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## Into the integration jungle

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WHEN TWO OF the financial industry's largest players decide to join forces, integrating the technology and operations platforms isn't exactly a project that can be put on hold until economic forecasts perk up.

"This was a project that had to get done, regardless of the current economic climate," explains Rick Mangogna, CIO of J.P. Morgan Chase's Investment Bank.

As soon as the merger of J.P. Morgan and Chase Manhattan was announced, work began to set up the project management structure and evaluate technology inventories, even before the merger closed in January 2001, says Martha Gallo, head of J.P. Morgan Chase's Operating Risk Management group and Lab Morgan. The sheer amount of information flowing through and depending on the merged financial stalwarts' technology meant the integration project had to be thorough, comprehensive, and quick.

Gallo and Mangogna are co-heads of J.P. Morgan Chase's technology and operations steering committee, which oversees all technology and operations aspects of the merger. The ultimate goal is to offer all J.P. Morgan Chase clients comprehensive, integrated financial services from the same platform -- presenting one firm not only in name but in practice.

The gigantic systems and business integration project began with the merger announcement in September 2000 and holding company merger in January 2001 and continues today; the completion of the formal merger of the two banks is scheduled for November. Still pending is the formal merger of the 300-plus world subsidiaries, to be completed on a rolling basis in 2002.

"It's not glamorous work. But in the end, we will have a technology and operations platform that can handle greater volumes of business and process them more efficiently and cost-effectively," Mangogna says.

In a project of this size and scope, complexity was one of the main concerns, Gallo says. With 100,000 employees and systems spread across 50 countries and six continents, almost every J.P. Morgan Chase technology system was involved, including more than 90 data and processing centers, 90,000 desktops, 3,200 servers, and 145 critical application suites.

For example, heritage transactional message handling was consolidated into one messaging system called the Chase Communications System, all trading positions were migrated to a "Value at Risk System" for consolidated reporting and stress testing, and heritage HR systems were consolidated around PeopleSoft.

"The biggest challenge was managing all the interdependencies," Gallo says. "Doing the individual project work was relatively straightforward, but the job wasn't just connecting A to B. It also knew what effect the new connection of A to B was going to have on C, D, and E." But the sticky integration project also involved "making sure the activities of our clients were not disrupted, while still moving as rapidly as possible. One point stressed to everyone ... was that this was our merger, not our clients' merger," she adds.

To keep things moving smoothly, J.P. Morgan Chase put in place a tiered management structure,



with a FIT (Firm-wide Integration Team) overseeing the entire merger in all departments. Gallo and Mangogna's technology and operations steering committee reports to the FIT and manages a project management team of 50 workstream groups.

Speed in setting up management teams was essential in eliminating uncertainty, says Mangogna, adding that technology decisions were made with a "buy, hold, sell" model. ... What are the systems we want to be moving toward in the future, what will we keep for now, and what systems do we want to start to decommission?"

The two companies' systems were compared, and decisions "turned out to be straightforward because each company brought different strengths to the merger." For example, they chose to stick with J.P. Morgan's market-leading derivative system and Chase's market-leading foreign exchange system.

Mangogna notes that technology decisions were "based on suites or families of applications needed to run a particular business function. The reason ... is that if you take too granular an approach, you add unnecessary layers of complexity to the decision-making process."

Integration work was done mostly in-house by the workstream groups; some consultants were brought in to validate methodologies, build progress-tracking tools, and aid in project management. Risk assessment and full rehearsals were also done to prioritize work and eliminate surprises.

The massive integration project may have been necessary and immediate, but "that's not to say it was immune from budget constraints," Mangogna says. "On the contrary, the sooner we could pull the systems of the two heritage companies together, the sooner we would start to realize the efficiency and savings benefits." Indeed, J.P. Morgan Chase has seen \$3.6 billion in annual savings firm-wide, of which "technology and operations is a significant portion," according to Mangogna.

But cost-cutting is not the only benefit of the integration project: Learning to work as a team was valuable for the future success of the merger.

"What you are doing as much as anything else is building relationships. Working long hours, under tight deadlines, on a project as difficult as this creates a bonding effect," Mangogna says.

As the second phase of integration comes to a close, Gallo notes that, "taking the broad perspective, integration work never ends. There is always more to do in terms of finding ways to make the many parts of the organization work better together." But making this kind of complicated, intense integration work requires not only the tech know-how, but also guidance: "a model that has the right people discussing issues at different levels of the organization and then have good communication among them," Gallo says.

"One of the things Chase has learned from past mergers is that you have to listen -- if you value a company enough to merge with it, you also have to value the opinions of the people you are merging with," says Mangogna. "After all, one of the most valuable things you are acquiring is intellectual capital."