Introduction

Over the past decade, the nature and scope of mergers and acquisitions have changed dramatically, and the role of the integration manager (IM) is evolving to keep pace. Accenture asked several senior M&A practitioners who have worked on some of the biggest deals in the world the past several years to describe both the considerable changes in M&A management and the consequences for IMs1.

Their key observations are that deals are increasingly global in nature, often require preservation of multiple customer channels, involve more extensive outsourcing and multiplatform IT architectures, and include value drivers tied to the acquisition of innovation capabilities and niche products.

Furthermore, while Accenture has demonstrated that the previously held belief that M&A destroys value may no longer hold2, global stock markets and many analysts continue to monitor M&A delivery and can either reward or punish a company’s share price based on the visible milestones of integration delivery.

1 See the list of acknowledgments at the end of this article
2 “Who Says M&A Doesn’t Create Value?” Accenture Outlook, February 2012
Because deals are increasingly more complex and the pressure to deliver results even greater, many IMs no longer have the luxury of focusing primarily on the details of an integration. They now often stand on the front line for their organizations and are required to provide strategic leadership—not just functional competence—to drive their organization’s agility. The message is clear:

How you shape the IM role in your company can have a big impact on your company’s strategic ability to rapidly deliver value. Here we look at how the changing nature of M&A is affecting the IM role and some potential ways to respond.
Challenge 1
Working Across Geographies

More and more deals are cross-border and involve multiple geographies and cultures. A challenge for the IM is to understand, anticipate and manage cultural, market and regulatory differences across geographies and market segments.

Ideally, the IM has some direct, on-the-ground experience in the relevant regions. For example, when HP acquired Compaq, it adjusted the plans developed at its California headquarters to accommodate requirements across countries. It held global road shows and staff interviews internationally, and assigned country-specific IM leads.

International complexity can be further intensified in deals involving emerging-market companies. These types of transactions may bring additional challenges, no matter whether an emerging market company is the acquirer or the target. As acquirers, emerging market companies may have a relative lack of international management experience, resulting in unfamiliarity with new geographic markets and management and regulatory norms. When developed market companies buy into emerging markets, they may be unprepared for the localization and unique customer requirements of that region. Similarly, they may lack knowledge of local infrastructure and political nuances that could make them more successful. Should companies, then, shy away from emerging markets? Absolutely not! Accenture research has demonstrated that established companies buying into emerging markets can actually outperform other merger types.

One key is to recognize the additional challenges inherent in an international deal during both pre-deal and integration planning. The broad availability and normalization of virtual collaboration tools (like video conferencing and virtual deal rooms) can make cross-geography planning and subsequent execution easier. The IM must become a master of these tools, but the tools themselves may also present their own hurdles. While Web-based collaborative tools can allow the IM to more easily connect across countries and time zones, they can also slow down relationship and trust development between target and acquirer teams (versus in-person meetings), which can make cultural assimilation more difficult. In simple terms, a typical company’s culture is harder to experience via online chats and videoconferences than in person.

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3 “Emerging Markets Entry – Keys to Success,” Accenture, July 2011
4 “Who Says M&A Doesn’t Create Value?” Accenture Outlook, February 2012
Challenge 2
Vendor and Outsourcing Complexity

The last 10 years have witnessed an explosion in outsourcing across geographies, functions and business-critical elements. This requires the typical IM to have a clear understanding of the full scope of outsourced capacity and apply a risk management perspective to vendor management.

It is not unusual for vendors’ delivery performance to suffer once contracts are displaced or they no longer have incentives tightly aligned with the merged company.

One midsized banking merger, for example, involved the rationalization and integration of over a dozen outsourcing providers. The IM needed to understand all the outsourcing agreements, lead times, volume projections and systems changes as well as determine if any of the outsourced capabilities should be brought back in-house. The IM established firm agreements with vendors to ensure alignment with the ultimate vision and to avoid being influenced by their competing agendas. Failure to properly manage this element of the integration could have resulted in significant business risks including customer overdraft issues and data center challenges, potentially resulting in damage to the bank’s reputation. By being able to take these factors into consideration in this instance, the IM instead delivered cost savings by removing inefficiencies and consolidating vendors where the opportunities existed.
Challenge 3
Multiplatform and Social Media Integration

From a purely IT perspective, there has also been a shift from a centralized, integrated, single platform architecture—where one of the two companies converts to the other’s platform—to a portfolio of different standards and applications, where a newly merged organization may select and combine elements of both companies’ platforms.

