BANKING M&A’S POWER BOOST

Increase the odds of merger success and competitiveness by enabling an agile approach to integration
History of similar world crises suggests that the business and economic impact of COVID-19 is likely to result in contraction of merger activity. However, experience shows that companies that make M&A moves even in the midst of uncertainty typically outperform those that slow down or suspend their activities.

We expect forward-thinking leaders to act now to rebalance for risk and liquidity while assessing opportunities, inherent in the economic slowdown, to gain resilience, innovativeness, competitiveness, and growth. To achieve these aims, banks will go about delivering and measuring M&A integration in a more fluid way. While most merging banks use a linear and tightly-structured Waterfall approach, many are achieving greater value by combining more flexible and highly iterative Agile methodologies with Waterfall.

In this paper we discuss the benefits of such a hybrid approach, and propose three steps banks can take now to power boost their traditional M&A approach with the Agile method: select the right teams, build Agile into the plan and enable it with integration teams. The result? More value throughout and after the integration.
In the face of growing competition and increasing market expectations around capturing deal value, banks could use a more efficient, collaborative, flexible, and continuously innovative way to deliver the intended integration while achieving targeted innovation, competitiveness, and growth.

In M&A, an Agile integration approach helps banks to achieve just that. The highly iterative and collaborative methodology employs small, cross-functional teams to execute specific journey activities rapidly through short sprints. It puts more decision-making power in the hands of delivery teams, making it easier for employees to both accept and shepherd change.

In its truest form, Agile incorporates end-user satisfaction and team collaboration as central elements of delivery success. Agile is known to help organizations:

- Reduce delivery risk.
- Improve the quality of work.
- Increase transparency.
- Activate a continuous feedback loop for innovation.
- Achieve higher customer satisfaction.

However, some adoption challenges exist when considering Agile methodologies for integration. Fundamentally, Agile principles are at odds with the typical success factors used to evaluate a merger: defined timeline/scope and strict discipline in managing costs and limiting disruption. In today’s environment of rapid innovation and disruption, banks do not have the luxury to pause innovation while pursuing a merger. Leading banks will redefine what “good” looks like to deliver both integration success and innovation by embracing Agile as a cornerstone of their integration approach.
CASE STUDY:
HOW AGILE FUELED M&A INTEGRATION INNOVATION FOR BANKS

Two US financial institutions that recently merged incorporated the Agile methodology in phases, due to the nature of the work sets and differences in Agile maturity across the two entities.

The integration team used the Waterfall approach at the project’s onset when preparing for legal day one, since the work set was pre-defined and did not involve delivering any capability improvements. For the post-closing merger integration effort, where delivering targeted innovation and capability advancement in certain areas was a key success factor, the team developed an outcome-based plan that applied a hybrid of Waterfall and Agile concepts. This helped advance the bank’s digital customer experience and keep its innovation capabilities on the front burner.


SIMPLY AND QUICKLY DEPLOY AGILE IN M&A

To add Agile effectively into a merger integration approach, we suggest a three-step approach.

1. SELECT THE RIGHT TEAMS FOR AGILE DELIVERY
2. BUILD AGILE INTO THE INTEGRATION PLAN
3. ENABLE AGILE WITHIN THE INTEGRATION TEAMS
1. SELECT THE RIGHT TEAMS FOR AGILE DELIVERY

There are two primary dimensions a bank can use to decide where best to deploy Agile: the business impact delivered and the organization’s ability to execute successfully using Agile (Figure 1).

Will the work deliver business impact? For each capability, integration leaders need to assess whether the proposed work will advance technical capabilities, enhance the customer experience, or more broadly, deliver significant business value. This will help them decide whether it makes sense for these work sets to be delivered by Agile.

Can the team successfully execute Agile to deliver the value? After identifying which capabilities generate value, the next step is to determine if teams have the capability and maturity to successfully execute in Agile. Enterprise-wide use of Agile for integration is rare unless both merging organizations are already well advanced in the delivery methodology. A good combination of project skills would include team leadership that has extensive Agile experience and a delivery team of which roughly 80 percent of the members are competent in Agile.

The Agile delivery method is continuous and iterative. As the integration progresses, additional new capabilities will be discovered and can be added to the Agile delivery list.

Figure 1. Thoughtfully executed change, enabled by Agile

<table>
<thead>
<tr>
<th>Agile Quotient: Can we successfully execute in Agile?</th>
<th>Business Impact: Does this enable customer or technical progress?</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: Accenture
Measuring and tracking the progress of delivery teams is critical during a merger. Having teams using different methodologies for planning and tracking may cause tension, so it is important to agree upon a program structure that can work for both Waterfall and Agile delivery methods (Figure 2).

