Essentials for Merger Success

Global research reveals impact of people experience on M&A deal outcomes

IselyASSOCIATES INTERNATIONAL
Capturing M&A Value Through People

Executive Summary

The genesis of this research was to add value to a new book, *The Dealmakers' Guide to Humans*.

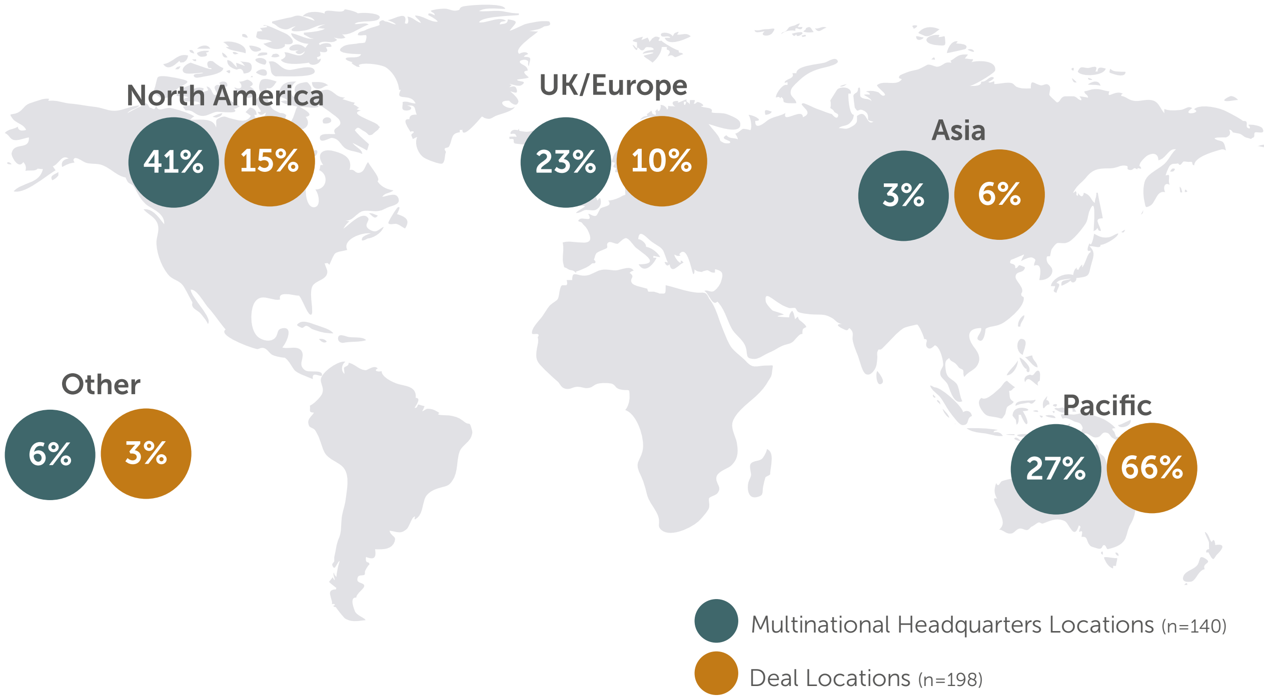
In this research we've **tested the relationship between deal outcomes and the personal experiences of business leaders and employees working and living through mergers**, acquisitions, divestitures and other scenarios where businesses are joined together or taken apart. See **Appendix 1** for details about the project, approach and methodology.

We examined 198 deals (more than 60% of these cross-border) across deal type, organization type, industry and geography. Input has been provided by business leaders, M&A team and people function team members, as well as employees, board members and advisors. See **Appendix 2** for details about the sample.

We found that:

- People experience predicts deal outcome
- Leadership and Clarity predict people experience
- Clarity also predicts deal outcome
- Culture is seen to pose the greatest challenge
- M&A Fundamentals – Clarity, Capability and Execution – have significant relationships to both people experience and deal outcome.

To improve the probability of meeting deal objectives, organizations must: invest early and well in things that improve Leadership effectiveness and Clarity; tackle the Culture challenge head on, beginning with their own culture; and ensure they have Capability and Execution fundamentals well in hand.



Contents

Introduction

❝In this transaction the organizational objectives were not met, but could have been with more energy and involvement from the key players in the acquisition. More engagement by the CEOs and senior executives would have provided inspiration and better guidance to those implementing the transition.

— **Integration Lead, Hostile Takeover**

In 2019, the value of global M&A deals was 3.7 trillion U.S. dollars.[1] Towards the end of the year there was broad consensus around global 2020 activity softening somewhat, with conditions improving for 2021 and beyond. That was before the COVID19 pause, followed by the robust deal making resurgence that fueled a record-breaking 2021.

Whilst some organizations hit "pause" on deal activity, others adapted and moved with gusto to create value in uncharted territory. Either way, the fundamentals for deal success and the impact of M&A activity on value creation in organizations over time have not changed.

When companies grow their operating earnings consistently over time total shareholder return is maximized. And the market doesn't care whether earnings growth comes from M&A or from organic investments. Companies that participate in the M&A market in a material way, and frequently, have a return profile almost two times that of companies that either don't participate in M&A, or only participate episodically.[2]

Many deals still fall short of meeting established success criteria, in spite of frequent acquirers improving how they go about it. Debate continues about the right things to measure, and over what time period, to determine whether or not a deal is successful. Putting these debates aside, the typical things that go wrong in unsuccessful deals are:

- Deal terms that have made a merger's economics unachievable from the start
- Poorly quantified synergies *[and revenue targets]*
- Lack of specific accountability for synergy *[and revenue]* realization
- Under resourcing of *[deal and]* integration teams
- Lack of attention from business leaders.[3]

All of these can be traced back to human factors. Acquirers continue to underestimate the time, complexity, and cost of getting human beings to do what needs to be done, and generally leave it too late to address these issues effectively. Failure to articulate and effectively communicate deal rationale/strategy and what this means for the future, along with underinvestment in leadership capability and culture management, impact heavily on M&A execution.

Mergers are pivotal career moments for senior executives. As such, they bring either kudos and professional advancement, or the harsh reality of failing, learning and having to reinvent. How executives and their teams fare depends on how well they prepare and take charge, whatever transpires.

When we say M&A or "deal" in this report we mean mergers, acquisitions, joint ventures, divestitures, takeovers and other similar transactions where businesses are joined together or taken apart.

1 Sourced from Institute for Mergers, Acquisitions and Alliances (IMAA) by © Statista 2020 .
2 Les Baird, Shikha Dhar, David Harding and Peter Horsley, "Using M&A to Ride the Tide of Disruption", Bain M&A Value Creation Study, (2018) pp. 55-60.
3 David Fubini, Colin Price and Maurizio Zollo. Mergers: Leadership Performance and Corporate Health. (New York, NY: Palgrave MacMillan 2007). [Bracketed text added by author.]

"There were winners and people lost out. The people who did well were adaptive and willing to do everything possible to make their plans work, or at least be honest that the plans were unachievable before it became a problem.

— Integration Program Leader, Cross Border Acquisition

More and more, the impact of Leadership mindset is cropping up in the research and published work. Some of the first research in this area was documented in a Harvard Business Review article by Roger Martin. He begins with the well-worn premise that, *"M&A is a mug's game in which typically 70%–90% of acquisitions are abysmal failures"*, and then asks why this is so. The hypothesis Martin confirms is surprisingly simple: organizations that focus on what they are going to get from an acquisition are less likely to realize expected benefits than those that focus on what they have to give.[4]

Something for Dealmakers everywhere to contemplate in a quiet moment – that business leaders' collective mindset will impact on deal outcomes! The messages that leaders send through the language they choose, the behaviours they role model and the decisions they make will set the tone for success or failure. Very subtle, easily overlooked in the hurly burly of a transaction, and very powerful indeed.

Also in play is the groundbreaking research by Jacob Morgan that quantifies the impact of employee experience on business performance in no uncertain terms. Morgan demonstrates organizations that invest heavily in culture, technology and work environment grow revenue at twice the rate and are more than four times more profitable than organizations that don't.[5] This begs the question about how this might translate to M&A deal performance.

In this research we've tested the hypothesis that when people have a positive deal experience, deal objectives are more likely to be met than when the people experience is negative. We've covered the range of people involved in deals from boards and external advisors to business leaders, deal and integration team members, people function team members and employees.

We've built on Bain's longitudinal research[6], the Fubini/Price/Zollo work on M&A Leadership[7], Martin's work on deal success factors and Morgan's employee experience research. Our headline findings are that People Experiences will make or break your deal, Clarity and Leadership will make or break your People Experiences and Culture is seen to be the biggest challenge.

In this research, we also identify other factors that contribute to realization and preservation of deal value. These fundamentals must be high on every dealmaker's agenda because they are potentially powerful derailers that can be addressed with the right insights and preparation. Even organizations that have the tools and know what needs to be done often don't act early enough to avert failure.

4 Roger L Martin, "M&A: The One Thing You Need to Get Right", Harvard Business Review (June 2016): pp. 42–48.
5 Jacob Morgan. The Employee Experience Advantage. (Hoboken, New Jersey: John Wiley & Sons 2017).
6 Les Baird, Shikha Dhar, David Harding and Peter Horsley, "Using M&A to Ride the Tide of Disruption", Bain M&A Value Creation Study, (2018).
7 David Fubini, Colin Price and Maurizio Zollo. Mergers: Leadership Performance and Corporate Health. (New York, NY: Palgrave MacMillan 2007).

Research Highlights

People Experiences make or break deals

4.5 times

23 times

Successfully **meeting** deal objectives is **4.5 times more likely** in deals where people have a **positive experience** than in deals where people have a negative experience. When we exclude deals where objectives are "partially met", basing our analysis only on full successes or complete failures, these odds shift to **23 times more likely**.

People experience was measured first by asking survey respondents about how they personally experienced the deal described in their survey response. We used a 6-point scale ranging from "one of the worst experiences of career" to "one of the best experiences of career". We then asked participants to estimate the experience of the majority impacted, using the same scale. In both questions, we allowed for participants to answer "Unable to say".

Deal outcome was measured by asking survey respondents whether objectives were met in the deal described in their survey response. We used a five-point scale ranging from "Yes. Exceeded expectations." to "No. Value was destroyed." In addition, we allowed for participants to answer "Too early to tell" and "Unable to say".

Clarity and **M&A Leadership** predict people experiences

4 times

3.5 times

Clarity

People having a positive deal experience is **4 times more likely** when **Clarity** is not mentioned as a **challenge and 3.5 times more likely when Clarity** is not mentioned as something that **went wrong**.

Clarity is mentioned as a **challenge in 68%** of deals; in **28%** of deals, **Clarity** is mentioned as something that **went wrong.**

Clarity is mentioned as something that **went wrong 2.5 times** more frequently in deals where people have a negative experience, as compared to deals where the experience is positive.

