



M&A integration: The Agile advantage

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When it comes to assessing the success of their mergers and acquisitions (M&A), many business leaders rely on set criteria.

Do they meet their integration milestones? Do they achieve the synergies they promised investors? Are employees and customers retained during the transition? These criteria are important in determining whether a deal is on track. Important, but no longer sufficient.

Many M&A deals today are a different breed, driven by innovation and revenue growth, as well as efficiencies. The criteria for measuring success in such deals are different. That means the way companies approach M&A integration must be different, too.

Enter Agile.

Preventing the innovation deep freeze

Historically, the focus of many M&A deals has been on growing market share and achieving cost advantages. For these types of deals, the traditional approach to M&A integration makes sense. Leaders start by planning and determining the integration milestones they'll need to reach. They then move through the integration process by following a sequential set of activities. The steps involved in such a "waterfall" approach are stage-gated and predetermined. There's no tolerance for surprises along the way.





The problem with this by-the-book approach is that many M&A deals today are about more than gaining scale or cost savings. They're equally about securing new capabilities and innovations to create new customer experiences, drive new behaviors and grow revenues. In fact, of the companies most active in M&A, more than half of their acquisitions are related to gaining new, digital capabilities.¹ This is illustrated by the fact that almost two-thirds (62%) of software deals exceeding US\$250 million in value have involved buyers from outside the tech sector.²

For deals undertaken to take advantage of innovation and open new revenue streams, a traditional approach to M&A integration may not be the best choice. Why? Because traditional approaches to integration freeze innovation. Most post-M&A integration activities initially focus on merging systems, divisions or functional areas such as finance and accounting. Innovation gets pushed to the bottom of the priority list. Considering that most large transactions can take 12-36 months to complete, a business risks having no—or severely reduced—innovation for an extended period while competitors surge ahead. Ironically, companies looking to acquire or merge with another in order to gain an innovation edge might be inadvertently killing it.

62%

of executives believe that maintaining an innovative culture determines the success of progressive company acquisitions.

78%

believe they can no longer rely on their current M&A capabilities for digital deals.³



M&A: Modern & Agile

Agile approaches create tremendous value by accelerating the post-M&A integration of business functions, processes and technologies. In addition to enabling market differentiation, Agile integration approaches pave the way to faster innovation, higher revenue growth, better customer experiences and new behaviors.

