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Insight in brief

The Growth Transformer's Playbook

M&A as the platform for growth and transformation

September 2025



Insight in brief

Businesses are facing unprecedented challenges from the systemic shifts of geopolitics, activist investor pressure, increasing tariffs, the energy transition and regulations, which seem to be rewriting the rules of global economic systems.

At the same time, a generational shift in technology disruption with the advent of artificial intelligence (AI) is likely to change the established business models, supply chains, consumer preferences and there is likely a need to reskill the workforce to meet future needs.

The pursuit of growth and creating shareholder and societal value lies at the heart of every successful business, driving leaders to seek new innovative opportunities. Business leaders are expected to maintain an expansionary focus and create value even in the face of such adversity, and their ability to navigate and transform their organisations is the hallmark of success.

Transformation requires strengthening organisational resilience to mitigate risks while changing the business model to capitalise on new innovation-led growth opportunities. This requires leaders to develop a transformational mindset, so they can set ambitious yet considered goals, design a new business trajectory, and deliver enduring outcomes.

Such transformation-focused leaders also understand that incremental change and organic growth alone cannot deliver the agility or impact required to drive such comprehensive change. Mergers and acquisitions (M&A) have long been integral to corporate growth, and M&A markets have repeatedly bounced back from weathered waves of economic downturns and technology disruptions. Beyond traditional M&A, long a source of growth and value, a bolder and more holistic tactic is now required at the heart of growth. That strategy is Transformational M&A.

In essence, successful Transformational M&A is like a complex orchestra performance: the CEO acts as the conductor, not just managing individual deals but orchestrating a continuous, evolving symphony (growth pathways) where different instruments (acquisitions, divestments, partnerships) play together to create a harmonious, powerful, and enduring new sound (innovative products and services, AI enabled digital business models, and reskilled workforce) that captivates shareholders and stakeholders and sets new benchmarks for market leadership.



Rob Hillard

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“By harnessing strategic alliances, advanced technologies and ecosystem partnerships, Transformational M&A empowers organisations to accelerate growth, outpace disruption and create lasting competitive advantage.”

Transformational M&A – a bold strategic imperative

Transformational M&A involves changing the way you go about investing, in what you invest, and how. It is about reimagining the combined business and offers organisations a powerful mechanism for achieving step-change growth and strategic repositioning that would be near-impossible to achieve organically. This applies to every sector as they respond to factors like geopolitics, regulations, consumer shifts, and the rise of AI, and all of these could lead to transforming business models.

This level of change can feel daunting, and as one executive notes, if the CEO and board feel a “lump in their throat” at the prospect of implementing it, the move is likely transformational – and a good fit for Transformational M&A. Make no mistake: while this response can separate the leaders from the laggards, it is not for the faint-hearted. For CEOs and boards, this could be career-defining; it is their responsibility to set the vision, communicate it to the market with a clear, consistent, and confident narrative, and deliver on it through outstanding business stewardship that earns the trust of investors and customers over time.

Transformational M&A also marks a substantial shift from traditional M&A deals and is differentiated by its capacity to provide the agility, depth, speed, and scope of change that builds suitable operational resilience

and drives the innovative, enduring growth that shareholders expect in a changing world.

A key driver for this approach is the need for companies to alter their long-term trajectories and established business models. This means considering multiple interconnected moves, both in defence to build resilience at the core of the business and in offense to capture growth and transform the business. It can either start with a big bang acquisition or be initiated over a period through a series of smaller deals and partnerships,

with a disciplined approach. Regardless, such deals represent a singular objective of bold, continuous change across the business.

Delivering lasting change and growth requires a comprehensive approach encompassing clear strategic vision, maximum value creation strategies, effective cultural integration, and strong execution capabilities. When executed effectively, these transactions can create substantial value by reimagining the combined business rather than simply integrating existing operations.