3 times

5.6 times

M&A Leadership

A positive people experience is **3 times more likely** when **Leadership** is not mentioned as a **challenge and 5.6 times more likely when Leadership** is not mentioned as something that **went wrong.**

In **34%** of deals **Leadership challenges** are mentioned; in **24%** of deals **Leadership** is mentioned as something that **went wrong;** and in **29%** of deals at least one **Leadership lesson learned** is mentioned – mainly focused on the top team.

Leadership is the word most frequently used (only behind the combined total of employees/people) in response to the question "What were the biggest **lessons learned** from the experience (i.e. what could have been done differently to improve outcomes)?". Finally, **Leadership** shows up as *the* top theme participants mention when we look into the reasons behind significant findings related to employee experience.

Clarity also **predicts** deal outcome

3.9 times

Meeting deal objectives is **3.9 times more likely** when **Clarity** is not mentioned as a **challenge.**

As previously indicated, **Clarity** is mentioned as a **challenge in 68%** of deals; and in **42%** of deals **Clarity** is mentioned as something that **went well**.

In deals where objectives are not met, **Clarity** is mentioned as a **challenge** in more than **seven times** as many deals as not mentioned.

And **Clarity** is mentioned as something that **went well** in deals where objectives are met **37%** more frequently than in deals where objectives are not met.

Culture poses the biggest challenge

44% of deals

In **44%** of deals, **Culture** is mentioned as a top **challenge**, and **Culture** is the word used most frequently in response to the question "What were the two (or three) biggest challenges faced?".

In deals where **Culture** is mentioned as something that **went wrong** there is little difference in whether deal outcomes are met or not met. However, in deals where **Culture** is *not* mentioned as something that **went wrong**, deal objectives are met more than **three and one half times** more often than not.

Culture that **went wrong** also is mentioned in more than **twice as many** deals where people have a negative experience than where the experience is positive. And when people have a positive deal experience, **Culture** is mentioned as something that **went wrong** in only **8%** of these deals.

Culture is mentioned as a **challenge 16%** more frequently in deals where people have a negative experience than in deals where the experience is positive.

Although not directly predictive, **Culture** is one of the top mentions in all significant findings that relate to three M&A Fundamentals – **Clarity**, **Capability** and **Execution**.

When we say **Clarity,** we mean that the context of the deal is clear, documented and easily communicated. This includes current business environment, purpose, strategy, expected outcomes, business model and organization culture. In addition, **Clarity** includes deal rationale and the impact of the deal on: business purpose, strategy, expected outcomes, business model, organization culture, employees, customers and key partners.

When we define **M&A Leadership Effectiveness** we start with a borrowed working definition[8] – "The successful exercise of personal influence by an individual, which results in accomplishing one or several goals as a result of the coordinated efforts of those who are led." And then we add an M&A twist to describe the importance of **Intentional**, **Influential** and **Galvanizing** leadership capabilities.

Culture is "the patterns of behavior that are encouraged, discouraged [and tolerated[9]] by people and systems over time."[10] In this work we reference both organizational and national culture.

8 Dr. Jon Warner, "What Constitutes Leadership Effectiveness?", Ready to Manage (blog), September 20 2013, http://blog.readytomanage.com/what-constitutes-leadership-effectiveness/.
9 Carolyn Taylor. Walking the Talk: Building A Culture For Success (Revised Edition). (New York, NY: Random House Business, 2015).
10 Les Dakens, Peter Edwards, Judy Johnson and Ned Morse. SwitchPoints: Culture Change on the Fast Track to Business Success. (Hoboken, New Jersey: John Wiley & Sons, 2008).

Team development benefits for the taking

This research provides quite a lot of commentary about the benefits participants receive as a result of working on a deal. **Team** is the most frequently used word when participants answer the question “What went particularly well?”.

When deal outcomes are realized, and even when things go horribly wrong, participants overwhelmingly describe their personal experiences as positive because of what they learned and the relationships they forged in the heat of the deal. The value of making M&A project opportunities available for future leaders and leveraging the capability that can be built during the course of transactions is priceless and should never be overlooked.

Time references feature in lessons learned

Time references are another pattern in this research – mainly about the pitfalls of leaving things too late and underestimating how long things will take; or about the benefits of planning ahead and making it possible to work at pace. In almost one quarter of deals, at least one lesson learned about the use (or misuse) of time is mentioned.

What did we find to be directly associated with deal outcome?

Meeting deal objectives:

... is **23 times** more likely when people have a **positive experience**

... is **3.9 times** more likely when **Clarity** is *not* mentioned as a **challenge**

... has significant associations with **Leadership**, **Clarity**, **Execution** and **Culture**

Statistically Significant Relationships

Predictive → Association ◄····►

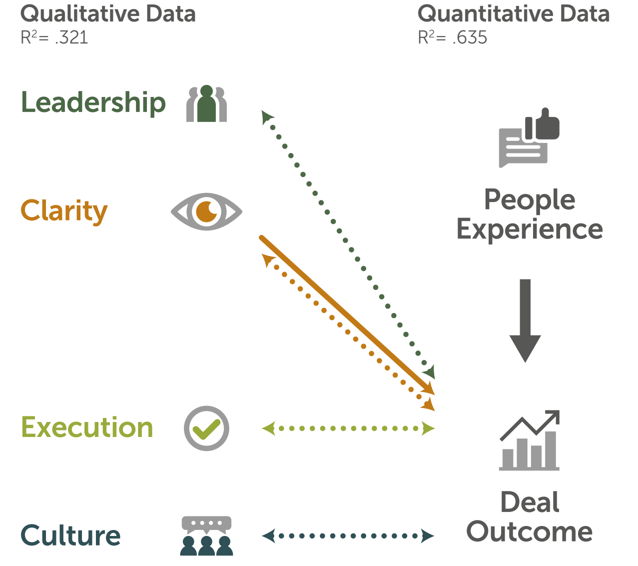


Figure 1: Summary of Statistically Significant Relationships with Deal Outcome

What did we find to be indirectly associated with deal outcome (i.e. through people experience)?

Positive people experience:

... is **3 times** more likely when **Leadership** is *not* a **challenge** and **5.6 times** more likely when *not* something that **went wrong**

... is **4 times** more likely when **Clarity** is *not* a **challenge** and **3.5 times** more likely when *not* something that **went wrong**

... has significant associations with **Leadership**, **Clarity**, **Capability**, **Execution** and **Culture**

Statistically Significant Relationships

Predictive → Association ◄····►

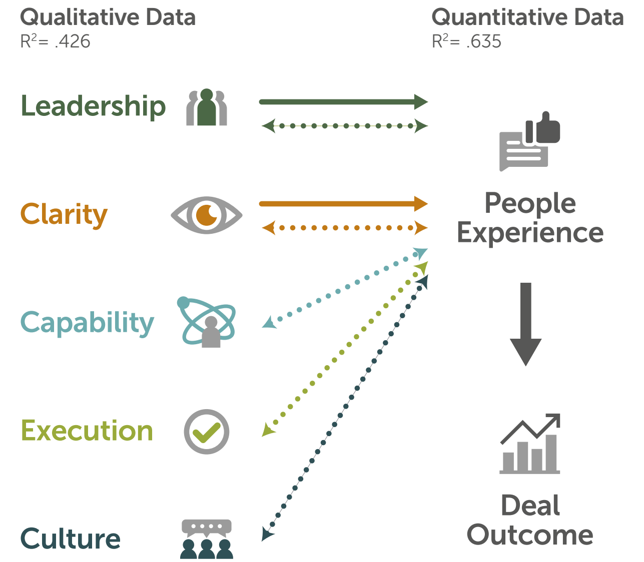


Figure 2: Summary of Statistically Significant Relationships with People Experience

Detailed Findings

The Relationship Between People Experiences and Deal Outcomes

We have undertaken logistic regression analysis to examine whether, and to what extent, deal outcome can be predicted by the experiences people have when working (and living) through all stages of an M&A transaction. Full results are presented in Appendix 3.

In short, **people experience** makes or breaks a deal. When organizations improve how people experience a deal, they also will improve deal outcomes.

Specifically, we discovered that **meeting deal objectives** is **4.5 times more likely** in deals where people have a **positive experience** than in deals where experience is negative.

And when we exclude deals that only "partially met" objectives (i.e. we compare deals that fully met or exceeded objectives with deals that did not meet objectives or destroyed value) we found that the **likelihood increases from 4.5 to 23 times**.

The probability of these results having occurred by chance is extremely low – less than one one-hundredth of a percent. Said another way, it would be less than one in 10,000 odds that either of these results occurred by chance. Whilst we can't attribute cause, we can, with certainty, count on the predictive nature of these relationships.

But which comes first, the people experience or the deal outcome? How can we be sure that it is not the outcome driving the experience?

Neither happens by accident. It sits squarely with leaders to deliver expected deal outcomes by/whilst creating positive people experiences. People enjoy their work and perform at their best when they:

- Know what to do, why it matters and have what they need to deliver
- Experience mutual respect and trust
- Feel secure, included, considered, valued, engaged, motivated, committed and confident in their leaders.

Don't make the mistake to think that creating positive experiences for people at work is all about (for example) providing stand up desks and free food, or allowing pets in the office!

Creating positive people experiences should never take focus away from achieving deal outcomes. The crucial aspect is that people feel part of and contribute to something challenging, important and (ultimately) successful. Creating this requires both deliberately addressing M&A Fundamentals and building leadership effectiveness in the context of a deal.

> ***"Leaders need to be visible and involved, with Leadership conviction tested early. Calling it strong Leadership is too simplistic – M&A requires a certain style of Leadership and experience to remove barriers to the objectives.***
>
> **— Integration Program Leader, Cross Border Business Unit Amalgamation**

M&A Fundamentals

Framework

We have discovered that three M&A Fundamentals – **Clarity**, **Capability** and **Execution** – are significantly associated with both achieving expected deal outcomes and creating a deal culture that fosters positive people experiences. Our research findings highlight the significance of these relationships.

Clarity

When we say **Clarity**, we mean that the **context** of the deal is clear, documented and easily communicated. This includes current business environment, purpose, strategy, expected outcomes, business model and organization culture. In addition, **Clarity** includes deal rationale and the impact of the deal on: business purpose, strategy, expected outcomes, business model, organization culture, employees, customers and key partners.

Capability

Capability is all about **getting ready** by developing both organization and individual capability. This includes "business as usual" infrastructure and supporting systems; deal infrastructure and systems, process and tools; deal knowledge and experience; and securing access to skilled internal and external resources.

Execution

When we say **Execution**, we mean **getting things done** at all deal stages. Specifically, program establishment, resourcing, management and governance; tracking results; customer and salesforce management; communication program delivery; culture management; bringing supporting functions together to deliver what is required; and cultivating a positive mindset in support of achieving deal outcomes.