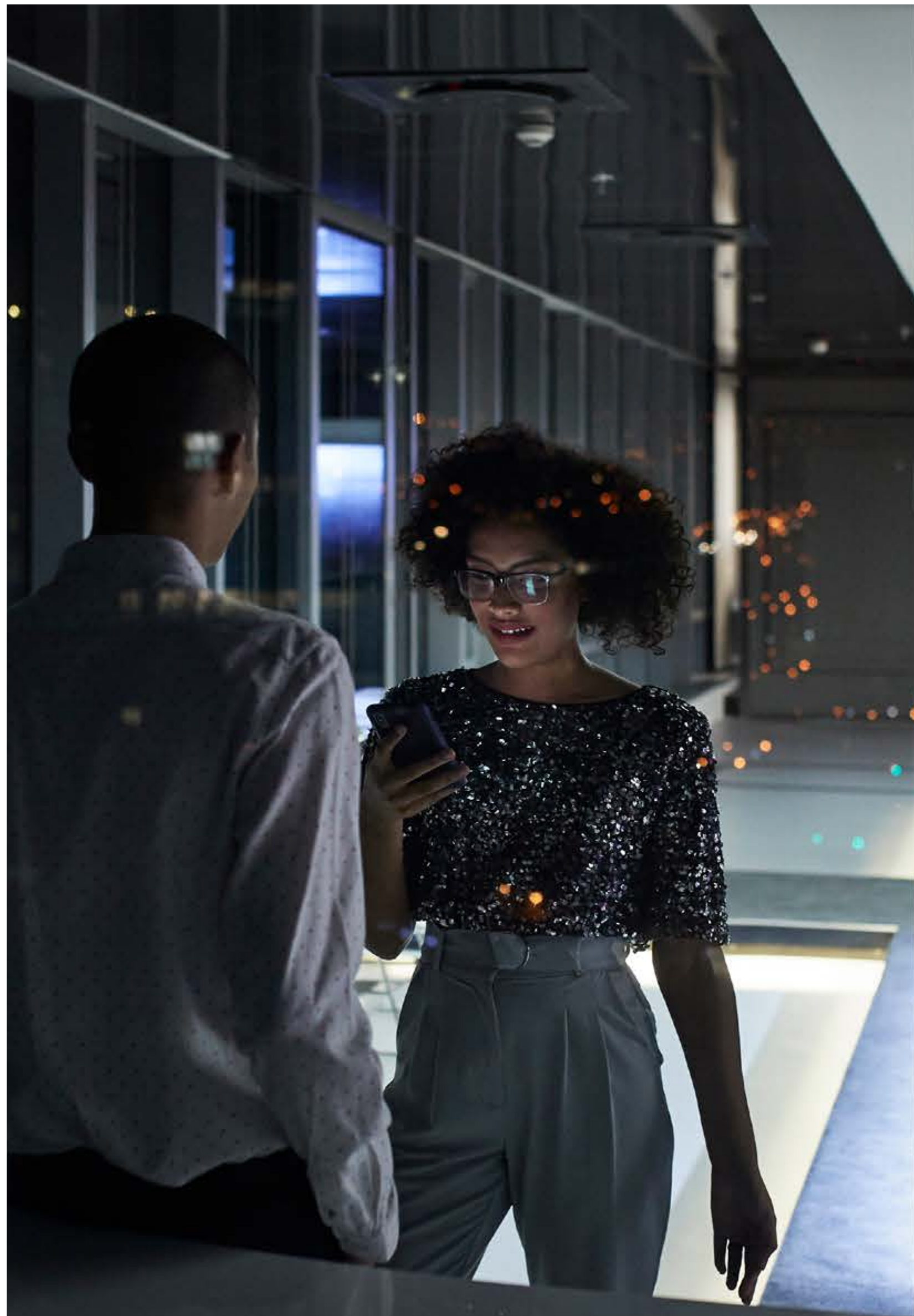


It is time to enhance traditional M&A integration processes with a new approach that drives optimal value from the merger in real time and turbo-charges innovation in the short term, while acting as an accelerator of change, growth and competitive agility across the organization in the long run. It is time for an Agile integration approach.

Borne from Agile approaches to software development, an Agile M&A integration approach enables incremental and continuous innovation to proceed during the integration. It is flexible and highly iterative. Activities are tackled in short sprints, each focused on immediate priorities and requirements. It is also highly collaborative. Fast decision making is one of its most important characteristics.

Agile approaches in M&A integration are particularly well suited to projects involving the integration of technical solutions. Merging data from disparate systems to create integrated reports is one example. However, Agile M&A approaches can add value to nontechnical integration activities as well, such as those focused on building revenue synergies with new customer-facing processes, systems and algorithms.

Imagine an acquiring retail company looking to boost revenues by cross-selling products across two customer bases. Before activating the new cross-selling strategy, the company needs to identify gaps and overlaps in product coverage. A gap analysis, completed as part of a waterfall integration method, may take 60 days to complete. With an Agile integration approach, teams can zero in on a specific product category, quickly identify gaps and overlaps, and launch new sales tactics for that category immediately thereafter using A/B testing. Then they can move on to the next category and continue the iterative cycle, expanding the cross-selling strategy across the product line and across customer segments. New revenue starts flowing in days—not months.



(Em)powering the people

Two European utilities recently used Agile approaches to carry out critical post-M&A integration activities aimed at customer retention. Multi-disciplinary teams from both organizations came together to quickly prioritize and test possible scenarios for keeping churn in check.

Not all trials were successful, nor were they expected to be. The Agile approach allowed the team to fail, learn and move

forward at speed. The approach ensured innovation remained front and center during the integration and reduced risks by identifying issues early on. People felt heard and valued in the new, to-be organization, and the merged entities' churn rates beat expectations. The company is already planning to use Agile approaches again during future M&A integrations.

The best of both worlds

Agile approaches are not appropriate for all aspects of M&A integration. They should augment rather than replace traditional approaches that are still best for instilling discipline and consistency in the integration of certain functional areas such as finance or compliance.



Post-M&A integration activities that focus on ensuring that the merged entity meets its Day One readiness goals, achieves its promised milestones, establishes a new organizational structure or adheres to its regulatory requirements are best served by the waterfall approach.

A hybrid M&A integration approach that draws on the best features of Agile can change the integration game. It allows companies to focus on efficiency gains and new business opportunities. It helps companies manage risk—both reputational and executional—by giving teams the tools to focus on different aspects of the deal with different methods.

Thanks to the highly collaborative nature of Agile, the new approach also ensures a better cultural fit between different entities. Perhaps most importantly, it allows the merged organization to sustain—if not accelerate—its innovation agenda and maintain market relevance. Furthermore, since innovation isn't embargoed during the integration process, workforce attrition goes down.

49%



of executives say employees are among their most disruptive stakeholders.⁴

Innovation professionals are less likely to leave when they know innovation will be kept front and center.

Practice makes perfect

As opposed to the traditional M&A approach, which follows a defined, linear plan, an Agile approach to integration applies unique practices to enable the organization to respond to change in the moment. Those practices may include:



Scrum teams

Cross-functional groups that are responsible for delivering an integrated collection of tangible and intangible features that offer value to a customer or to a market.



Sprints

Short periods (from one week to two months in duration) during which the Agile team produces an increment of completed work.



