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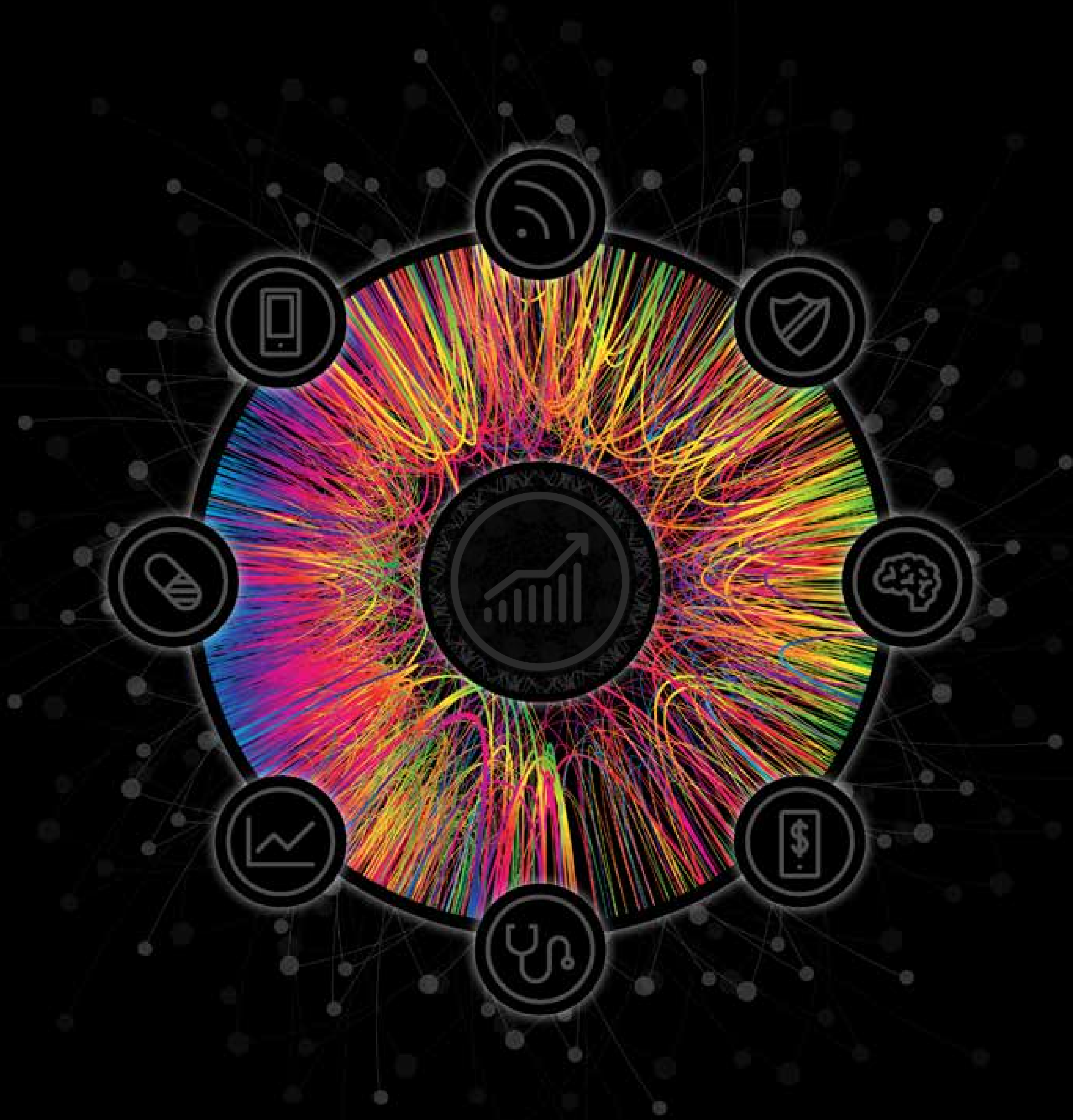


Small Gains, Big Wins

Disruptive M&A: Creating value through innovation-led growth acquisitions

M&A

Contents

Executive summary 1

The rise of disruptive M&A 2

Unlocking new sources of innovation-led growth 5

Disruptive M&A strategy

Building the opportunity pipeline

Corporate Venturing 2.0

Deloitte disruptive M&A framework

Identifying and executing the right deal 15

Are you the right buyer?

Valuation: reflecting risk and reward

Disruptive M&A due diligence

Negotiating with the founders

Creating value and delivering on the expected returns 20

Disruptive M&A integration

Cultural considerations

Delivering expected returns

Executive summary

Disruptive innovation is high on many CEO agendas. The confluence of rapid advancements in disruptive technologies, fundamental shifts in consumer behavior, and the emergence of new digitally enabled business models is lowering barriers to entry and allowing innovative startups to disrupt traditional products, markets, and businesses.

The advent of disruption is also blurring traditional sector boundaries, leading to the convergence of business models across disparate sectors—including health, finance, retail, media, and many others. This is creating opportunities for non-traditional players to enter established markets with new market offerings and, in some instances, effectively displacing the incumbents in those markets.

CEOs are now saddled with the twin objectives of responding to the threats of disruption, while simultaneously harnessing these very forces to create new "businesses of tomorrow." Companies that do not embrace this mind-set may risk being undermined.

Deloitte analysis shows companies spent about $880 billion on mergers and acquisitions (M&A) between 2015 and 2018 to acquire disruptive technologies and invested $220 billion through corporate venture capital (CVC) units.[1] A significant portion of these deals involved non-tech sector companies acquiring technology assets, and this represents a new paradigm in dealmaking.

In addition to financial returns, these transactions offer access to the new technologies, talent, and operating models. The deal rationale is often driven by the promise of revenue synergies, which are much harder to capture than cost synergies.

Due to these factors, disruptive M&A is inherently complex. These deals require a strategic rethink at every stage of the process, from deal origination in a fast-evolving ecosystem, to due diligence on emerging technologies, and creating value from investments, which also requires well-planned cultural assimilation of startups.

Ultimately, how companies implement these deals will determine whether they derive value from the transactions. This requires strong leadership that balances short-term market demands with long-term transformation goals—and adopts a shift in mind-set toward assimilating new business models and ways of working.

This paper offers Deloitte perspectives across the three life-cycle stages of a disruptive M&A deal:

1. Unlocking new sources of innovation-led growth
2. Identifying and executing the right deal
3. Creating value and delivering the expected returns

As the rate of innovation and change continues to accelerate, the ability to successfully undertake disruptive M&A is expected to be a defining feature of corporate growth story.

The rise of disruptive M&A

The rise in disruptive M&A deals has been one of the remarkable features of the M&A market in the last few years. The last two years were particularly strong. As seen in figure 1, there were 7,377 deals: 55 percent were M&A acquisitions worth $387 billion and 45 percent were CVC investments worth $122 billion.[2]

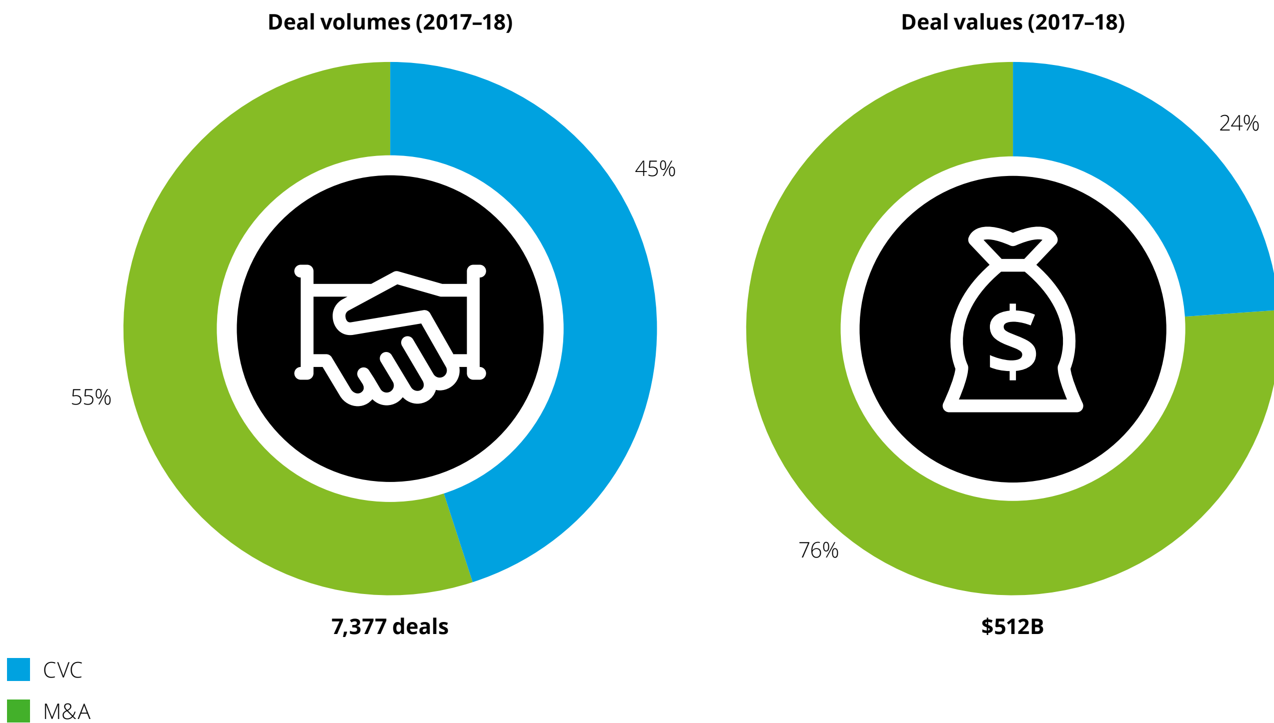
The most active verticals by deal volume were digital and social, followed by data and analytics, artificial intelligence and machine learning (AI&ML) startups. CVC saw 3,347 deals worth $125 billion during 2017–18, with digital and social leading, followed by the AI and ML startups.[3]

The CVC investment activity increased rapidly in 2018. There are approximately 773 active CVC funds globally—and more than 250 new CVC funds were established just last year. These CVC funds have become active investors in the ecosystem, participating in 23 percent of all venture-backed investments in 2018.

