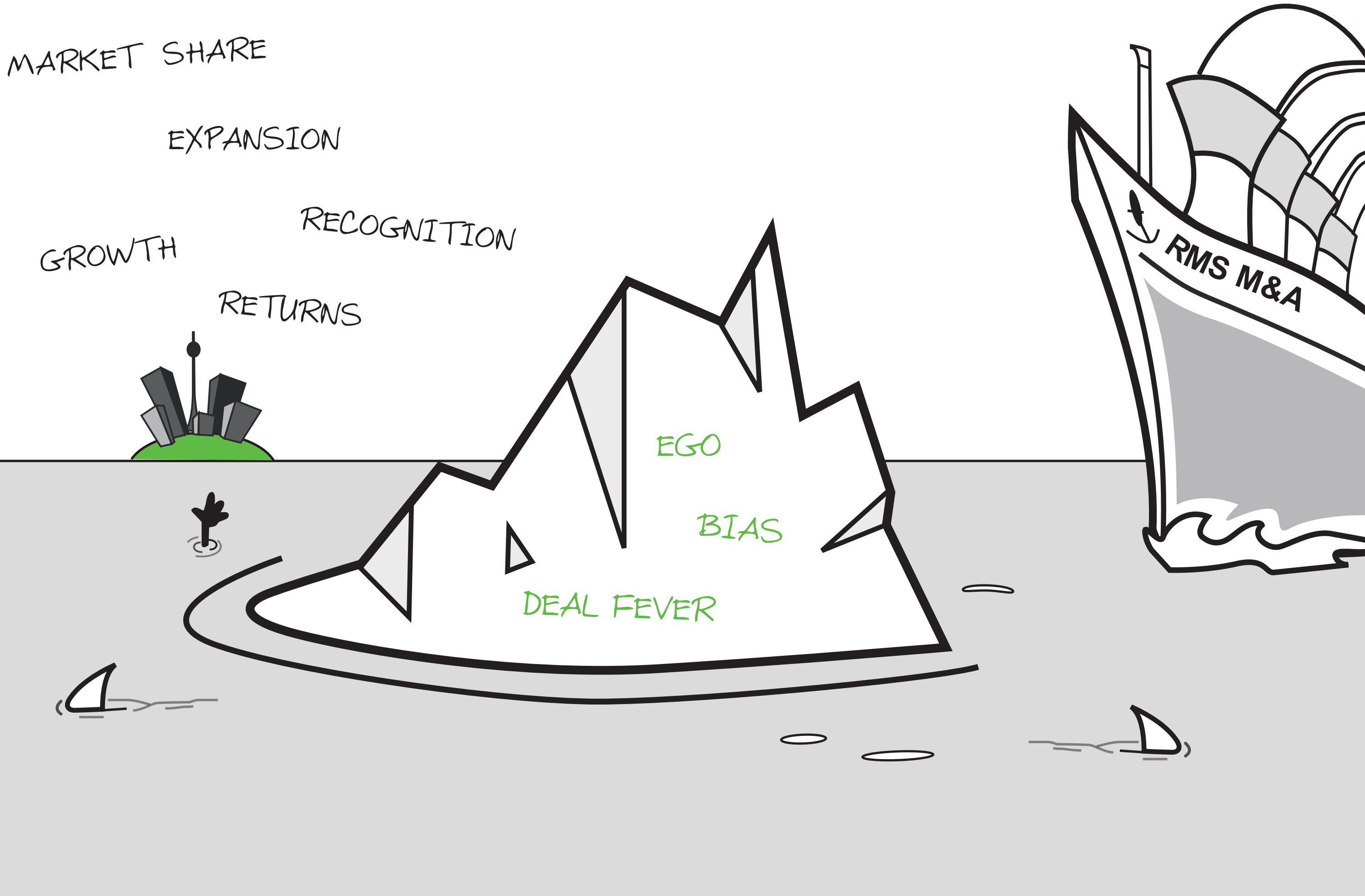
BTD

SUCCESSFUL M&A DELIVERED

Inconvenient Truths

Leadership behaviours that stop M&A from working and how to address them



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Foreword

I was glad to be a participant in this survey and, having seen the findings, support the need for greater vigilance on the thought processes and motivations of senior management which has emerged from it.

M&A has played a significant part in my business career, first of all in marketing and finance roles, then as a CEO and latterly as a Chairman. I have been involved in around 100 transactions the majority of which have been value creating. However, a significant minority have not been successful. I have long realised how vital it is to ensure that, despite the pressures of deal making, leaders are mindful of the post-deal needs and, however hard this may be, to be watchful regarding the personal pressures on the CEO to achieve completion. Steve Jobs' line about being as proud of the actions we decided NOT to do as much as what we actually did has a message for all business leaders. It is ultimately down to the character and courage of the CEO who has to make that call.

The key rules for M&A success are to a) have a clear strategy so what you buy is relevant, b) follow a clear acquisition process and c) establish a rigorous integration plan before completion. Nobody disagrees with this but it is the leadership behaviours which will impact how those sensible stages play out in practice. These findings should provide a useful reminder to senior executives, as well as the advisers with whom they work.

John Allan CBE
Chairman of Tesco Plc

After marketing and management experience in Unilever, Bristol-Myers and BET, John became CEO of Exel Plc. In addition to his Chairman's role for Tesco Plc, he is also Chairman of London First and Barratt Developments, as well as a Non-Executive Director at WorldPay. Previous Chairman and NED roles include Dixons Retail, 3i Group, National Grid and Wolseley. He has also served on the supervisory boards of Lufthansa and Deutsche Postbank.

M&A works - but not for everyone

Fewer than half of all mergers and acquisitions deliver their anticipated objectives over the long term. Regardless of your measure of success – shareholder return, enterprise value, market share, achievement of specific deal goals – some acquirers know how to consistently win, but most CEOs, most of the time, come home with a draw at best. Even when they do succeed, it's often harder than expected, takes longer, and is still no easier than the last one.

Failure is not for lack of advice: many have spelt out the activities that form best practice, and lessons from celebrated failures are regularly picked clean for corporate enlightenment. But the errors, misjudgements, broken reputations and destruction of business value persist. **Why have M&A success rates not changed for well over a decade, despite the efforts of executives, bankers, consultants, advisers and academics?**

We have always believed that 'making M&A work' is not rocket science, but instead is largely about structured processes, common sense, and a connected approach that, to quote Stephen Covey, "begins with the end in mind". For over a decade, we have worked with organisations that share our view that, in this game at least, experience counts more than good processes and templates.

But even this isn't enough. We've seen scores of businesses with apparently everything needed to guarantee M&A success: detailed M&A guides, processes designed to encourage if not enforce best practice, teams of dedicated experts who have seen more deals, and integrations, than weekends away from the office.

And yet they fail. Regularly.

We also know groups with no M&A experience, no team, no tools and no process – and yet their approach to M&A, and ultimate outcome, would put some of the largest, most experienced acquirers to shame. What's going on?