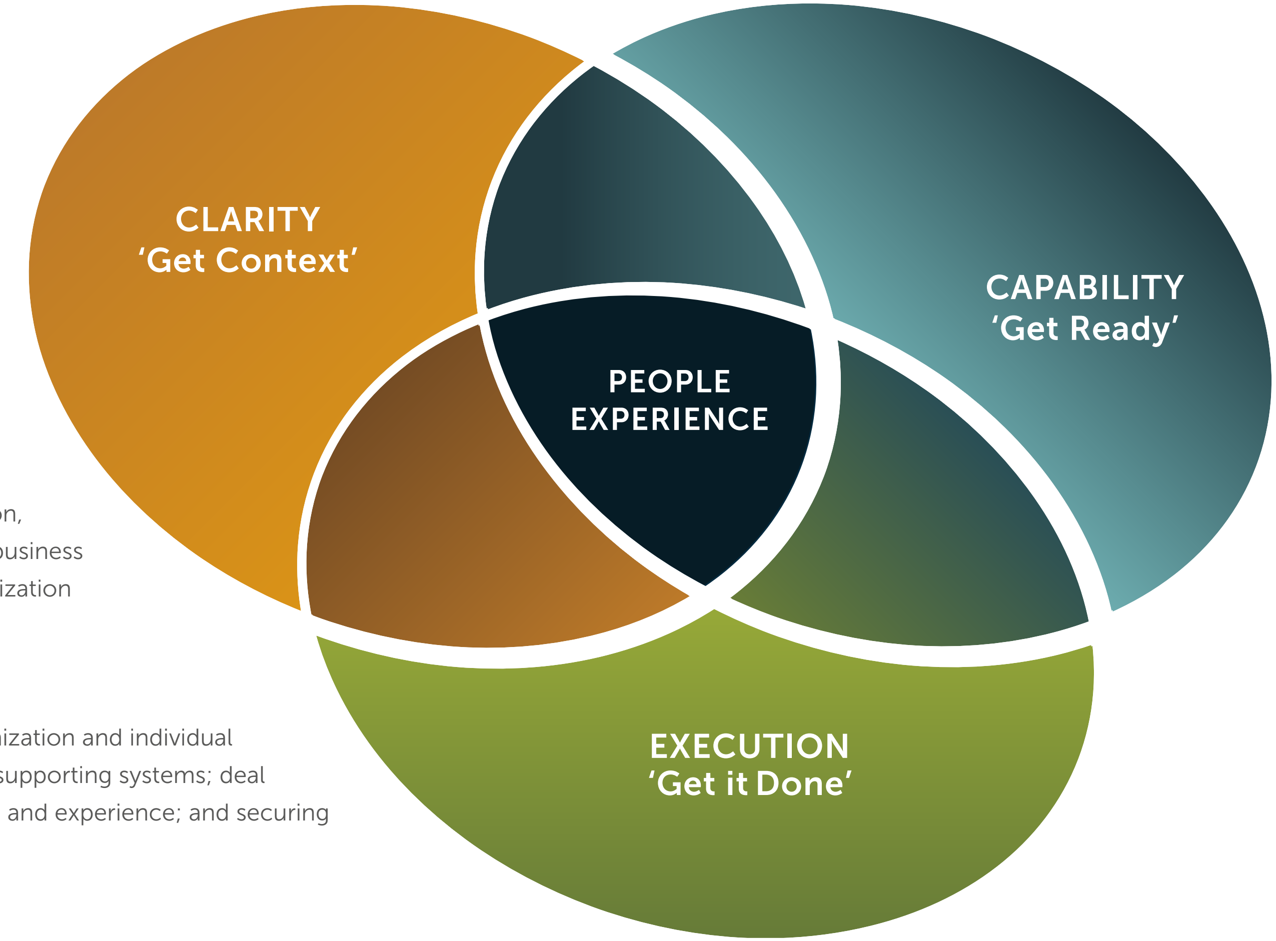


Figure 3: M&A Fundamentals Framework
(Source, Isely Associates International)

In the following sections we summarize significant findings about the relationship of these fundamentals with people experience and deal outcome; we also document what we learned about **Leadership**, **Culture** and **Communication**.

Clarity – Significant Findings

In **42%** of deals, **Clarity** is mentioned as something that **went well**. **Clarity** as a **challenge** is mentioned in **68%** of deals, and in **28%** of deals **Clarity** is mentioned as something that **went wrong.**

Clarity mentioned as something that **went well** is positively associated with deal objectives being met. And more importantly, when **Clarity** is not mentioned as a **challenge,** meeting deal objectives is **3.9 times more likely** and people having a positive deal experience is **4 times more likely**. When **Clarity** is not mentioned as something that **went wrong**, it is **3.5 times more likely** that people will have a positive experience. Details of the significant findings follow

When Clarity Mentions Increase ...	Significant relationships with deal outcome	Significant relationships with people experience
Clarity Went Well	**Clarity** is mentioned as something that **went well** in deals where objectives are met **37%** more frequently than in deals where objectives are *not* met.	No Relationship Found
Clarity Challenges	In deals where objectives are *not* met, **Clarity** is mentioned as a **challenge** in more than **seven times** as many deals as not mentioned. When **Clarity** is mentioned as a **challenge**, the odds that deal objectives will be met are **26%** of the odds that deal objectives will be met when **Clarity** is *not* mentioned.	**Clarity** is mentioned as a **challenge** in almost **four times** as many deals where people have a negative deal experience, as compared to deals where experience is positive. When **Clarity** is mentioned as a **challenge**, the odds of people having a positive experience are **23%** of the odds that people will have a positive experience when it is *not* mentioned.
Clarity Went Wrong	In deals where **Clarity** is mentioned as something that **went wrong**, deal outcomes are met as often as not met. However, in deals where **Clarity** is *not* mentioned as something that **went wrong**, deal objectives are met more than **four times** as often as not met.	**Clarity** is mentioned as something that **went wrong 2.5 times** more frequently in deals where people have a negative experience, as compared to deals where the experience is positive. When **Clarity** is mentioned as something that **went wrong**, the odds of people having a positive experience are **29%** of the odds that people will have a positive experience when **Clarity** is *not* mentioned.

Figure 4: Significant Relationships – Clarity Mentions with Deal Outcome and People Experience

Predictive Relationship

Significant Association

In summary, *not* mentioning **Clarity** as a **challenge** or something that **went wrong** is associated with greater likelihood that deal outcomes will be met, and with greater likelihood that people will have a positive experience.

Specific (and similar) **Clarity challenges** and things that **went wrong** can be seen to the right. Unique to **Clarity challenges** is the mention of future together and unique to **Clarity** things that **went wrong** is top team.

Clarity – Challenges (n=197)	Deals that Mention
Culture – Current	**22%**
Deal Rationale/Strategy	**19%**
Future Together	17%
Communication	**16%**
Culture – Combined	**10%**

Clarity – Went Wrong (n=185)	Deals that Mention
Top Team	9%
Deal Rationale/Strategy	**9%**
Culture – Current	**5%**
Culture – Combined	**5%**
Communication	**4%**

Figure 5: Clarity – What were the challenges? What went wrong?

Capability – Significant Findings

78% of participants mention that **Capability**, in some form, is something that **went well**, and **74%** of participants mention that **Capability** is something that **went wrong**.

Capability does not predict deal outcomes or people experience. However, **Capability** is mentioned more frequently as something that **went well** in deals where people have a positive experience, than in deals where people have a negative experience. Details of the significant findings follow.

> ***We gave adequate time to structuring exactly who will do what in the pre and post deal process, and those people were engaged early in the deal.***
> **— Business Leader, Local Business Sale**

When Capability Mentions Increase ...	Significant relationships with deal outcome	Significant relationships with people experience
Capability Went Well	No Relationship Found	**Capability** is mentioned as something that **went well 76%** more frequently in deals where a positive deal experience is reported than in deals where a negative deal experience is reported.
Capability Went Wrong	No Relationship Found	When **Capability** is mentioned as something that **went wrong** a negative deal experience is reported with about the same cumulative frequency as a positive deal experience.

Figure 6: Significant Relationships – Capability Mentions with Deal Outcome and People Experience

Predictive Relationship   Significant Association

Capability most frequently **went well** and **went wrong** (respectively) in the following areas:

Capability – What Went Well (n=193)	Deals that Mention	Capability – What Went Wrong (n=185)	Deals that Mention
Program Management/ Governance	23%	**Leadership/Leading Change**	**31%**
Leadership/Leading Change	**19%**	Culture	17%
Internal M&A Team	18%	**Communication**	**17%**
Deal Process	**16%**	Resourcing Levels	16%
Commercial	**16%**	Deal Experience	14%
Communication	**16%**	**Deal Process**	**14%**
HR	15%	**Commercial**	**10%**

Figure 7: Capability – What went well? What went wrong?

There are four specifics mentioned about **Capability** that **went well** in some deals and **went wrong** in others (leadership, commercial, deal process and communication). Commercial capability that **went well** is mentioned in **1.6 times** more deals than commercial capability that **went wrong**. And **Leadership** capability that **went wrong** is mentioned in **1.5 times** more deals than leadership capability that **went well**.

Uniquely, program management/ governance **went well** in **23%** of deals, and specific teams – M&A and HR **went well** in **18%** and **15%** of deals, respectively. Culture, resourcing and deal experience (in **17%**, **16%** and **14%** of deals, respectively) are things uniquely mentioned about **Capability** that **went wrong**.

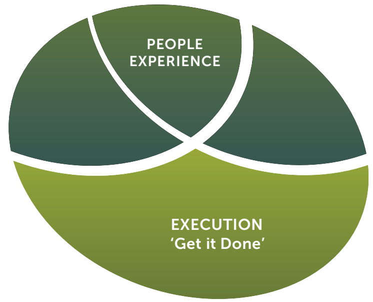
> ***We resourced the transaction with a dedicated team not concurrently running "business as usual".***
> **— Executive, Local Acquisition**

Execution – Significant Findings

At least one thing about **Execution** that **went wrong** is mentioned in **66%** of deals. And in **77%** of deals, at least one **Execution lesson learned** is mentioned. Participants mention that **Execution went wrong** more frequently in deals where objectives are *not* met as compared to deals where objectives are met, and more frequently in deals where people have a negative experience than in deals where the experience is positive. Details of the significant findings follow.

"Engage a dedicated Change Manager (in addition to the Project Manager – same same but different!) to drive the cultural integration work required. The impact on people cannot be underestimated and this is usually under resourced – and was in our instance.