Traditional M&A

Focuses on achieving certainty in deal outcomes and helps address short-term challenges

The M&A transaction is the primary growth pathway

M&A moves are largely opportunistic and often one-off deals

Linear and siloed path to execution and post deal transformation

Technology is a driver to help drive down costs

Integration is central to value creation and cost synergy can be defined as the measure of success

Transformational M&A

Focuses on strategic optionality and adaptability and focuses on both short- and long-term challenges

Deploys multiple growth pathways: Buy (M&A) / Build / Collaborate

Multiple M&A moves are executed in a programmatic manner with value maximisation at the centre of decisions

Transformation enablers are baked into the deal during execution and interlinked with technology and culture change

Intelligent technology harnessed and scaled to drive competitive advantage

Transforming while transacting is central to value creation and change, with total shareholder return (TSR) as the benchmark for success

The case for Transformational M&A

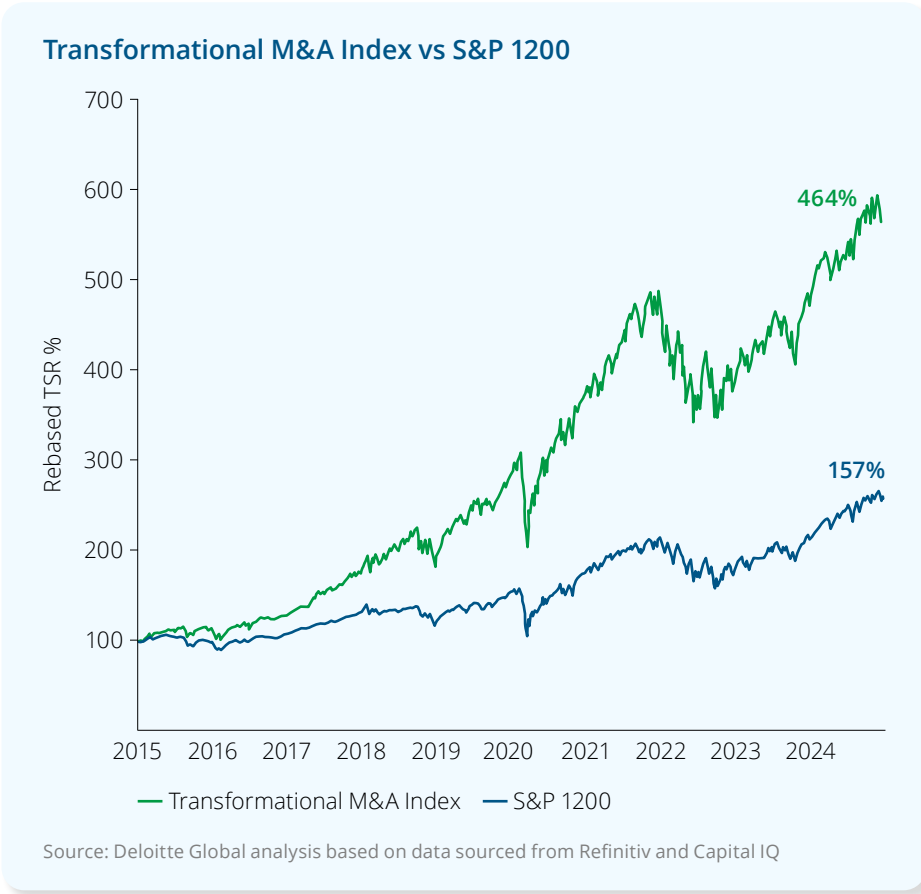
An in-depth analysis by Deloitte Global of major M&A deals over the past 10 years (see Deloitte Global Transformational M&A Index, below) shows that acquirers who pursue deals with transformational goals at its core provide 2-3x better returns to shareholders than their peers, who target incremental value from deals and do not transform.

These companies – are termed growth transformers – consistently display a set of six leading characteristics when approaching transformation and M&A as shown by our deep research into their deals and the long-term value they created. Given that prior success does not always lead to victories for tomorrow, we also interviewed clients and numerous Deloitte leaders globally, many of whom were deeply involved in Transformational M&A deals to hear their perspectives – and learn how they plan to meet the future transformation challenges necessitated by changing environments.

Deloitte Global has studied a decade of M&A from 2015 to 2024 inclusive, encompassing over 2,000 deals across regions (North America, South America, Europe and Asia Pacific) and across sectors (technology, media and telecoms; energy, resources and industrials; financial services; life sciences and healthcare; and consumer).

The research shows that growth transformers have on average generated over twice the total shareholder value increase of their more traditional counterparts. During the decade, growth transformers executing this Transformational M&A achieved a 464% increase in total shareholder returns, compared to a 157% average across the S&P 1200. These gains have grown strongly across much of the decade (see chart below).

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Leading practices in Transformational M&A

We have identified six leading practices to successfully transform using M&A:

1



Transformational M&A as a leadership mandate

Adopt a transformational mindset and establish strategic growth pathways

Growth transformers have leaders who can adopt a transformational mindset that is purposeful and underpinned by ambitious growth. They deploy integrated and bold strategies that include organic, inorganic, and collaborative moves, to help capture new and emerging growth opportunities. They use M&A as the launchpad and accelerator for transformation and are adept at communicating this transformation ambition persuasively to external markets and their internal workforce.