Kanban

A tool that visually represents the state of work in process and constrains how much work in process is permitted to occur at the same time, thereby reducing bottlenecks and increasing throughput.



Self-organizing structures

Operational decisions are delegated as much as possible to those who have the most detailed knowledge of the consequences and practicalities associated with those decisions.



A catalyst for lasting change

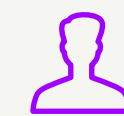
When done right, an Agile M&A integration approach not only accelerates innovation, but also influences the post-M&A culture of the new organization.

By embracing Agile approaches, leaders will contribute to the creation of a nimble organization that takes competitive agility to new heights. The benefits of this can be tremendous as it enables organizations to turn market disruption to competitive advantage. Accenture Strategy research shows that long-term EBITDA growth for organizations that display true agility is 16% on average. In comparison, EBITDA growth for non-agile organizations is just 6%.⁵

Essential for gaining this level of agility? Embracing five characteristics and making them part of the operating model DNA: Human. Liquid. Enhanced. Living. Modular. Agile helps lay the groundwork for these five characteristics that will transform operating models from static and mechanistic to flexible and fast.⁶

Get smart

Agile helps lay the groundwork for the five characteristics of an intelligent operating model.



Human. Businesses are designed for humans and what they care about.



Liquid. Structures are created that are porous to seamlessly access people, processes, systems and assets from anywhere.



Enhanced. Humans and machines work together, enhancing business outcomes—and each other's capabilities.



Living. Work is organized around nimble teams that prioritize progress over perfection and embrace opportunities to disrupt the status quo.



Modular. Plug-and-play capabilities enable the company to respond more quickly to their customers and drive new offers and innovations.

Pressing the Agile accelerator

Let's take a look at the three broad actions companies can take to maintain their innovation edge during—and after—M&A integration.





01

Determine where Agile is appropriate

No organization should approach M&A integration with their Agile guns blazing. The varying comfort levels with Agile practices across both organizations must be considered. Additionally, while keeping in mind that certain areas of integration will be better served with traditional approaches, identify the aspects of the integration that can benefit most from Agile practices. Assessing the applicability of Agile on two dimensions—ultimate business impact and workforce readiness—can help integration executives determine where Agile makes the most sense.

02

Hone Agile capabilities over time

It is likely that one organization in an M&A deal will be farther along than the other in their readiness for Agile. Introduce new practices gradually. Train the uninitiated and expose them to Agile teams. As the integration progresses, add new work sets to a running “Agile list” to maximize impact and keep innovation moving forward. It is usually best to start with a select set of customerfacing operations and then expand to internal functions if and when appropriate.

03

Embed Agile in the organization's culture

Organizational culture stands out as a critical factor in adopting and scaling Agile.⁷ The inability to integrate diverse cultures is a key reason that companies often fail to capture the full value of M&A deals.⁸ Creating a new culture of innovation means bringing together a diversity of perspectives, backgrounds, passions and skills to work toward common goals.

The adoption of Agile practices and the creation of the necessary “culture of cultures” must be directed from the top—ideally from leaders who exhibit whole-brain leadership characteristics and balance analytics-led and human-centered skills.⁹

Such leaders need to establish appropriate guardrails during and after M&A integration and also create an environment in which Agile approaches can be used. Governance mechanisms, training, metrics, tools and accountabilities must all be re-aligned to Agile ways of working.

Banking on an Agile approach

In their recent merger, two US financial institutions applied an Agile integration approach to not only maintain innovation during the integration, but also position the combined entity as an innovation leader in the years ahead.

The two entered the merger with different levels of Agile maturity. As the deal came together, cross-disciplinary teams collaborated to identify outcomes-based integration projects that could benefit most from an Agile approach.

One of the most important was the implementation of a new digital platform for customers. In a traditional M&A integration approach, the development of a new platform would have likely been tabled until the integration was complete. Customers from one bank would simply have been migrated to the other bank's existing platform. However, the Agile approach enabled the joint team to keep customers' digital experiences—and the company's innovation capabilities—on the front burner.

Over time, the Agile integration approach has expanded. Integration teams present demos of possible integration projects to leadership on a monthly basis. In addition to helping the new entity achieve the projected synergies, the Agile integration approach has provided an opportunity to push Agile ways of working to parts of the organization that hadn't been exposed to Agile approaches before.

A new day for M&A

The days of freezing innovation during a prolonged M&A integration are coming to an end. Forward-thinking organizations are starting to recognize that Agile approaches can be applied to not only accelerate change, innovation and value as soon as the deal is signed, but also bridge the cultural divide that derails so many best-laid plans.

Examples in Utilities and Banking show how Agile M&A integration can drive innovation to improve customer experiences and retention in two very disparate industries. What are you waiting for?

Contact the authors for more on leveraging an Agile integration approach in your next deal.



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