Another important trend is that CVC funds are now backing larger investments. In 2018, CVC funds participated in 1711 deals with an average investment size of $56 million an increase of 90 percent over 2017.[4]

Figure 1. Disruption in numbers

Global disruptive M&A and CVC activity (2017–18)



Source: Deloitte analysis based on data from Pitchbook

Non-tech companies sector technology assets

One of the major shifts in this space has been the acquisition of technology assets by the non-tech sector. This has been an ongoing trend since 2014 and, in 2018, nearly 55 percent of all technology assets were sold to non-tech companies (see figure 2).

Figure 2. Disruptive technology assets – Tech buyers vs. Non-Tech buyers

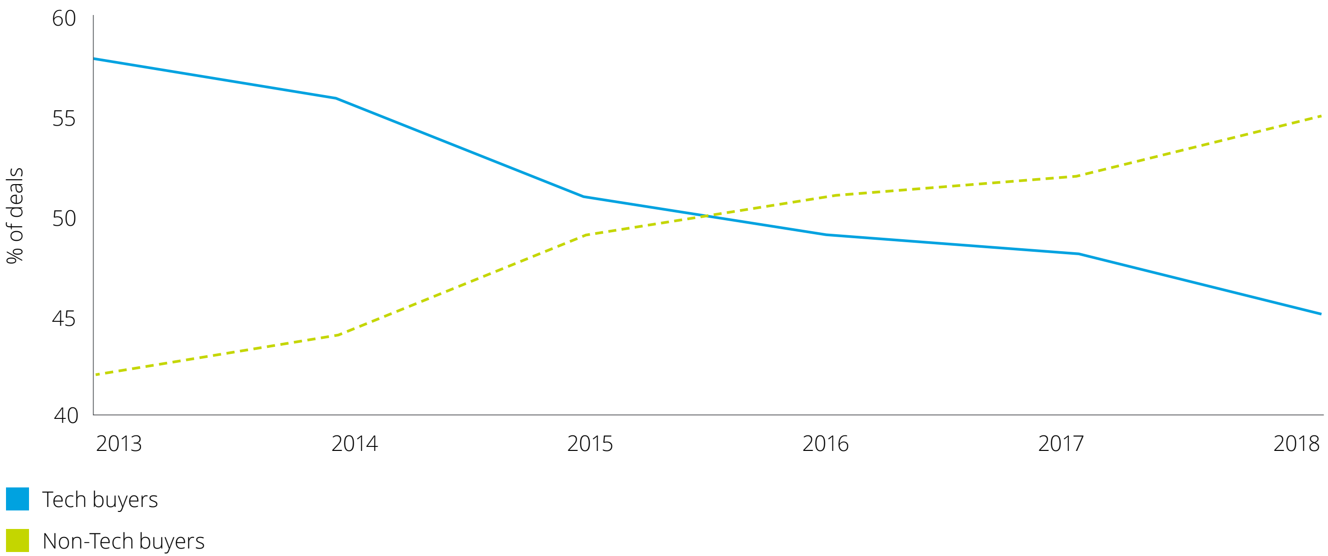
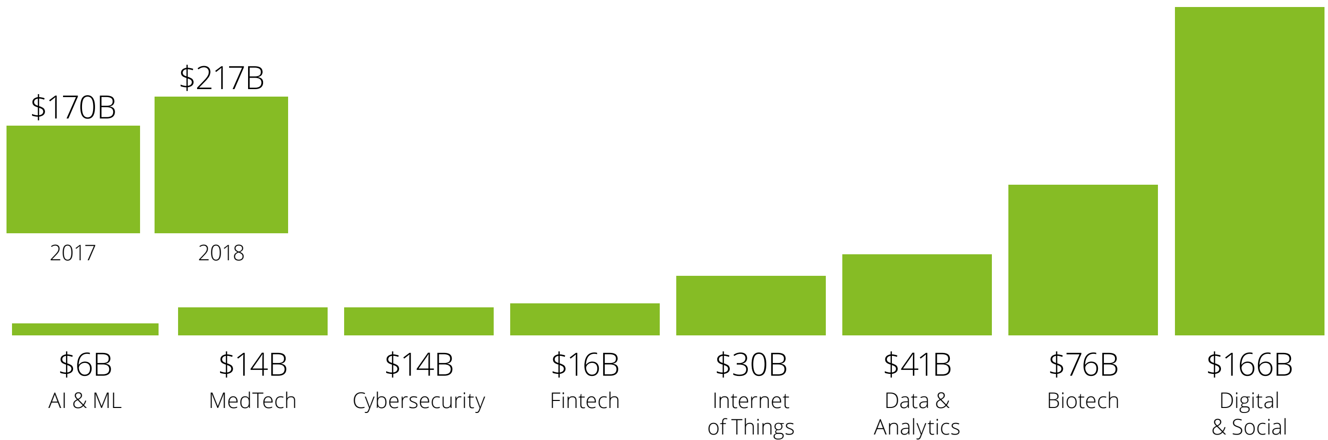


Fig 2a. M&A deals done 2017-18 across key disruptive categories



Source: Deloitte analysis based on data from Pitchbook

Industry Convergence

Disruptive M&A and CVC investments are facilitating cross industry convergence at pace. None of the industries are insulated against this mega-trend and disruptive technologies underpin most of such deals. Such convergence deals aim to consolidate select features from a variety of industries or products—potentially from different sectors or categories—into a distinct, modular industry or a product.

Future of Health includes deals at the convergence of Health, Technology, Telecom, Consumer Products and Financial Services

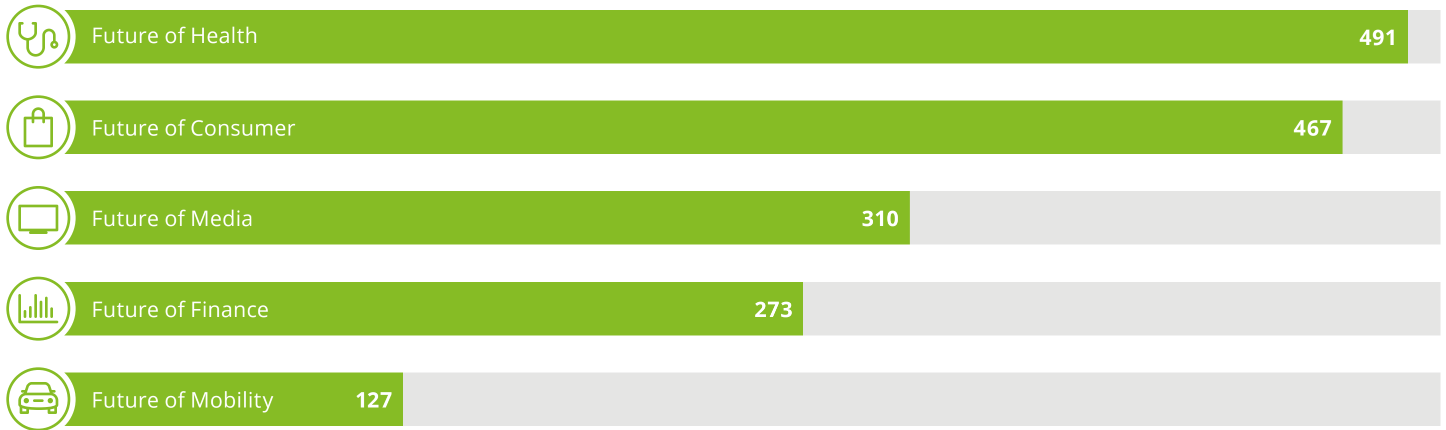
Future of Consumer includes deals at the convergence of Consumer Products, Technology, Retail, Financial Services and Media.

Future of Finance includes deals at the convergence of Financial Services, Telecom, Technology, Retail and Consumer Products.

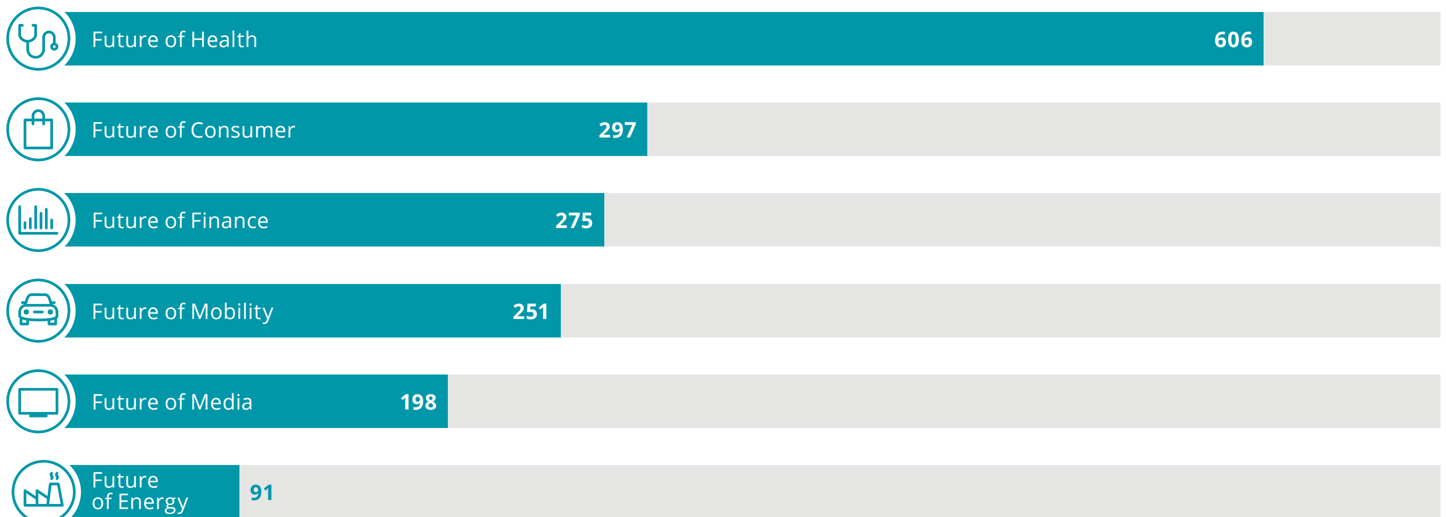
Future of Mobility includes deals at the convergence of Automotive, Technology, Financial Services, Telecom and Consumer Products.

