased operational costs for the combined set of assets under management.

2. Aligning organizational structures

A legacy financial institution may bring with it clear processes, employee training and compliance standards. On the other hand, a challenger bank or a fintech might rely on agility, experimentation and risk-taking. While these two capabilities are complementary, they can also cause friction.

Challenge: When the two merge, cultural and operational misalignment is to be expected. The tools teams use are closely intertwined with their way of doing things, making consolidation as much a cultural activity as it is tech-related.

Solution: Restructure teams to foster cross-functional collaboration. Ensure that your organizational structures mirror technological uniformity.

3. Harmonizing data systems

Good quality data is one of the most valuable resources for any financial services organization. To serve the needs of the customer, it's critical to be able to leverage the data of both merging entities. The data in the consolidated platform should be valid, correct, complete and comprehensive, with its ownership resting with platform services aligned with business domain boundaries.

Challenge: Fragmented data systems with disparate data quality limit insights and operational efficiency. For the same data types, differing formats, permissions, storage and compliance indicate fragmented and potentially diverging processes in the merging organizations.

Solution: Create domain-aligned, customized data integration frameworks. Ensure all data is consolidated and standardized to facilitate informed decision-making. Also, set up robust governance structures to ensure data is valid, correct, complete and comprehensive from the time it is sourced. Most importantly, the platform should enable open yet secure data access in a self-service manner.

Scenario two: Insurance and fragmented customer data

A US-based, 75-year-old multi-line insurer found itself struggling with a critical issue: fragmented customer data across its enterprise.

Their data challenges emerged from years of system acquisition — core policy systems from the 1990s, a claims platform from the 2000s and various CRM solutions adopted by different business units over time. They had a total of 12 different systems with no single source of truth.

The consequences of this became apparent in their digital transformation initiatives. When they launched a new online quote-to-bid platform, they discovered that 28% of customers who received quotes failed to complete their purchase online.

For example, when a returning customer (who had purchased home insurance through an agent) initiated a quote for auto insurance, the system was unable to reconcile slight variations in personal details. A customer listed as "Robert Smith" in one system and "Rob Smith" in another would trigger verification failures.

These seemingly minor data discrepancies cost nearly $14 million in annual premiums and another $3 million in operational

costs from increased call center volume. Moreover, customer satisfaction scores for digital channels lagged 26 points behind those of digital-native competitors.

Instead of embarking on a multi-year rip-and-replace of legacy systems, they implemented a pragmatic data harmonization strategy. They deployed a customer data platform (CDP) that created unified customer profiles by integrating data from all source systems. This approach allowed them to:

- Establish a single customer identifier across all systems.
- Implement intelligent matching algorithms to reconcile customer records despite variations.
- Create a real-time API layer that enables digital channels to access unified customer data.
- Develop clear data governance standards for customer information.

Within six months of implementation, they saw digital conversion rates improve by 36%, customer satisfaction scores by 18 points, and call center volumes decrease by 22%. The CDP also enabled more personalized marketing, resulting in a 15% increase in policies per customer.

This insurer's experience demonstrates that by implementing a composable and modular approach to data integration, organizations can deliver significant business value incrementally while building a foundation for long-term digital transformation.

4. Unified platform strategy

Technology that was state-of-the-art merely five years ago is legacy today. Yet, banks and financial institutions continue to use decade-old monolithic systems that create operational and data silos. After a merger, you'll have twice as many silos!

Challenge: Siloed yet overlapping platforms reduce business agility, hindering the ability to respond to market changes quickly while creating compliance and security risks. Furthermore, they have escalating costs to change and operate.

Solution: Move towards scalable and extensible platforms composed of modular, decoupled, and domain-aligned microservices. Take a holistic view of all systems and adopt a future-ready strategy aligned with your organization's overarching goals. An effective platform strategy should consider a platform as both a product being maintained and a service being offered to its consumers. As a product, it should have a long-term yet adaptive funding model to continue delivering value to its customers. This requires architectural decisions that achieve agility and faster time-to-market without compromising the long-term commercial and business sustainability of the platform. As a service, the focus should be on its usability and self-service capabilities.

Scenario three: Loan servicing and disparate platforms

A UK-based mid-sized bank with $85 billion in assets found itself operating three separate loan servicing platforms following a series of acquisitions: a 15-year-old system for mortgages, a 10-year-old one for commercial lending and a seven-year-old one for consumer loans.

These disparate platforms created significant business challenges.

- New loan products took 9-12 months to implement.
- Customers with multiple loan types encountered inconsistent experiences across different interfaces.
- Staff required specialized training for each system.
- Compliance updates had to be implemented separately, increasing regulatory risk.