— CEO, Cross-Border Business Sale



When Execution Mentions Increase …	Significant relationships with deal outcome	Significant relationships with people experience
Execution Went Wrong	Participants mention examples of **Execution** that **went wrong 62%** more frequently in deals where objectives are *not* met than they do in deals where objectives are met. In deals where objectives are *not* met, **Execution** is mentioned as something that **went wrong** in nearly **six times** as many deals as not mentioned.	**Execution** is mentioned as something that **went wrong 41%** more frequently in deals where people have a negative experience than in deals where the experience is positive. **Execution** is mentioned as something that **went wrong** in almost **four times** as many deals where people experience is negative, compared to deals where experience is positive.
Execution Lessons Learned	No Relationship Found	**Lessons** learned about **Execution** are mentioned **9%** more frequently in deals where people have a negative experience, than in deals where experience is positive.

Figure 8: Significant Relationships – Execution Mentions with Deal Outcome and People Experience

Predictive Relationship   Significant Association

The top five **Execution** issues mentioned are as follows:

Execution – What Went Wrong (n=185)	Deals that Mention	Execution – Lessons Learned (n=191)	Deals that Mention
Executive Team/ Leadership	23%	Executive Team/ Leadership	29%
Culture	15%	Communication	27%
Communication	15%	Culture	12%
Retention	12%	Pace	12%
Synergies/Value/Measures	8%	Program Management	10%

Figure 9: Execution – What Went Wrong? Lessons Learned?

Leadership, **Culture** and **Communication** feature prominently in the specific themes mentioned for both what **went wrong** and **lessons learned**. Retention, along with synergies/value/measures, uniquely **went wrong** in **Execution**, and the **Execution lessons learned** beyond **Leadership**, **Culture** and **Communication** are about pace and program management.

"We lost a couple of really talented, passionate people as they lost their mojo in the pain that is integration.

— Executive, Cross-Border Acquisition

M&A Leadership

Leadership Links M&A Fundamentals

Three attributes of effective M&A leaders – **Deliberate, Influential** and **Galvanizing** – emerge at the intersections of the M&A Fundamentals **Clarity**, **Capability** and **Execution**.

Where **Clarity** meets **Capability**, effective M&A leaders are **Deliberate** in anticipation. They intentionally take charge and work out what they have, what they need and what they must do to prepare their organization and teams. Specifically, they:

- Assess
- Prioritize
- Invest
- Prepare

Tip: Start this foundational work well before anyone imagines it should be started.

Where **Capability** meets **Execution**, effective M&A leaders **Influence**. They do this by paying close attention to how they are showing up at work and fully understand their own impact. They act consciously, knowing that people are looking to them to see how to react and behave. Specifically, they:

- Role Model
- Motivate
- Build Relationships
- Develop People

Tip: Think inside out. Building the capability to influence effectively takes time and requires commitment from each individual leader to face and embrace personal change.

Where **Execution** meets **Clarity**, effective M&A leaders **Galvanize**. They pull everything and everyone together to keep things moving in the right direction, at pace. Specifically, they:

- Sponsor
- Focus/Decide/Direct
- Test and Adapt
- Communicate

Tip: Clarity enables pace.

Figure 10: M&A Leadership Fundamentals Framework (source, Isely Associates International)

Dr. J. Keith Dunbar has undertaken research to show the impact of specific leadership capabilities on deal outcomes.

> ***"Although the formulation our bid proved challenging to get alignment of the Executive Team and Board, leadership effectiveness improved how we engaged the entire business in the process, and kept them informed and engaged through the process. Service levels were maintained and, in some areas, increased. Key managers were retained until the business was handed over.***
>
> **— Executive, Local Business Sale**

> ***"We should have given more focus to identifying and supporting the right Leadership talent, including CEO and top team.***
>
> **— Board Member, Buyer in Complex Acquisition**

While our current research does not attempt to show leadership impact on deal outcomes to this level, the issues raised in responses to qualitative questions certainly align with Dr Dunbar's identified leadership competencies.

Based on research completed in 2014, Dr. Dunbar concludes that there are seven leadership competencies for acquiring organization leaders and four for target organization leaders that predict deal success.[11] Specifically, these are:

Acquirers	Targets
Motivate others	Motivate others
Influence others	Influence others
Build relationships	Build relationships
Develop others	Provide direction
Act with integrity	
Show adaptability	
Focus on customer needs	

11 J. Keith Dunbar, "The Leaders Who Make M&A Work", Harvard Business Review (September 2014).

Leadership – Significant Findings

Leadership is mentioned as something that **went well** in **18%** of deals. **Leadership challenges** are mentioned in **34%** of deals and **Leadership** is mentioned as something that **went wrong** in **24%** of deals. At least one **Leadership lesson** is mentioned in **29%** of deals – mainly focused on the top team.

Leadership challenges and things about **Leadership** that **went wrong** predict people experience. **Specifically, a positive people experience is 3 times more likely** when **Leadership is** not mentioned as a **challenge** and **5.6 times more likely** when **Leadership** is not mentioned as something that **went wrong**. And **Leadership lessons learned,** while not predictive, have a significant association with deal outcomes and people experience. Details of the significant findings follow.

When Leadership Mentions Increase ...	Significant relationships with deal outcome	Significant relationships with people experience
↑ Leadership Challenges	No Relationship Found	↓ When **Leadership** is mentioned as a **challenge**, the odds of people having a positive experience are about **one-third** the odds of people having a positive experience when **Leadership** is *not* mentioned as a **challenge**.
↑ Leadership Went Wrong	⇣ In deals where **Leadership** is mentioned as something that **went wrong** there is no difference in whether deal outcomes are met. However, in deals where **Leadership** is *not* mentioned as something that **went wrong**, deal objectives are met nearly **four times** as often as not met.	↓ When **Leadership** is mentioned as something that **went wrong**, the odds of people having a positive experience are **18%** of the odds of people having a positive experience when **Leadership** is *not* mentioned as something that **went wrong**.
⇡ Leadership Lessons Learned	⇣ When **Leadership lessons** are not mentioned, **four times** more deals meet objectives than do not meet objectives.	⇣ **Leadership lessons learned** are mentioned **27%** more frequently in deals where people have a negative experience than in deals where people have a positive experience.

Figure 11: Significant Relationships – Leadership Mentions with Deal Outcome and People Experience

→ Predictive Relationship ⇢ Significant Association

In summary, meeting deal objectives happens more often in deals where there is no mention of **Leadership** that **went wrong** or **Leadership lessons learned**. And people having a positive experience is more likely in deals where there is no mention of **Leadership** as a **challenge** or something that **went wrong**.

Of interest, **Leadership** is the word most frequently used (behind the combined total of employees/people) by participants in response to the question "What were the biggest **lessons learned** from the experience (i.e. what could have been done differently to improve outcomes)?".

Top 10 Words – Lessons Learned

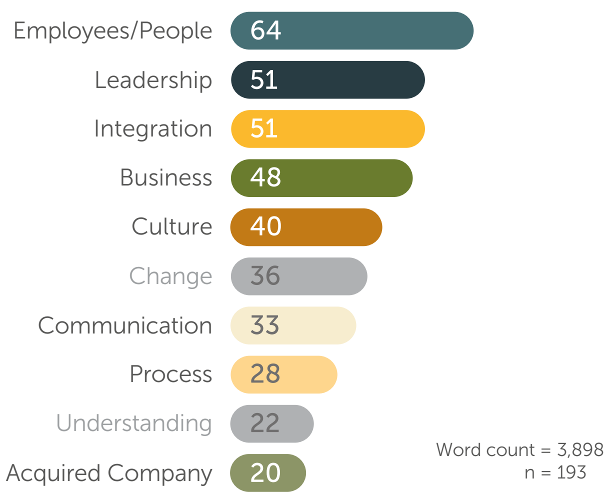


Figure 12: Lessons Learned Word Count

Finally, **Leadership** shows up as *the* top issue mentioned in the following themes having significant associations with employee experience.

Leadership Associations with Employee Experience	Deals that Mention
Clarity – What Went Wrong (n=185)	
Top Team	**9%**
Deal Rationale/Strategy	9%
Culture Current	5%
Culture Combined	5%
Capability – What Went Wrong (n=185)	
Leadership/Leading Change	**31%**
Culture	17%
Communication	17%
Resourcing Levels	16%
Deal Experience	14%
Deal Process	14%
Commercial	10%
Execution – What Went Wrong (n=185)	
Exec Team/Leadership	**25%**
Communication	16%
Culture	16%
Retention	12%
Execution – Lessons Learned (n=191)	
Exec Team/Leadership	**29%**
Communication	27%
Pace	12%
Culture	12%
Program Management	10%
Culture – What Went Wrong (n=185)	
Role Modelling/Poor Behaviour	**14%**
Organization Culture	10%
Culture Integration	8%

Figure 13: Leadership Issues Mentioned – Associations with Employee Experience

Culture – Significant Findings

In **44%** of deals at least one **Culture challenge** is mentioned, and **Culture** is mentioned as something that **went wrong** in **17%** of deals.

Culture does not directly predict deal outcomes or people experience. However, there are a number of significant associations between Culture, deal outcomes and people experience. Mentioning **Culture** issues that **went wrong** is associated with not meeting deal objectives. **Culture challenges** and things that **went wrong** are mentioned more often in deals where people have had a negative than positive experience. Details of the significant findings follow.

> *"This was a classic case of a deal that created shareholder value as promised, but underachieved due to lack of executive attention on culture integration. The need for speed trumped the need for nurturing.*
>
> **— Advisor, Buyer in Local Acquisition**

When Culture Mentions Increase ...	Significant relationships with deal outcome	Significant relationships with people experience
Culture Challenges	No Relationship Found	**Culture** is mentioned as a **challenge 16%** more frequently in deals where people have a negative experience than in deals where the experience is positive.
Culture Went Wrong	In deals where **Culture** is mentioned as something that **went wrong** there is little difference in whether deal outcomes are met or not met. However, in deals where **Culture** is *not* mentioned as something that **went wrong**, deal objectives are met more than **three and one half** times more often than not.	**Culture** that **went wrong** is mentioned in **more than twice** as many deals where people have a negative experience than where the experience is positive. When people have a positive deal experience, **Culture** is mentioned as something that **went wrong** in **only 8%** of these deals.

Figure 14: Significant Relationships – Culture Mentions with Deal Outcome and People Experience

Predictive Relationship Significant Association

Culture is the word most frequently used by participants in response to the question "What were the two (or three) biggest Challenges you faced?". And **Culture** is one of the top mentions in all significant findings that relate to three M&A Fundamentals – **Clarity**, **Capability** and **Execution**.