Future of Media includes deals at the convergence of Media, Telecom, Consumer and Technology.

Industry Convergence for M&A (2017–18) – Number of deals



Industry Convergence CVC (2017–18) – Number of investments



Source: Deloitte analysis based on data from Pitchbook

Unlocking new sources of innovation-led growth

KEY QUESTIONS TO CONSIDER:

- Where is my industry headed in the next five to ten years?
- What are the forces that are likely to disrupt and reshape my industry?
- Does my leadership team have adequate understanding of these forces?
- How do we identify and assess the various inorganic growth options available to us?
- Should these options include investment, partnership, or acquisition components?

Disruptive M&A strategy: A series of choices

Strategy is the result of deliberate choices. An innovation-led growth strategy can be framed in terms of two distinct choices: Where to "play" and how to "win" (see figure 3).

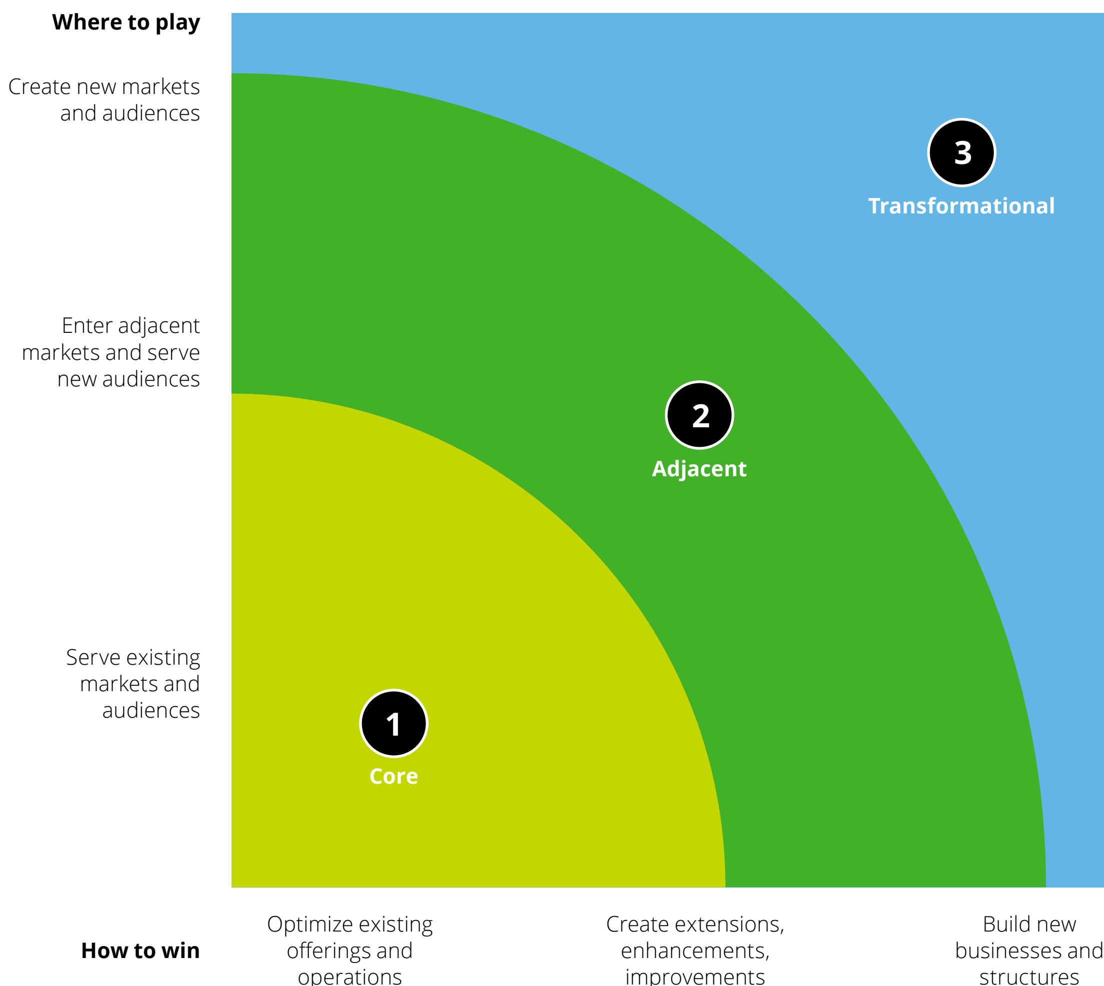
Leaders should consider a growth path and be realistic about the internal capabilities that are required to deliver on their ambitions. Opportunity areas include:

- **Enhance the core:** These are the capabilities that serve existing markets and customers and optimize existing offerings and operations.

Companies can augment their core capabilities by acquiring an innovative product or technology to enhance their existing market offerings—such as when companies acquire analytics capabilities to enhance customer segmentation and targeting. Most of the disruptive innovation investments tend to occur in this segment.

Move into an adjacent segment: Innovation investments like these expand existing businesses into "new to the company" segments. This includes product or service extensions aimed at capturing a new segment. Companies can exploit opportunities in adjacent segments by investing in a new product or capability. For example, when consumer brands manufacturers acquire platforms to directly sell to consumers through subscription models.

Figure 3. Strategic choices



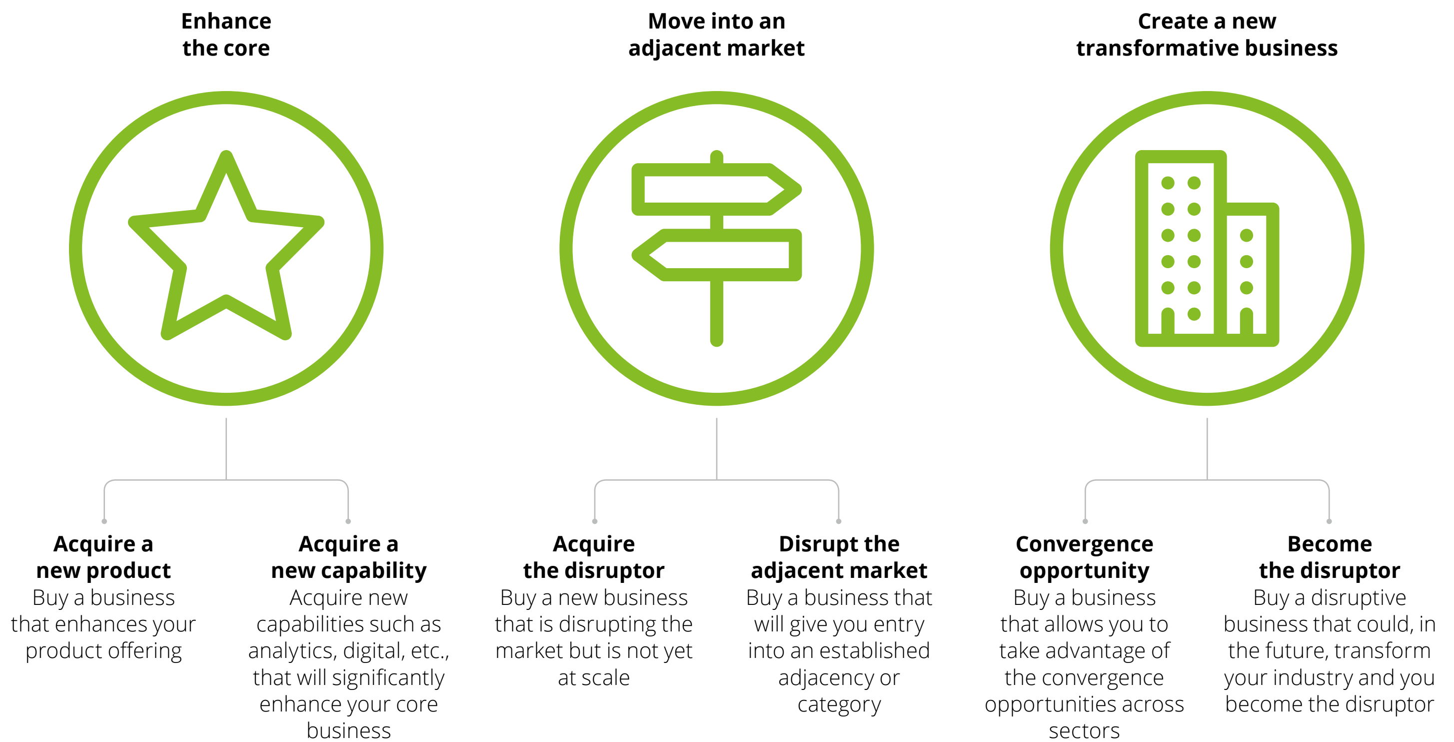
Source: Deloitte

- **Create a new transformative business:** These types of investments are about transformational or breakthrough offerings for markets that are yet to mature. These are often the most difficult, due to the risk and complexity of such investments. When industries are on the cusp of fundamental disruption, the incumbents often make transformational investments. For example, automotive companies have been making significant investments in AI technologies to progress autonomous vehicles and systems. They are doing so to keep pace with fundamental disruption to their industry brought about by technology companies.

