

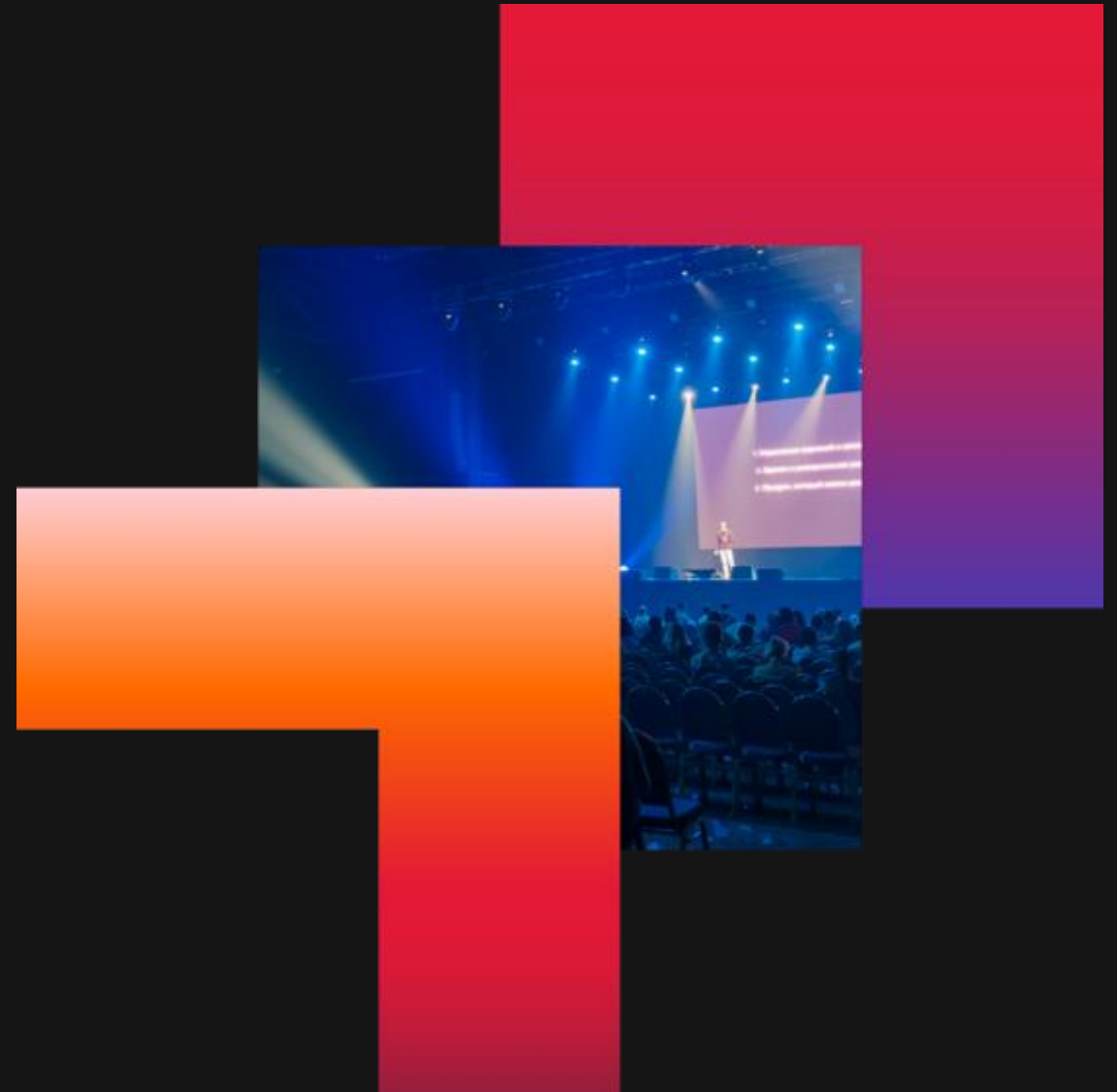
Better, Not Just Bigger

Excelling at M&A in a Consolidating Industry

Kevin Poe

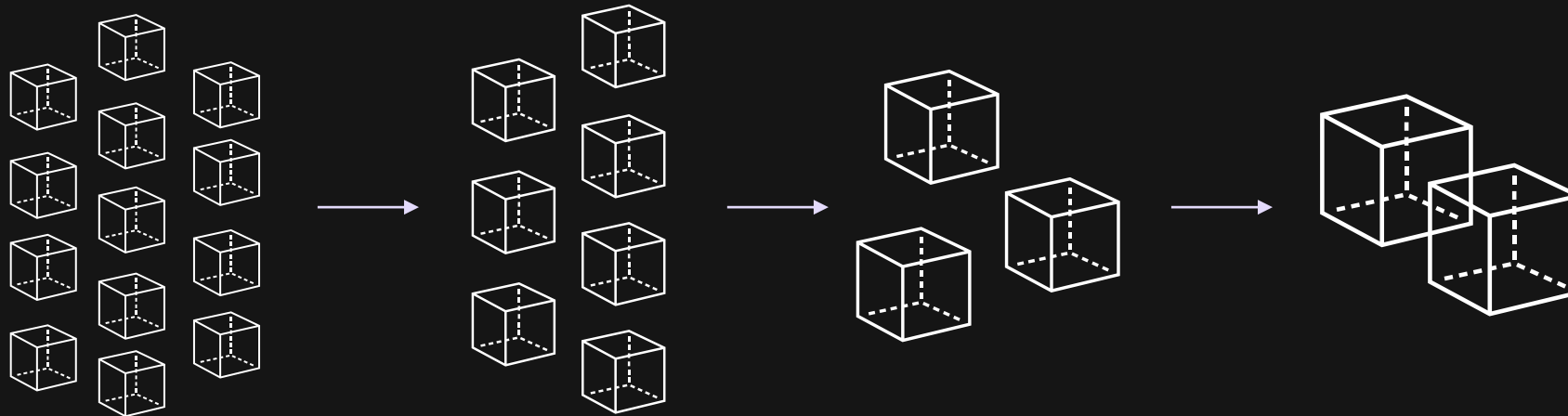
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M&A is happening, whether you like it or not...

- ✓ Canada's Credit Union system has been consolidating for decades, with **no end in sight**
- ✓ Drivers for consolidation remain and grow
 - **Scale pressures** - technology investment, competition, regulatory complexity
 - **Member needs** - multi-channel experience, branch access, etc.
 - **Regulatory and operational fragmentation** - adds friction



...But most are not built to do it well once, much less repeatedly

Most firms (not just CUs)
treat M&A as a **one-time**
(or even **once-in-a-**
lifetime) event

Primary source for leading
practices comes through
outside help that is
engaged after deal is struck

It doesn't have to be this way...

