How to run a hurry-up offense

Six key success factors for digital acquisition integration
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When Head Football Coach Chip Kelly accepted his job in 2009, it was clear that his team — the University of Oregon Ducks — needed reinvention from top to bottom if it hoped to break into the elite ranks of Division I college football. In the previous seven years, the Ducks had won less than 65 percent of their games, and the team had not made it to a major bowl game in nearly a decade.

Kelly’s relatively low profile in college football up to that point gave little indication that he was on the verge of implementing one of the biggest innovations in sports in 20 years, one that would bring disruptive change to the way offense was played at the collegiate level. Kelly’s solution: use his team’s inherent offensive speed and a revolutionary method of calling plays (no huddles) to run opposing defenses ragged.

Just two years later, Kelly’s innovation took the Ducks to the national championship game, a remarkable rise that demonstrated the strategic power and game-changing nature of their version of the “hurry-up offense.” Kelly’s approach appears to have staying power: The Ducks followed up on their appearance in the national championship with a 45-38 Rose Bowl win over Wisconsin — Oregon’s first Rose Bowl championship since 1917 — and finished fourth in the Associated Press poll.

In our work with digital media and technology-intensive businesses, we are seeing similar advantage being created by companies employing a hurry-up offense when managing acquisition integration efforts. Especially in these sectors, an emphasis on speed — and bursts of highly concentrated activity to manage the integration of acquired companies — leads to better value retention in the acquisition, and the overall company is then better prepared to face the market faster and with greater focus than through traditional “grind them out” acquisition integration approaches.

The pace of change is relentless in the digital space. Media and technology players are under constant pressure from customers,
competitors, and investors to innovate their offerings and business models and to accelerate revenue growth. This has led to a growing reliance by digital media and technology companies on high-stakes acquisitions, rather than organic growth, as a critical and rapid means to create and deploy new capabilities and establish new positions in the value chain, especially given the fact that small players are often the companies developing game-changing capabilities. The result is that acquisition has become a significant element in the strategies of leading digital media and technology players. According to the *Wall Street Journal*, Google alone purchased at least 57 companies in 2011; Facebook and Twitter acquired 12 companies between them. And the buying spree is not limited to digital media and technology companies — “traditional” players are getting into the digital acquisition game too. Walgreens’ purchase of Drugstore.com and Walmart’s acquisition of Vudu illustrate that companies in other sectors are increasingly looking at digital acquisitions as an important means of adding new capabilities, pursuing attractive growth opportunities, and securing high-value talent.

The magnitude of the stakes in making these acquisitions successful has put a premium on the speed and effectiveness with which the purchased companies and their employees are integrated. The old benchmarks for integration time lines, which could run anywhere from four to 12 months, are no longer effective or appropriate in an environment where acquisitions tend to be smaller and where the expectation is that organizations are integrated and synergies realized in less than 90 days. Combine this “need for speed” with the desire to preserve the capabilities in the acquired company that often drive digital value creation, and it becomes clear why digital media and technology companies want a more contemporary playbook for acquisition integration — a Digital M&A Playbook 2.0, if you will. Given that capability-enhancing deals outperform other kinds of acquisitions (see “The Capabilities Premium in M&A,” by Gerald Adolph, Cesare Mainardi, and J. Neely, *strategy+business*, Spring 2012), an approach that best ensures the retention of acquired capabilities is essential.

How can companies ensure that their digital acquisition goals are indeed achieved? Counterintuitively, increasing the pace of integration — implementing a hurry-up offense — can often improve the likelihood that a digital acquisition produces the results that the acquirer intends. One reason is that moving quickly can better position the acquirer to preserve the acquired company’s operating model and the informal factors that contributed to its successes. Another is that taking concrete steps to identify, retain, and smartly deploy the most critical talent will preserve the distinct capability set of the acquisition. And finally, organizing the integration itself to concentrate overwhelmingly on the delivery of a set of “proof points” will ensure that the effort...
stays focused, moves rapidly against the areas that matter the most, communicates success to the market, helps prevent derailing the rest of the day-to-day business, and builds confidence in the new organization.