It could be better

Over the years, we at BTD have learned the following:

1. Most acquisitions can, and should, add lasting value to a business within 12 months of deal close; and deliver their deal objectives within 24. This should be true for at least 90% of all deals, not the 60% or so currently accepted within the commercial world.

2. This isn't just about the right processes, tools and experience: the culture, behaviours and conditions at the top ultimately decide whether M&A success is predictable and consistent rather than just down to luck.

3. Changing this isn't actually all that hard provided leaders are prepared to face up to some of these behaviours, and do what's necessary to mitigate their impact on deal-doing.

Our hope is that this report will help people do just that.

BTD is dedicated to helping clients find, acquire and integrate deals that work for them in the long term: deals that deliver, not just complete. We see too many acquirers, and their advisers, believe that a hit-and-miss track record on M&A simply comes with the territory and must be tolerated. We don't. We know it can be better – but only if it's different.

If you share our views, let us know what you think of our findings, and how you make M&A work for your business.

Carlos Keener, Stephan Jansen, David Olsson

We would like to thank all the corporate executives, partners and board members who took part in our study; Susan Walker of AES Research for her support in shaping the survey and validating our conclusions; and Caroline Somer, Richard Doughty and Hamir K. Sahni for their work in developing this report.

Carlos Keener
Managing Partner, BTD, London

" Despite decades of 'best practice', global M&A performance continues to average below 60% across sectors. It can be better, but only if we take a different approach."

Stephan Jansen
Managing Partner, BTD, Frankfurt

" To make M&A successful, acquisition and integration should not be separate actions but rather one seamless and connected process."

David Olsson
Partner, BTD, London

" Only well designed, planned and implemented M&A will increase a company's intrinsic value."

New world...same old M&A

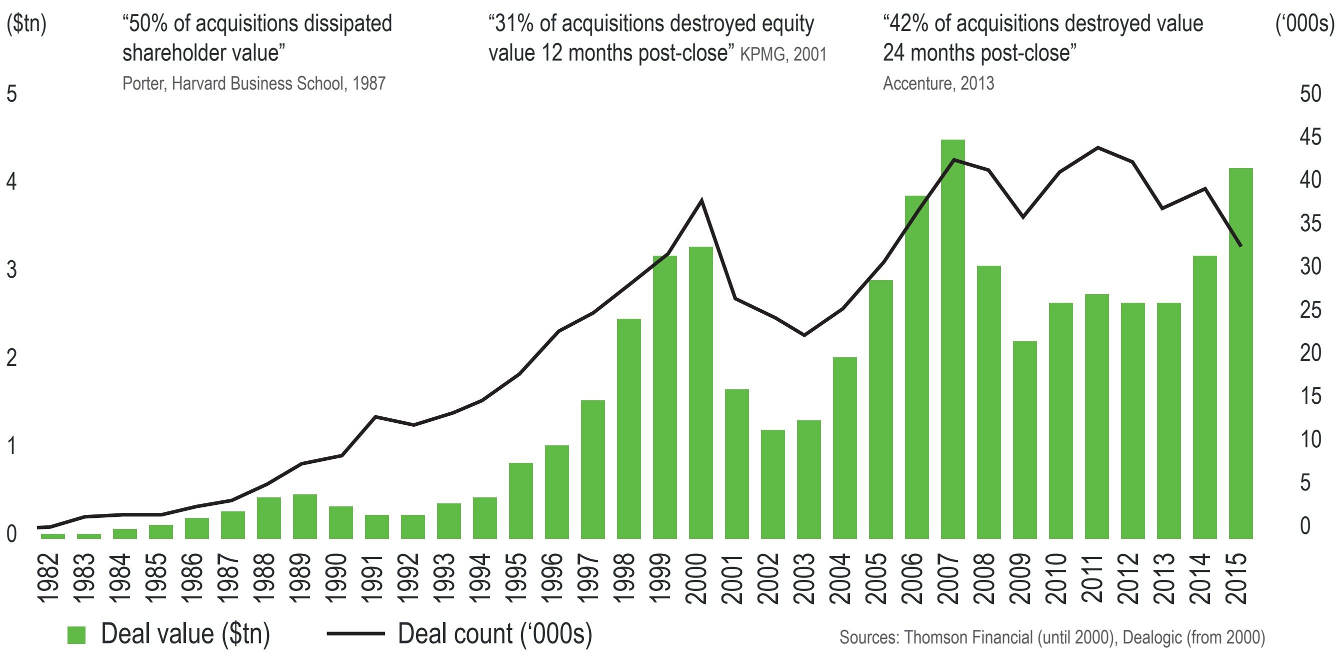
New markets. More customers. Better products. Stronger finances.

In good times and bad, mergers and acquisitions remain one of the best ways of getting ahead of the competition and increasing opportunities – and returns – for business.

Provided you get it right. Consistently.

Global announced M&A deal value

Global announced M&A deal count



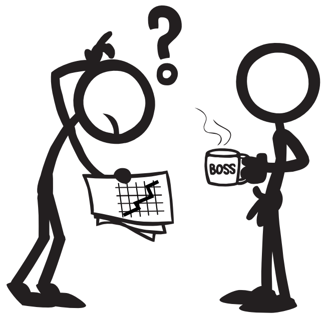
M&A also represents an immense commercial activity that drives significant macroeconomic value across the globe. Even during the most recent 'Great Recession', the worst since the 1930s, the poorest year for M&A saw over 35,000 global deals representing $2.25tn[1] – equivalent to more than 3% of global GDP. M&A impacts national economies, individual businesses, and everyone involved.

In any other field of strategic activity, boards and CEOs would simply not tolerate a success rate of 60%. Would you?

While many businesses do consistently succeed, far too many deals still fail to achieve their objectives. By most measures, long-term M&A success rates remain very low compared to other growth or investment activities. Underneath many celebrated cases of outright merger collapse lies a general prevalence of underperformance, one that has remained unchanged in over 30 years. A more recent review[2] actually *celebrated* the view that as many as 58% of all acquisitions added shareholder value 24 months post-close. Problem solved? We think not.

We do not believe such figures deserve the complacent optimism they receive. If you 'play the M&A odds' and do no better than your peers, your business is likely to be walking away from approximately half of a percent of its enterprise value – millions if not tens of millions – with every single deal.

The fundamental fact remains: M&A is the quickest way to grow your business…but also remains the most risky.



[1] See graph on page 6

[2] *Who says M&A doesn't create value?*, Accenture 2012

Why still so elusive?