Core tension: Balancing Speed & Effectiveness



Deliberate investment required

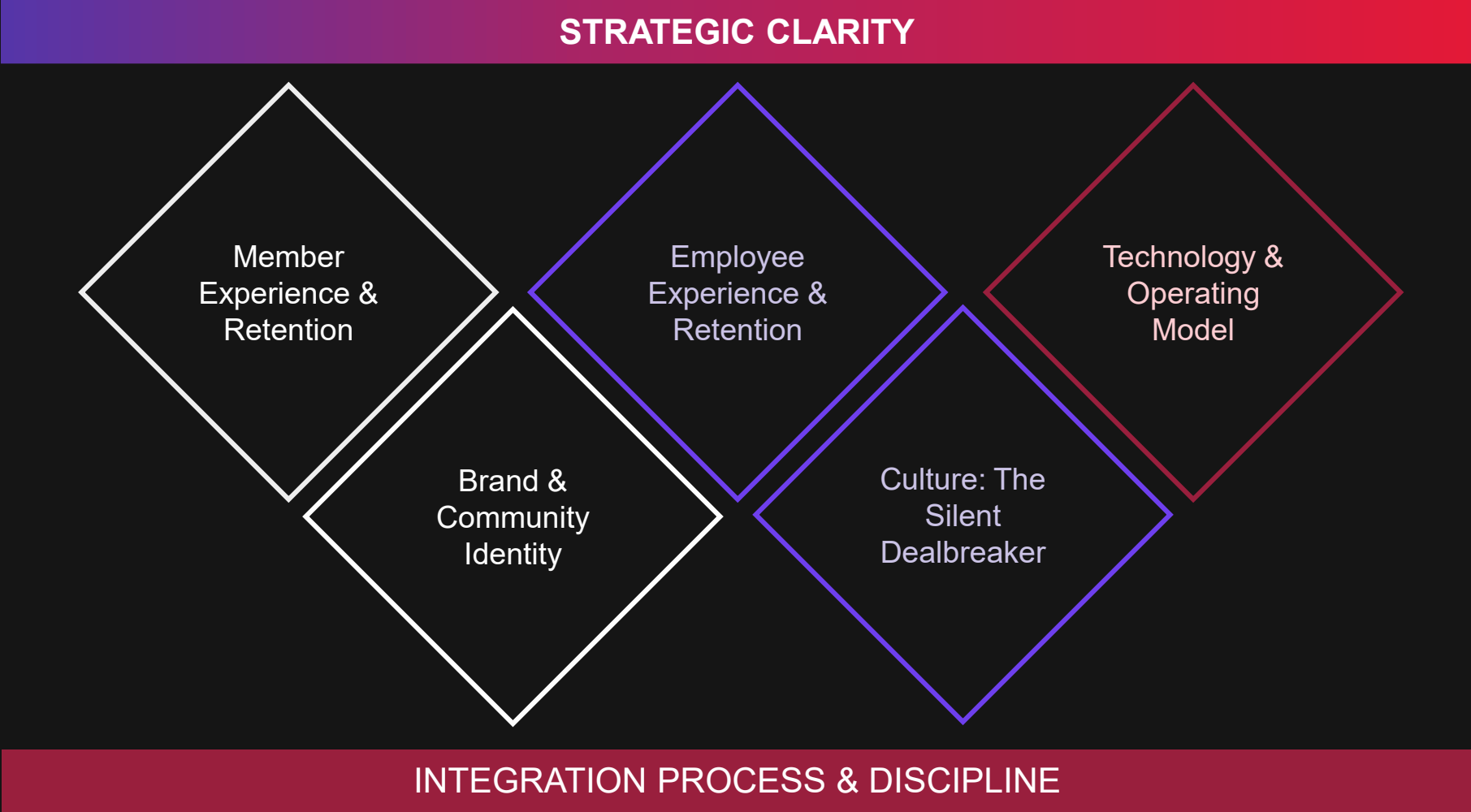
- Culture integration
- Community transition
- Leadership alignment

Fast decisions needed

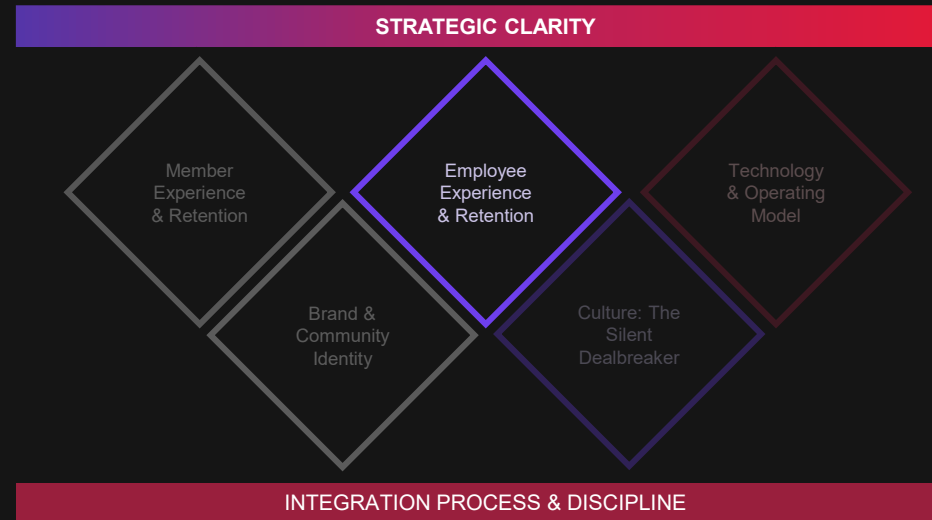
- Org structure
- Systems roadmap
- Cost actions

Strategically decisive...Operationally fast...Culturally deliberate.