2



Maximised value from the portfolio

Continuously optimise for resilience, growth, and value creation

Growth transformers have an always on portfolio value maximisation mindset, constantly examining their portfolio's value creation potential, cost optimisation, innovative growth and M&A opportunities, just as an activist investor would. Value can be maximised when companies build a balanced portfolio of businesses founded on both resilience and growth potential – positioned so that M&A can serve as the catalyst for transformation.

3



Transform as you transact

Embrace the new playbook to drive transformation

Growth transformers know the importance of speed to value and break away from the linear, traditional growth and M&A playbooks that separate pre-deal strategy from post-deal execution and shy away from concurrent transformation. From day one of a transaction, they establish transformation imperatives with clear linkages to digital platforms, data architecture, and technology capabilities, embedding these into both their strategy and execution. This approach enables them to scale early, accelerate transformation as they transact, and deliver significant value from the moment the deal is signed.

4



AI and technology at the core

Elevate technology from enabler to value driver

Growth transformers see the potential of technology, digital, and disruptive technologies such as AI in creating new digitally enabled business models, helping to drive new revenue streams and shape new markets, rather than merely process efficiencies and offering function support. They position technology investments within considered and clearly defined capital budgets and measure return on enterprise value rather than costs and a more narrowly defined return on investment.

5



There is power in collaboration

Harness the ecosystem as you cannot do it alone

Growth transformers increasingly forge innovative collaborations and partnerships across a broad ecosystem, as they recognise that change in the scale and time required by the market can likely not be achieved alone. This includes engaging execution advisors like Deloitte, or partnerships and collaborations with private equity, hyperscalers, start-ups and even cross-sector peers, improving the ability to capture value accretive opportunities such as technology-enabled business model transformation.

6



Building a workforce for tomorrow

Transform through a culture of continuous learning and adaptability

Growth transformers know that successful transformation can hinge on a resilient, adaptable workforce and culture. This can require bold cultural and behavioural change, deep investment in skills for an AI-enabled future, and fostering new ways of working. Their ability to align vision, digital capabilities, and engage a workforce that is both stable and agile, enables them to realise transformative outcomes and outperform less adaptive competitors.

Defensive and offensive pathways

Defensive moves that build resilience and preserve value

- Cost excellence

How are you accelerating the shift from short-term cost containment to long-term transformation, and what approaches are you using to realign the business for growth?

1
- Divesting non-core

What steps are you taking to identify and transform non-core assets to release capital for growth, and how are you maximising their value ahead of divestment?

2
- Strengthening the value chain

How are you strategically optimising the operating model and building resilience within the supply chain in response to current market challenges?