In figure 4, we illustrate the disruptive strategic options to improve the core, move into an adjacent market, and/or create an entirely new business.

While developing an innovation-led growth strategy, companies should consider both short-term and long-term aspirations, which may entail investment strategies across all three ambition levels. Disruptive M&A should help companies build a portfolio of investment opportunities—including CVC, collaboration structures, alliances, and M&A—all to help companies unlock innovation-led growth and transform the business.

Figure 4. Disruptive M&A strategy



Source: Deloitte Disruptive M&A, Future of the Deal

Building the opportunity pipeline

Once the Disruptive M&A growth strategy is clear, the next step is to build a sustainable opportunity pipeline. There are three building blocks to this process:

- Disruptive market sensing
- Ecosystem engagement
- Innovation hubs coverage

Disruptive market sensing as a core competency

Short- and long-term trends, driven by exponential rates of change in technological advancements, are constantly altering the global business environment. Against this backdrop, it is critical that companies develop a core capability to monitor market shifts. This capability can help leaders make informed decisions on where to play and take advantage of the changes around them.

Companies should develop market-sensing capabilities that not only monitor shifts in disruptive technologies, but in consumer behavior and the impact of cross-sector convergence on the future of various industries (see figure 5). By monitoring and reacting to these shifts, companies will be able to make more informed and deliberate choices regarding where to play across core, adjacent, and transformative investment opportunities.

Figure 5. Disruptive market sensing

	Technology	Consumer behavior	Convergence
Content purpose	• To understand the current and future technologies that are disrupting your company.	• To understand fundamental shifts in consumer behavior that are disrupting your customers' engagement.	• To understand forces that are altering industries and accelerating cross-sector convergence.
Signal source	• News feeds, patent filings, technology blogs, CIO office, etc.	• News feeds, influencer blogs, competitor activities, startups, internal product, and sales divisions.	• Traditional competitors, adjacent industry activities, startups, futurist blogs, conferences.
Content approach	• Focus on key technologies that are core to the business and those that are driving the change in the industry. • Data feeds can be automated, however insights need to be curated.	• Focus on key consumer behavior shifts that are likely to define new business and operating models. Also monitor in adjacent sectors. • In addition to external sources, inputs should be sought from internal product and sales divisions. • Some data feeds can be automated, while insights would require curation.	• Focus on investment activities of both traditional and nontraditional competitors. • Focus on understanding how adjacent industries are evolving and new business models that are emerging as a result. • Data feeds and insights are subjective and need to be highly curated.

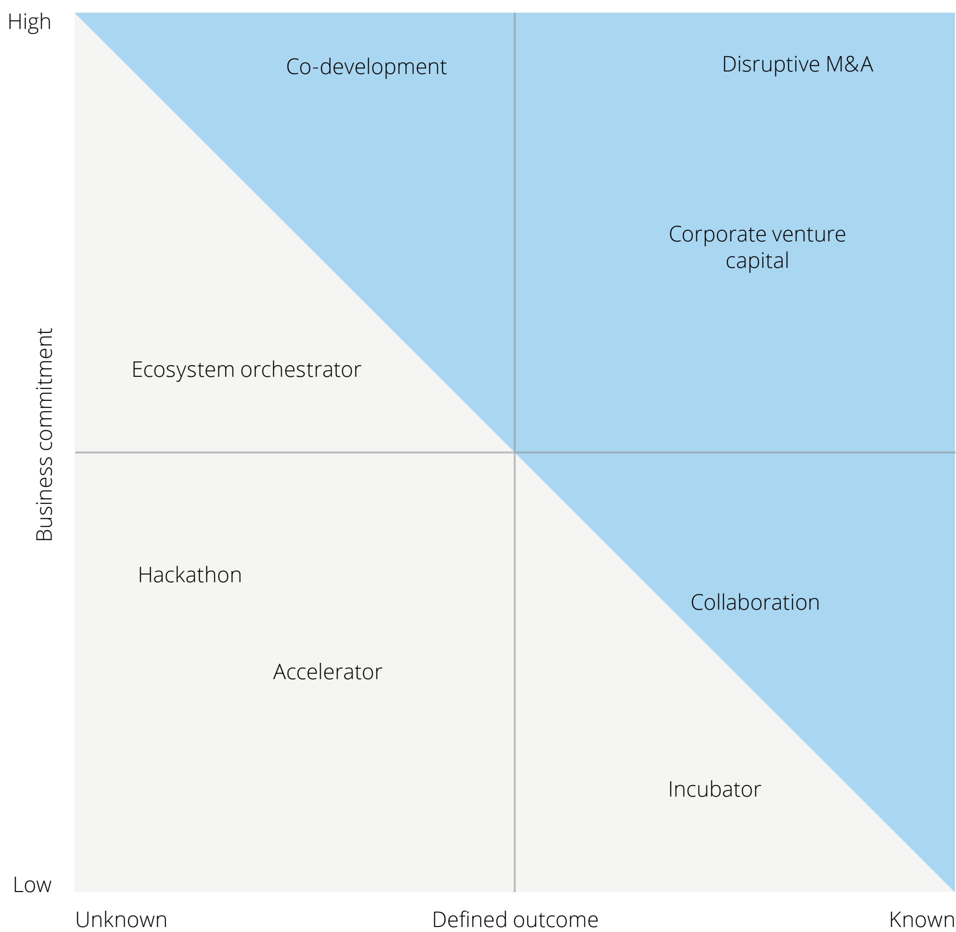
Source: Deloitte Next Billion Dollar Idea report

Ecosystem engagement

Innovation ecosystems are not just about startups. To tap the full potential, companies should have an active ecosystem engagement program to identify potential relationships with startups, technologists, futurists, universities, leading venture capital firms, accelerators and incubators, government representatives, and even other corporations.

Companies need to link innovation initiatives with their transformational objectives. These activities should be carefully considered for the specific advantages they bring and the level of commitment required. This way, companies would be able to operate a range of activities as part of their investment portfolio, with each one serving a distinct purpose and providing clarity on the expected outcomes and resource commitment (Figure 6).

Figure 6. Ecosystem engagement

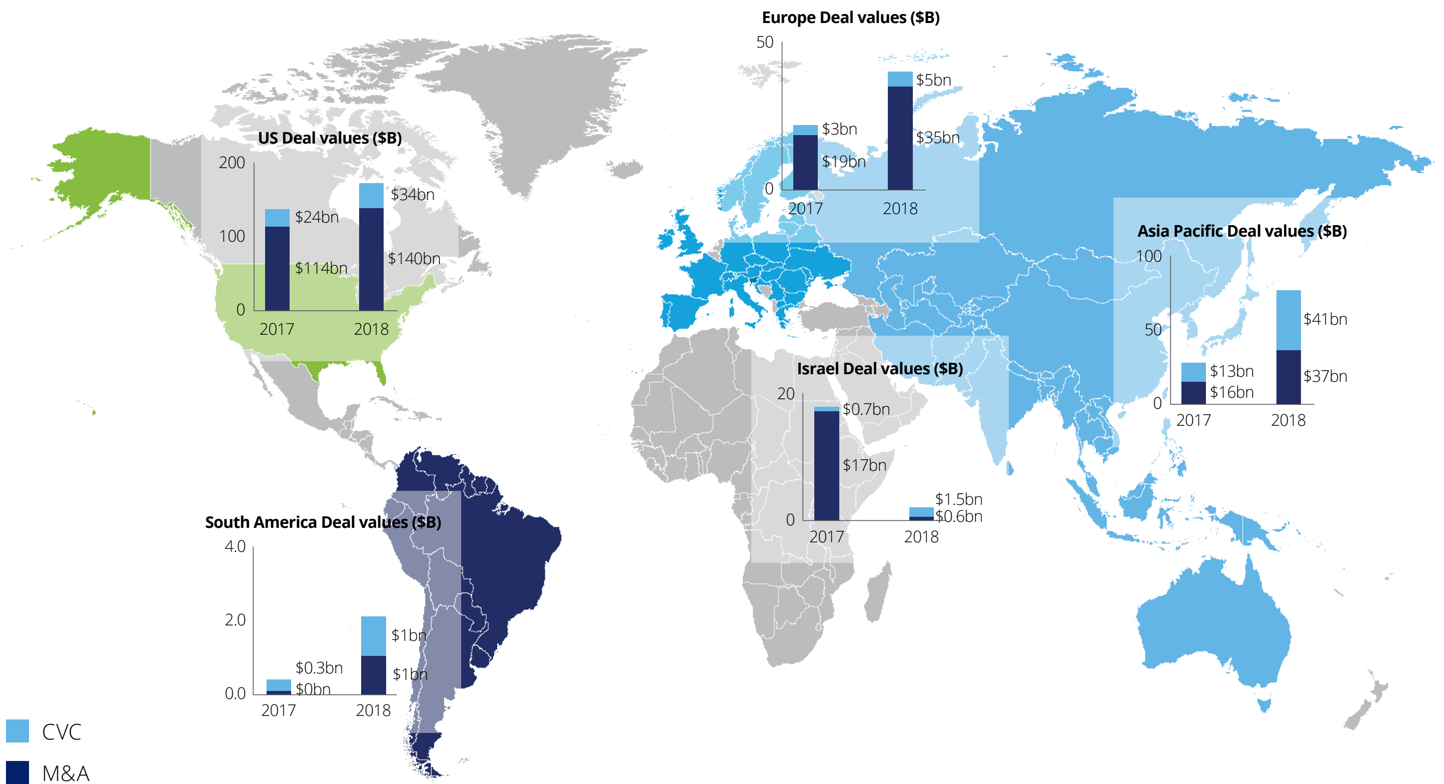


Source: Deloitte Disruptive M&A

Innovation hubs coverage

A crucial part of a company's ecosystem engagement strategy should be connectivity across the key innovation hubs for the sector, because the majority of investments tend to be directed in these hubs. These hubs include the United States (Silicon Valley and East Coast), Israel, United Kingdom, Germany, France, Netherlands, China, India, Japan, and Canada (Figure 7).