The situation reached a critical point when their core mortgage servicing vendor announced end-of-life support even as the bank was losing market share to digital-first competitors. Rather than replacing just the mortgage platform with another monolithic solution, leadership recognized an opportunity to reimagine their entire loan servicing architecture.

They adopted a comprehensive modernization strategy centered on four key elements: Domain-driven microservices architecture, API-first integration, cloud-native infrastructure and incremental migration approach.

They decomposed loan servicing into logical business capabilities (origination, account management, collections, compliance), each implemented as independent microservices.

The bank adopted a phased implementation to deliver early business value, beginning with a cloud infrastructure and customer-facing portal. Then, they sequentially migrated their consumer lending, commercial lending and mortgage servicing to the new platform over a 36-month period.

This unified platform strategy delivered a formidable business impact.

- Time-to-market for new products decreased from 36-52 weeks to just 4-6 weeks.
- Customer digital engagement increased by 75%.
- Regulatory implementation timeframes accelerated by 60%.

- Loan servicing costs decreased by 32%.
- Delinquency rates dropped by 12%.

This bank's journey demonstrates that the key is viewing technology modernization not as an IT project but as a business transformation aligned with strategic objectives.

5. Communication and change management

One of the biggest reasons mergers fail is inadequate change management. Often, decisions to merge are taken at the very top, leaving teams with little room to manoeuvre as they are unaware of the strategy and expected outcomes. This makes successful post-merger integration elusive. The absence of purpose creates friction in culture and practice, further complicating organizational integration.

Challenge: Resistance or indifference to organizational change. Employees may experience a sudden disruption to their work, disproportionately influenced by their fears and challenges. Or they might struggle in effectively executing post-merger integration as they don't have a clear understanding of expected outcomes and measures of success.

Solution: Create a comprehensive change management strategy. Cascade the strategic outcomes of the merger with the measures of success, along with guardrails and guiding principles for teams to successfully execute integration. Communicate regularly and transparently. Involve on-ground teams in the transition program to improve employee buy-in.

6. Fostering cross-functional collaboration

Post-merger integration and consolidation are strategic initiatives that require coordination and collaboration across various functions within all merging organizations. This can be incredibly complicated — merging organizations will have different team structures, topologies, working practices and location strategies. Without some sort of connectivity tissue in the beginning, even launching such initiatives is impossible.

Challenge: In most cases, breaking operational silos can be a huge challenge. Not only do they need to be aligned on the shared outcomes, but also on team structures and working practices in the execution of a post-merger integration and consolidation.

Solution: Make cross-functional collaboration a key part of your platform consolidation strategy. Start building a connective tissue between the different teams and continue to refine it to reduce friction and enhance confidence. Conduct joint workshops, combined programs, and knowledge-sharing initiatives to foster unity among the teams. Explore and exploit opportunities to restructure teams to achieve early and progressive successes in program execution.

7. Compliance and risk management

Financial services is one of the most highly regulated industries in the world. Mergers and acquisitions only compound the responsibility of the merged entity. The longer an organization operates multiple disparate platforms, the greater the risk of regressing on regulatory compliance, given the number of platforms that need to update to regulatory change.

Challenge: Preventing compliance breaches while managing risk over multiple overlapping systems is the primary challenge. The merging entities need to combine their strategies, tactics and technologies alongside operations to ensure compliance on all fronts with reduced effort and increasing confidence.

Solution: Implement robust compliance frameworks that incorporate input from regulatory experts. Automate and shift left compliance in the delivery infrastructure to ensure consistent implementation and high confidence against regressions. Unify and consolidate overlapping technologies to reduce the compliance regression risk and effort. Navigate regulatory complexities with proactive risk management.

An effective platform consolidation program requires more than just technology. It draws from business strategy, aligns people, streamlines communication, elevates data and forges a new-and-improved way of doing things. For instance, it could be as tactical as some teams needing to learn new tools, while others continue to use theirs. Or something more cultural, such as a development team that measured output having to recalibrate to focusing on outcomes.

In essence, platform consolidation is as much a cultural and socio-technical change as it is a software transformation. This needs a careful and comprehensive approach. Below is a high-level view with actionable suggestions and examples.

Getting started with platform consolidation

A step-by-step approach for a successful consolidation and beyond

A successful platform consolidation program must encompass the three dimensions of people, process, and technology, while building on the pillar mentioned earlier. In our experience, it's best to start with guiding principles to enable team autonomy, pilot with a few teams, focus on one priority at a time and keep evolving. Here's a structure to consider.