As a result, the IM is often called upon to oversee the integration of many more moving parts. For example, one IM for a large global financial institution sought to understand how customer reference data was consumed, mapped and utilized across customer-facing channels, banker tools and analytic channels (including risk/regulatory reporting, online banking, tellers, branch sales and the services desktop). In developing the proper analytical models, the IM was able to determine which customers would be impacted by which conversion events. This allowed the IM’s company to implement mitigating actions that minimized customer impact. Given this shift toward multidirectional IT platform integration, strong IMs must be able to drive effective change management within both the target and acquired organizations.

IMs must also drive integration across an increasing number of customer channels and IT architectures. Customers in many industries now interact with companies across retail, social media, Internet, phone and other channels; direct and indirect, formal and informal. Integration must often address multiple channels simultaneously to prevent disruption of any aspect of the customer experience.

At the same time, a company’s reputation can be at great risk if it fails to properly manage across channels, given the social media outlets that customers can use to voice their dissatisfaction. The IM needs to be customer focused and consider the customer impact of material decisions.
Challenge 4
Driving Transformational Change

For many companies, gone are the days of putting all in-flight and strategic projects on hold until a merger is implemented. Today, market forces often require companies to respond quickly and to deliver needed enhancements even during a merger.

That means IMs are increasingly required to drive transformational change while executing post-merger integration. Because many companies regularly have multiple, enterprise-wide projects already in process—which in a previous era might have been postponed but now often remain green-lighted—IMs are often called upon to manage their merger integration activities to accommodate and address ongoing transformational activities. Many times this requires a release management strategy where transformation releases are intertwined with integration releases to reach an ultimate future state target. Similarly, the acquisition of distressed assets in today’s economic environment may require several stabilization activities to be implemented in tandem with integration activities.

A good example of matching transformation with integration can be found in the Hancock-Whitney merger, where two healthy $10 billion banks joined to create a $20 billion bank with aspirations to be a $40 billion bank. Hancock was known for its strong retail bank and Whitney for its exceptional commercial/corporate bank. The combined company wanted to bring the best of each to both sets of customers while also attracting larger clients who would be expecting more services. In addition, shareholders expected Hancock to deliver both cost and revenue synergies. This ambitious plan called for a fundamentally different strategy and operating model: the IM needed to determine appropriate tradeoffs between cost savings with speedy delivery of the merger and creating the capacity to support large-scale customers. In this particular case, Hancock succeeded in delivering the merger within 100 days of the original plan with a prioritized set of new products and offerings.

An emerging type of transformational change is the acquisition of smaller companies for their innovation and entrepreneurial capabilities. Synergy targets related to this type of deal can represent a different dynamic than buying companies to simply extend geographical reach or to realize cost synergies. An acquired product set may fill a discrete niche in the acquirers’ overall portfolio—Cisco regularly employs this strategy, for example—or it may be integrated broadly across the acquirer’s existing platforms and products.

When a company’s M&A strategy includes these smaller deals, the IM may need to run several smaller integrations simultaneously while at the same time managing the additional challenge of spreading entrepreneurial energy across a large company.
Challenge 5
Heightened Market Expectations

Just as deal complexity has grown, many market analysts have become more adept at understanding what drives M&A success and are scrutinizing value delivery more closely than ever before. Analysts understand that appointing the right IM is critical to delivering a successful deal, and are looking for quick wins in support of share price movements.

IMs are now often expected to generate substantial, newsworthy achievements of major revenue or cost synergies that can be trumpeted to the analyst community in the first post-close earnings cycle. More and more, we see “Strategic IMs” who concern themselves with generating quick wins and realizing the overall business case, leaving “checklist” integration tasks to functional integration leads. This trend may be further fueled by the fact that more and more IMs are being rewarded with substantial options and share grants, and as such are behaving much more like senior executives.

Timing is a critical issue here. Our “Inside Corporate M&A” research\(^5\) shows that acquirers typically achieve higher returns and synergies when they appoint IMs pre-announcement. That is, IMs are more and more beginning their role in the target screening and due diligence phases, which can allow them to also understand how specific strategic targets were developed. Also, the company sends a positive message when it announces that its IM is going to be an experienced manager with a deep understanding of a deal’s strategic goals and end-to-end business knowledge (and, especially for bigger deals, some prior merger integration experience).