Figure 7. Global innovation M&A and investment hubs



UNITED STATES	EUROPE	ISRAEL	SOUTH AMERICA	ASIA
The US is the biggest market for innovation investments and, unsurprisingly, the majority of investments are in Silicon Valley. Other hubs vying for investments include New York, Boston, Seattle, Denver, and Houston.	In Europe, the UK is the biggest market for innovation investments, largely led by London. Other major hubs include France (Paris), Germany (Berlin), the Netherlands, and the Nordics.	Israel is one of the major innovation investment hotspots and offers plenty of M&A targets.	Brazil attracted the highest amount of M&A and CVC investments in South America, but the regional market is a small one.	Asia is emerging as a powerhouse in both M&A and CVC investments. India and China lead the way. Other major hubs include Japan (Tokyo), Singapore, and Australia.

Source: Deloitte Disruptive M&A, Future of the Deal

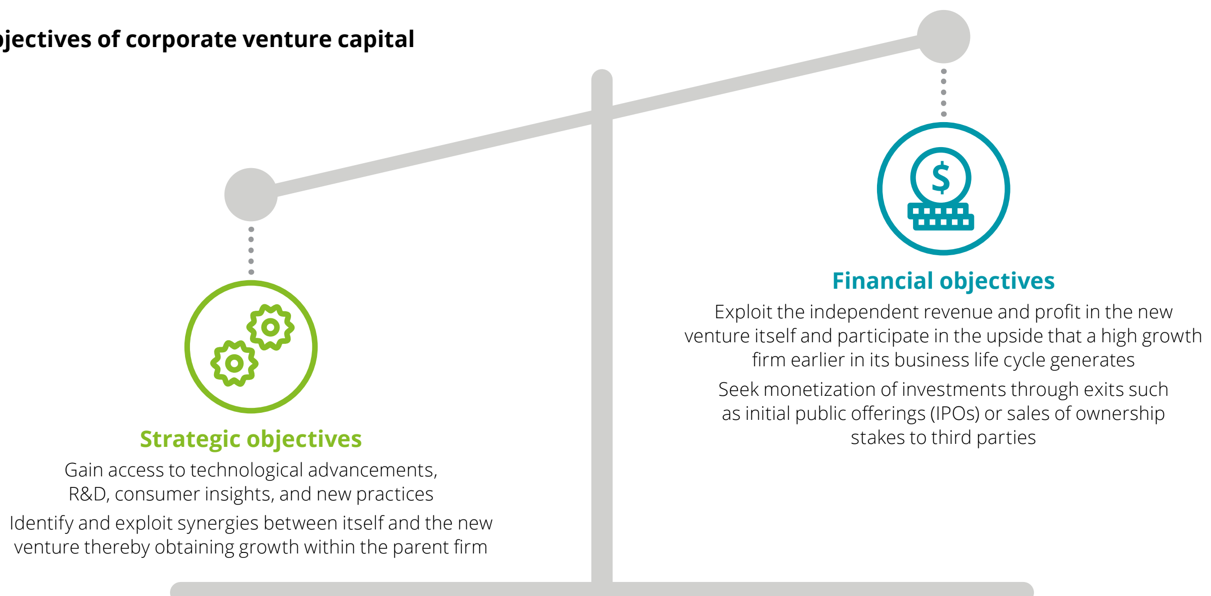
Corporate venturing 2.0

Corporate venturing is no longer the sole provenance of the technology sector. Companies across sectors—including agriculture, health, industrials, automotive, and financial services—are doing it as well. Beyond financial returns, CVC should be seen as part of an integrated approach to innovation, business transformation, and growth. It provides companies with valuable access to new technologies, business models, and talent—all crucial to growth through innovation.

Looking ahead, we expect to see the emergence of a corporate venturing 2.0 phase, where corporate venturing become growth and revenue engines in their own right (Figure 8). To successfully implement corporate venturing 2.0, companies should consider the following factors:

- **Executive sponsorship:** Strong C-level sponsorship is crucial for long-term success, and CVC activities should be reported and visible to the board. This will help ensure that CVC activities are closely aligned with the company's core growth strategy.
- **Internal connectivity:** CVC investment activities should be relevant for internal product and service divisions. Therefore, CVC teams should have a high degree of connectivity with these divisions and a thorough understanding of the disruptive challenges that impact them. In addition to making investments, CVC teams should have skilled resources to broker collaboration opportunities between startups and internal divisions. Often, CVC teams can lead the company on a journey to embrace external collaboration.
- **Value investor:** CVCs should differentiate themselves as value investors. A key focus should be developing a distinct investment thesis by identifying specific areas of value that the company can bring to startups. These need not be limited to collaboration; they can also include connections to new customers, procurement, supply chain, financial systems, and other benefits that only corporations can provide. This will allow companies to clearly differentiate their CVC strategy from the competition.
- **Governance:** CVC teams have a crucial role to play in building trust and relationships with founders. Companies should aim to develop a governance model that enables them to make decisions with the same sense of urgency that startups bring, while at the same time giving startups enough independence and cultural freedom to operate.
- **Balanced portfolio:** The CVC investment strategy should have a balanced portfolio that covers core, adjacent, and transformational investments.
- **Integrated approach to investment:** Companies should take an integrated approach to investment. CVC teams should function as the tip of the spear to better inform corporate development teams about future trends and create target pipelines for the M&A teams to make disruptive acquisitions.
- **Measurement:** CVCs should develop both financial and strategic metrics to measure return on investment.

Figure 8. Objectives of corporate venture capital



Source: Deloitte

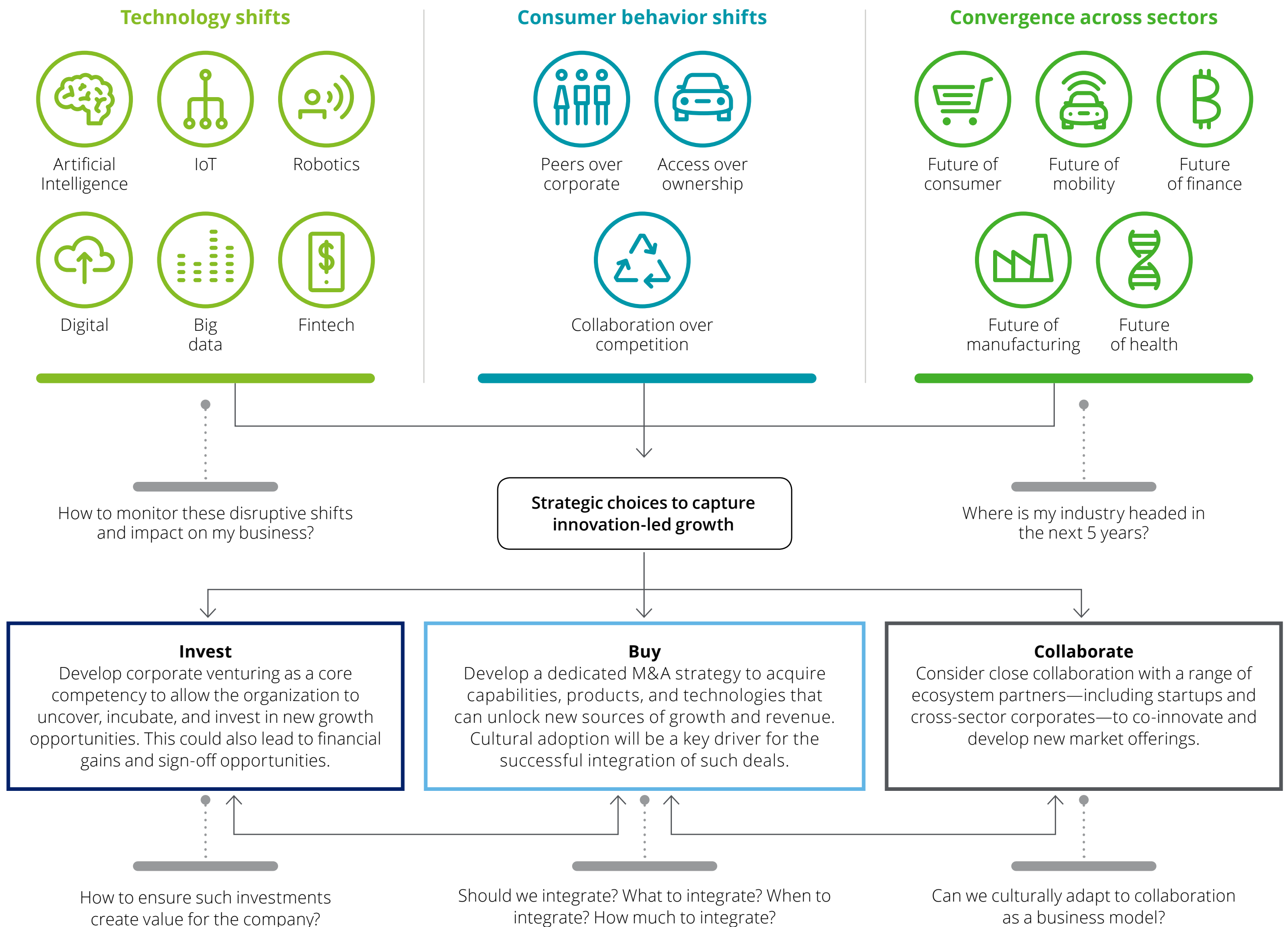
Deloitte disruptive M&A framework

Disruptive M&A is not just about deals, but instead should be considered as a portfolio of investment opportunities—including joint ventures, buyouts, and corporate venture investments. All of these help companies to unlock innovation-fueled growth.