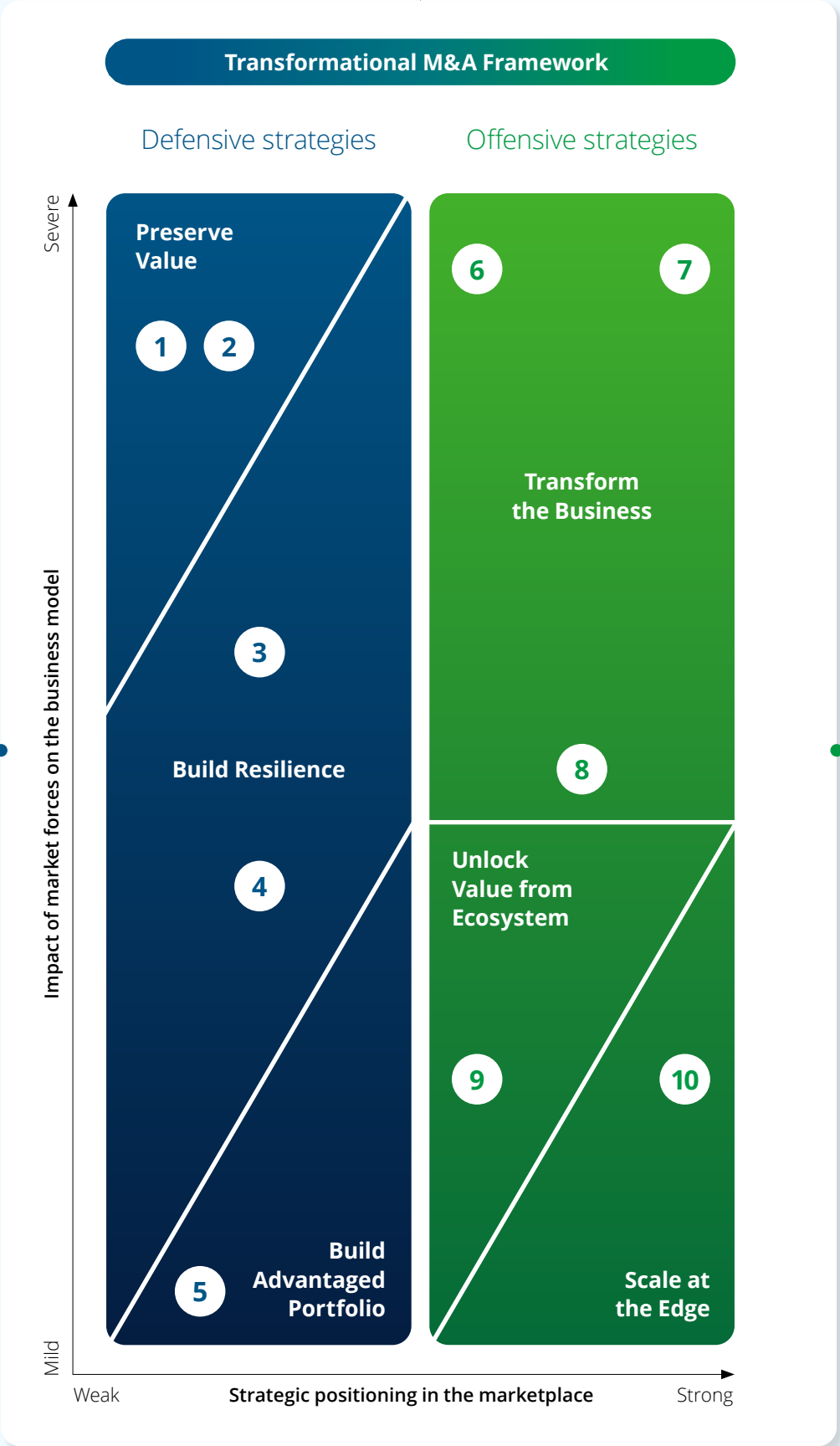
3
- Defending your competitive positioning

What actions are you implementing to protect and strengthen your competitive positioning against both traditional and emerging competitors?

4
- Rebalancing the portfolio

How are you considering the implications of new normal factors for the current and future portfolio, and what processes do you use to identify and respond to new opportunities and risks?

5



Offensive moves that transform for the future and accelerate growth

- 6

Tech-enabled transformation

How are you leveraging organic and inorganic opportunities to help drive digital and technology-enabled transformation, and how do you ensure that technology investments align with the overall strategy?
- 7

Expanding into adjacencies

What opportunities are you exploring to generate new revenue streams by expanding into new markets and value chain adjacencies, and how are you prioritising them?
- 8

Convergence

How are you capturing cross-sector convergence opportunities to create new products, reach new customers and market segments, and position the company for leadership?
- 9

Ecosystem and alliances

What value-creation opportunities are you pursuing through alliances with external collaborators, including nontraditional players and innovative startups, and how are you ensuring these partnerships drive the purpose-led objectives?
- 10

Scaling at the edge

How are you building and managing a portfolio of disruptive investments at the edge of the business, and what strategies do you use to identify and scale the ventures with the most potential?

The pathway to Transformational M&A

CEOs and boards should develop a bold transformation mindset and execute their plans with determination and rigour to deliver sustained value from a business of the future. Their strategic vision should first articulate 'where to play'– anticipating how the transaction will position the combined entity to capitalise on market opportunities, address competitive threats, and create sustainable growth platforms.

Following this, leaders should define 'how to win' by identifying the specific capabilities essential for success in those chosen markets. This involves a comprehensive assessment of the required strategic and operational capabilities, such as cutting-edge technology (including AI), specialised talent and workforce skills, valuable intellectual property (IP), strategic market presence, and priority customer access.

Transformation demands that leaders find the right balance between resilience by securing the company's competitive positioning and expansion by building a platform for driving long-term growth.

A clear rationale for the transaction then builds on these defined capability needs, helping to align stakeholders around common objectives and expectations. It establishes the foundation for integration planning and execution by articulating what the combined entity aims to achieve and how success will be measured, extending beyond financial metrics. It is at this capability level that the important build/buy/collaborate decisions are made. This strategic assessment directly informs the development of target lists, ensuring that potential acquisitions, divestments, or partnerships are deliberately chosen to fill capability gaps and accelerate the achievement of the company's reimagined future.