Specific **Culture challenges** mentioned are as follows:

Culture – Challenges (n=197)	Deals that Mention
Organization Culture	38%
Culture Integration	13%
Role Modelling/Poor Behavior	12%
National Culture	10%

Figure 15: Specific Culture Challenges

Top 10 Words – Challenges

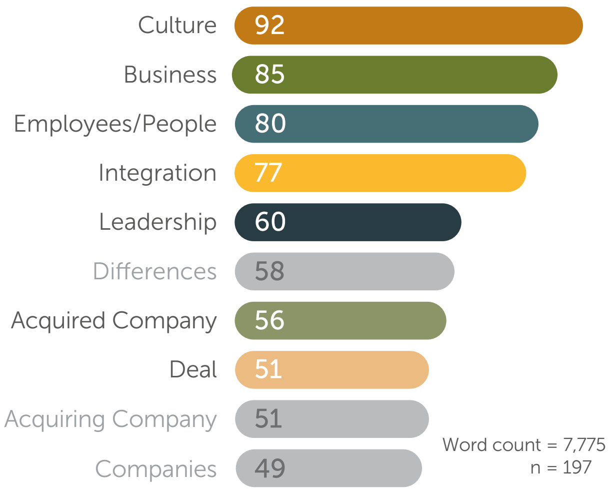


Figure 16: Challenges Word Count

Culture shows up as one of the top issues mentioned in the following themes that have significant associations with employee experience. Conspicuously, **Culture** is absent in the word count and top mentions for what **went well**.

Culture Associations with Employee Experience	Deals that Mention
Clarity – Challenges (n=197)	
Culture	**22%**
Deal Rationale	19%
Future Together	17%
Communication	16%
Culture Combined	**10%**
Clarity – What Went Wrong (n=185)	
Top Team	9%
Deal Rationale/Strategy	9%
Culture Current	**5%**
Culture Combined	**5%**
Capability – What Went Wrong (n=185)	
Leadership/Leading Change	31%
Culture	**17%**
Communication	17%
Resourcing Levels	16%
Deal Experience	14%
Deal Process	14%
Commercial	10%
Execution – What Went Wrong (n=185)	
Exec Team/Leadership	25%
Communication	16%
Culture	**16%**
Retention	12%
Execution – Lessons Learned (n=191)	
Exec Team/Leadership	29%
Communication	27%
Pace	12%
Culture	**12%**
Program Management	10%

Figure 17: Culture Issues Mentioned – Associations with Employee Experience

The Leadership – Culture – Communication Triumvirate

These three appear together time and time again in M&A research, and this research is no exception.

- **Leadership** is *the* top theme mentioned when we delve into the significant associations with employee experience.
- **Culture** is one of the top mentions in significant findings that relate to **Clarity**, **Capability** and **Execution**.
- **Communication** itself does not have direct predictive value or significant associations in this research, but **Clarity** (a precursor to effective communication) does.

A perennial issue, **Communication** features in the responses to every qualitative question.

Top Communication Mentions	Deals that Mention
What Went Well (n=193)	
Engage/Influence/Motivate	10%
Challenges (n=197)	
Engage/Influence/Motivate	13%
Align Expectations	11%
Manage Emotion	10%
What Went Wrong (n=185)	
Manage Emotion	7%
Lessons Learned (n=191)	
Align Expectations	13%
Engage/Influence/Motivate	11%

Figure 18: Top Communication Mentions

- In **22%** of deals, **Communication** is mentioned at least once as something that **went well,** primarily about using **Communication** to engage/influence/motivate.
- At least one **Communication challenge** is mentioned in **34%** of deals. Top **challenges** mentioned include using **Communication** to engage/influence/motivate, to align expectations and to address emotion.
- **Communication** is mentioned as something that **went wrong** in **17%** of deals, and this relates mainly to addressing emotion.
- In more than **one third** of deals (36%), **Communication** is mentioned at least once as a **lesson learned**, relating primarily to alignment of expectations and again using **Communication** to engage, influence and motivate.

Uniquely, **Communication** lands in the top 10 words used to describe what **went well** *and* **lessons learned**, even though not in the top 10 for **challenges** or what **went wrong**. It appears that participants believe they can improve on **Communication** to improve results, even when it is not mentioned frequently as a top **challenge** or something that **went wrong**.

"The CEO was actively engaged, created a clear vision and strategy, and was very visible out in the new business.

– People Team Member, Target in Cross-Border Acquisition

"We created a new organizational culture based on a consultative process around priorities and values. People had the chance to buy into and own the new organizational strategy and values we wanted to pervade. This created a real opportunity for people to think about and do things differently from how they had been done in the past. It was surprising how quickly people moved to identifying with the new organization (from board level to service facing staff).

— CEO, Local Merger of Equals

"Communication on all levels could have been improved. Don't draw things out – if it takes too long the uncertainty about roles will escalate and you end up losing the wrong people.

— Advisor for Buyer, Local Acquisition

"Most feedback from the acquired business' employees was positive about our straight talking and decisive culture. However, perhaps we had it down too pat – one memorable piece of feedback compared the process to the Borg (if you're a Star Trek fan you'll understand).

— People Team Member, Acquirer in Hostile Takeover

Team and Development Experiences

This research has uncovered a great deal of commentary about the benefits participants receive as a result of working on a deal. Behind the combined total of employees/people, team is the top word used when participants answer the question "What went particularly well?".

The results for both the individual experience and majority experience are positively skewed, with the individual data showing a 75% positive result and majority data at 57% positive.[12] When we look behind the data there are many comments that describe a positive experience of negative circumstances, given the learning opportunities that arise and the camaraderie that is built in challenging circumstances.

When deal outcomes are realized and even when things go horribly wrong, participants overwhelmingly describe their personal experiences as positive because of what they learned and the relationships they forged in the heat of the deal.

> *"I had a huge opportunity to learn! I doubt I will get this sort of opportunity again in my career – it was an amazing learning experience. It was also a HUGE challenge and forced me to step out of my comfort zone and re-think many things I had come to accept as a given. Many staff went through a similar process.*
>
> — **People Function Head, Cross Border Merger**

> *"It was simultaneously the most creative and transformational transaction – it set a powerful market precedent and achieved a great outcome (in terrible circumstances). But the team experience was scarring. Those scars – and divisions – have been long term. It was also a bonding experience for advisors, executives and directors who still get together annually to laugh it off, and remember how close we all became.*
>
> — **Advisor, Complex Cross-Border Business Sale**

In our experience, the value of making these opportunities available to future leaders and leveraging the **Capability** built during the course of transactions is priceless and should never be overlooked.

Top 10 Words – What Went Well?

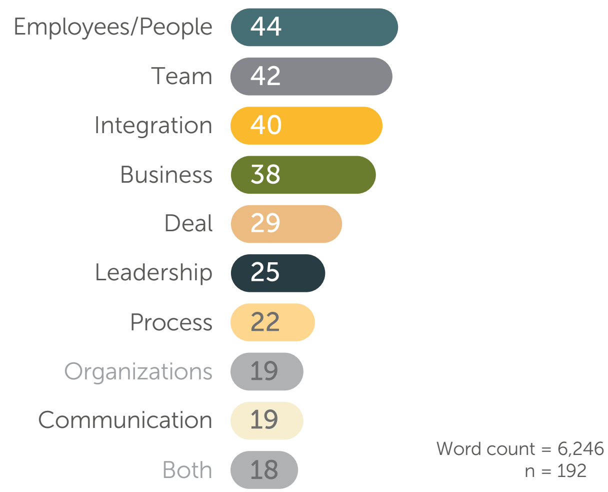


Figure 19: What Went Well Word Count

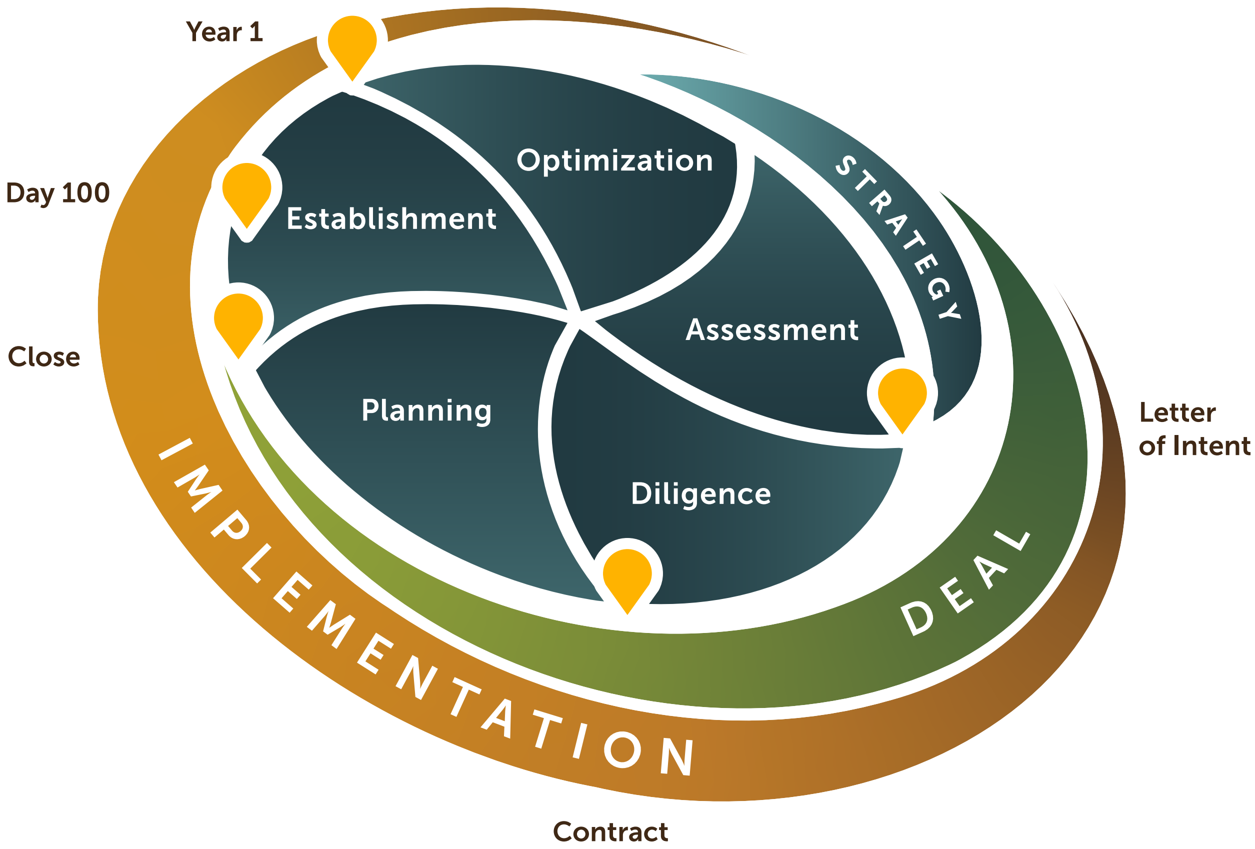
12 One factor that may explain part of this positive skew is that the sample is not random, but rather generated by personal invitation through direct and extended networks.

