

## Successful M&A Leadership Comes at a Cost

By Justin MacBale and Greg Lemiska

In mergers and acquisitions (M&A), a staggering 70% of deal value erosion occurs during the integration phase<sup>1</sup>. This period, post-close integration (PCI), is marked by significant organizational change and the necessity for swift, decisive action. The integration phase is fraught with resource constraints that present unique conflicts and risks seldom faced under regular operational circumstances. The high failure rate in M&A underscores the essential role of leadership during M&A, specifically PCI.

### **Most M&A leaders fail to anticipate and prepare for the unavoidable pain required for PCI success.**

Leaders with a realistic, rather than optimistic, outlook are pivotal in navigating integration complexities. A successful journey through PCI is very different from success in everyday operations. Leaders must make difficult decisions regarding personnel, processes, technology, and strategic priorities, with constraints that preclude ideal outcomes. The pace of change during PCI does not allow for complete mitigation of adverse impacts. PCI demands that leaders proceed with determination and foresight.

### **Other than direct experience, how can leaders prepare for PCI?**

Insights are available from other high-stakes environments. An example is the competitive world of college football, where the stakes are high, and the pressure to perform is relentless. At a glance, this might not seem like an apples-to-apples comparison, but in every college football season, millions of dollars are at stake, careers are made or broken, and even long-term personal health can be at risk. Fans, administrators, and the media all place incredible demands upon the coaches of top teams. Many words of wisdom are available from successful coaches, but Kirby Smart, the esteemed coach of the University of Georgia football team, is powerful. Kirby offers a three-rule framework<sup>2</sup> for leading through adversity, easily adaptable to the M&A post-close integration process.

**Rule #1:** *“Leaders have to make hard decisions that negatively affect people they care about.”*

At face value, embracing tough choices might seem straightforward. However, it is easy to falter when a decision requires negatively impacting employees for the

---

<sup>1</sup> [KPMG Research](#)

<sup>2</sup> [Kirby Smart Video](#)

long-term health of the organization. Whether streamlining the workforce to achieve synergies or reallocating resources, the focus must remain on what's best for the business and accept potential disruptions to team dynamics and morale. The business's long-term health provides more benefits to more employees than short-term avoidance of pain.

**Rule 2:** *“Leaders will be disliked despite their best attempts to do the best for most.”*

Your decisions, particularly in the context of PCI, will not always be popular or fully understood by all team members, no matter how sound the logic is. From the frame of reference of someone negatively impacted, it should be easy to understand why leaders will generate distrust or dislike when making these decisions. There simply is no avoiding it. Leaders must accept that as a consequence of rule #1, their population and trust will suffer. Delays or ambiguity from avoiding this fact will only worsen the situation.

**Rule #3:** *“Leaders will be misunderstood and will not have the opportunity to defend themselves.”*

You will naturally want to minimize the level to which you are disliked. You can have some impact through change management planning and execution, but it will never be total. Leaders should not expect to change-manage their way to employees happily accepting pink slips. Confidentiality requirements will prevent you from sharing all the logic behind a decision. Expecting otherwise will only complicate communication and create delays.

### **Accepting these rules and preparing for consequences increases the likelihood of successful PCI.**

Kirby Smart's three rules center on a simple fact: in a high-pressure moment, the best decision will have negative consequences. Accepting the downside and moving ahead are characteristics of successful leadership.

Successful leaders will leverage cognitive psychological techniques that can reduce these impacts. These techniques enhance understanding and trust, both vital components of difficult conversations.

Leadership during M&A integration requires a different mindset than standard operations. It demands a willingness to make tough decisions, face criticism, and sometimes stand misunderstood, all to guide the organization toward its strategic goals. Successful leaders in this arena understand the weight of their role and

**February 2024**



embrace it with resilience, knowing that their efforts are crucial to long-term success and prosperity.