This is about more than just the numbers. Underperforming acquisitions damage shareholders, careers, brands, communities and opportunities for companies and people alike. But this endemic level of failure rarely prompts serious remedial action or increased rigour the next time. The reason stems from the unique 'gain today, pain tomorrow' nature of deal-doing:

- **Not a perfect world:** Business is inherently risky, and M&A especially so – some failure is simply seen as 'coming with the territory'.
- **Not today's problem:** The long-term outcomes of most deals – good or bad – are usually only apparent years later. Corporate, board and investor attention spans are short.
- **Not my fault:** Outside corporate management, it's nobody's job to care about the long term:
  - Regulatory bodies focus on potential competitive impact, not the likelihood of deal success.
  - Traditional external deal advisers are not interested in or responsible for what happens post-close.
  - Shareholders and boards are too far removed from the detail to constructively influence deal decisions.
  - Executive survival in serial acquirers is notoriously short: according to one study, **disciplinary replacement of CEOs is 77% higher than in non-acquisitive companies**[3]. Once directors get fired, the new team is keen to draw a line between them and past errors.

Studies of M&A and integration best practice are widespread and largely focus on tangible, concrete ways to improve individual steps along the process. More due diligence? Earlier integration planning? Increased focus on cultural differences? Better communications? Such things can help lift deal performance in individual cases, but still overall levels of M&A success remain unchanged. Current best practice for M&A is available, understood, widely applied…**and clearly insufficient.**

In one study, disciplinary replacement of CEOs was 77% higher than in non-acquisitive companies.

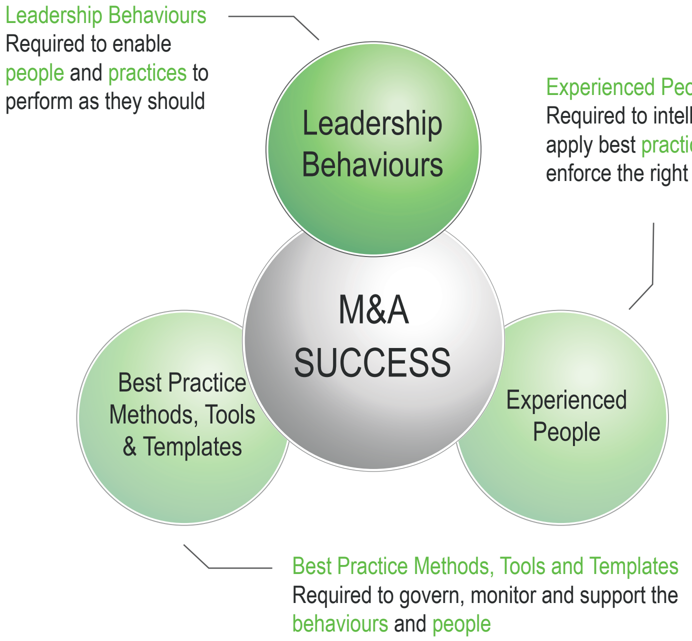
BTD believes this needs to change. We therefore started our research with a different, more open question: **Given the prevalence of best practice, what's *really* driving deal success or failure?**

> "To be in charge of integration in my previous company was to be a hero. Here it is career threatening - no upside, only downside!"
>
> Director, Strategy and M&A, top 10 branded FMCG business

What we learned was entirely recognisable, but at the same time revealed insights that we've not seen elsewhere. Traditional M&A best practice and its application by experienced people remain vital. However, these alone do not ensure success. Alongside the 'process-driven' best practices and experience that everyone talks about are a number of below-the-waterline leadership behaviours that really underpin M&A performance: behaviours that embody the culture, mindset, motivations and actions necessary for sustained success.

We believe M&A success rates are stuck because in most cases organisations – and the external groups that support them – focus on best practice processes, not on people or behaviours.

The three critical factors for M&A success



[3] 'CEO Turnovers after Acquisitions: Are Bad Bidders Fired?', *Journal of Finance, 2006*

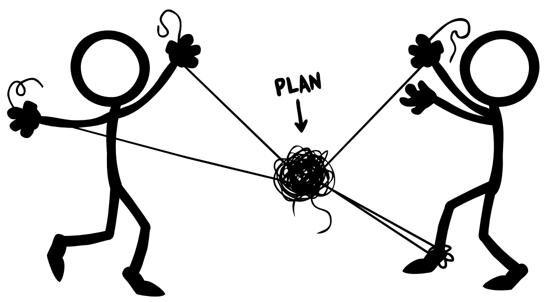
The 10 habits of highly ineffective acquirers

Our focus for this report is on the third and most inconvenient of these factors: **Leadership Behaviours**. Our research has identified 10 such behaviours or 'habits' at the top that erode M&A performance; known but unspoken truths about human nature, the structure of the M&A advisory market, and the internal environment in which executives do M&A:

- Most CEOs and boards recognise them.
- Many confirm their existence, but believe (or pretend) that they apply to someone else.
- Some acknowledge them, but don't know how to address them.
- Others realise they must be managed, but don't have the resources or influence to do so.
- A few acknowledge, understand and actively address them.

We believe that these 10 habits underpin the poor M&A statistics, and the inability to improve them over the years. According to those involved in our research, addressing them is key to delivering acquisition objectives and generating long-term, sustained value for their businesses, deal after deal. Easily recognisable, 'deal fever' or 'deal momentum' is driven by business

These 10 'habits' are driven from the top. Addressing them is key to breaking the cycle of M&A underperformance and generating long-term value, deal after deal.

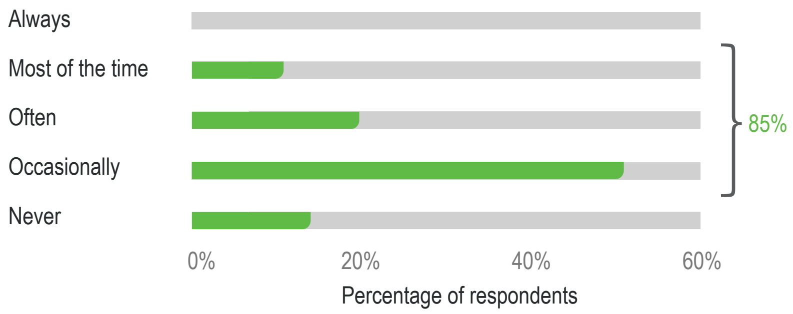


1 Deal makers find it hard to resist deal fever

cultures exhibiting a high comfort with risk or a short-term outlook. Beyond this, personal career motivations, ambition, and imbalanced dynamics within the leadership team can all override any formal processes nominally in place to enforce thoroughness and objectivity.

As a result, some M&A groups view getting the deal done as more important than what happens afterwards. Based on our survey business leaders see this happening:

M&A activity is influenced more by personal pressures than by objective business goals

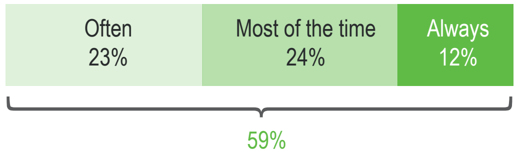


"The deal takes on its own dynamic. Negatives are overlooked and so are any answers they don't want."

Director, M&A and Alliances, global airline

? Does your M&A process consistently eliminate the personal agenda?
Do incentives – formal and informal – encourage deal doing or deal success?

Over 90% of respondents believe that deal fever has a significant, if not critical, impact on M&A performance.