- **Invest:** Developing corporate venturing as a core competency to allow the organization to uncover, incubate, and invest in new growth areas.
- **Buy:** Developing a dedicated disruptive M&A strategy to acquire capabilities, products, and technologies that can unlock new sources of growth and revenue.
- **Collaborate:** Collaborating with a range of ecosystem partners—from startups to cross-sector corporations—to co-innovate and develop new market offerings.

It is important that these three options are on the table while evaluating any investment opportunity.

Figure 9. Deloitte disruptive M&A framework



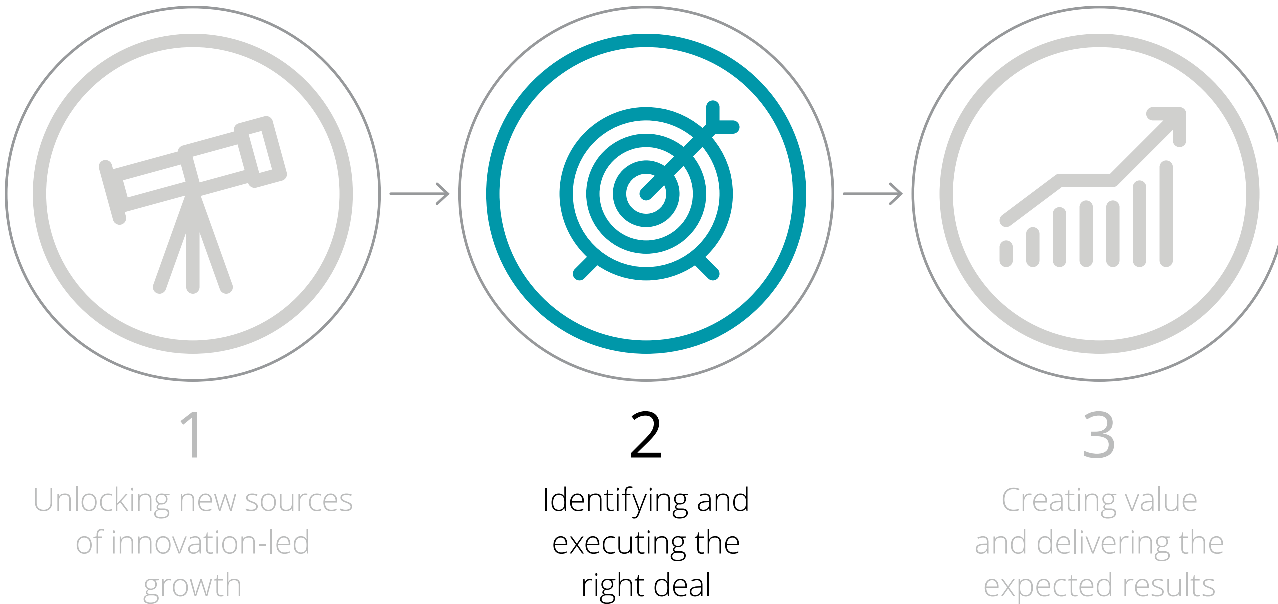
Source: Deloitte Disruptive M&A, Future of the Deal

UNLOCKING NEW SOURCES OF INNOVATION-LED GROWTH

Considerations to help drive success:

- Ensure clarity of vision and strong leadership that shows a willingness to explore opportunities in core, adjacent, and transformative investments.
- Develop new capabilities such as corporate venturing, disruptive market sensing, and ecosystem scouting.
- Adopt a portfolio-based approach to harnessing external innovation—with equal focus on buy, invest, and collaboration models.

Executing the right deal



KEY QUESTIONS TO CONSIDER:

- How do we position ourselves to be an attractive acquirer to disruptors and innovators?
- How do we estimate fair valuation of a fast-growing technology company? Does the price justify value?
- Do we have the right internal skills to evaluate commercial risks and frontier technologies?

Are you the right buyer?

Disruptive M&A investments are often linked to long-term transformation plays and companies need to consider if they are indeed ready for such deals. It starts with the question—are you the right buyer? While evaluating an organization's readiness to engage in disruptive M&A, company leaders should consider the following:

- **Vision:** Is the parent company's senior management clear about the vision and goals for specific transactions? Have they clearly communicated this to target acquisitions?
- **Leadership:** Is there alignment and support among board members and C-suite executives? Is there an executive sponsor for each potential deal?
- **Investment:** Is company leadership willing to accept a different ROI/investment level compared to standard levels? Should the corporate parent prioritize growth over profitability? When should leadership revisit the decision to continue investing?
- **Culture:** Has the deal team assessed the potential cultural impacts of an acquired business on the larger corporation?
- **Incentives:** Is the corporate parent willing to offer incentives that may be higher than is typical, if these incentives help retain the target company's management team?
- **Integration approach:** Is the corporate parent willing to grant a degree of operational autonomy to the target company during its first year as part of the larger organization? Does the corporate parent need to set up an incubator or ventures division to manage the business during the transitional period?

Valuation: Reflecting risk and reward

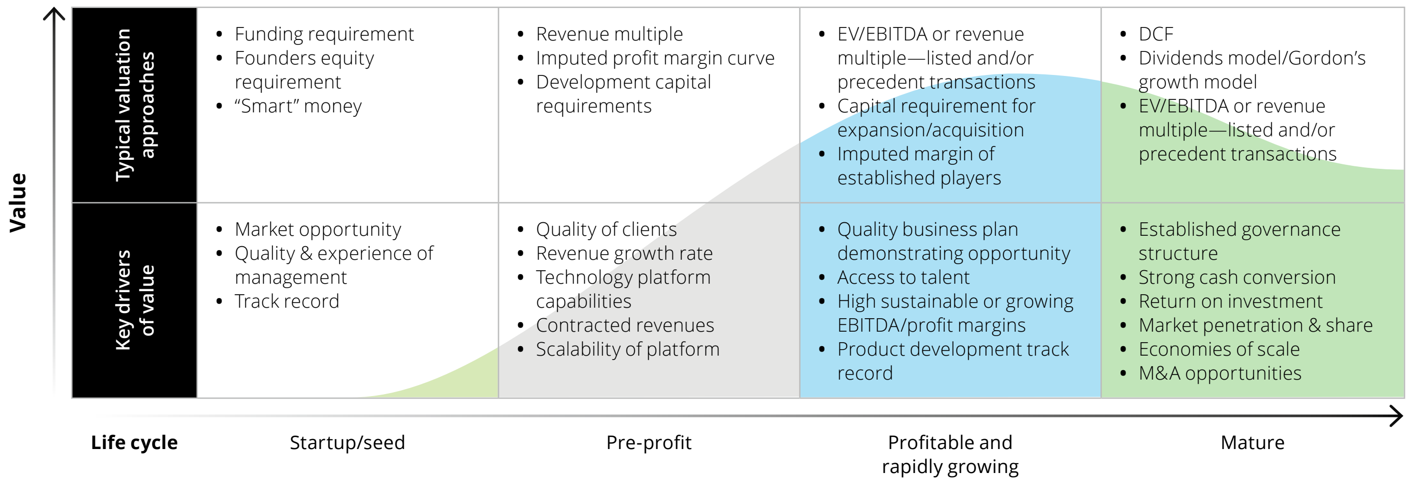
Estimating an early-stage target's acquisition price requires analysis and understanding of risk and potential returns. Cash flow and returns analysis incorporating upside and downside scenarios with relevant growth assumptions and future outcomes becomes vital to arrive at a robust valuation (see figure 10).

To derive an informed valuation, a potential buyer may want to consider a three-step process that includes:

1. **Assess economic opportunity**—Identify and assess the market opportunity for the target acquisition's innovation and value drivers using industry and market analyses.
2. **Identify potential commercial success or failure scenarios**—Make informed forecasts considering the target's maturity level and value-creation opportunities in line with the customer due diligence findings.
3. **Probability weight scenarios and simulate the potential returns**—Apply relevant valuation methodologies, often combinations of income and market-based approaches, to the commercial scenarios identified. Probability-weighted potential outcomes must reflect both upside opportunity and downside risk while at the same time a buyer must ensure that the potential investment generates sufficient returns.

Consideration of the above steps should enhance a buyer's valuation of the risk and reward of investment in disruptive businesses.