Evaluate existing systems

Conduct a comprehensive audit of your business capabilities, value streams, products and corresponding systems, including the software and architecture. This would lead to:

- Identifying overlapping software and the corresponding architecture.
- Mapping disparate processes or operating procedures.
- Understanding known security vulnerabilities.
- Gap analysis for regulatory and compliance alignment.
- Reconciling multiple data systems.
- Assessing existing technology skillsets.

The TIME model described above helps provide clarity, transparency and objectivity throughout the evaluation process.

⊕ Set clear goals

Define measures of success and corresponding leading and lagging metrics aligned with the organization's long-term objectives. These metrics should be both outcome-based and balancing. The latter guard against unintended consequences when teams drive hard toward the outcome metrics.

This might seem obvious, but even some of the world's seemingly most successful organizations lose track of their technology investments due to a lack of clear goals. Spend enough time and energy to get to this step.

Define business priorities: Start with the organization's vision and the merger's objectives. Draw on the business strategy and define priorities of the platform consolidation program. From there, understand the bets you're interested in and define their hypothesis.

For example, if the business vision is to build a fully digital bank and the strategy is to enable customers to perform every interaction on their mobile phone, then your key bets might be in automating traditionally in-person processes, such as Know Your Customer (KYC), authentication or investment advisory.

Identify measures of success: Based on your business priorities and key bets, identify your measures of success. Define key performance indicators (KPIs) for each hypothesis, both leading and lagging, as well as outcome and balancing. Ensure you don't have too many KPIs, as it can quickly get overwhelming.

The following are some of the most common goals and corresponding measures of success.

Business goals	Measures of success
Cost savings	% reduction of technology costs Cost to change vs. cost to gain Time to realize ROI
Agility	Time to deployment Deployment frequency Feature cycle time
Delivery confidence	Change failure rate Availability Mean time to recover
Customer experience	Customer effort score Net Promoter Score (NPS) Rate of adoption of new features
Security	Mean time to detect Mean time to respond Incident prevention ratio

Define guiding principles: Outline the approach and thinking behind the platform modernization/consolidation program based on the business strategy. These principles will shape the decisions you make throughout the platform journey. They will act as guardrails, preventing the teams from getting side tracked while giving them the autonomy to make independent decisions as they drive towards outcomes.

Some high-level guiding principles we've used across our clients include:

- Cloud-native architecture that can be deployed on-prem.
- Vendor-neutral design for adequate freedom from lock-ins.
- Team topologies aligned with product vision.
- Independent evolution of downstream products.
- Continuously reducing friction and increasing confidence in the delivery value streams.

Build a roadmap

Create a phased plan that prioritizes high-impact areas. As the first step, focus on eliminating what you don't use or need. This will help get some quick wins. However, for sustainable success, be strategic. De-scope capabilities, products and services that provide diminishing returns to the business. Use commodity or SaaS products for undifferentiated capabilities. Optimize Total Cost of Ownership (TCO) when modernizing and rationalizing differentiated capabilities. Last but not least, prioritize deliveries to maximize business value and minimize business risk.

Define target operating model: Visualize the future state of your socio-technical landscape. Define team structures and topologies that will enhance autonomy and reduce delivery friction. Build lightweight and objective governance. Create frameworks to receive feedback from teams and

metrics to adapt and continuously improve. Pay special attention to commercials to ensure economy and sustainable funding of the teams.

Map business capabilities: Discover the current state of capabilities across systems.

- Note if multiple systems have the same capabilities.
- Categorize according to the TIME framework as described earlier.
- Tag the archetype of capabilities into domain, product or organization-wide.

Plan a course of action: Once you've done all the above, it's time to bring them together. For each of the business priorities:

- Design the approach to validate the hypothesis. For example, your prioritization decisions might choose from:

  1. Continue to use disparate capabilities behind a common interface and defer unification.

  2. Select the most viable capability using a well-defined selection criteria, migrate data and operations from other overlapping systems and retire others.

  3. Rewrite the overlapping capabilities to address key functional concerns; migrate data and operations from legacy capabilities and retire them.

- Create team structures as per the team topology.
- Define the minimum viable product (MVP) with successive enhancements.
- Set up early and frequent feedback cycles.
- Make tentative plans to evolve incrementally based on feedback.

Foster collaboration

- Ensure C-suite leaders and other key stakeholders are actively involved in the consolidation process.
- Leverage change management best practices to reduce friction between teams and progressively enhance collaboration through the transition.
- Aim to resolve potential conflicts early and create understanding among teams on the outcomes of the programme.
- Focus on cross-skilling and upskilling team members toward the target operating model.

Choose the right technologies, tools, practices and partners

Despite its immense potential and intentions of the merging entities, platform consolidation can be complex, tangled and multifarious. When you're not familiar with the systems, the unknown unknowns can easily mount.