Mark Little, current executive vice president, Oil Sands and In Situ, at Suncor Energy is an excellent example. Little previously served as senior vice president, Strategic Growth and Energy Trading, with the company and played a leadership role in the company’s merger with Petro-Canada and then led the integration program. These positions leveraged his extensive career experience; he had previously held leadership roles in many mission-critical businesses and functions such as oil sands and refining operations, government and regulatory relations, strategic planning, environment, health and safety, and energy trading.

His role in the merger process included due diligence as well as valuation, and during the integration process, leading the effort to capture synergies and create an operationally efficient business model. His end-to-end knowledge of the industry and the acquisition—its investment thesis, its due diligence findings, and its detailed synergy estimates—allowed him to drive an effective and efficient merger and integration. This was reflected in the results achieved: a window between merger announcement and close of only four months, the delivery of quick wins and a seamless Day 1, and planning to deliver significant cost synergies within the first two quarters following close.

Little was able to assess the synergy and operating model potential with unique objectivity and outside perspective. As a relatively new employee to Suncor, he and his co-senior vice president of merger integration, Harry Roberts, a respected industry veteran from Petro-Canada, were largely viewed as fair arbiters and drivers of the merger integration process by both legacy companies.

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Likewise, many chief executives are less apt to throw a merger at direct reports without having a trusted leader at the helm. While it is of course important that IMs have the support of and maintain a close working relationship with the CEO and other members of the executive team, it is also important that they be able to arbitrate difficult decisions and be reasonably unafraid of ruffling feathers.

It is typically more experienced senior leaders who possess the necessary strategic and financial acumen as well as the execution management capabilities that allow them to work on both pre- and post-deal aspects and manage the variety of internal and external teams and specialists on both sides. This broader vision can allow them to better prevent the potential chaos that occurs during integration. With so many moving parts, events and decisions to be made, the IM needs to keep the team focused on the ultimate outcome while being able to execute quickly without panicking or creating additional churn.

Finding all of the skills in a single person is for many an exceptionally difficult challenge. Where such individuals exist, they are typically among a company’s top performers and are already busy with a broad portfolio of management responsibilities. It may be difficult to motivate them to serve as an IM for one to three years with a simple promise of a good job afterward, especially for a role which is more difficult and 24/7/365.

Despite this, we have observed Operations emerging as a natural place to find executives with the right portfolio of skills, due to their exposure to multiple aspects of the business across strategy, process, products, teams and IT. One organization backfilled the Operations responsibilities of the COO it eventually named as the integration lead. Finance has also produced some strong IMs, especially given their understanding of the financial synergies. One midsized brought back a senior executive from retirement to fill the IM role; others companies have named chief administrative officers or heads of strategy.

For the reasons just discussed, the role of the integration manager is becoming increasingly more important. IMs are now expected to directly address the challenges and own more of the decisions stemming from the changing nature of M&A, rather than passing them up the chain of command.

In any case, it is clear that naming a deep functional expert as IM can be problematic: Such specialization, while powerful within a function, may result in the IM’s inability to understand the big picture and is almost by definition inconsistent with the end-to-end business perspective desired for this role. Interestingly, the same caveat often applies to experts within a company’s in-house Corporate Development team if it has been focused exclusively on pre-deal work because such teams typically concentrate more on getting the deal closed than on planning and delivering integration activities or developing transformation strategies.
Conclusion

As businesses have become more complex, so too has M&A and the expectations of the IM. While traditional program management skills and a willingness to roll up one's sleeves and dive into detail are still important qualities, it is less important that these reside directly with the IM.

Rather, IMs need to be the leaders who can build a team that has the more tactical skills while focusing their own attention primarily on strategic objectives, managing for the markets, and team management.

Successful integration managers in today's fast-paced and complex environment are often more senior and strategic than their predecessors, and possess more end-to-end business and deal knowledge. They typically have had exposure to multiple aspects of the company and hold a deep understanding of a deal's value targets and how to deliver the synergies.

IMs need to embody their company’s strategic agility—anticipating changes in their marketplace, as well as the opportunities and risks in their newly merged organization and how these will impact synergy realization and quick wins. They must anticipate customer needs and competitor moves, and adapt their integration plans, processes and organizational structures to respond to these changes, all while continuing to execute the merger, manage the business and motivate staff.

Today's integration manager has evolved to embrace the concurrency of initiatives and rapid global change, and to operate as a senior leader driving successful deal outcome.

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