Executive Summary

Acquiring other businesses is a major component of many organizations’ strategies, but integrating acquired businesses is challenging and complex, which means that acquisitions frequently do not create financial value for the acquirer. Cisco, however, has a long history of successful acquisitions. Much of Cisco’s growth since it was founded in 1984 has been achieved through the acquisition and integration of 179 business units. The full article describes how Cisco’s advanced enterprise architecture (EA) capability contributes to the four phases of the acquisition process, and illustrates this by reference to the acquisition of Video Solutions (VS) Group.

Phase 1 (pre-acquisition preparation) starts well before a potential acquisition target has been identified. The challenge here is to make the acquirer “ready to acquire.” This phase includes the development of specific capabilities required to support acquisitions and takes place over a period of years. In Phase 2 (acquisition selection) the acquirer selects the right target to acquire, identifies threats to and opportunities for post-acquisition resource combinations and estimates their potential value. In Phase 3 (acquisition integration) the acquirer integrates the target. In Phase 4 (post-integration management) the acquirer addresses any organizational inefficiencies created during the integration.

A Generalized Acquisition Model for Using EA Capability to Support Acquisitions

From Cisco’s experience of using its EA capability to support the VS acquisition, we infer a general model of how EA contributes to the acquisition process. There are three key components: (1) the role of EA in aligning business and technology domains, which is critical to creating value from an acquisition; (2) viewing EA as an ongoing process of discovery, guiding the solutions to emerging problems; and (3) how EA contributes to the design of organizational transformation to leverage an acquisition’s potential business benefits.

An organization’s EA function guides the integration between business and technology domains across all four phases of the acquisition process. At Cisco, the successful outcome of the VS acquisition meant managing the balance between accomplishing the goals of a combined organization and the potential integration challenges. The interplay between business and technology domains was critical throughout the acquisition process.

Contribution of EA Capability to Acquisition Outcome

The orchestrating role in Cisco is enabled by structurally positioning EA as a cross-functional capability, sitting between the business and IT functions. The business and technology sides of the EA capability are coupled through the link between basic service function architects and chief architects who typically work in pairs, with capabilities ranging from business to technology enablement.

How EA contributes by enabling a dynamic process of discovery is illustrated in the figure on page 1, where enterprise architecting is represented as an arrow—i.e., as a process not a state.

The contribution of EA to understanding the way in which an acquisition relates to the broader context of concurrent organizational transformations is depicted in the figure as two cyclic streams, one representing an acquisition stream and the other a general strategic transformation stream, with both streams passing through the acquisition process.

1 The full article is published in the December 2015 issue of MIS Quarterly Executive, available online at www.misqe.org.
Lessons Learned

We have distilled five key lessons from Cisco's use of its EA capability in its acquisition-based growth strategy and, in particular, from the VS case study. The first lesson is concerned with the way in which EA capability is used and applies to all phases of the acquisition process. The other four apply to each of the four phases.

Lesson 1: EA is a Dynamic Process. An EA capability enables an ongoing process of discovery for an organization on how its current state relates to its future business, operations, systems and technology. The enterprise reference model is always an incomplete representation of the company's capabilities. For acquisitions, the critical task is to ensure that the enterprise architecture of the company at any time is fit for purpose in the critical areas and is available as required. The emphasis is on “architecting” rather than “architecture.” This differs from the more traditional view of EA as a complete and accurate representation of a company.

Lesson 2: Reduce the Number of Integration Problems. To be acquisition ready (Phase 1), organizations must invest in EA resources. To reduce the number of problems arising in acquisition integration projects, rather than becoming better at resolving them during the acquisition process, the acquirer should identify those elements that could contribute to a difficult integration project and use its EA capability to manage them.

Lesson 3: Use Pairs of Business and Technology Architects. The challenge during the selection phase is to envision how the combined organization should work, and to identify potential roadblocks to realizing this vision. Pairs of business and technology architects with ongoing responsibility for specific capability areas form a crucial bridge between the business and technology domains. Over time, the architect pairs accumulate knowledge about how business capabilities are technologically enabled.

Lesson 4: Make Acquisition Integration Part of Ongoing Business Transformation. Companies that use their EA capabilities to orchestrate ongoing transformations can use those capabilities in the acquisition integration phase to ensure the integration is synchronized with other transformation initiatives. This enables a more efficient integration phase, because less rework has to be done and the disruptive effects of organizational transformation can be minimized.

Lesson 5: Digital Traces Point the Way Ahead. The dynamic outcomes of an acquisition project must be measured to prevent the project from drifting from the desirable business state (Phase 4). Critically, the integrity of affected resources must be rapidly restored so that the acquirer is ready for the next acquisition challenge. Using EA capability in the earlier phases ensures that documentation on acquisitions and integration is produced. These “digital traces” include the pre-acquisition and post-acquisition reference models, which can be used to evaluate how the acquisition has impacted the IT infrastructure. Post-acquisition evaluation can also investigate the extent and causes of “drift” during the acquisition process.

In conclusion, acquiring business units is a common and challenging component of many corporate growth strategies. Drawing on an advanced EA capability in the acquisition process can improve the value created from acquisitions. In many organizations, the purpose of EA is to enable the translation of strategic initiatives, based on a corporate vision, into executable components that can be operated and measured. In such organizations, it is highly likely that EA would have a meaningful impact on their ability to remain agile, responsive and adaptive to a changing business environment. The key is to focus efforts on major business transformations and to develop models that enable rapid and agile acquisition processes for translating strategy into execution “just in time.”