Figure 10. Valuation for disruptive assets



Source: Deloitte

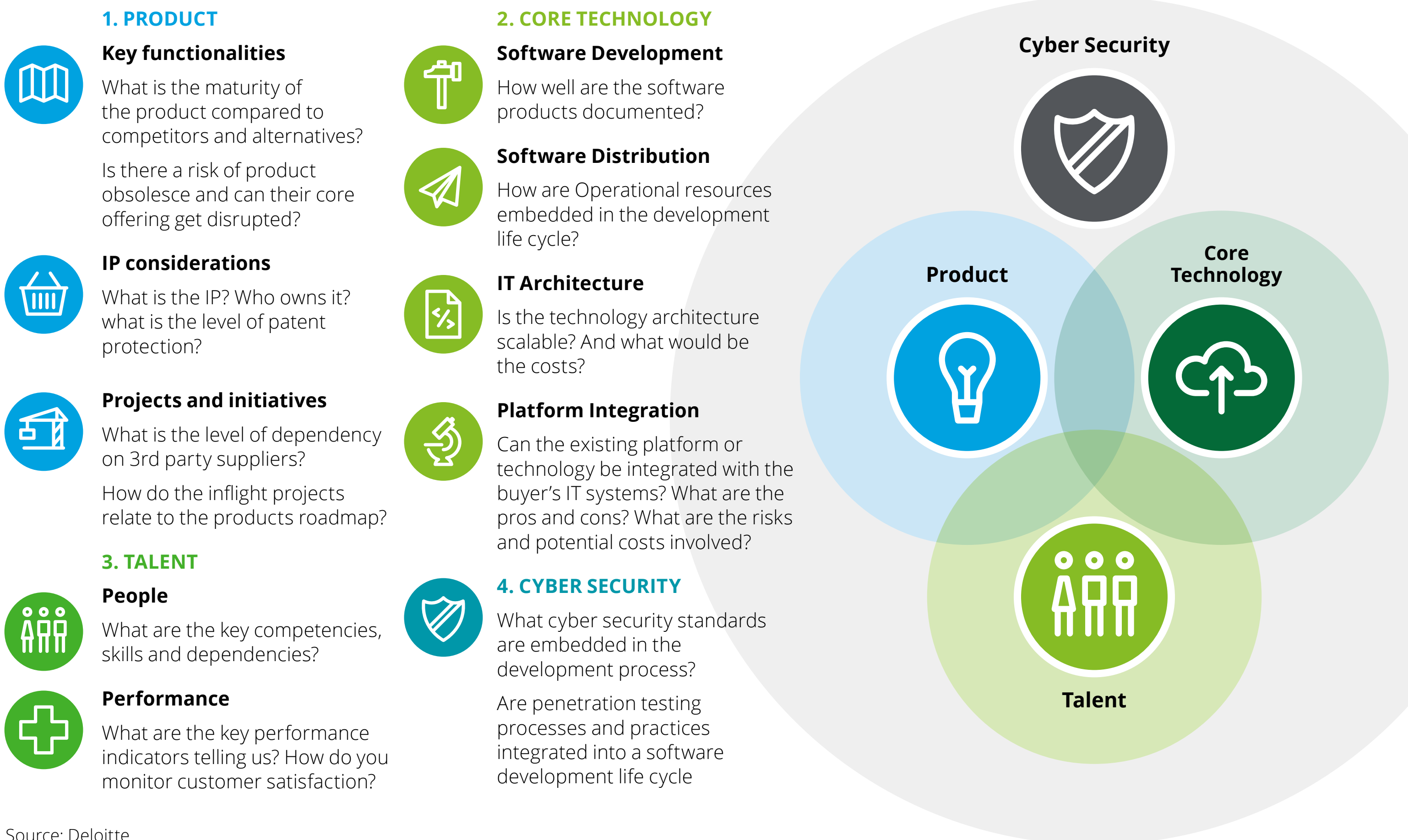
Disruptive M&A due diligence

Disruptive investments are complex and require specialized assessment of technology platform, new market opportunities, IP, cyber-risk, and others. In addition, disruptive assets often require significant investment before the buyer can realize the full commercial potential. Therefore, the diligence process needs to be thorough and consider a wide range of factors. Over and above the obvious financial due diligence, the following also needs to be considered during the due diligence process:

- **Commercial:** What is the market size and market potential for the target's product/service? Is the target company's growth sustainable? How will they use further investment in growth areas?
- **People:** Is the current leadership team the right one to scale the business? Is the target's culture compatible with the buyer's? What performance management system should be used to motivate key employees?
- **Technology and platform:** Is the acquired IT platform scalable? Can it be protected? Does the acquisition include the specialist expertise to enable future development? Can the target's platform be integrated into the acquirer's platform? To what degree can the platform be monetized? (see figure 11)
- **Regulatory:** Are there potential deal-breaking regulatory hurdles that need to be overcome?
- **Tax and legal requirements:** Does the target have strong and sufficient patents and intellectual property? Are the value drivers aligned with the legal entity structure? Are there opportunities to gain significant tax synergies?

Disruptive technology companies are centered around software products and platforms. Ascertaining the growth potential and associated risks involves deconstructing the core offering through a thorough analysis of four distinct dimensions.

Figure 11. Technology and Platform diligence considerations



Source: Deloitte

Negotiating with the founders

Disruptive M&A deals often involve negotiation with the founding team, who have an entrepreneurial mind-set. They may come to expect speedy decision-making, flexible processes, and specific deal terms. Often these are incompatible with the typical M&A playbook adopted by large corporates.

Identifying and resolving differences between the buyer and the seller can be facilitated by using a "balanced scorecard" approach that scores the transaction across a set of key parameters and plots each others positions (see figure 12). This enables the buyer to address gaps and seek to either close them or improve other components of the proposal to compensate.

Frequent and detailed communication between the buyer and seller during the negotiating process is essential to ensure the right areas are targeted—and to demonstrate how the long-term growth vision of the business will be delivered in a way that supports the seller's growth vision for the business.

The buyer should also share an initial view of the type/extent of integration that will be applied and the expected benefits to be delivered. This, in turn, will impact the level of autonomy that the target will enjoy. Autonomy and corporate culture are often critical factors in an owner's decision to proceed with a transaction, as is the owner's level of decision-making, career path, and level of influence within the new corporate structure.

Figure 12. Illustrative buyer and seller negotiation "balanced scorecard"

Priorities during negotiation	Buyer's view (illustrative)	Seller's view (illustrative)
Strategic rationale Does the deal meet my long-term vision?	High	Medium
Deal terms Is the valuation reflective of true potential?	High	High
Operational control Is there sufficient operational autonomy for acquired company to achieve its targets?	Medium	High
Talent Will talent be adequately incentivized to continue delivering value post deal?	Medium	High
Culture Will the target's culture of innovation be allowed to remain?	Medium	High
Investment level Is there willingness to make continued investment to grow the acquired company?	Medium	High

High Medium

Source: Deloitte Disruptive M&A, Future of the Deal

EXECUTING THE RIGHT DEAL

Considerations to help drive success:

- Ensuring strong support from leadership and various internal departments. This is crucial because such disruptive M&A deals require significant all-round efforts to make them a success.
- Do not underestimate the additional investments required to transform these disruptive acquisitions and realize their full potential
- Disruptive M&A diligence is complex and requires a range of additional considerations such as technology diligence, IP diligence, and others.
- Deals of this nature often break down during negotiation phase; to avoid, focus on building a relationship with the founders and adopt a “balanced scorecard” approach to identify and resolve differences.

Creating value and delivering on the expected returns

KEY QUESTIONS TO CONSIDER:

- How to create long-term value from such deals?
- Should such acquisitions be integrated or kept separate?
- How to retain and foster incoming talent?
- How to culturally adapt and prevent corporate "antibodies" from destroying the value potential of these deals?

Disruptive M&A integration

Disruptive acquisitions turn the integration process on its head. This is because disruptive acquisitions are not just about acquiring products or technologies, they are about acquiring ideas and talent. Often the deal rationale is driven by the promise of revenue synergies, which are typically more difficult to capture than cost synergies. So, the integration question is no longer "how to integrate?" but instead becomes "how much to integrate?" or "should you keep it separate?"

Tackling these questions is equally complex because the corporate parent still needs to drive value despite approaching the integration process in an unconventional manner. And the integration and value creation approach still needs to be carefully planned and implemented.

The acquirer should determine the minimum degree of integration in year one that is required to establish financial control and governance while effectively continuing to operate the business it just acquired. Differences in culture, process maturity, incentives, and the attitude toward innovation mean that the corporate parent is often not ready to fully integrate the acquired business into existing structures and still retain staff and preserve value.