Elements of M&A Excellence



Employee Experience & Retention



Employee experience success mirrors member experience

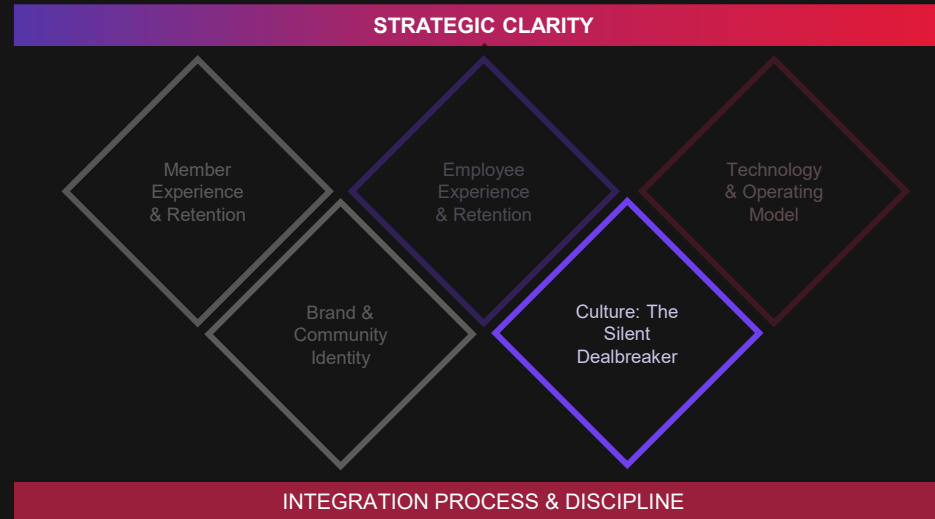
- Starts at deal announcement...**then never really ends**
- **Skepticism/doubt** is default mindset
- Trust earned (or damaged) with **each interaction**, particularly early on
- **Communication** frequency and transparency essential
 - Try to minimize disruption of initial surprise/paralysis
 - Too much communication can backfire if low signal-to-noise ratio

Key employee experience challenges and risks

- **Top talent** often exits – or decides to exit – within 6 months
- Middle management **disengagement**
- **Role ambiguity** quickly breeds deep-seated frustration

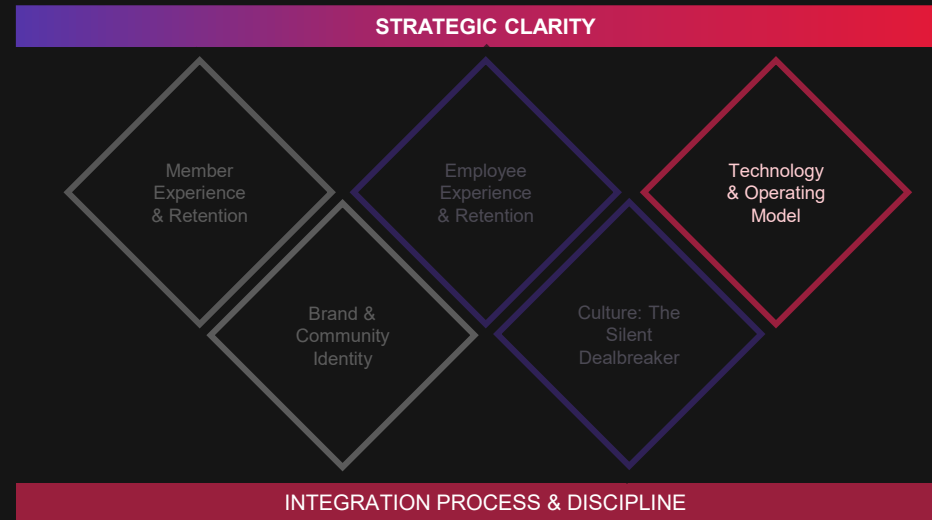
Culture: The Silent Dealbreaker

- Culture has multiple layers...all matter
 - Stated values
 - Decision norms (how)
 - Power structures (formal and informal)
- But where leaders focus is often wrong