Transformation encourages leaders to find the right balance between securing the company's competitive positioning and building a platform for driving long-term growth. Many companies struggle to achieve this balance, an error that can quickly turn into a loss of relevance. Successful companies, in contrast, execute multiple strategic moves that address both resilience and expansion. They deploy strategies in defence to build resilient businesses that can serve as a platform for growth and strategies in offense to capture new growth opportunities and secure market leadership. The Transformational M&A framework (see pages 6 and 7) gives a holistic view of the strategic choices and the interplay between preserving value and transforming for the future.

Growth transformers deeply consider the strategic implications of their capital structure. The funding of M&A – whether through internal cash, debt, or equity – carries different costs, constraints, and potential downsides that impact the overall value proposition and financial resilience. Understanding the cost of capital and its impact on the deal's economics is crucial for sustained, long-term transformational success.

The transformative power of AI and technology

AI and other disruptive technologies are accelerating a generational shift, overhauling business models, supply chains, and workforce skill requirements. There is intense competition among firms to harness AI's transformative potential, advance capabilities beyond the imaginable, and secure first-mover advantages. Fortune favours the brave and leaders should think big, using AI not only to enhance efficiency but to innovate, unlock new revenue streams, and build enduring market leadership.

Growth transformers, that actively embed AI into core strategies are taking a bold, long-term view and treating AI investment as a strategic capital allocation, where multi-million-dollar commitments carry relatively small downside versus high growth multipliers.

Getting the language of technology transformation into enterprise value considerations is pivotal in making the right investment decisions, and making them quickly, and the c-suites and boards should take responsibility to understand AI's impact on the business model and future opportunities. They should ensure AI adoption aligns with corporate strategy and value creation goals and monitor implementation to balance agility and risk management. They should also ensure that management has the skills, resources, and structures to deliver AI effectively and while addressing workforce implications as successful transformation hinges on a resilient, adaptable workforce and working environment.

Leaders should therefore build an agile, AI-enabled workforce equipped with the right AI, ideation, and communication skills for the future. They should also consider how jobs can be reshaped to maximise technological capacities and employees' skills, and empathetically and motivationally support staff in advancing the usage of new technology, including AI, to improve their roles. Generative AI can manage laborious tasks, allowing humans to concentrate on strategy, creativity, connections, and judgment. With much of AI's value creation stemming from people and processes, leaders should recognise that employees may be more prepared to embrace AI than anticipated.



Transforming while transacting to deliver lasting value

If M&A is the way forward, leaders should embed strategic and transformation priorities within M&A strategy, ensuring every deal is a deliberate and proactive step toward a reimagined future.

Successful companies maintain an always-on approach to growth, and they do so by regularly scanning the environment for shifts in market dynamics, emerging trends, and evolving competitive pressures. This vigilance allows them to adjust their growth strategies proactively, ensuring they remain ahead of competitors. Rather than relying on a single pathway, these organisations evaluate every opportunity through a strategic lens considering whether to build internally, buy through acquisitions, or collaborate with external partners and often activate more than one growth pathway to capture the potential.

An always-on approach to M&A also means that leaders should continually keep a watchlist of potential acquisition targets, rigorously assessing how each fit with the company's long-term vision and transformation priorities, they understand that timing is everything and by staying prepared and informed, they can decisively execute when the opportunity arises.