Tackling this usually requires external expertise. You need seasoned strategic partners with evolved domain knowledge, technology best practices for every potential scenario and experience in delivering such programmes successfully. Here are a few key factors to consider when selecting a strategic partner.

Demonstrable experience: Check if the partner you're considering has experience in driving digital transformation in your domain at this scale, preferably in your geography. Discuss the specific challenges you might have to understand how your partner would approach them.

Thoughtworks works with some of the world's leading organizations to navigate their post M&A integration. Our relationship with European classifieds specialist Adevinta demonstrates this. Across planning, training, onboarding and integration, Thoughtworks enabled the transition of nearly 250 individuals to their new generalist platform.

Our work with Authority Brands, whose acquisition of Clockwork Inc. presented a commonly faced challenge: The acquired company owns tech (software and mobile apps, in this case) that could transform the new merged entity. Thoughtworks' DAMO™ Managed Services team (Digital Applications Management and Operations) helped Authority Brands strengthen the mobile application and its governance models for a customer-centric future.

Within the financial services industry, from core banking transformation for an Australian lender to building a digital platform for a newly launched European bank, Thoughtworks has experience solving complex problems with future-ready technology.

Proven track record: Creating a good strategy is one thing; executing it successfully is quite another. Seek case studies and references of the work your partner has done. Review (when possible) their strategy documents, operating models, toolkits and outcomes of their projects. Thoughtworks' client stories are here.

Project teams: Every transformation initiative is only as good as the people implementing it. Understand the skills and capabilities of the project team. Ask questions about what team topologies work best in which context, how they communicate and collaborate with each other and what processes and practices they follow.

Toolkit: Programming languages, frameworks, templates, models, decision-making processes, communication software, automations — the right set of tools can dramatically improve project outcomes. Discuss the tool stack your strategic partner uses or proposes to use. Also, explore how it might align and integrate with your own.

Engineering philosophy: Sometimes, it is also important for your strategic partners to align on how you think, what matters to you, and how you work. To ensure this alignment, discuss your partner's engineering philosophy. How do they ensure privacy? What's their stance on open source? Do they build responsible tech? Are they concerned about social impact?

Engineers and business leaders at Thoughtworks write regularly about the work we do and the tools we use. You can read some of our ebooks, blog posts and reports here.

Shaping the future of financial services

How you can leverage platform consolidation as a growth driver

The post-M&A scenario of multiple platforms, disparate processes, fragmented data and non-collaborative teams can increase operating costs, delay go-to-market plans and derail growth. In fact, it can become the very reason the merger doesn't meet its expectations.

On the other hand, well-executed platform consolidation elevates the capabilities of all parties. It eliminates redundancies, fosters synergies, reduces friction, enhances confidence and capitalizes on the potential of the newly merged organization.

Beyond cost savings and efficiencies, good platform consolidation strengthens the new organization's agility and market responsiveness. Enhanced by emerging capabilities in areas such as artificial intelligence, machine learning, open banking and open finance, the possibilities are extraordinary.

Get started on your platform consolidation journey with Thoughtworks today. Speak to us for a tailored roadmap to platform consolidation success.
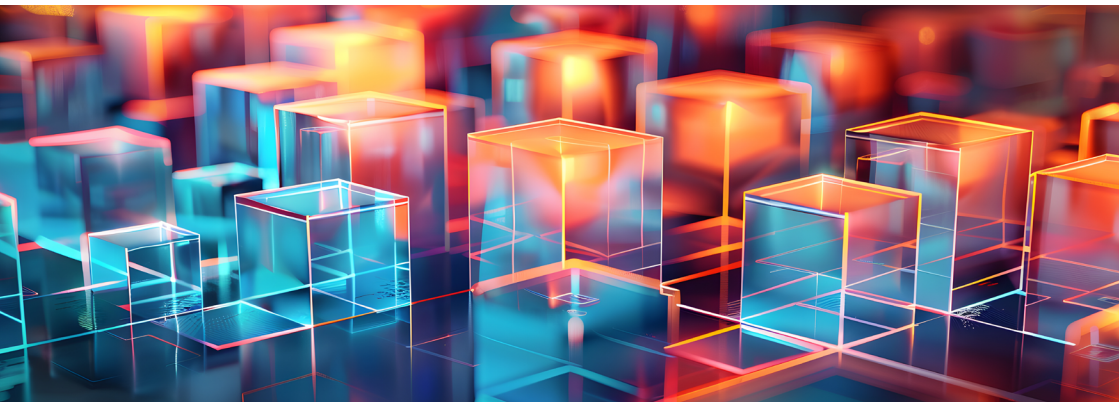
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