The outcome: poor deal assessment, 'bad' acquisitions, inaccurate targets and insufficient planning for post-close.

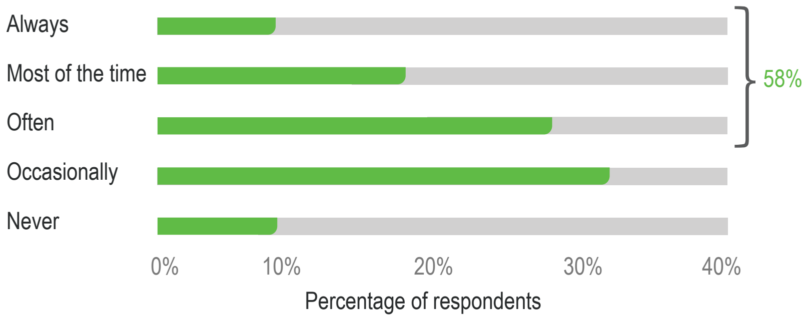
Such behaviours are ultimately driven by the way internal deal sponsors are rewarded for doing deals, personally or professionally. Informal rewards encourage this behaviour: status, power, career advancement. M&A often provides all of these and more, regardless of the final outcome.

2 Politics and ego get in the way of objective debate

Genuine openness and challenge from participants is often missing throughout the pre-close process. This is especially true in organisational environments that do not encourage people to speak up, raise concerns, or disagree with their peers; cultures in which damage to personal reputations is just too risky.

90% of executives at least occasionally withhold objections to a deal where there is widespread group support for proceeding. 29% – almost one in three – do this always or most of the time

Individual management team members do not raise objections to an upcoming deal if there is widespread group support for proceeding



Individual examples set at the very top drive this behaviour. Over-strong leadership, often seen in executive teams where formal accountabilities are unclear or diffuse, can be just as dangerous as overly-weak or consensus-based styles where everyone has a veto. Influence – and therefore personality and politics – predominates.

"There is a lack of real challenge from the team when the Chairman and CEO are dominant."

Finance Director, international food group

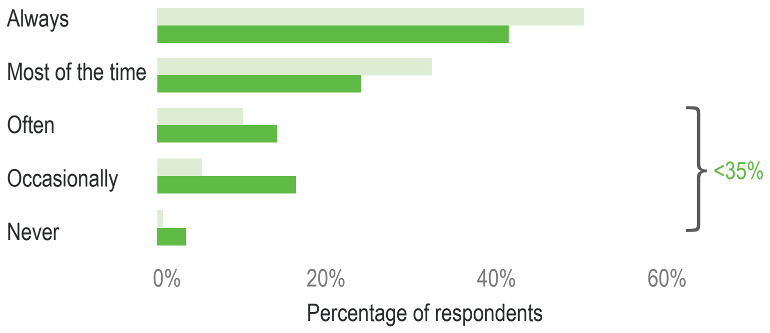
? Does your top team allow people to speak up?
Are one or more individuals overriding the process?

3 Those doing the deal aren't accountable for delivering its benefits

A weak connection between pre-close and post-close objectives, and the accountability for achieving them, underpins this condition. The larger the acquirer, the more likely the disconnect, despite – even perhaps because of – increased resources and structure defining, and therefore separating, their acquisition and integration activities.

"Success depends on thousands of uninvolved people, not the bosses. How are we going to manage that?" M&A Director, FTSE 100 business

- The group assessing a potential deal actively includes the senior individuals who must make it work in the long-term
- The executive responsible for achieving post-deal goals can veto a transaction if doubtful of success



Over 96% of respondents agree that giving post-close leaders involvement and veto power over a deal is the right thing to do. Fewer than half consistently follow their own advice.

"Getting the deal done is all we do; integration is not really of interest to us." VP Corporate Finance, global bank

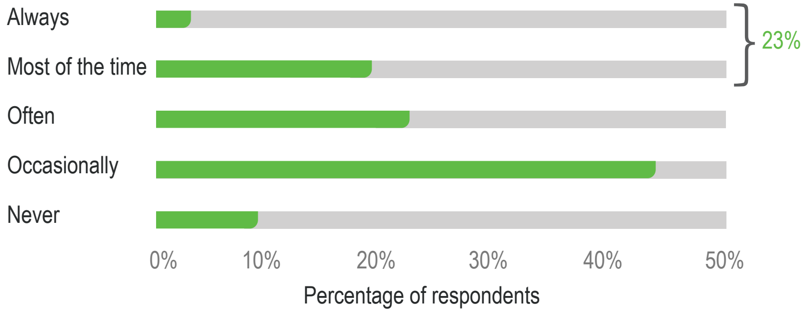
This is about personal objectives as well as structure and people. It is crucial that the group assessing a deal includes those leaders accountable for integration and long-term performance. They should also be able to veto a transaction if doubtful of success post-close.

? Does your M&A process listen to the right people pre-close?
Are your post-close leaders calling the shots, or just holding the bag?

4 Deal support specialists do not help you see the Big Picture

M&A is complex, expensive, and typically requires many specialists inside and outside the organisation: lawyers, finance and accounting experts, environmental consultants, market analysts…the list goes on. In an effort to keep everything co-ordinated and within budget, M&A leaders typically discourage formal involvement of such specialists in any broader thinking about the deal. Even where this is requested, most outside specialists are reluctant to advise beyond their contracted or professional remit; the risks of doing so are simply too high.

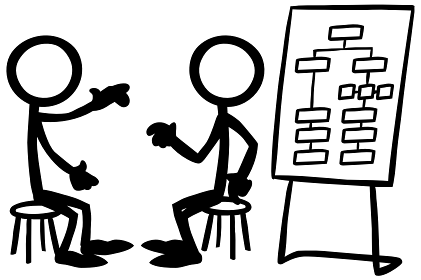
Advisers comment on the broader merits and risks of an acquisition beyond their core area of expertise



This is a lost opportunity. These groups bring a wealth of experience from earlier deals and a different perspective that can add real insight beyond their formal remit. They regularly uncover information which could – and should – be shared with other groups assessing the deal.

> “Cultural compatibility is admin - that’s management’s responsibility.”
>
> VP, international financial services group

Rather than thinking in silos, such specialists should be encouraged to contribute beyond their area of expertise. If managed properly, they can help avoid rather than contribute to a skewed perception of the deal.

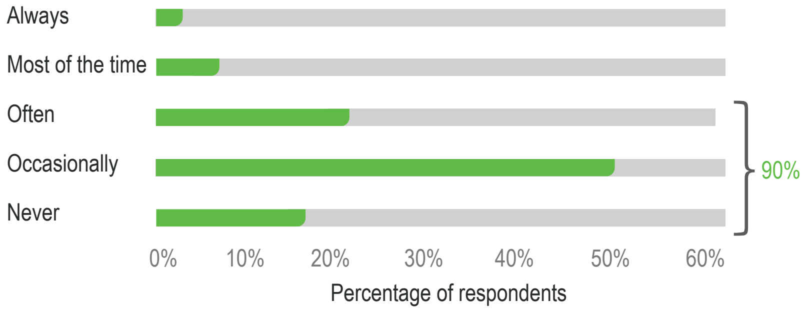


? Are you making the most of your own people when assessing your next deal?
Are your deal advisers giving you advice on the overall deal?