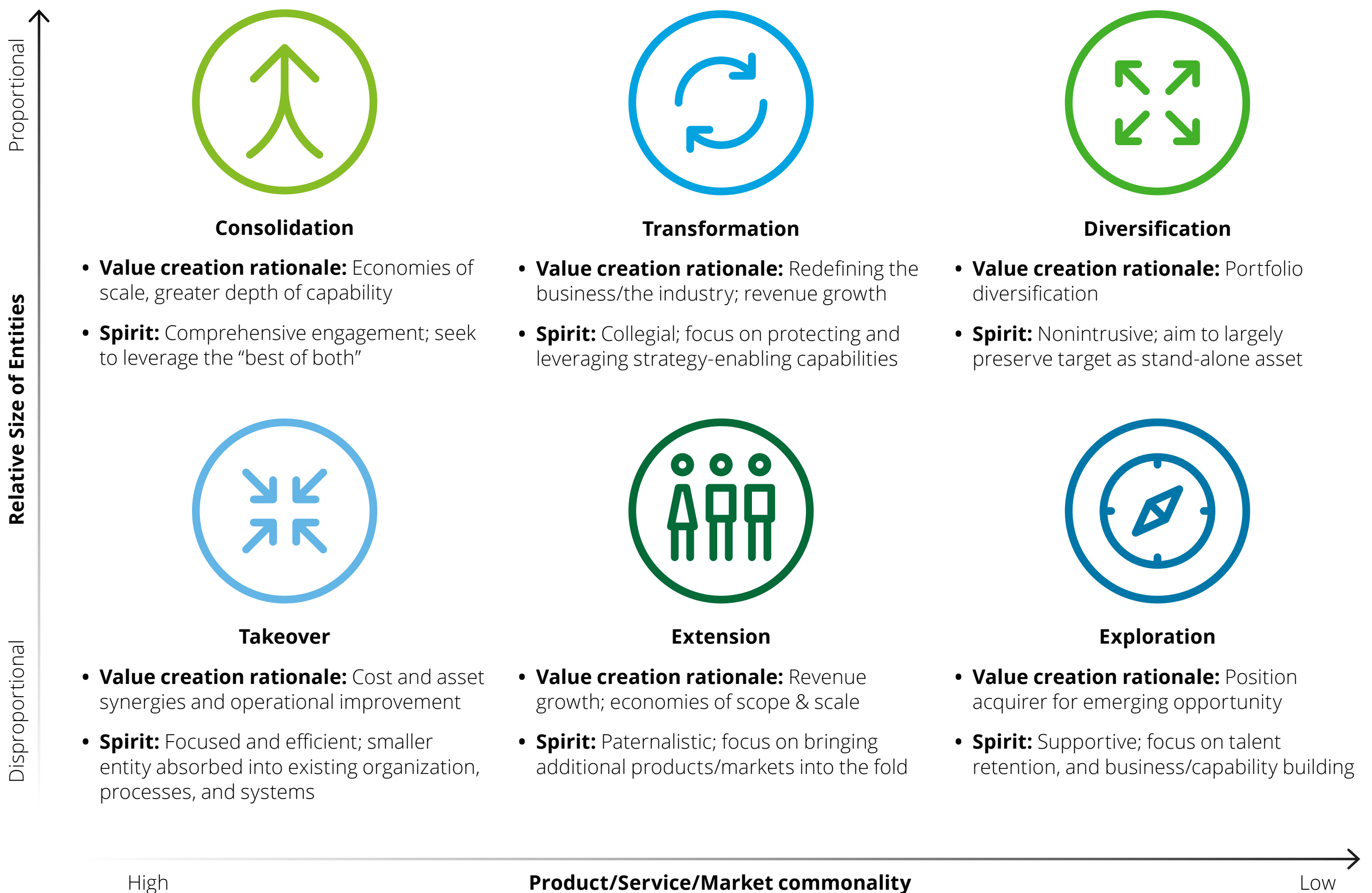
Disruptive M&A integration—planning and priorities

Disruptive integration planning needs to be considered well before day one and the questions need to be reframed as:

- Which integration activities will drive value and ought to be prioritized?
- How ready is the parent to undertake effective integration and what investment is required to deliver growth and value?
- What can the parent learn from the target to transform itself and avoid being disrupted in the future?

The integration priority matrix (see figure 13) outlines the relationships between deal type and type/degree of integration, ranging from traditional integration to disruptive ones. Disruptive M&A deals are typically either extensions into adjacencies or explorations into new categories and markets. The higher the degree of commonality between the acquirer and target—in terms of products and services, innovative culture, size in terms of revenue and number of people, market and brand positioning, and attitude to risk—the sooner full integration should begin. The opposite is also true. Therefore, the challenge is to determine how these elements should be integrated and when they should be brought into compliance with standard industry processes for a large corporate.

Figure 13. Integration priority matrix



Source: Deloitte

When considering the disruptive integration strategy, the acquirer should consider whether there is alignment with the target on the following aspects:

- **Strategic blueprint:** Where does the business expect to be in two to five years, and what will the acquirer actively support vs. leave as autonomous during this period?
- **Degree of operational control/integration:** What degree of operational autonomy and decision-making will be given to the target's founders once acquired? The founders will be used to decision-making autonomy and will view quick decision-making as a key component of their success to date. Determining the degree of operational autonomy with aligned incentives will, therefore, be key to both management retention and delivering the right growth strategy. Strong senior executive sponsorship will be required to see it through.
- **Talent and culture:** What incentives and measures will be put in place to retain the founders and key staff, and how should cultural differences be addressed? Early decisions are required on the type of incentives that will be offered to retain and motivate key staff members of the target. Of critical importance is the incentives package that will effectively motivate the target company's founders and key staff to align their objectives to the new corporate parent in a meaningful way.
- **Investment in product/service:** What level of investment and cross-sell support is required to deliver the predicted revenue synergies for the deal? The acquirer may need to calibrate both the expected rate of return and overall risk appetite in years one to two to ensure the business is given sufficient license to both grow and adapt simultaneously.
- **Operating model:** What type of operating model design will best deliver the benefits and what degree of control is required from day one? For example, should finance and HR be fully integrated, while customer-facing functions are left alone for year one? The proposed operating model will need to be designed to support the growth priorities of the business, while retaining sufficient control and governance to enable management to track progress and decide how to develop the business over time.

Cultural considerations

By undertaking a disruptive acquisition—whether it is a defensive move or to gain competitive advantage—management is signaling change in the market. But they also need to signal change within the business.

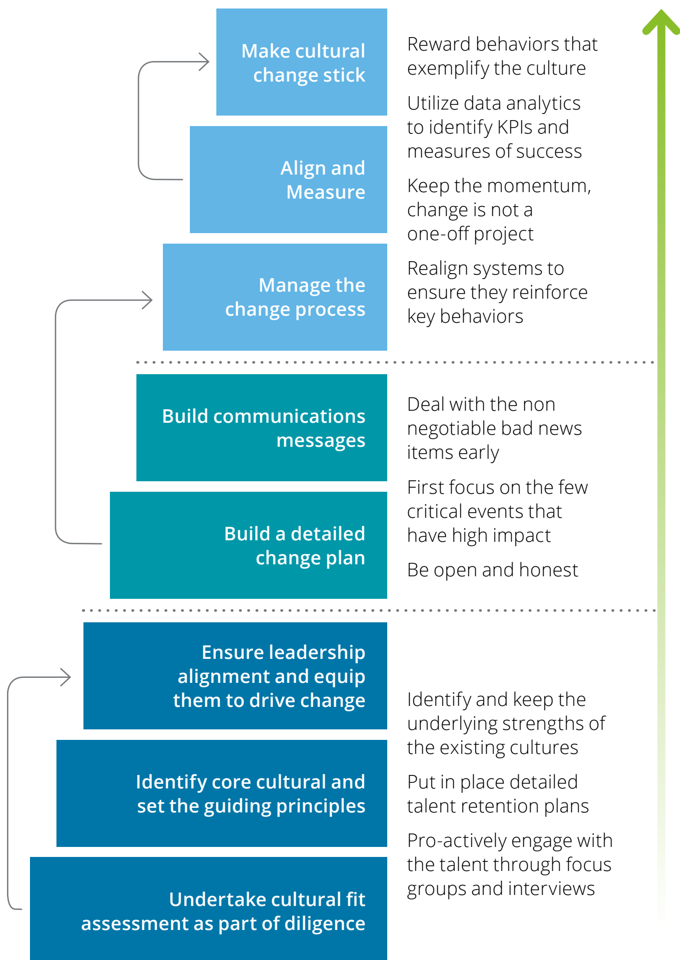
CEO and board commitment will be required to effectively implement the required changes and enable the acquirer to both support the target's growth and become a more innovative and nimble business in the process.

A major consideration for acquirers is the willingness to tolerate different cultural norms within the business to retain the innovative spark that led to the success of the target.

Commitment to retain the innovation culture within the target is key, while also assessing which aspects of the buyer's culture will be brought to bear over time. The target's agile culture will typically feature autonomous, empowered, and loosely coupled teams that are willing to address ambiguity, change, and risk to drive expansion and innovation. The acquirer, therefore, needs to balance the degree of cultural integration with how this would actually impact the growth agenda (see figure 14).

Figure 14. The building blocks for successful cultural integration

The building blocks for successful cultural integration



Delivering expected returns

Implementing an effective synergy-tracking process will be key to both assessing if the returns have been realized and providing input on whether "course correction" is needed during years one and two.

Lessons learned from disruptive deals that can help drive value include:

- Don't declare victory on day one. Follow through on the rationale regarding how and when to integrate and retain executive sponsorship throughout year one at a minimum.
- Track revenue synergy delivery and ensure regular interaction between the integration director and target management throughout year one to enable course adjustments in terms of investment, degree of autonomy, and support from the rest of the business.
- Learn from the target and adapt the business to take advantage of the target's customer insights and intellectual property.
- Flex the risk appetite and associated investment approach in line with the strategic deal rationale and be prepared for a longer return timeline.
- Decide on the core cultural integration direction from day one and support the management team in the decision through the journey.
- Minimize the set of key performance indicators (KPIs) to focus on key areas—including cross-sell revenues, product development costs/R&D, staff retention, and customer revenues.

CREATING VALUE AND DELIVERING ON THE EXPECTED RETURNS

Considerations to help drive success:

- An understanding of the true degree and pace of integration that is required to gain control and deliver benefits.
- An understanding of what changes are required to the parent business to support the growth of this disruptive acquisition.
- Integration efforts should concentrate on revenue synergies, growth and scalability, rather than just cost containment.

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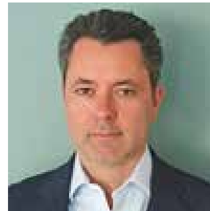

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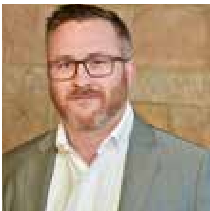

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Endnotes

1. Deloitte analysis based on data from Pitchbook.
2. Deloitte analysis based on data from Pitchbook.
3. Ibid.
4. Deloitte analysis based on data from CBInsights.
5. Deloitte analysis based on data from Pitchbook.

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