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High stakes M&A
Seven bets that matter

M&A
Institute

You have to learn the
rules of the game. And
then you have to play
better than anyone else.

—Albert Einstein

Table of contents

Leading with a strong hand	05
Whose deal?	07
Beyond table stakes	09
Play it forward	11
Opening bid	13
Turn the tables	15
Playing the people cards	17
Stack the deck	18
Winnings shared by all	19

The seven bets

1. Choosing your focal points
2. Engaging leadership
3. Aligning your team
4. Building the operating model
5. Controlling the buzz
6. Engaging talent
7. Cultivating a high-performing culture

Leading with a strong hand

M&A deals present game-changing opportunities that can open doors to new markets, fill talent gaps, improve operational performance, and grow shareholder value. But too often, leaders exhibit risk-driven restraint when their people need to see contagious enthusiasm.

One critical factor that distinguishes deals that go beyond stakeholder expectations

is the ability of the management team to lead through transformation. That requires making effective bets each step of the way.

For many organizations, a transaction is the most significant event in its history. For many leaders, a deal can present the biggest—and most visible—opportunity of their careers.



This deal could be the most significant event in your company's history —and potentially, the biggest opportunity of your career.

Choosing your focal points

Whose deal?

Senior leaders are the ultimate owners of an organization's transformation, answering to analysts, shareholders, customers, vendors, and employees. Shift the odds in favor of success by zeroing in on these five critical activities:

- Present a unified leadership team from day one. Establish a top-tier leadership team that speaks with authority as they share a common vision for the future organization.
- Build a compelling vision and sound operating model. Initiate and direct constructive debates with your leadership team about how the new organization will operate and create value in the future.
- Be the voice and face of the new organization. Clear and consistent language around the go-forward vision and operating strategy will inform investors and analysts, while setting expectations for customers, vendors, and employees.
- Sustain the value of the current business as the future business evolves. Provide the support needed to maintain continuity of ongoing operations and customer value throughout the transformation.
- Set the standard that you want others to follow. All eyes will be on you, scrutinizing your words, actions, and attitudes.



Action card

Translate these activities into specific steps your team can use to demonstrate clear leadership, create enthusiasm, and build momentum.

Upping the ante

Challenge 1: Lead differently

Transformation demands that functional leaders demonstrate a new set of skills. Help your team identify what they should do and say differently to help move your organizations forward.

Challenge 2: Find hidden synergies

Ask your team to identify synergies that could be created within their functional areas. Challenge them to go beyond the obvious growth and cost savings.

Challenge 3: Cultivate patience while driving performance

Transformation is an iterative process that can seem chaotic or disorganized to many. Ask your teams how they will set realistic expectations with their people to help dispel potential anxiety and frustration that can interfere with effective performance.

Engaging leadership

Beyond table stakes

Experienced CEOs know that an effective integration hinges on a smooth transition for employees and customers. This same rigor and focus must also be dedicated to preparing the team who will lead the transition. Leverage your influence to guide the leadership team toward working together to create and extend the vision of the new organization:

- Establish a collaborative environment with integration planning that is transparent and synchronized.
- Encourage leaders to gain intimate knowledge of day-to-day operations by talking with their people at every level and encouraging ideas and candor.

- Ask leaders to communicate specific ways their people can contribute to the new organization's goals and how they will be rewarded.

Challenge your leadership team to lead with vision, authority, and credibility—stretching far beyond what has been needed for the old business as usual. Inspire and instruct them on how to think and act in ways that balance the demands of the future with the needs of the present.



Action card

Identify three challenges you will present to your leadership team to deliver the full potential value of this transaction.

Three big questions

Where are we going?

Start a conversation with your leadership team about how the new organization will create value in the future. The place you are going does not exist yet. You get to invent it.

How can we get there?

How will the new organization operate? How will it satisfy customers? Which people, processes, and technologies will be needed?

What is required to fortify the strategy?

How will the team execute a seamless integration, deliver viable revenue and cost strategies, and sharpen its ability to lead through transformation?

Aligning your team

Play it forward

It is easy to spot a well-aligned leadership team by observing what it says and does. Like an evangelist, the team spreads a consistent, clear vision of the future organization and the value it can provide to stakeholders. With everyone onboard, the organization can gain the stability and direction needed to undergo an effective transformation.

There is no straight path to alignment. The process begins with a hypothesis about a viable vision of the future organization. From there, the view changes and evolves as the leadership team debates ideas, concerns, and alternatives.

Consider sponsoring a leadership summit to explore operating models, cultures, and structures that could allow the combined company to deliver more value to stakeholders. How the participants conduct and express themselves during the summit will also inform your selection of the go-forward leadership team.

The goal of the summit should not be to gain consensus. It should be about extracting sharp thinking that can drive the organization forward.



Action card

Identify the people you would invite to a leadership summit. Outline an agenda that can engage them in creating the vision of the future organization. Set a date.

One big idea

Draw from each function's leading practices to create your hypothesis of how the combined company could:

- Develop innovative products and offerings
- Sell more effectively
- Surpass customer expectations for delivery and service
- Support efficient business operations

This hypothesis will be the starting point for the evolutionary process of creating the combined company's operating strategy—operating model, organizational structure, and culture—that will define a new vision for doing business.