Layer	Typical Integration Focus	Actual Risk
Values: <i>What we say</i>	High	Low
Decision norms: <i>How we operate</i>	Medium	High
Power structures: <i>Who actually decides</i>	Low	Very High

Technology & Operating Model



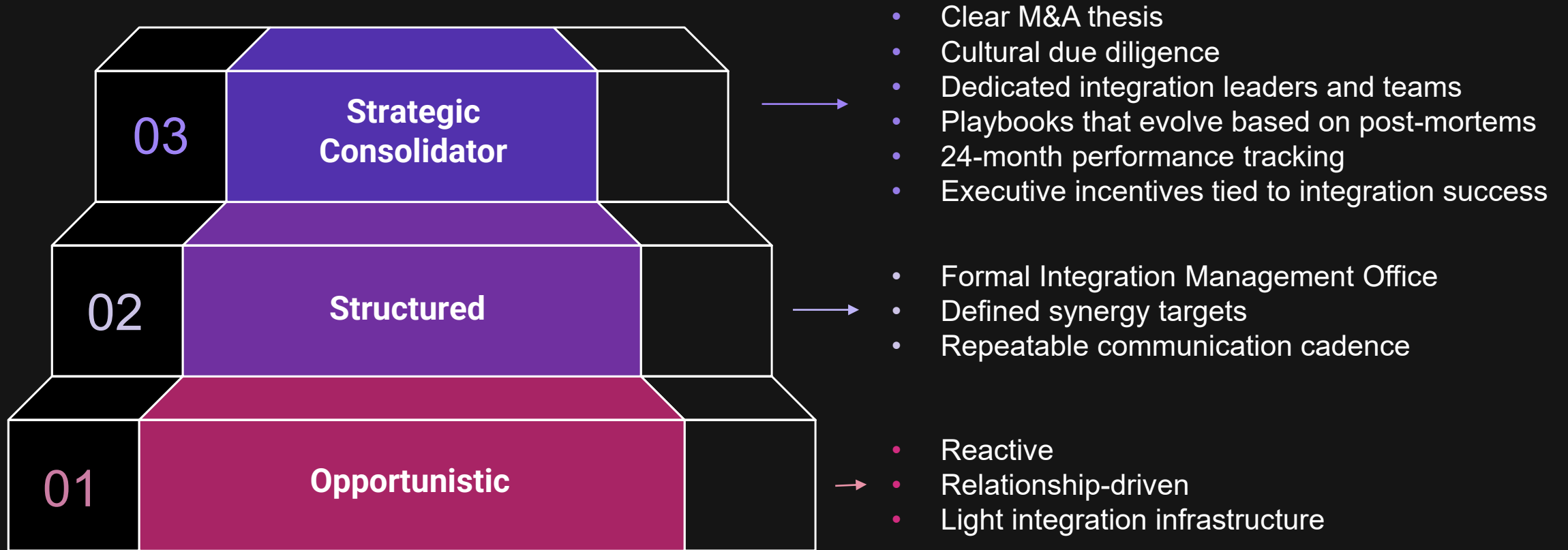
Challenges to seamless integration

- **Vendor fragmentation**
- **Legacy** systems
- **Political compromise** on platforms
- **Deferred actions** “to protect culture”

Leading practices

- **Single-core** discipline
- **Aggressive** conversion timelines
- **Dedicated** integration leaders and teams
- Clear and communicated synergy **targets**

From Occasional Merger to Strategic Consolidator



In a consolidating ecosystem, scale is not the advantage... **Integration capability is**

