Beyond the Deal

Why People, Culture and Integration Determine M&A Success

Reflections from the Festival of Entrepreneurs, NEC Birmingham

This week I had the pleasure of joining an M&A panel at the Festival of Entrepreneurs at the NEC in Birmingham.

What I particularly enjoyed about the discussion was the breadth of perspectives around the table. We had experience from people who had bought businesses, built and sold businesses, advised on transactions and worked directly with organisations going through significant change.

And although we approached M&A from different angles, one theme kept coming through:

A successful transaction is about far more than getting the deal over the line.

The numbers matter, of course they do.

But so do the people who hold the knowledge, maintain the customer relationships, lead the teams, understand how things actually work and ultimately have to turn up the morning after completion and continue running the business.

Having worked on the people side of transactions worth more than £750 million, I have seen repeatedly that some of the biggest risks in M&A don't sit neatly on a balance sheet.

They sit within the organisation.

Build a business someone can actually buy

One of the strongest themes from our discussion was that preparing for an exit shouldn't begin when somebody decides to sell.

The best-prepared businesses have been quietly becoming more saleable for years.

That means good contracts, good governance, reliable management information and documented processes. It also means asking a much more uncomfortable question:

How dependent is the business on its owner?

If everything still needs to go through the founder, the business hasn't really become an independent organisation.

A useful test discussed by the panel was what would happen if the owner disappeared for a month, or three months, or six.

- Would decisions still be made?
- Would customers receive the same service?
- Would the management team know what authority they had?
- Would employees simply wait for the founder to return?

For owners considering an eventual sale, stepping away from operational decision-making isn't simply about achieving a better work-life balance. It can directly influence the resilience and ultimately the value of the business.

The businesses that are easiest to scale, invest in or acquire are those where knowledge, leadership and accountability sit across the organisation rather than inside one individual's head.

Due diligence needs to go much further than the numbers

Buyers quite rightly undertake detailed financial and legal due diligence.

But financial performance only tells you what has happened.

It doesn't necessarily tell you whether that performance can continue.

One particularly interesting point from the panel was the importance of operational due diligence.

Speak separately to sales, finance and operations and you can sometimes discover that three departments believe three entirely different things about how the organisation works.

That disconnect is important.

Because the questions a buyer should be asking include:

- Where does critical knowledge sit?
- Who owns the major customer relationships?
- Which employees would be extremely difficult to replace?
- Are processes genuinely embedded or simply understood by one or two people?
- Does the management team operate as a leadership team or as a group of individuals?
- What happens if key people leave following the transaction?
- Where are the operational bottlenecks?
- What cultural issues could prevent the planned integration from working?

These aren't necessarily reasons not to proceed with an acquisition, but they are risks that need to be understood before the deal completes.

You cannot manage what you haven't identified.

Know what you're buying - and why

Another important discussion centred around the rationale for an acquisition.

Why does the buyer actually want the business?

Is it acquiring technology?

Customers?

Talent?

Geographic reach?

Intellectual property?

Market position?

A new product or capability?

That sounds obvious, but it has an enormous impact on what happens next.

Because once you understand **where the value actually sits**, you can make much better decisions about what should change after acquisition and what absolutely shouldn't.

There can sometimes be a temptation after an acquisition to integrate everything.

- Systems
- Processes
- Reporting lines
- Brands
- Sales teams
- Ways of working
- Culture

But integration for integration's sake can destroy exactly what made the acquired business valuable.

If you have acquired a highly entrepreneurial, creative company, imposing layers of corporate process immediately may remove the very characteristics you paid for.

The panel discussed examples where combining back-office functions, technology and systems made complete sense while preserving greater autonomy in customer-facing, creative or specialist areas.

That distinction matters.

Good integration isn't about making two organisations identical.

It is about understanding what needs to come together to create value while protecting the things that already work.

Decide what integration looks like before completion

From my perspective, this is one of the areas where organisations can prevent a significant amount of difficulty.

Before completion, there needs to be clarity about the intended operating model.

- Will the acquired company remain largely standalone?
- Will it be fully integrated?
- Will certain functions be combined while others remain independent?
- What will happen to the existing leadership team?
- Where will decision-making sit?
- What does that mean for employees?

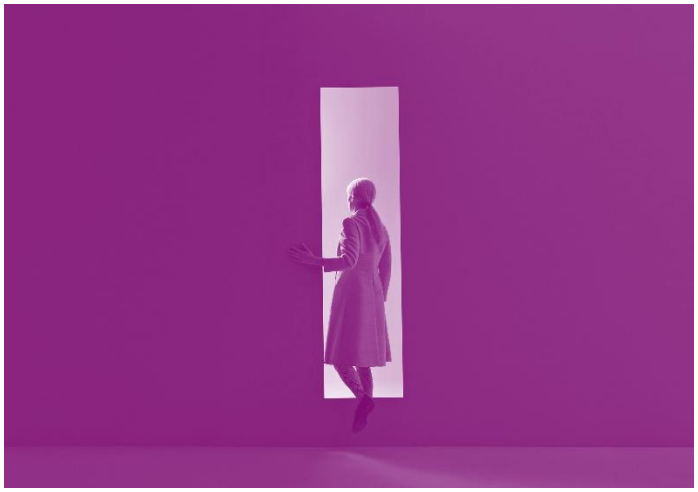
If the buyer doesn't know, employees certainly won't.