**Figure 2. Reference integration program structure**

- **LEADERSHIP**
  - Technology Executive Leaders
  - Business Executive Leaders
  - Enterprise Coach

- **MERGER OFFICE (IMO)**
  - Technology Executive Leaders
  - Business Executive Leaders
  - Enterprise Coach
  - Change Management

- **ENABLEMENT TEAMS**
  - Cross Functional
  - Program Coach
  - Technology Coach

- **CAPABILITY TEAMS**
  - Product Owner
  - Program Coach
  - Technology Coach

- **ENTERPRISE GOALS AND PRIORITIZED ACTIONS**
  1. Vision and Values
  2. Leading and Integration
  3. Business and Technology Alignment

- **PROGRAM IMPEDIMENTS AND PRIORITIZED ACTIONS**
  - Program Backlog
  - Impediments Removal
  - Delivery Flow Improvement

- **PRIORITIZED WORK**
  - Team Backlog
  - User Stories
  - Continuous Improvement

**TWO-WEEK SPRINTS AT EACH ORGANIZATIONAL LEVEL**

- Planning sessions to identify sprint target items
- Biweekly stand-ups to keep team up to speed on working items
- Read-out of completed backlog items or additional tasks

Source: Accenture
Additionally, a single, integrated delivery plan ensures that the tracking of critical milestones and dependencies is aligned to key integration outcomes. Figure 3 illustrates a way to harmonize the plan methodology across Agile and Waterfall constructs.

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**Figure 3. Aligning Agile and Waterfall methodologies to develop an integrated plan**

**WATERFALL**
- Minimum set of requirements to achieve critical functionality of the scope defined
- Changes needed to support the program’s envisioned functionality
- General solutions to customer/business needs and input to development and testing
- Detailed technical solutions to customer/business needs that define data scenarios and use cases

**AGILE**
- Minimum set of requirements to achieve critical functionality of features defined
- Groups of user stories across one or several sprints that encompass the program’s envisioned functionality
- User description that comprises a small, self-contained unit of work or a specific functionality
- Breakdown of stories into smaller stories that tell how the story will be completed

Source: Accenture
CASE STUDY: WALL WALKS AMP UP INTEGRATION TEAM ENGAGEMENT

An important mechanism to foster collaboration is the concept of ‘wall walks’—periodic collaboration sessions designed to crowd-source feedback and drive alignment at which materials are literally hung on the wall for full view and a cross-team review/walkthrough.

While traditional approaches used similar constructs (like design summits, kick-offs, and so forth) there are nuances to applying wall walks in an Agile context. While the former are set up for information dissemination, wall walks are designed to facilitate group-think and drive alignment.

Integration teams can use wall walks incrementally to showcase progress (from conceptualization through to delivery), and drive cross-team collaboration. In a recent merger, banks applied this mechanism effectively to collaborate on the scope, integrated plan, customer journey maps, and training plan development.
3. ENABLE AGILE WITHIN INTEGRATION TEAMS

Culture is one of the most challenging and nuanced aspects of a merger, regardless of the delivery method. Completely shifting Waterfall teams to Agile would be too much of a culture shock and would likely create confusion. Instead, Agile practices and ways of working should be carefully and thoughtfully introduced, not forced. Figure 4 illustrates how staff development is created differently across the two methods.

CASE STUDY: AGILE TRAINING CREATION

The Agile method uses just-in-time employee training where the number of trainers increases as design is ‘locked in’. Teams can implement foundational training and then incorporate customer training as the design progresses.

Figure 4. Agile training creation

‘Locking in’ technology design later increases M&A agility, but puts more pressure on employees’ readiness/training

<table>
<thead>
<tr>
<th>WATERFALL</th>
<th>AGILE</th>
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| Development: build and deploy after design is locked in | Training: Waterfall and Agile approach to training: deploy foundational training first and follow up with customized additional training
OR Agile approach to training: minimal time for build; deploy just-in-time customized training utilizing more trainers |

Source: Accenture
Activate leaders. Employees, quite reasonably, look to the behavior of leaders to understand an organization’s culture. Leaders must ‘walk the talk’ while actively explaining what the new culture means for their teams and the impact it is expected to have on the organization’s vision and values.

Shift behaviors and mindsets. Building peer networks to champion new behaviors, regularly celebrating positive behavior changes, and reframing and defining beliefs are all ways to encourage and reinforce a new culture. We have seen a movement toward deploying capability teams in M&A integrations to help peers focus on work type versus department or function.

Hardwire change to ensure culture is integrated. Steps such as aligning the operating model and organization design, and allocating capital to reflect the organization’s priorities, send a clear message that the culture change is not temporary. Additionally, performance metrics and incentives can be set to encourage the desired behavior while change progress is tracked continuously and corrective action taken as necessary.

The Accenture Transformation GPS tool can help facilitate employee training and adoption of Agile. Accenture has taken data science to areas that have traditionally been perceived as ‘fluffy.’ The tool equips leaders with analytics and insights from their people early and throughout the merger to drive transformation strategies to align culture, behaviors and ways of working. To learn more, click here.
In the past, mergers halted innovation for the sake of the integration, but that is no longer feasible as competitors continuously move to disrupt banking.

Agile enables M&A integration teams to both zero-in on the critical-path items needed to effectively merge the organizations and also to make the changes that enhance the customer and employee experiences. By following the three steps discussed earlier, banks of any size can do more to help ensure their mergers meet the announced expectations while remaining competitively innovative.

Accenture has the experience, the skills, and the capabilities to help you build Agile into your team structures to further the innovation agenda of your mergers and acquisitions. To find out how we can assist, contact any of the authors on the following page.