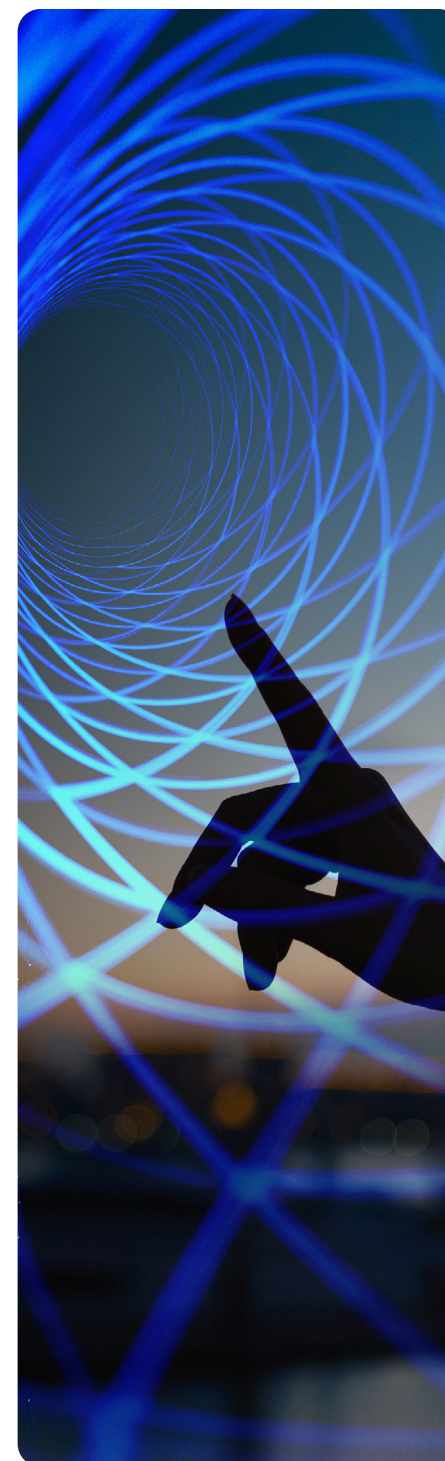
Growth transformers increasingly transform as they transact to accelerate value realisation and secure lasting gains. Leaders should make critical decisions about whether and how to transform the core business, including which functions and teams will be involved in the initial integration and which might participate in future transformation. During the execution phase, when conducting due diligence on a target, businesses should not only validate the idea against the investment thesis but also consider what would happen if the chosen transformation levers were applied across the organisation.

Value creation potential from M&A is constantly changing with the introduction of more sophisticated playbooks and technology tools. To fully realise the transformative power of M&A, leaders should invest in deep human skills and technology throughout the M&A process. This includes using AI and other tools to enhance the quality of due diligence, tax, and IP considerations. Similarly, the use of such tools in the valuations process lifts it from a straightforward financial exercise to introducing sophisticated inputs to factor in strategic priorities, risk, and uncertainties.

Sophisticated acquirers have started to have dialogues with private equity and technology hyperscalers, even before the deal to structure partnerships and leverage their deep functional and technical capability during the post-deal transformation phase. Ultimately, the organisations that thrive will be those whose leaders think big, act decisively, and use M&A as a launchpad for transformation.

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The human element at the core



Successful transformation hinges on outstanding leadership and capability creation. CEOs need to garner trust through strong leadership, and clear and consistent communication. Bringing all stakeholders along the journey is important: from shareholders, to regulators, customers, the community at large, employees and suppliers. Investors and the internal workforce respond well when a vision is articulated clearly, with focused strategic priorities linked to purpose and long-term value creation.

Organisations should not only integrate existing talent effectively, but also attract and develop new skills for the transformed entity. With looming talent shortages in many markets, decisions around workforce location need to be made early, including with consideration of geopolitics, cultural issues, development potential and technology literacy. This requires a deliberate approach to organisational design, leadership selection, and capability building that aligns with the strategic vision for the company. Similarly, the organisation's workforce will need to know what role they play and how it would create new opportunities for them. Leaders should address these concerns and seek ways to build support for ongoing change and a long-term view.

Addressing culture is important for Transformational M&A success. Growth transformers tackle culture upfront by reorienting the organisation around collaboration, accountability, and bottom-line value. The human side of deals – proper diligence and planning around how workforces and cultures come together – is perhaps even more important than financial and operational considerations.

Organisations should not only integrate existing talent effectively, but also attract and develop new skills for the transformed entity.

Conclusion

Businesses across sectors are facing pressure to transform. They should drive growth and elevate value amid substantial systemic and structural shifts. Some of the wisest leaders turn to Transformational M&A to help achieve these changes, aiming to create innovative new operational and business models at the scope and pace required.

For such growth transformers, the endeavour requires significant focus and skill, and they should bring their stakeholders on the journey. Transformational M&A is a holistic and bold strategy that demands careful planning, powerful execution and comprehensive value capture. Though it demands courage and challenging it may be, it can be an enabler of powerful change.

There are numerous considerations for growth transformers as they embark on this journey. Success demands that they envision the future, utilise simultaneous M&A moves, and enable business model, technology and workforce transformation. It equally demands that they build, lead and engage an ecosystem of alliance partners and collaborators for combined success.

With the pressures and opportunities in front of these companies, now could be the moment for businesses to start driving Transformational M&A at the centre of their growth agenda.

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