Uncertainty creates a vacuum, people fill that vacuum themselves, they start wondering whether their role is safe, whether their manager will still be there, whether their office will close, whether their terms will change, whether the culture they enjoy is about to disappear.

While leaders are focused on completing the transaction, employees can quietly begin looking elsewhere.

That is why the people strategy cannot start on completion day.

Your best people may be thinking about leaving before you can talk to them



One of the genuine challenges with M&A is confidentiality.

You cannot simply tell everybody what is happening from the outset:

- Deals require controlled communication
- NDAs may be needed
- Information has to be compartmentalised
- Certain people will know before others

All unavoidable.

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But confidentiality shouldn't mean ignoring workforce planning until the transaction is announced. A buyer needs to understand which employees are critical to continuity.

Who holds relationships you cannot afford to lose?

Who has specialist knowledge?

Who will employees naturally look towards when the announcement is made?

Who could destabilise the organisation if they left?

And equally:

Who is likely to feel most uncertain about the transaction?

Retention arrangements, including carefully structured retention bonuses or incentives where appropriate, may need to be considered before completion.

But money alone rarely solves the problem, people want clarity, they want to understand where they fit, they want to know whether there is a future for them. And they want to know whether the promises made during an announcement are going to be reflected in the reality that follows.

Day One receives the attention, Day Two determines the outcome.

M&A teams naturally focus heavily on completion.

There is often a huge amount of energy around Day One, announcements are prepared, meetings are scheduled, senior leaders speak, employees receive communications, customers may be contacted....

And then Day Two arrives.

Everyone has to go back to work.

For me, that is where a great deal of the people planning should be focused.

What do we need people to do the day after completion?

- Do we need them engaged?
- Productive?
- Reassured?
- Talking positively to customers?
- Working collaboratively with colleagues in the acquiring organisation?
- Continuing to deliver business as usual?

If so, we need to create the conditions that make that possible. That means line managers knowing what to say, employees knowing where to ask questions, leaders being visible, key people understanding their future, clear communication continuing beyond the initial announcement.

And importantly, issues being addressed quickly rather than allowed to become rumours.

Don't underestimate the psychological impact of an acquisition

This was another important part of our discussion, even when an acquisition is commercially positive, employees don't automatically experience it that way.

From the boardroom, the transaction might represent growth, investment and opportunity.

For an employee, the immediate thought may simply be:

"What does this mean for me?"

That doesn't make them negative or resistant to change, it makes them human.

People may have worked in the organisation for ten, twenty or thirty years, their identity may be closely linked to the company, they may trust the founder, they may be proud of the culture, they may have experienced previous restructures or redundancies.

Ignoring that emotional response can have a real commercial consequence.

Productivity can fall, absence can increase, good people can leave, customer service can suffer, leadership credibility can be damaged.

And suddenly some of the value identified during due diligence starts disappearing.

People risk is commercial risk.

Preserve value before trying to create more of it

There is naturally a huge focus in acquisitions on synergy and value creation.

But before trying to unlock additional value, buyers need to protect the value they have already purchased, that means:

- ✓ Retaining critical knowledge.
- ✓ Maintaining customer relationships.
- ✓ Protecting operational continuity.
- ✓ Keeping the right leaders.
- ✓ Understanding culture.
- ✓ And making deliberate decisions about integration.

One of my biggest takeaways from the panel was that the businesses achieving the strongest outcomes aren't necessarily those making the most changes after acquisition.

They are often those making the **right** changes.

They understand why they bought the business.

They know where its value sits.

And they resist the temptation to interfere with the things that already work.

Seven questions I would ask before completing an acquisition

From a people perspective, there are seven questions I would want answered:

1. What are we actually buying?
Where does the real value sit – customers, technology, expertise, people, brand, capability or something else?

2. Which people are critical to maintaining that value?
Identify them before completion rather than discovering their importance when they resign.

3. What knowledge sits inside individuals rather than systems?
Key-person dependency can be just as significant as founder dependency.

4. What is our intended integration model?
Standalone, fully integrated or somewhere between the two?

5. What must we protect?
Which elements of culture, customer relationships, working practices or capability should deliberately remain untouched?

6. How and when will we communicate?
Think beyond the announcement. People need an ongoing communication plan.

7. What needs to be true on Day Two?
What do we need employees, managers and leaders to understand, believe and do once the deal is complete?

If those questions cannot be answered, there is still work to do.

The deal isn't the finish line

M&A understandably involves enormous focus on valuation, funding, legal agreements, warranties, due diligence and negotiation.

But completion is not success.

It is simply the moment ownership changes.

The real result comes afterwards.

- Does the business continue performing?
- Do the customers stay?
- Do the key people remain?
- Can the leadership team execute the plan?
- Can two organisations work successfully together?
- And does the value that looked so compelling in the investment paper actually materialise?

That is why I believe people due diligence and integration planning need to sit alongside financial, commercial and legal due diligence from the beginning.

Because ultimately, organisations don't integrate, People do.

And if you want the acquisition to deliver the value you bought it for, those people need to be part of the plan.



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The Affable Partnership works with business owners, leadership teams, investors and acquirers to identify and manage the people risks associated with acquisitions, integrations and organisational change – from People Due Diligence and key-person risk through to communication, retention, leadership and post-completion integration.