5 Deal advisers are biased towards getting the deal done

Success-based fees underpin most relationships with external deal advisers. This naturally biases them towards completing the deal, often at the highest price. Even where this isn’t the case, many advisers believe their long-term relationship with the client also depends on doing deals – after all, isn’t that why they were hired?

External advisers recommend ending the pursuit of a deal if they believe it is unlikely to achieve benefits for shareholders



> “There was a real lack of challenge from advisers on the overall direction of the deal.”
>
> Head of Strategy, FTSE 250 insurance group

> “I have never seen an adviser blackball a deal when completion is near. They will never tell you not to proceed with a deal!”
>
> Partner, top 100 global law firm

With their focus on getting deals done, their responsibility and interest does not, cannot, extend beyond completion. No deal, no revenue. This unavoidably contributes to deal fever, bad deals and overpayment. Even worse, it undermines the trust and credibility at the heart of every client/adviser relationship, regardless of the motivations of those involved.

? Are your deal advisers rewarded for working in your best interests, or theirs?

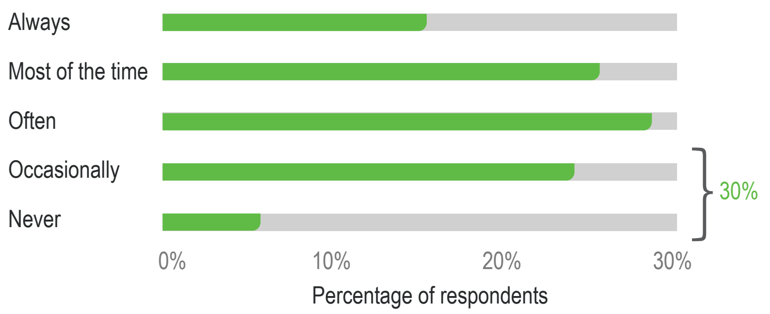
6 Boards fail in their role as M&A moderators

Boards are the final line of defence against excessive exuberance and deal momentum. However, board members often find themselves unable – or unwilling – to play their part, approving deals based on insufficient data, unbalanced conclusions, or in tightly-managed conditions that leave them little room for challenge.

“Leaders can be superficial and don’t realise how critical the operational detail is. The board made a £100m deal decision in just 25 minutes.”

Director, global telecoms company

Board Chairmen and non-executives restrain undue management enthusiasm for a deal



Interpersonal dynamics in the boardroom invariably trump formal accountability or ability: many boards are heavily influenced, if not directly led, by over-dominant CEOs. In other cases, the traditional relationship between boards and CEOs can make them reluctant to challenge in case this implies a lack of confidence. Both situations result in a disempowered board, insufficient challenge, and bad deals.

Only 41% of board chairs and non-executives regularly restrain undue management enthusiasm for a deal.

“You never see a three-year integration plan made available to the board. Investors don’t get to see the real value.” FTSE 100 Board Chair

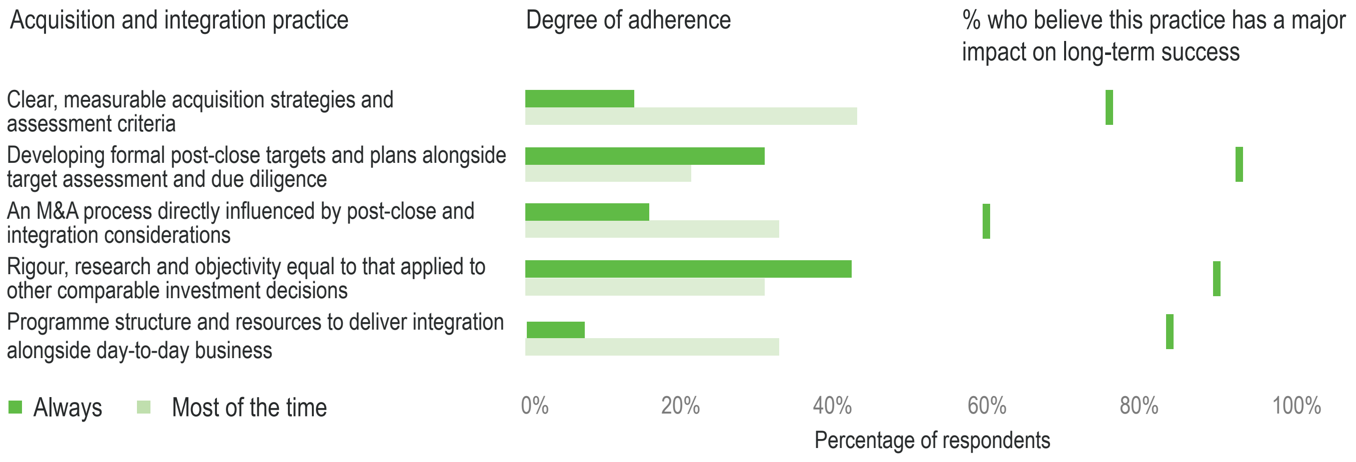
? M&A is strategic, long-term and high risk. Are your board members – especially chairs and non-executives – doing their job?

7 Business leaders do not follow their own M&A best practice

Most executives agree that the application of M&A best practice has a major impact on long-term success – have a look at the graph below for some specific examples. Despite the good intentions, adherence to this same best practice is far less consistent.

“There’s a lack of bandwidth and experience in the process.”

Director, Integration Management, global



Lack of time and experience can contribute, especially in organisations more culturally comfortable with risk and focused on short-term goals. Unclear or disconnected accountabilities, pre- and post-close, also play a part: if cutting corners won’t hurt you personally, why not?

58% of mergers and acquisitions don’t always undergo the same rigour, research and objectivity and other equivalent capital investment decisions.

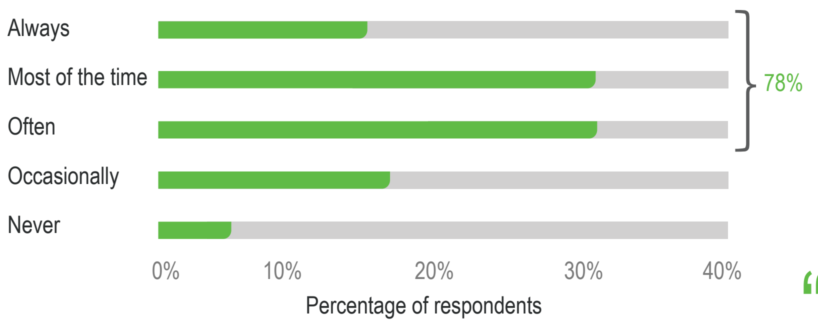
? Everyone knows the best practice. Do you know how well it’s followed, in letter and spirit?