Although speed is the most noticeable outward manifestation of this new approach, it is merely the by-product of a whole series of critical features of the new digital M&A playbook. It’s an approach that requires — as with the football coach and quarterback who call the signals in the hurry-up offense — the ability to interpret in real time what is happening, the recognition that every “defense,” or situation, is different, and the right playbook to make decisions quickly, adapting to realities “on the field” as they evolve. It also requires a set of “players” who know how to run the hurry-up approach and bring the requisite training, frameworks, methodologies, and decision making to bear.

Through our work with digital media and technology companies that have run the hurry-up offense in their acquisition integrations, we have identified a common set of six key success factors that enable acquirers to avoid the pitfalls common in such integrations. Working hand-in-hand with our clients, we developed an approach that has been “game tested” in some recent high-profile digital acquisitions and that should be considered by any executive faced with leading or planning a digitally focused acquisition integration.
Avoiding the pitfalls

Traditionally, post-merger integrations are run under an approach that could be best described as heavily structured, process-intensive, and inclusive. Like a football offense built around the run, these integration efforts move methodically toward the “end zone,” achieving gains through power and grinding down the opposition, often with determined force. Key features of the traditional approach include a well-staffed program management office to ensure that key milestones are met, wide involvement of senior managers from across functional areas, the use of detailed templates and extensive analytic support for synergy identification and sizing, and a robust meeting schedule to drive buy-in across executive ranks.

This traditional approach can be highly effective for certain kinds of mergers and acquisitions. Outside of the digital space, acquisitions are typically not focused on emerging growth opportunities or securing intellectual property and technology talent. Instead, they are based on the opportunity to take capacity out of markets, to consolidate market share, or to create scale in the combined companies’ cost base. They are often designed to secure key assets, such as brands or plants, property, and equipment, more than startup talent and entrepreneurial culture. Traditional acquisitions, typically associated with larger, more established organizations (both acquirer and target), are also much less sensitive than those in the digital space to the need to move very quickly — hence the more structured approach, and the longer integration time line that is implied, is appropriate for the task.

When applied in the digital space, however, the traditional approach is often insufficient to mitigate against a set of common pitfalls that can derail integration success:

- The acquired company is subsumed into the larger organization, and the operating model is not preserved. This pitfall is often driven by the desire to maximize synergies without consideration of the impact it can have on the acquired company’s distinct operating model. This risk is particularly acute in digital acquisitions where retaining capabilities is the goal.
• The operating strategy for the acquired company is not defined well enough up front. Ambiguity over which aspects of the existing strategy and culture will be retained, and which aspects will change, results in slower decision making at a time when speed is paramount.

• The acquired company’s management is not equipped to negotiate big-company bureaucracy and is not given latitude to make decisions. Managers from smaller, more entrepreneurial acquired companies are often not prepared to navigate the structure, culture, and complexity of larger organizations.

• The integration takes too long to complete, and employees are left with uncertainty about roles, so morale is damaged. Lack of communication or clarity around go-forward roles is among the prime reasons for low morale and unfortunate talent loss after a merger.

• The founder is disempowered, leaves the company, cashes out, or loses interest, and a short-term executive talent plan is not in place. This is particularly prevalent in the digital space, where many acquisitions are of startup companies whose founders may still be in key executive management roles. Driving hard to achieve synergies can often result in ambivalence toward the retention of key acquired talent.

• The acquisition is “orphaned,” with no executive sponsor after the deal closes. Without representation in the highest executive discussions, such as those regarding resource allocations, the acquisition can slowly wither. This is a risk in any acquisition, but it is particularly acute in digital ones, where a “culture of ownership” can be a key part of the reason that acquired leaders and employees choose to work in startups.

