

M&A failures: let's do something about it

If between 70% and 90% of all deals are considered failures, then why aren't we changing the way we do deals?

Deal failure can happen in a variety of different ways, whether it's a drop in shareholder value, forced divestment, or entire management team implosions; however they end up, mergers and acquisitions have a notoriously low success rate.

The question that interests us is why - and what can we do to fix it. Here's what we think.

1. **Purpose:** While companies turn to M&A for many reasons (none of which is right or wrong), the counterparties' respective purposes for the deal should align. Conflicting purposes typically result in an imbalance of expectations, which ultimately results in one party feeling like they 'won' and the other feeling like they made a mistake.

Our tip: Ask the other party what's motivating the deal and why they are selling / buying. Seems simple enough, but it often gets missed between the dollar signs and attractive value propositions.

2. **Culture:** A clash of cultures can be detrimental post-completion. The numbers may stack up beautifully but that's not what makes a business succeed. We believe that, as in any good relationship, it's the shared values that will result in a sustainable partnership.

Our tip: During due diligence look beyond the financial and legal risks and engage in some serious social and cultural due diligence.

3. **Integration:** Once the deal is done it's not actually done. Integrating a company into another doesn't happen organically. Parties need to actively consider how the two businesses will operate as one post-completion.

Our tip: Create integration plans early on. Employees, customers and investors should be brought along on the journey to seamlessly integrate systems, policies, procedures, products etc.

We're not particularly keen on accepting that deal failure is just a part of M&A and we believe that there are plenty of things that we can be doing to create more sustainable, successful deals.

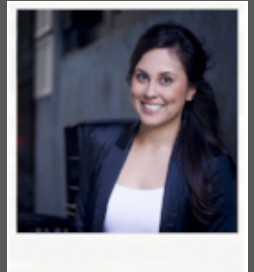
As they say, failure is not fatal, but failure to change is.

Questions? Give us a call.



Kristy Dixon
Partner

+612 8216 3070
[Email Kristy.](#)



Felicia Lal
Lawyer

+612 8216 3084
[Email Felicia](#)

Marque Lawyers Pty Ltd
Level 4, 343 George St
Sydney NSW 2000

Ph : +61 2 8216 3000
Fax: +61 2 8216 3001

[Visit Website](#)

