

NOTES ON STRATEGY

Enabling growth through M&A

Five principles for success

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M&A for growth

Mergers and acquisitions (M&A) are a critical tool for growth, innovation, and transformation. Despite their potential, many M&A transactions fail to deliver expected value, with common pitfalls including misalignment with strategy, lack of disciplined execution, and short-term thinking. To succeed in M&A, it is imperative for leaders to adopt a holistic and strategic approach that maximizes long-term value creation. Here are five key principles to guide effective M&A strategy and execution.

Five principles: Achieving strategic value drivers

Principle 1: Align M&A with Long-term Strategy

Successful M&A relies upon being aligned with the company's long-term vision and strategy. This requires a clear understanding of where the company wants to be in the future and ensuring that all acquisition activities are directed towards achieving that vision. Rather than focusing solely on tactical gains, leaders should take a strategic perspective—identifying the capabilities, markets, and talent necessary for future success and using M&A to secure them, ultimately contributing to a durable competitive advantage.

Principle 2: Align and Create Value through Strategic Acquisitions

M&A should serve a greater strategic purpose by enhancing the company's core strategy. Rather than being opportunistic, it must support long-term growth objectives. Strategic fit is critical, and not only must the acquisition be a good target, but the acquirer must also recognize how it is the "best owner" and can grow the acquired business. As the ultimate objective of M&A is to create value, leaders must look beyond the transactional aspect and assess how the acquisition will enhance the company's overall value proposition.

Principle 3: Empower Leadership and Prioritize Talent

Leadership is a crucial factor in the success of any acquisition. Ensuring that the right talent is in place to manage the integration process is essential. This means assessing leadership capabilities early and aligning key leaders with the long-term objectives of the merger. A balanced approach that considers both short-term integration needs and long-term transformational goals is critical, especially in retaining key players who contribute out-sized value. Leaders must be cognizant of their expanding scope and manage the total combined organization post-acquisition.

Principle 4: Maintain Disciplined Management

Financial discipline is a cornerstone of successful M&A. Companies must maintain transparency and rigor throughout the M&A process to ensure that the transaction brings tangible incremental benefits, such as synergies, innovation, and stronger market positions. Disciplined management of expectations, risks, and integration activities is essential for realizing the full value of a deal. In addition, leveraging a strategically-anchored performance management approach is key to keeping leaders and organizations focused on achieving value drivers.

Principle 5: Drive Performance Management and Value Creation

To ensure that M&A delivers on its strategic promise, companies must establish a robust performance management system. This includes setting clear strategic and financial metrics for success, ensuring accountability, and providing transparency to stakeholders, including the Board and shareholders. Critically, performance management helps align incentives for leaders and their organizations with strategic value drivers. By actively managing performance, companies can ensure that M&A efforts do not lose momentum and that the intended value creation is realized.

Driving competitive advantage

M&A, when executed with strategic clarity and discipline, can be a powerful engine for growth and transformation. The principles outlined above provide a structured approach to ensure that acquisitions are not just tactical plays but are pivotal elements of a broader strategy for future success. By aligning M&A efforts with long-term aspirations, maintaining rigorous discipline, and focusing on true value creation, companies can turn M&A into a sustained driver of competitive advantage.