Time and Timing

Time references are another pattern in this research – mainly about the pitfalls of leaving things too late and underestimating how long things will take; or about the benefits of planning ahead and making it possible to work at pace. The number of deals where the use (or misuse) of time is specifically mentioned at least once, more likely than not, contributes to the significance of Execution Fundamentals.

- In **12%** of deals, use of time is mentioned at least once as something that **went well**
- In **13%** of deals use of time is mentioned at least once as a **challenge**
- Use of time is mentioned as something that **went wrong** in **5%** of deals
- **23%** of deals mention at least one **lesson learned** about use of time.

Not unexpectedly, references to "earlier", "sooner", "before", "slow", "late" and "lagging" abound.



In order for an M&A transaction to be successful, **Strategy** must be sound, **Deal** execution is paramount, and **Implementation** must be given full consideration and resources. Critically, work on all three must start during the earliest stage of any transaction. And organizations with the intention to do future deals will benefit from the discipline of undertaking a formal review of what can be improved for future deals before the implementation program is concluded.

Figure 20: M&A Deal Cycle (source, Isely Associates International)

Time is money. Paradoxically, this does not mean that everything has to be done quickly. It is more important to start earlier than anyone ever imagines is required, and then proceed deliberately rather than rushing about haphazardly.

Why Does This Matter?

People Experience makes or breaks a deal

Leadership and **Clarity** make or break people experience

Culture presents the greatest challenge

Capability and **Execution** are table stakes

If an organization does not have these **M&A Fundamentals** covered it will be an uphill battle to create expected value from deals. And when objectives are met in spite of ineffective practices, this usually is at the expense of people in some form. Organizations that take preparation short cuts will leave value on the table, whether or not official milestones are met, missing opportunities to further improve on deal outcomes.

Wisdom and experience back this up.

- Even organizations with significant M&A experience, and a successful track record, report that outcomes could have been improved by placing more and earlier emphasis on deal-related people risks
- Organizations that neglect leadership capability and culture before the heat of a deal do so at the risk of not meeting expected outcomes
- Deep technical M&A expertise is not required in organizations at all times, but there is no substitute for experience when the time comes to move at deal pace
- Early preparation and securing required resources are critical contributing factors to the success of M&A transactions
- If a team is not ready at the start of a transaction, it is a huge challenge to make up for lost time
- Lost time is lost value. Investing to get teams up to speed, or making improvements from one deal to the next, is an easy business case to make for those who appreciate the time-value connection.

"Retention went terribly wrong - within three months of the deal, the entire incoming Executive Committee was decimated. People exercised their option of golden parachutes instead of adjusting to new cultural realities, and the value of the deal went with them.

– Advisor, Buy-Side of Local Acquisition

The new executive team was not appropriately experienced and performance declined. Replacement of the CEO took nearly six months and the extended delay contributed to the organization not having strong enough leadership through a period of intense competitive maneuvering.

– Employee, Sell-Side of Cross-Border Business Sale

Culture and Leadership are fundamental to creating the right context for value creation.

– Advisor to Buyer, Cross Border Acquisition

The transaction doubled as a great team building exercise and provided the team with significant personal growth.

– Strategy/ Business Development Lead, Local Business Sale

Executive management immediately bought into the deal and led the organization from the front, so others quickly followed.

— Executive Team Member, Cross Border Merger of Equals

Where To Start

Start from Wherever You Are

Use what we've learned to start from wherever you are. And if you don't know where you are, then start by finding out.

Think about your past deals and take a good hard look at what you do well, and where your risks are. If an independent view would be of value, take a few minutes online to complete our 'Deal Ready' Snapshot™ assessment. Then set a confidential, no obligation debrief with Karen Isely, as offered with your 'Deal Ready' Profile™ report.

If you discover blind spots that cause concern, your next steps will depend on what else you might need to build a solid plan to become 'deal ready'. Book a call to explore some practical options.

Take 'Deal Ready' Snapshot™ Assessment

Book A Call

In any event, you won't be far off the mark if you:

Start by making sure that all business leaders and everyone who will work on your deal understands your business environment, purpose, business strategy and expected outcomes, business model and significant risks.

Get clear about **why and how M&A fits into this context** and work out how you will communicate about this going forward

Invest to build the capability and credibility of your leaders

Understand your current culture and come to a view about whether the culture you have is aligned to the culture you need to take the business forward.

Whatever you do, don't delay. If you know you will be doing a deal in the future, it is never too early to begin preparation.

> *"The buyer's HR team was not involved early enough in the process, which made it difficult to work through relevant issues for completion of the deal. There were many staff matters to work through across three countries, so late involvement and being ill-prepared slowed progress and was costly in the end.*
>
> — Advisor, Cross-Border Business Sale

> *"Plan as early as possible.*
>
> — Board Member of Buyer, Local Acquisition

> *"We underestimated the work and timeline involved in the integration process and expected a higher return sooner than was possible.*
>
> — HR Head, Cross-Border Merger of Equals

> *"Act early to generate a plan and get buy-in to implement.*
>
> — Chief Executive for Buyer, Local Acquisition

> *"Five minutes of planning ahead and you wouldn't be in this mess!*
>
> — E.H. Isely, Father of M&A Advisor

> *"Timing. Timing. Timing.*
>
> — Buy-Side Advisor, Cross-Border Acquisition

Top Tips from the Trenches

Following is a summary of the generous advice provided by research participants about what, in their experience, is most critical for meeting deal objectives and creating positive people experiences while working and living through M&A transactions.

Leadership

- ☐ Invest early in M&A Leadership development opportunities for senior staff, including work on business cultural differences.
- ☐ Prepare leaders to sponsor complex change and skilfully lead their people through it.
- ☐ Ensure leaders are experienced, visible and involved, with capability to effectively remove barriers to deal objectives.
- ☐ From Day One, have only one leader per division.
- ☐ Move swiftly to shift out any executives not aligned with the future culture.

Culture

- ☐ Create the right context for value creation – culture and leadership are fundamental.
- ☐ Understand cultural issues early; understand own culture well ahead of any deal, to inform cultural diligence and underpin key decisions.
- ☐ Pay special attention to culture integration; success of the process is at risk if employees from either side resist change.
- ☐ Get QUICK culture wins lined up before the merger is even announced, ready to be actioned once the merger starts.

Clarity

- ☐ Communicate upfront what changes mean for people, and also what is expected of them.
- ☐ Explain early and often "why" the deal is being done.
- ☐ Deeply understand what makes the acquired organization worth buying and work hard to fit these things into the future organization.
- ☐ Make a clear upfront agreement on "to be" operational model and what can/can't be changed on integration.
- ☐ Set clear exit criteria for the integration process; articulate/follow up on what success looks like at years 2, 3 and 4.
- ☐ Ensure detailed planning for deal negotiation and post deal integration are done hand-in-hand.

Capability[13]

- ☐ Use human due diligence results to create a human capital "balance sheet" to show people assets and liabilities.
- ☐ Resource your transaction with a dedicated team.
- ☐ Engage a dedicated specialist (in addition to the Project Manager) to drive the cultural integration work required.
- ☐ Fill capability or capacity gaps with well-experienced workstream leads.
- ☐ A good advisor for the seller is imperative.
- ☐ Resource the staff transition process properly and allow enough time for it.
- ☐ Never underestimate or take for granted the people and systems capabilities in the new company.

Execution

- ☐ Bring in HR and legal teams well before the due diligence process and begin post-merger integration planning as early as possible.
- ☐ Engage people in the bigger vision, and then work out the details as to how you will get there together.
- ☐ Never underestimate competitor ferocity; be prepared to react quickly to any market plays for customers or staff.
- ☐ Make timely decisions.
- ☐ Keep bandwidth available to address unknowable variables for which no one can prepare.
- ☐ Don't mess with the payroll!

Communication

- ☐ Communicate exceptionally well with people at all levels so they know what the merger means for them and what outcomes are expected of them.
- ☐ Nip misinformation in the bud before it colors people's opinions and respect for each other.
- ☐ Be open, honest and authentic with communication and realistic with timeframes, championing change as a leadership tool.

13 In addition to Leadership, Culture and Communication capabilities that are critical to creating positive people experiences in M&As, participants have raised these other important areas of capability (including M&A Experience and Resourcing; M&A Process, Program Management and Governance; and HR Functional Support)

About Us

Isely Associates International

Isely Associates International, founded in 2009, is an Australian-based global consulting business providing M&A advisory services to organizations growing by merger, acquisition or other similar business transactions. We focus on M&A leadership and engaging people to deliver expected outcomes.

Most mergers fail to meet their original business case. Deals fail due to (mostly) predictable reasons – and most reasons have to do with human beings and emotion, not strategy, logic or process. Every deal is different, but the pattern of what goes wrong is similar:

Personal concerns thwart productivity, impair judgment, influence behavior, destroy credibility and endanger wellbeing

Blind spots are a killer – often people "don't know what they don't know" and the capability gap is discovered too late to remedy without consequence

When **people have a terrible M&A experience**, an organization's greatest asset quickly becomes its greatest liability.

The psychology of leadership and performance in mergers fascinates us – because there is so much at stake. Rarely is there a time that senior leaders have to put everything on the line in a complex environment, where they may not have done it before. It is a rare privilege to do work that matters on both a business and personal level, for business leaders and employees alike.

We have an unique way of working with business leaders and deal teams to provide them with the framework, knowledge, tools and support to deliver expected deal value, and at the same time create a positive work environment that extends well beyond the deal.

Karen Isely

Karen Isely is an M&A specialist and the founder of Isely Associates International, a niche consulting business that brings clear focus to the people experience in mergers and acquisitions.

At every deal stage, clients draw on Karen's experience as an HR professional, business leader and management consultant to anticipate and manage deal risks by building clarity and leadership capability, addressing cultural impact and working through communication challenges. As a trusted advisor, project leader and coach she has contributed to nearly 200 deals, in-house as well as for corporate and private equity clients. More than half of these deals involved two or more countries.

Karen is known for her commercial focus, creativity and professionalism, as well as for bringing together relevant expertise from her local and international networks to serve the needs of her clients.

The Dealmakers' Guide to Humans

This book is about wrangling people issues in deals. It is written for CEOs, CFOs, and Heads of Strategy/Business Development from organizations where:

There is a **clear growth strategy** that includes local or cross-border acquisitions, divestitures, mergers or joint ventures

To achieve expected growth targets, engaging the **workforce is crucial**

Reputation is on the line for delivering both business results and deal outcomes.

For many Dealmakers consideration of people risks comes as an afterthought, which can create all sorts of headaches with costly implications for the business, customers and employees. By the time realization hits, the cost to recover often is significantly more than what it would have cost to prevent the people-risk fallout.

