#1 Global M&A
by deal count
(for the last 13 years)
(*Mergermarket, 2010–2022*)

Global M&A Intelligence Report

The drivers of successful M&A in 2023

Given the unparalleled value they generate, M&A deals will remain a key strategic lever for businesses in 2023, regardless of market conditions. M&A in 2023 will be shaped by a challenging macroeconomic environment. Companies will continue to merge, acquire and divest where there are compelling opportunities to grow. They'll increase shareholder value and accelerate strategically.

Many deals will be successful. And many won't achieve their valuation goals.

Failed deals will be particularly painful in 2023. Reactive markets, anxious boards, increasing costs and plateauing customer spending will exacerbate the costs of failing. As simple as it sounds, in 2023 reducing risks and delivering on promises will be the barometer of successful M&A deals.

We think a structured approach to M&A will bring success. This approach is where you run the deal and integration as a structured project with reusable assets, specialist capabilities and hybrid teams. In an environment with cautious risk appetite, challenging market dynamics and a heightened need to see value early, this approach reduces risk while improving M&A discipline, precision and capability. This approach has been proven to accelerate the process, delivering greater deal value faster and reducing risk.

In practice, it means focusing on near-term value realisation, systematically (and proactively) mitigating risk across deal phases, and doubling-down on investing in a successful transition. Companies need discipline, precision and the right capabilities alongside key fundamentals.

"M&A in 2023 will continue at pace. Increasingly we see clients purposefully looking to deliver well to their commitments and minimise risks. Markets are less forgiving than in previous years."

Omar Khabbaz

Strategy and strategic fit: Companies have to establish an M&A strategy that aligns with the overarching organisational strategy. The target should align with the acquirer's strategy. And acquirers should have a clear, cautious and convincing rationale for the transaction. Strategic fit – the way the entities complement each other across products, services, customers, geographic footprint, technology, people and culture – is a key driver of success.

If the two levels of strategy misalign, it will permeate throughout the deal lifecycle. This will create tension. And that will lead to poor decision-making, the wrong acquisitions, clunky integration, and destruction of potential value growth.

Due diligence: Traditionally, due diligence covers legal, financial, operational, technology, and strategic aspects of the target. Sustainability, environmental, social and governance factors in due diligence (ESG DD) will be increasingly prominent in 2023 as acquirers look to mitigate risk.

Effective due diligence has always been the cornerstone to sustainable success in M&A transactions, but it's particularly important in 2023. Comprehensive due diligence gives the acquirer a clear understanding of the target company's performance, challenges and risks. It also gives detailed insight for potential value creation. Companies need to safeguard and assure their deals against macroeconomic pressures. So precise, nuanced and comprehensive due diligence is non-negotiable.

Financial viability: The financial viability of a transaction is not often overlooked. But surprisingly there's often a lack of data to assess the financial viability of deals. Often, the issue is the complexity of transition. Companies tend to overestimate post-deal benefits and synergies. And they might have a bullish macroeconomic view. In 2023, the right level of rigour to test whether the transaction makes financial sense is key to reducing risk and increasing confidence in realising the near-term value.

Deal readiness: M&A is one of the most complex and challenging undertakings an organisation can go through. It's paramount to the success of the end-to-end process to have the right capabilities in place for each stage of the deal lifecycle. It's equally as important to have the right capacity, alignment and focus across all contributors. This ensures optimal process, value and legal alignment. And companies will achieve their strategic outcomes.

If you know what activities need to be carried out, what decisions have to be made, and have a roadmap of the deal journey, it will be a smooth process. Plan early for the capabilities, commitment and teams involved to de-risk delivery. At their best, deal and integration teams operate as one. They include legal experts, M&A practitioners and key business personnel.

Integration: The importance of integration to the success of an M&A deal is often understated. This leads to poor understanding of integration challenges, sub-optimal planning, insufficient resources and ultimately poor execution. Often, developing a clear integration strategy, target state operating model, and execution roadmap happens too late in the deal lifecycle. And this can rob the valuation process of insight into what investment's needed to meet post-deal expectations.

To quickly reach the target state and start realising the benefits, you have to invest in a dedicated integration management office and team. You need detailed integration planning to integrate the two companies. And you need laser-focus on strategic enablers (organisational structure, operational processes, systems, people and culture, and retention strategies).

An integrated team: The stakeholder landscape surrounding an M&A transaction is broad and complex. And each group will bring a different set of expectations and challenges.

It's crucial to strengthen internal capability with external expertise and keep everything aligned and maintain support from stakeholders. You need to be aware of how the stakeholders are feeling and communicate clearly with them.

Communication needs to be transparent, consistent, and focused on addressing any concerns and building trust. And it's not just the acquiring company and the target company that need to know how the deal's going. The board, executive, employees, customers, suppliers, regulators, shareholders and the media also have to be kept up to date.

Culture: Cultural risks translate into significant non-financial risks. Think about cultural compatibility and diligence during the pre-deal phase. The values, beliefs, and behaviours of the two entities need to combine and grow to generate the desired deal value. A unified team will give you a smooth integration process, making employees from both companies feel valued and engaged. And it will deliver value.

M&A in 2023 will be best served by using a structured, repeatable and capability-led approach. There'll always be pre-conceived plans and unexpected challenges in each phase of a deal. But being flexible, adaptable and structured gives you the best chance of success. Focus on the fundamentals. And strengthen them with the right internal and external capability and structures.