Insights from U.S. Banking M&A

1

Serial acquirers outperform



2

Cost synergies are captured fast — revenue synergies rarely are



3

Technology standardization drives long-term outperformance



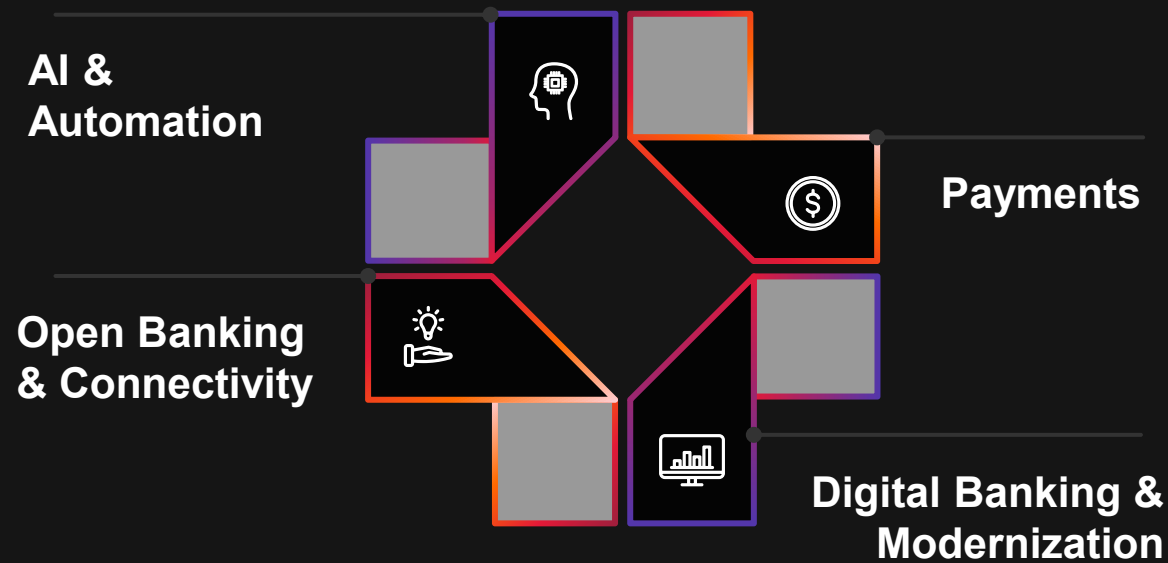
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Talent flight is predictable



Key Takeaways

- **Do not wait...** establish foundational elements and update regularly
 - M&A strategy (board-level)
 - Integration leadership assignments
 - Integration playbooks
- Excelling in dimensions of **Intelligent Credit Union** establishes solid foundation for M&A

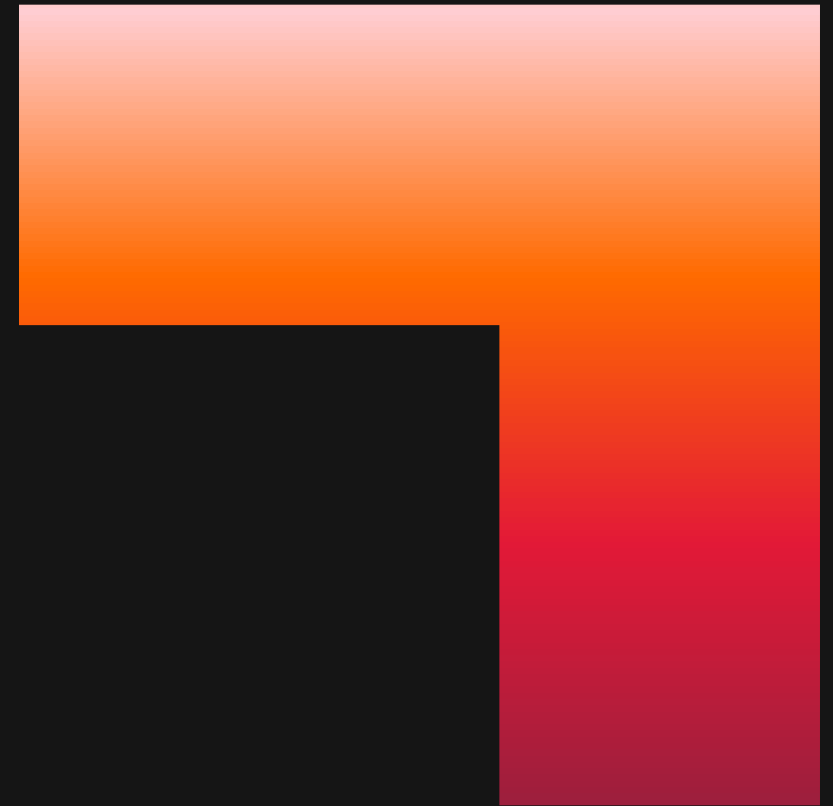


Insights you can act on

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