

M&A Views



Deloitte M&A Views podcast: Transforming While Transacting

Rod Masoud:

Welcome to Deloitte's Transforming While Transacting Podcast Series. I'm your host and Deloitte LLP principal, Rod Masoud. I've spent almost 25 years helping companies execute M&A transactions and navigate major transformations. With M&A deal volumes at record levels, leaders must partner their M&A and transformation efforts to realize the full potential of current deals. In today's dynamic marketplace, leaders no longer have the luxury of waiting until a transaction is closed to identify those areas of transformation and alignment. Instead, you must prepare your company, your business units, your markets, and your teams as the deal is taking place to maximize the value the transaction delivers on day one. We call this transforming while transacting. In this series, I'll be joined by experts from both Deloitte and industry to discuss why transforming while transacting is critical in the modern landscape and go into detail about how to do it effectively.

Welcome to our first episode of our new series, Transforming While Transacting. Transforming while transacting really is not a new concept. It was always a choice point, and most companies actually chose to think about transformation, which a lot of times was not really called transformation. It was more about what is the post-merger integration going to look like?

The decision was always, and the choice point was always, to do transformation after you got the deal done. And what we're seeing is that there is a bigger push toward trying to extract more value from the deal and trying to extract that value quicker.

Most companies, when they start thinking about growth, they're trying to sort through what their organic growth strategy will look like and what their M&A strategy will look like, or portfolio strategy will look like to enable their full growth objectives. And that's obviously the inorganic activity. And when you start thinking about an organization that's potentially identified a target, and they're looking to set the strategy for how the two companies will come together, and what the value would actually look like, it's at that time that you can actually start thinking about the transformation choice point.

Why? Because you're talking about value creation in the context of these two companies coming together. And so if you're talking about value creation, then transformation should be a key enabler to that. And the reason that you do that in the strategy phase is because it's a really good input into your diligence phase. A lot of times when organizations start to go from strategy to diligence, they're really thinking about where do I have duplication? Where do I have operational efficiency? And the reality is that there's a lot more value than operational efficiency.

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And I think what's really exciting for somebody like myself is in our practice, we advise executives through exactly these conversations. In fact, we really start to work with executives on understanding the value levers and truly defining the right approach, the transformation alongside the transaction to maximize the deal value and to pull on these levers at the right time and in the right sequence. Anytime an organization undertakes a significantly large, or I would call episodic event, like a transaction, you inherently have risk. One of the first things that I mentioned was that many, or almost close to 50%, of transactions don't actually deliver on deal value.

So let's break down the choice point, and the choice point is really straightforward. If it takes you 6 to 12 months, and then you tell your people who are probably working, call it days and nights, or on top of their day job, to really execute this transaction, that they have another 18 to 24 months of transformation, that can be really daunting.

So if you can start the journey upfront, start the way you think about resourcing, and capacity, and getting people energized around the end state vision to it, then I would say you've mitigated a good portion of the internal risk that you have control over inside of the organization when it comes to actually undertaking a transformation during a transaction.

Why are we seeing more and more companies do this? I think a big reason is everything is moving faster. Everything.

I think the idea then is to say, look, transformation during a transaction, it's not this discrete event, but it actually is a key enabler. The reason companies go off and try to undertake a transaction is because they want to grow or they want to protect a competitive position, or they want to give themselves additional capability, or they want to increase an install base, or they want to enter new markets, or they want to expand into industry verticals. And the idea that when you try to accomplish one of these objectives, you don't need transformation to enable it, or you simply want to push that choice till after you get the deal done, it really prolongs the opportunity you have to really capture the value from that transaction. And the longer things take, the bigger the risk that you actually don't achieve what you set out to do.

And so more companies are really starting to embrace the idea that, look, if I can get the deal and the transformation done faster then I get to value faster.




And in this podcast series, we're going to walk through and explore a lot of the different questions that get asked about transform while transact, or transforming while transacting. When should I think about it? What's the right way to budget for it? What does it look like? What's the rationale and value? What's the right timing? What are the actual levers that you can pull on? All of these things are things that we're looking forward to exploring in our series. And we've got some fantastic guests that are going to actually walk us through their journey, and I can't wait to talk to them and ask them some questions myself, and make sure that we share it with you. And we hope that you find this series as exciting and as informative as we really think it can be.

That's a narrative that's well-established, but now that narrative has to change because there's a new set of expectations around and including the political ramifications for the population and a lot of scrutiny on ESG, environmental, sustainability, and governance. And that's historically not been a part of the way dealmakers and company leaders describe and rationalize these transactions.

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