Building the operating model

Opening bid

Before meeting with your leadership team, construct a hypothesis of how the combined organization can create value for its stakeholders through greater scale, differentiated offerings, and excellent performance.

What operating model would be needed to support this vision? How would the organization be structured? What type of culture would need to be cultivated? All this comes together to form the organization's operating strategy for creating the new business as usual.

A merger can provide a rare opportunity to restructure operations and accelerate strategy, so it's wise to consider multiple options.

Realistically, the acquirer's operating model is often the go-forward choice. It is often the quickest and, therefore, less expensive integration approach.



Action card

Develop a hypothesis for the combined organization's operating strategy that you will present to the leadership team.

Who, what, when, why

Before announcement: Keep the lid tight

Demand that deal insiders maintain the required confidentiality, of course, but recognize that a leak is always possible. Make sure detailed contingency plans are in place to deal with a leak, just in case.

Announcement: Set the trajectory

Prepare the leadership team so it can comfortably communicate and advocate the potential value stakeholders will gain from the deal.

Pre-close: Mirror communications

Work with the target organization's leaders to coordinate communications about the combined company's value proposition, tailored to address the questions and concerns of each organization's key stakeholders.

Day one (transaction close): Set the appropriate tone

Establish a positive tone that is inspiring and uplifting to employees, while expressing appreciation and respect for those who will be leaving.

Post-merger integration: Cultivate cohesion

Continue leadership visibility and accessibility to build stakeholder commitment for the new company's vision and culture.

Controlling the buzz

Turn the tables

After weeks of negotiations and due diligence, it is easy for the leadership team to forget that some stakeholders may be caught off guard when they hear about a pending deal.

Effective leaders control potential rumors and speculation by considering the perspectives of their stakeholders—analysts, shareholders, employees, vendors, and customers—as they respond to each group’s concerns.

Influential leaders go beyond control; they create good buzz. Along the way, they provide the words that spur stakeholder

excitement and anticipation by sharing the value that will likely emerge from the combined entities.

From this common message, the vision can be tailored to each group and milestone along the journey of merging the organizations. Laser focused on new opportunities for all, influential leaders set realistic expectations through clear, honest, and transparent actions and words.



Action card

What is the common message that you want everyone to hear? How will you customize this message to present the opportunities available for each major audience?

Make or break points

Before day one: Define purpose

Frontline managers are leaders' eyes, ears, and voice for transmitting messages to and from employees. Make sure these managers have the information, training, and tools required to explain each employee's role.

Day one: Build affiliation

Day one provides an opportunity for leaders to share their vision and gives employees their first impressions of the new organization.

First 60 days: Shape attitude

Employees are keen observers of management's ability to orchestrate a smooth transition to the new organizational structure. These early weeks can shape their perceptions of the new culture and work environment.

First year: Create the new normal

As the new operating model emerges, employees experience and evaluate their roles within the new business as usual.

After the first year: Pave the career path

To maintain their commitment and enthusiasm, employees should see a clear path for advancing their careers.

Engaging talent

Playing the people cards

Your company paid a premium to acquire this entity because it offers something valuable. That “something” is often locked inside its people.

A defined, predictable employee experience helps retain the bodies, hearts, and minds of critical talent. You will need physical bodies to keep the business running, hearts committed to serving customers and business operation, and minds that possess knowledge that should be shared with others.

Just as important, you should retain the value held by your own organization’s talent, which could be threatened by uncertainty or

turmoil. Rather than focusing on one group of employees, first define the critical capabilities the new organization will need. Who has these capabilities? What is the risk associated with losing these capabilities? What are you willing to do to keep them?

Transformative leaders go even further, elevating talent retention to talent engagement. When leaders play at this level, employees are more likely to offer their time, passion, and energy to fulfill the organization’s strategic potential, going above and beyond what is needed to maintain the business.



Action card

Identify the person who will own the plan for identifying and engaging critical talent related capabilities.

Cultivating a high-performing culture

Stack the deck

A company's culture is its personality. Some cultures are laid back, others driven. Some cultures make snap decisions, others deliberate. Some cultures reward team players, others celebrate superstars.

Cultures are built over time by people's shared beliefs and behaviors. Transformational leaders mold the culture of the future organization through their words and actions, including how they treat stakeholders and where they focus their energy and attention. This requires:

- A clear operating model that each stakeholder understands
- An organizational structure that allows people to know where they fit
- Leadership that is aligned to support common principles and objectives
- Standards for how leaders communicate
- Talent strategies that are focused on retaining key competencies and engaging people

These tools can help cultivate the organization's cultural tone. All five are needed to manage, shape, and nurture a high-performing culture.



Action card

What three things will you ask your leadership team to do differently to demonstrate the culture you want to cultivate?

Winnings shared by all

A deal holds the potential to bring together the very best people, products, and operations to create more value in months than a start-up can produce in years.

Delivering on this opportunity requires leaders to demonstrate skills that go far beyond those needed for business as usual. They should create a compelling vision

for the future company—and provide the support and resources to achieve that vision.

Transformative leaders exercise their abilities to empower and inspire people to pull together and achieve more than they could have ever imagined possible—for the benefit of all.



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