8 Leaders know integration is transformation, but they deliver by process

Once the deal is complete, the real work starts: integrating or otherwise transforming the acquired organisation – and its people – to achieve deal goals. We all know this can't be accomplished unless they understand, accept and adjust to the new world post-close. Moreover, those leading the change must be informed, excited and confident in their ability to deliver this future promise. Without this, integration will fail no matter how many town hall meetings, employee surveys or cultural alignment workshops you may throw at the process.

96% of business leaders believe that transformational leadership, inspiration and engagement have a significant impact on long-term deal success.

Post-deal success is achieved more through transformational leadership, inspiration and engagement than best practice integration structures and processes



Yet despite a common focus on post-close communications with employees, managers responsible for delivering post-deal benefits – the very people who need to demonstrate leadership, inspiration and engagement – often don't know or understand the purpose of the acquisition, the future vision for the business or their role within it. What they do get 'loud and clear' are higher targets, a new boss, an uncertain future, and a mountain of additional work. Many also don't have sufficient experience in issues such as people engagement, talent retention, culture or communications. Without the bigger picture or the skills required, their ability to lead a successful transformation are slim.

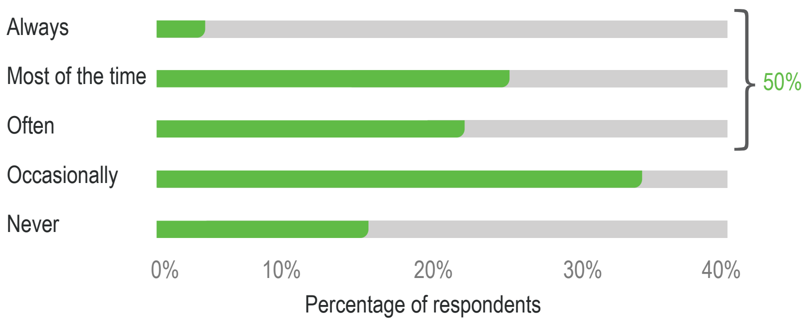
> "Integration is a transformational project requiring inspiration; a goal that makes the difficulties and disruption worthwhile. It's so much more than simply achieving synergies!"
>
> Head of M&A, global travel & leisure business

? What's driving your post-close activities: your playbook, or your leaders?

9 The top team lose interest soon after completion

The deal is done, the champagne has flowed, the tombstones are presented, fees are paid. Responsibilities are handed over to the business, and for the next few months meetings and visits are conducted to make sure things start well post-close. And then everyone gets back to business, some already starting to think about the next deal.

Senior executives do not provide the right level of attention and focus during the post-close integration period to ensure long-term success



There's only one problem: typically, deal benefits only start appearing 9-12 months post-close, while problems only tend to reveal themselves 4-6 months after Day 1. Is it any wonder that executives find it hard to spot the iceberg before it's too late?

> "The team that did the deal has moved on. How do you manage the pace of change when management have set a course and don't accept delay?"
>
> Director, Global Strategy and M&A, technology manufacturing company

Simply adding more meetings to try and keep executive attention is rarely the answer – CEOs and others at the top table constantly shift their focus to more immediate business needs. After all, that iceberg in the distance looks very small, and will probably move before too long – why make a big deal of it now? Changing this behaviour requires an openness to discuss minor issues early, before they become major problems.

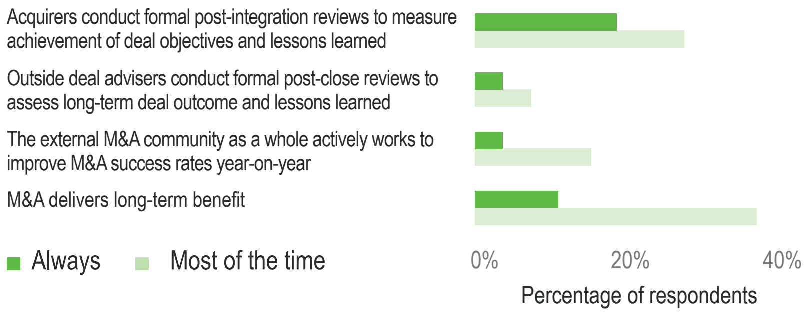
77% of those surveyed believe that senior executive attention and focus post-close has a major impact on long-term deal success.

? Are your senior executives staying focused for the long-haul?

10 M&A practitioners rarely learn from their deals

The structure of M&A itself, and the market for those who support it, encourages everyone to keep looking forward. Despite the focus on continuous improvement elsewhere, not enough retrospective assessment is conducted, shared or applied from one deal to the next. As a result, studies have shown that in most organisations, M&A performance does not improve with M&A experience[4]. That's right: **more M&A doesn't always lead to better M&A unless you insist on it.**

Who's interested in continuous improvement in M&A?



"There is no time - we're onto the next deal in a highly competitive environment." Director, FTSE100 bank

? Do you learn from your past deals, or just talk about them?
Are your outside advisers helping you improve your M&A success rates?

"You never see M&A advisers successfully sued; our engagement letters are very precise." Head of Corporate Finance, global bank

Some of this challenge is cultural – organisations in which continuous learning, sharing of mistakes and reuse of advice naturally do better. Some is also due to the uniquely sensitive nature of M&A, one in which mistakes are typically big, reputational, and best forgotten. The frequency of deals also plays a role: more than a few years between acquisitions usually means that those with the experience have moved on, taking their experience with them.

54% of acquirers don't regularly conduct formal reviews to measure M&A success and learn lessons. 47% of businesses don't believe M&A consistently delivers long-term benefit. Coincidence?

[4] *Reasons for Frequent Failure in Mergers & Acquisitions*, Thomas Straub, 2007
The Effects of Mergers and Post-Merger Integration, Federal Trade Commission, 2003

Putting post-close goals at the heart of the deal

At Glatfelter, acquisitions aren't approved unless we are convinced that post-close plans are realistic, properly resourced, and will not unduly burden or distract our people from day-to-day business.

We start with a 'rough sketch' of post-close objectives, business model and integration plan, all developed at or before due diligence. These inform assessment priorities, cost/benefit modelling and valuation, and are developed in more detail as we progress. Business unit leaders delivering the post-close goals help lead the due diligence exercise, and provide their own insights and recommendations – they will be held accountable for success if the deal goes through so this encourages objectivity, caution and commitment.

These practices give us and the board a much better view of the likely long-term deal outcome **before** we commit.

While solid post-close execution is necessary, we believe much of the success or failure of a deal is predicated on the front-end evaluation. There is no amount of flawless execution that can overcome inadequate due diligence or paying too much for an asset.

Chris Astley
Vice President, Corporate Strategy and Global Head of M&A

Headquartered in the United States, Glatfelter is a global manufacturer of specialty papers and fiber-based engineered materials, offering over a century of experience, technical expertise and world-class service. Glatfelter's sales approximate $1.7 billion annually and its common stock is traded on the New York Stock Exchange.