• Differences in technology or culture are more profound than anticipated. Imprecise due diligence can result in a misunderstanding of how well the technologies of the acquiring and acquired companies work together, often slowing speed-to-market.
Six success factors

When we look at the digital companies that most consistently manage to avoid these pitfalls in their acquisitions, we find a set of six key success factors:

1. Top digital companies invest significantly in due diligence up front to clearly establish a good fit between companies. For many successful digital acquirers, like Google, due diligence is as much about evaluating the “soft” factors (talent, quality of technology) that will drive acquisition success as the “hard” ones (valuation, synergies). At Google, this manifests itself in in-depth discussions to understand how the “Nooglers” will work alongside existing Google teams and to evaluate whether acquired companies and their founders have coherent strategic visions that will also align with Google’s acquisition objectives.

2. They use speed as a strategic advantage, featuring rapid decision making through frequent informal huddles to share learnings and call the next play. They work from a plan that is dynamic, prioritizing and reprioritizing based on new knowledge — an adaptive process that accelerates the integration. They use simple tools that are “functional” rather than “pretty” (such as Excel and Word documents and Google Docs to collaborate and communicate as opposed to PowerPoint). And perhaps most important, they make active — basically daily — use of the 80/20 rule to focus their analysis and integration activities on those areas that really matter.

3. These companies preserve the acquired operating model, or at the very least, they don’t “break” it. This often involves providing special attention to and support for employees of the acquired company (perhaps an executive sponsor to act as a guide for operating in the new environment). Or they create a specific plan for transitioning the operating model that details the key features of the acquired operating model, the intent for each feature within the combined companies, and the steps by which the features will be implemented. Or they design the integrated organization specifically to support the strategic objectives for the acquisition.
4. They ensure that the informal factors that contributed to the acquired company’s success are not lost. This requires a recognition that the “soft stuff” around culture really matters. There is often pressure from talent in the acquired company, who can see the acquisition as not only a validation but also an exit opportunity and who envision that ownership by a larger entity means bureaucracy, low growth, and slowness. Successful acquirers identify the key drivers of the acquired culture and protect it during integration by organizing a team specifically charged with managing the cultural integration. This team can be responsible for undertaking qualitative evaluations by which they compare and contrast cultures, confirm a new vision, and develop action plans to resolve issues or harmonize cultural differences.

5. Successful digital acquisition practitioners demonstrate integration success externally to markets. One way this can be done is to identify a short list of internal and external “proof points” that enable acquirers to build morale and prove integration success when the proof points are achieved. A well-executed proof point campaign stages them out, achieving them at regular intervals to sustain the momentum and excitement around the acquisition.

6. They retain, and smartly deploy, acquired talent. Like Coach Kelly, who recruits high school standouts who have the speed and quick wits to allow them to thrive in his innovative offense, executives implementing Digital M&A Playbook 2.0 know that retaining the right talent is critical. This may seem like a self-evident success factor, but it is surprising how many digital acquirers are not able to retain key leadership. Yahoo, for instance, is unfortunately known for its inability to create environments where “acquired” executives are comfortable and secure (see Flickr or Delicious). The implication is that it is critical to have a short-term talent plan, which identifies key players and lays out a strategy to keep them. One word of caution, however: If earn-outs are used, the acquirer must take care to set the right goals; otherwise, an adversarial relationship between the two companies may develop.
Though we see the need for a truly different approach to integrations in the digital space, the reasons to pursue such acquisitions should be rooted in the same drivers as all acquisitions that deliver premium returns: capability enhancement. As Adolph, Mainardi, and Neely found, “Successful acquirers make M&A deals that either enhance their distinctive capabilities systems, leverage those capabilities systems, or do both. These companies have been rewarded with deals that average 12 percentage points more in shareholder return than M&A deals by other acquirers in the same industry and region.”

Capturing that premium in the digital space, however, requires more. It requires understanding the “need for speed” in integration and the importance of moving quickly and precisely in preserving the unique aspect of the acquired company’s model that made the deal attractive in the first place. Those who remain convinced that the traditional, slow, and overly deliberate approach to post-acquisition integration is best, however, will risk “breaking” the acquisition or innovating too slowly to win in the market. And if that is to be the result, they may as well stay on the sidelines, as the “Oregon Ducks” of the digital ecosystem run (and pass) right by them.
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