The Dealmakers' Guide to Humans is written to deliver practical and step-by-step advice for Dealmakers about how to avoid the predictable pitfalls that come from not dealing with, or mishandling, people issues. Getting on top of the people risks early allows deal teams to conserve their energy and focus their resources on managing unpredictable risks, rather than fighting fires that did not have to be lit in the first place.

Please Let Me Know When Book Is Available

Appendix

Appendix 1
Research Project – Approach – Analysis

The Project

The genesis of this research was to add value to a practical book, *The Dealmakers' Guide to Humans*. This guide book is written to help dealmakers improve deal outcomes by deliberately improving the personal experiences of business leaders and employees going through mergers, acquisitions, divestitures, joint ventures and other scenarios where businesses are joined together or taken apart.

Please Let Me Know When Book Is Available

The Approach

We collected the views and experiences of people who have been impacted in some way by organizations going through this type of significant change via a ten-minute, anonymous survey online that opened on 1 March and closed 1 September 2018.

The 198 deal sample was not random. We sourced participants through direct and extended networks, mainly by personal request and extending email invitations. The response rate was more than 40%, and most participants who started the survey completed it – we had a less than 10% drop out rate once someone started the survey.

We encouraged potential participants to think of the most memorable M&A deal they've experienced. We then had them complete eight quantitative and four qualitative questions designed to test the underlying hypothesis that the experiences people have whilst working on and living through deals will have an impact on deal outcomes.

The Analysis

Quantitative Data

All variables were coded to reflect appropriate reporting categories.

Logistic regression analysis was utilized to examine whether, and to what extent, deal outcome can be predicted by people experience (individual experience and majority experience).

A chi-square test of independence was used to examine associations of all variables with deal outcome, individual experience and majority experience.

Qualitative Data

Stem analysis on verbatim responses to each qualitative was undertaken. Word clouds were generated to represent the relevant words most frequently used, and analysis was undertaken on word counts to compare across qualitative responses.

All verbatim comments were categorized by three sets of themes: Deal Stage (Strategy, Deal, Implementation), the "Triumvirate" (Leadership, Culture, Communication) and M&A Fundamentals (Clarity, Capability, Execution).

A chi-square test of independence and logistic regression analysis were used to examine all associations between the number of deals where these themes are mentioned at least once and deal outcome, individual experience and majority experience.

Finally, we used independent samples tests to examine the aggregate number of mentions for each theme, to understand the mean level differences in associations with deal outcome, individual experience and majority experience.

Appendix 2
The Sample

Participants

Primary Role

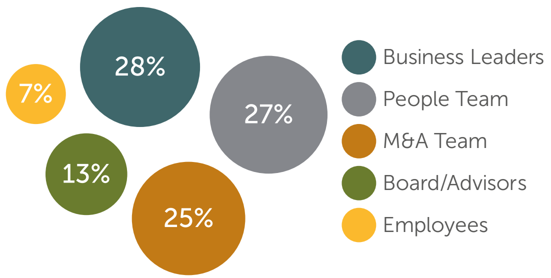


Figure 21: Primary Role of Participant (n=198)

Participants'roles span: **business leaders** (executive team, function heads, line managers); **M&A team** (strategy heads, deal team leads and members, integration program leads and team members); and **people function** (heads and team members, organization development leads, culture and communication leads). In addition, 7% of the sample identify their primary role as **employee** and 13% as **external** contributors (board or deal advisors).

Perspective

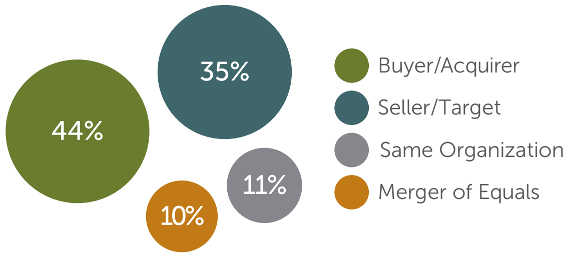


Figure 22: Deal Perspective (n=198)

The perspective represented (whether from the buy or sell-side of the deal) is fairly evenly distributed, with slightly more buy-side responses.

Deals

Organization Type

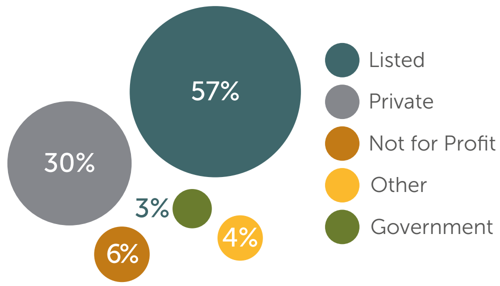


Figure 23: Organization Type (n=198)

Of the 198 deals reported, 57% of organizations are publicly traded and nearly one third privately held, with the remainder being not for profit, government or other types of organizations.

Deal Type

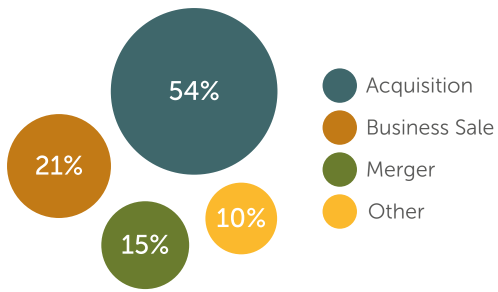


Figure 24: Deal Type (n=198)

Just over half of the deals reported are acquisitions, 21% business sales and 15% mergers. Ten percent are a mix, including joint ventures, business unit amalgamations and more complex deal structures not easily classified.

Industry

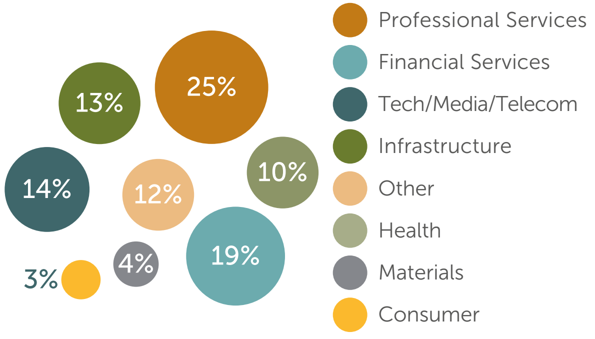


Figure 25: Industry (n=191)

The sample includes wide industry coverage, with the lowest number of responses from manufacturing, consumer and materials industries, and the highest from professional services and financial services.

Single Country v. Cross Border

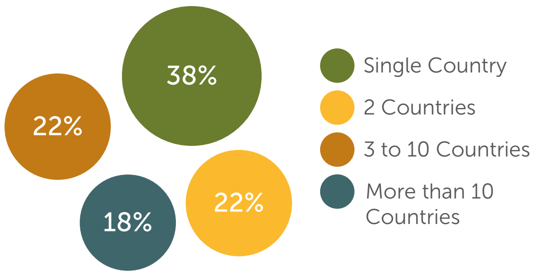


Figure 26: Number of Countries Involved in Deal (n=198)

Seventy-one percent of deals reported have been done by multi-national organizations. Nearly two thirds of deals are cross-border, with the number of countries involved split nearly evenly amongst: two countries only; 3–10 countries; and more than 10 countries.

Locations

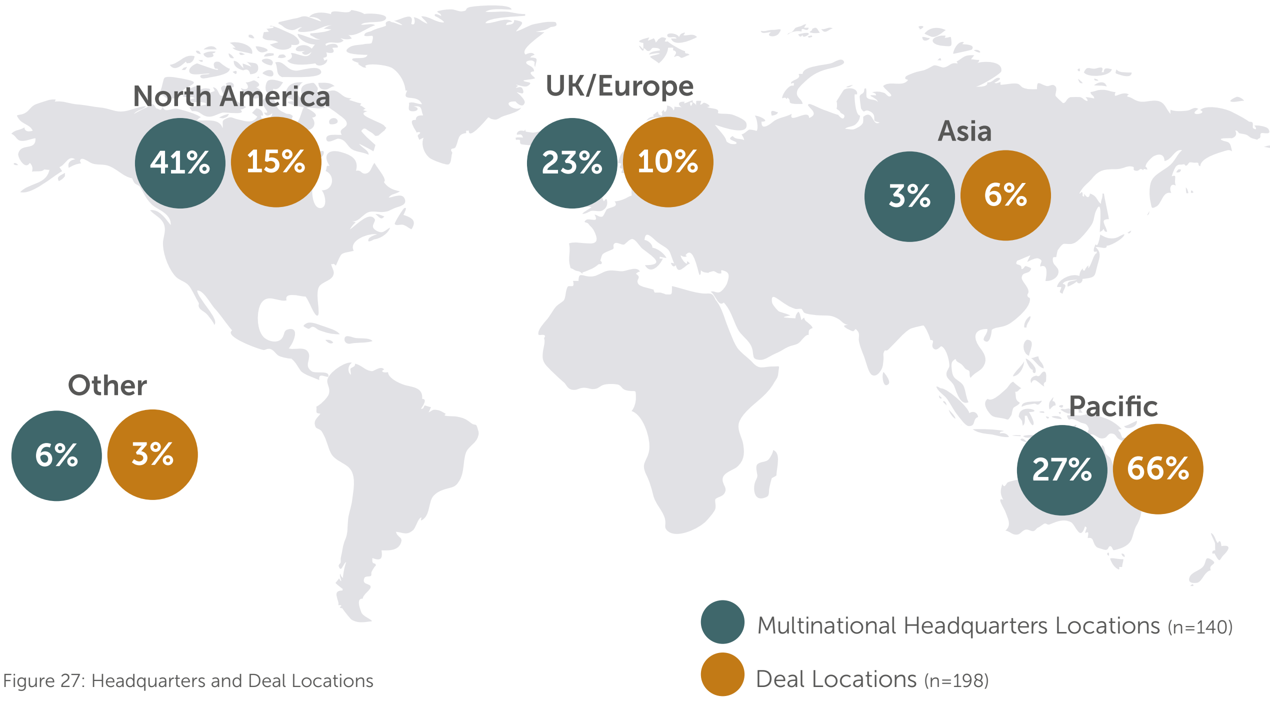


Figure 27: Headquarters and Deal Locations

Appendix 3
Quantitative Data – Deal Outcomes and People Experience

Deal Outcomes Data

After participants provided the particulars about a memorable deal, we asked them to share their view as to whether deal objectives were met or not, using a five-point scale ranging from “Exceeded Expectations” to “Value Was Destroyed”. We also included further options “Other”, “Too early to tell” and “Unable to say”. Twenty-one percent of our 198-strong sample answered by using one of these options (or left the line blank). We have recorded all of these as “Unable to say”, by definition, and excluded them from our analysis, leaving a remaining sample of 157 deals.

Just under half (47%) of deals in our sample are reported to have met or exceeded objectives, 36% are reported to have created some value but not as much as expected, and 17% are reported to be complete failures.