Making M&A different

Most businesses experience at least some of our ten behaviours with every deal. While it is common for firms to get their way through a few, all of them together represent the 'perfect storm' in M&A.

And here's the crux of the problem: **these 'bad habits' do not stop deals from closing;** in many cases they encourage and accelerate them. **They just stop them from delivering**, with their impact usually only showing up long after everyone's stopped looking. Zombie acquisitions are endemic as poorly-integrated entities stumble along for years post-close, delivering limited value while draining time, attention and resources from the business.

Central to several of these behaviours is an asymmetry between risk and reward. Too many individuals – inside and outside the business – are motivated towards deal completion, not deal success. To them, no matter how much they may understand or sympathise, it's not broke, so why fix it? Even for those who want to improve their M&A performance, traditional best practice fails to address the problems because it focuses on the wrong things. The underlying behaviours and conditions identified in this review are political, cultural, and driven from the very top.

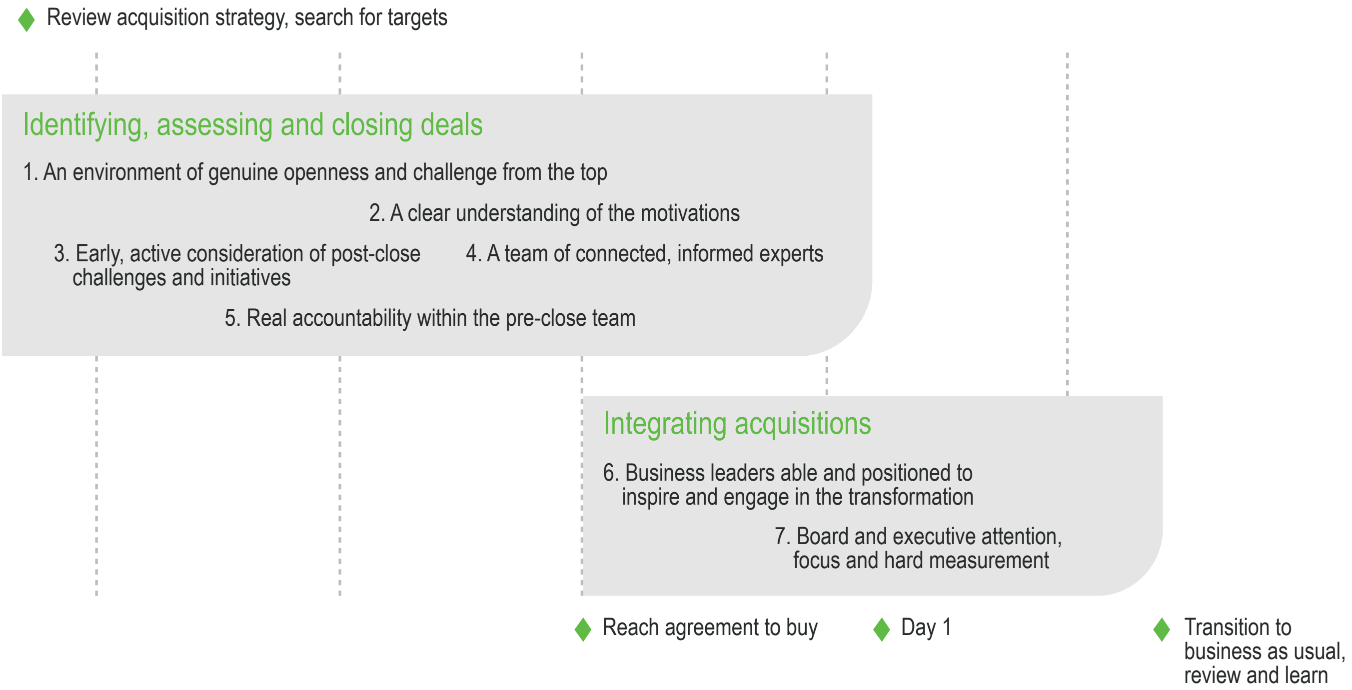
These habits do not stop deals from closing. They just stop them from delivering.

If these behaviours are affecting your M&A performance, you have a choice:

- **Accept it:** live with the post-close challenges, mediocre deal results and depressed enterprise value.
- **Fix it:** change the culture and behaviours within your board and executive teams. This will bring broader benefits for your business, provided you are prepared to make hard changes at the top, and see it through. The best solution for the long term, but not always realistic or achievable, and certainly not quick or easy.
- **Manage it:** improve how you govern your M&A and post-close activities – accountabilities, incentives, decision-making, team dynamics and more – to minimise the impact of these 'eroding behaviours'.

Think it isn't worth the pain and effort? According to our study, leaders who successfully avoid our 10 'bad habits' consistently see M&A deliver long-term benefit 72% of the time, over **four times** more than those who don't. They have also enjoyed an increase in share price of 46% over the past three years – more than **twice** that of their 'badly-behaving' peers.

Managing leadership behaviours in M&A: What does good look like?



*Business leaders who follow these good behaviours see M&A consistently delivering long-term benefit 72% of the time, over **four times** more often than those who don't.*

What you can do to improve your long-term M&A performance: a checklist for CEOs and board chairs

Improving leadership behaviours and their impact on M&A will require firm, consistent action from the board chair and the CEO, working individually and together to set the right mix of incentives, example and governance:

Checklist

Done Not Done Not Sure

1. Understand the individual **attitudes, ambitions, egos and motivations** of the board and your top team. Look for ways to depersonalise M&A and be clear that walking away is just as positive as completing the deal.
2. Use **advisers** who have a record of providing holistic deal advice – advice that occasionally includes recommendations to walk away. Make sure they understand the deal rationale and priorities, and encourage them to comment on broader aspects. Avoid traditional success-based fees.
3. Make your **post-close managers accountable** for long-term performance: give them responsibility for the data behind due diligence and deal reviews, and give them post-close targets as they emerge. Challenge their views, but if they still say 'no', don't do the deal.
4. Insist upon formal **stage-gate meetings** to review the deal 3-4 times pre-close, involving individuals not directly tied to deal success. Accept walking away as a good outcome.
5. Review the **dynamics of your executive deal review team and the board.** Create an environment in which everyone knows they can contribute openly; over dominant individuals do not constrain debate; and different outlooks are balanced. *Set the example.*

Leading with people, not process

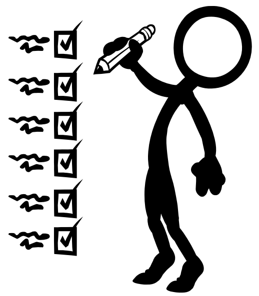
Looking back on the successful post-deal integration of a £1.2 billion acquisition, feedback from the 'crew' highlighted some key contributors:

- we ensured the integration director and team were an integral part of the pre-deal process with genuine power to veto the deal
- a credible 'working plan' was visible to everyone before deal close
- business leaders inspired people during the challenging post-integration phase by engaging key influencers pre-deal and not waiting until deal close
- we identified key people to be retained pre-deal, and addressed the 'human' side of securing their retention at the earliest possible opportunity
- honesty and transparency remained paramount post-deal

Siva Shankar
Executive General Manager Finance
Lend Lease EMEA Construction

Done Not Done Not Sure

6. Be realistic about **management workload**: insist on estimates of the time needed to support acquisition and integration, and have those involved delegate, plan and budget for additional support.
7. Give attention to your **post-close leaders**: make sure they're engaged and ready to lead their people through the coming transformation, and give them the tools, training, incentives and time to do so.
8. Ask for key ***leading* indicators of long-term deal performance** to be established up-front. Review them regularly with the executive and board for 24-36 months post-close.
9. Work with board members to **strengthen their role as deal moderators**, asking them to encourage open debate and challenge without reputational repercussions. Do not over-manage the board review process towards a desired outcome.
10. Learn from your deals: insist on steps to **formally review successes** and improvement areas at the start and end of each deal/integration, and ask what steps have been conducted to take them forward. Make M&A performance improvement someone's direct responsibility.



Building ownership up-front

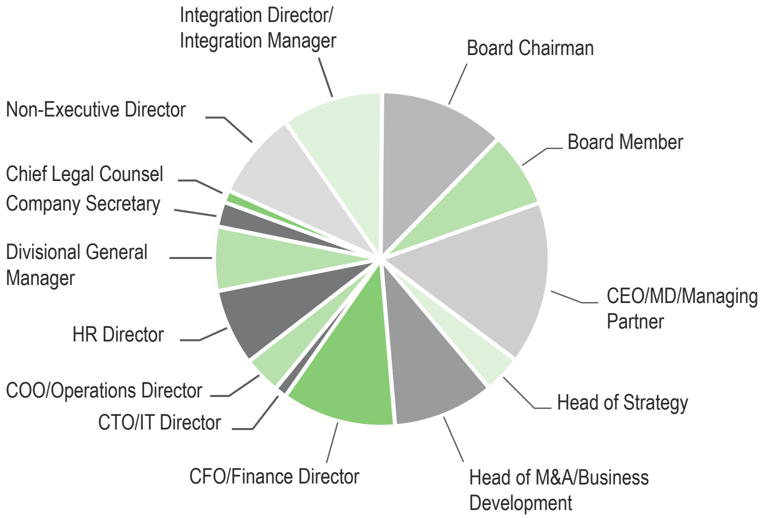
Keeping everyone honest pre-deal is critical. ABF's approach begins with each business unit developing a list of target acquisitions as part of their annual strategic planning process. This way when the deal comes up for consideration later in the year, it's no surprise. The business unit always sponsors and leads the pre-deal process including due diligence, and develops the business case, one that forms part of their own targets post-close – there's no way they can argue for different targets in the first couple of years if the deal goes ahead. Same management, same sponsors, same business case – that's what keeps our people aligned and focused. If you've got it wrong, you suffer the pain as well. Group doesn't drive, but oversees and supports the process, and will absolutely hold you to the fire if any loose thinking or deal momentum begins to arise.

Bob Emmins
Finance Director, The Silver Spoon Company, a member of Associated British Foods

About our study

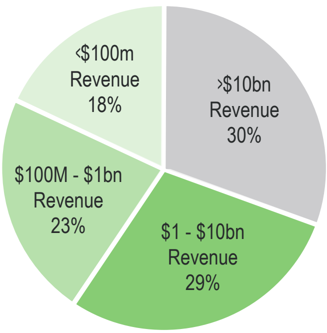
The research from which this report draws is based on surveys and interviews conducted with over 100 senior executives, board members and senior partners from multinational corporate organisations and professional M&A service firms. Survey questions, analysis and conclusions were produced by BTD and validated by AES Communication Research.

Respondent role



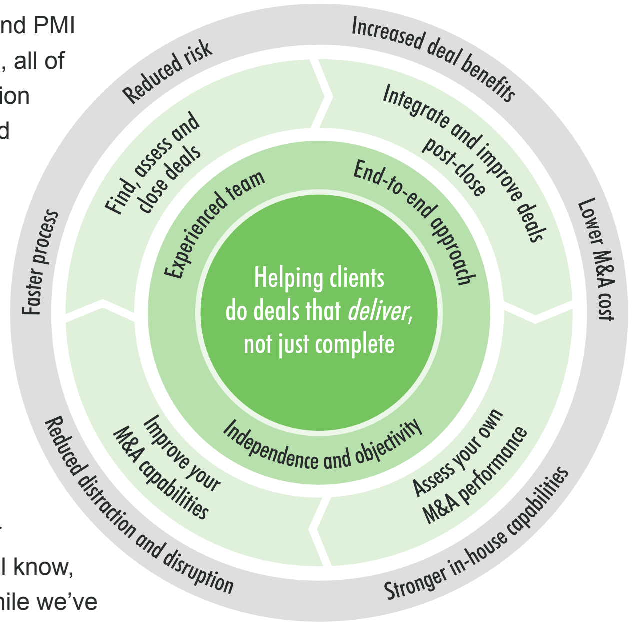
Survey participants were based within Europe, North America and the Middle East, and represented publicly-listed (57%), private/ subsidiary (38%), and 3rd sector (5%) organisations, spanning 24 discrete commercial sectors. 86% of respondents had direct personal experience of five or more transactions; 26% had direct experience of more than 20 transactions. 55% of respondents worked within organisations that had their own dedicated in-house M&A teams; 17% had their own dedicated in-house integration teams. Professional M&A service firms were only involved in the interview component of this study.

Organisational size



About BTD

BTD are specialists in the planning and execution of holistic M&A and PMI services. The firm comprises a long-standing team of professionals, all of whom are experienced specialists in fields such as merger acquisition and integration separations and divestitures, target assessment and valuation, project and programme management, business process integration, organisational design, HR, IT, branding, culture and internal engagement, communications and risk management. With offices around the globe, BTD serves organisations of all sizes and sectors. Individually and collectively, the team has worked across almost every industry sector, and in geographies and national cultures across the globe.



A final word...

Like many of you, I've spent much of the past 15 years searching for a 'secret ingredient' to the M&A formula: some approach, tool or process that will significantly improve success even when, as we all know, 'every deal is different'. I was simply looking in the wrong place. While we've all experienced the challenges of poor leadership behaviours on M&A, the strength of these findings has fundamentally changed my own thinking on their priority for leaders who plan to grow their businesses through acquisition.

That doesn't mean what we've found is simple or easy to fix, but – as demonstrated by many of our survey participants – a step-change in long-term M&A performance is absolutely achievable. I'm excited by the new directions these insights and approach will be taking me, BTD and our clients in the coming years. Thanks for reading this report – I hope you found it thought-provoking and useful. If you'd like our help in sharing its insights with your colleagues, or understanding its relevance to your organisation, give me a call.

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