Analysis two ways
We created and analyzed two separate data sets to understand deal outcomes. Using Option 1 we classified all “Partially Met” responses as “Not Met”. Using Option 2 we categorized all “Partially Met” responses separately.

Deal Outcomes

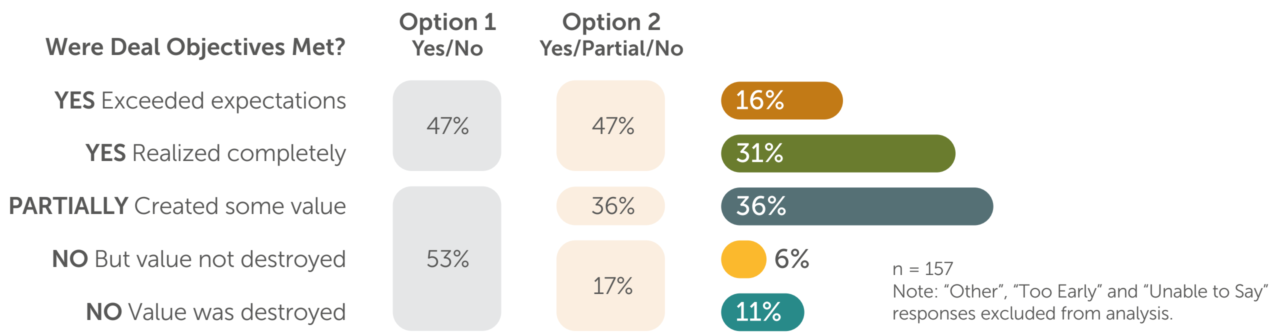


Figure 28: Deal Outcomes: Coded Two Ways

Associations
We found no significant difference in whether deal objectives were met between cross border and local deals, nor did we uncover any significant differences based on industry or deal location.

We did, however, discover differences based on Headquarter Location of our largest sample groups. While organizations with headquarters in the United States, Australia, United Kingdom and Germany have the same success rate overall as the full sample, the US organizations report almost six times fewer complete failures (3% compared to the overall sample at 17%) and Australian organizations report twice as many complete failures (33% compared to the overall sample at 17%).

People Experience Data

After participants completed the qualitative questions to fully describe their most memorable deal, we asked them to describe how they personally experienced that deal on a six-point scale from "One of the best experiences of career" to "One of the worst experiences of career". We included the choice "Unable to say". Out of 198 participants one marked "unable to say" and five declined to answer.

Immediately following we asked them to consider the experience of others impacted and if they had to predict, what would they imagine the experience of the majority would have been. We used the same six-point scale plus "Unable to say", and out of 198 participants three marked "unable to say" and five declined to answer.

People Experience

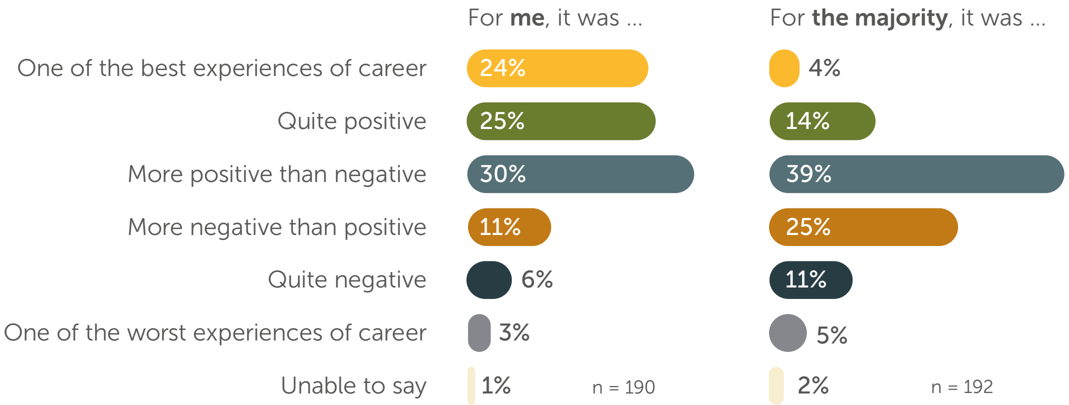


Figure 29: People Experience – Positive v. Negative

The results for both the individual experience and majority experience are positively skewed, with the individual data showing a 75% positive result and majority data at 57% positive.[14] When we look behind the data there are many comments that describe a positive experience of negative circumstances, given the learning opportunities that arise and the camaraderie that is built in challenging circumstances.

Associations

We found no significant difference in people experiences between cross border and local deals, nor did we uncover any significant differences based on organization size, industry, deal or headquarters location.

The only significant difference in people experience that we found was based, not unexpectedly, on deal perspective. Two thirds (66%) of buy-side participants report a positive experience, compared to 44% of sell-side participants. When all are in the same organization, people have a positive experience twice as often as a negative one.

> ***"It was one of the best experiences because we got it wrong so royally. Sadly, for many of the executive team involved it fatally impacted their careers. So for them, definitely more negative than positive.***
>
> **— Integration Program Leader, Local Hostile Takeover**

14 One factor that may explain part of this positive skew is that the sample is not random, but rather generated by personal invitation through direct and extended networks.

The Relationship Between People Experience and Deal Outcomes

We have undertaken logistic regression analysis to examine whether, and to what extent, deal outcome can be predicted by people experience (individual experience and majority experience) and the results are presented in this section.

We've proven our hypothesis that when organizations improve the experience that people have in a deal they also will improve deal outcomes. Specifically:

Meeting deal objectives is **4.5 times more likely** in deals where **people** have a **positive experience** than in deals where the experience is negative.

Variable	B	S.E.	Wald	Significance	Odds Ratio
Majority Experience	1.495	.412	13.152	.000	4.458

Figure 30: Regression Results for Full Sample (n=157)

We ran the same analysis after excluding deals that only "partially met" objectives and found that the **meeting** deal objectives is **23 times more likely** in deals where **people** have a **positive experience** than where people have a negative experience.

Variable	B	S.E.	Wald	Significance	Odds Ratio
Majority Experience	3.139	.836	14.092	.000	23.079

Figure 31: Regression Results, Excluding "Partially Met" (n= 102)

The possibility of these results having occurred by chance is extremely low – less than one one-hundredth of one percent. Said another way, it would be less than one in 10,000 odds that either of these results occurred by chance. Whilst we can't attribute cause, we can with certainty count on the predictive nature of these relationships.

Appendix 4
Qualitative Data Themes and Mentions

Qualitative Themes

Questions	Went Well		Challenges		Went Wrong		Lessons Learned	
Themes	Deals (n=193)	Total Mentions	Deals (n=197)	Total Mentions	Deals (n=185)	Total Mentions	Deals (n=191)	Total Mentions
Strategy	18%		17%		4%		17%	
Deal	39%		36%		26%		47%	
Implementation	68%		82%		64%		10%	
Leadership	18%	41	34%	90	24%	55	29%	75
Culture	11%	40	44%	157	17%	75	18%	64
Communication	22%	57	34%	124	17%	51	36%	114
Clarity	42%	174	68%	256	28%	83	57%	192
Capability	78%	309	95%	514	74%	284	91%	385
Execution	75%	353	85%	551	66%	314	77%	374

Figure 32: Qualitative Data Themes – Percentage of Deals in Which Mentioned at Least Once and Total Number of Mentions

Qualitative Words Used

Top 10 Words – What Went Well?

Word count = 6,246
n = 192

Figure 33: Qualitative Data –
Top Words Used to Describe What Went Well

Qualitative Words Used (continued)

Top 10 Words – Challenges

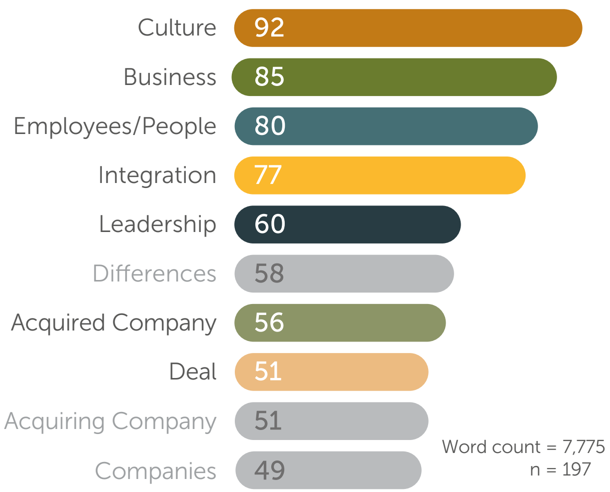


Figure 34: Qualitative Data –
Top Words Used to Describe Challenges

Top 10 Words – What Went Wrong?

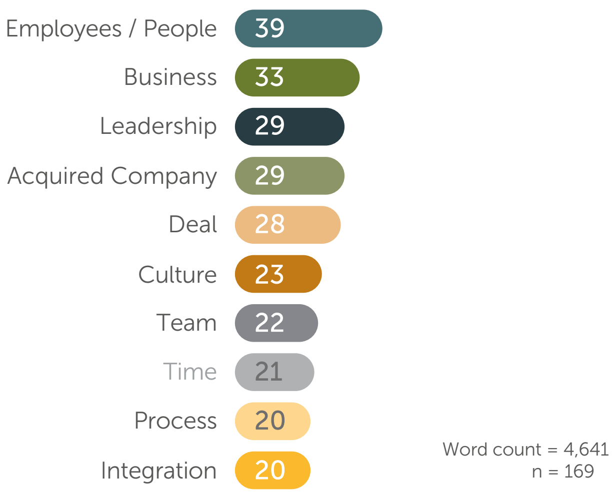


Figure 35: Qualitative Data –
Top Words Used to Describe What Went Wrong

Top 10 Words – Lessons Learned

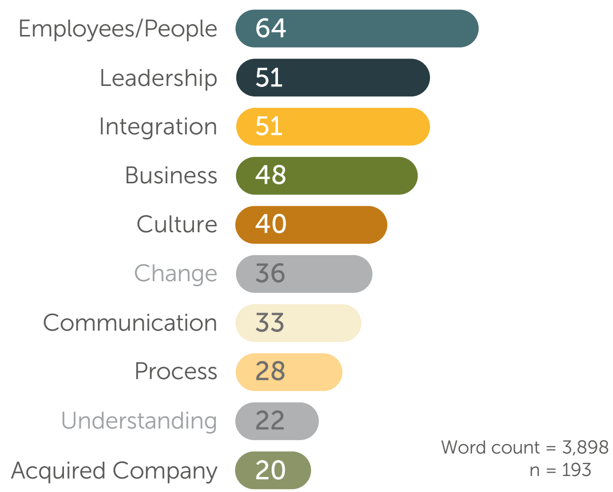


Figure 36: Qualitative Data –
Top Words Used to Describe Lessons Learned

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