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Operating model first, integration second

Why most cross-border post-merger integration (PMI) fails before close

Cross-border M&A failures are often described as integration problems. In reality, many of them are operating model failures that were locked in before the deal even closed.

When integration teams encounter slow decisions, unclear authority, or persistent escalation loops, the root cause is usually not execution discipline or cultural resistance. It is more likely the absence of a clearly articulated operating model—one that defines how the combined organization will actually run, make decisions, and allocate control across geographies.

This article builds on "What makes—or breaks—value in cross-border M&A: Insights from Japanese and global dealmakers," which showed that while executives broadly agree on the challenges of cross-border deals, they diverge sharply on *why* those challenges emerge and *where* value erodes across the life cycle.[1] That divergence becomes most consequential when organizations defer foundational operating model questions past signing instead of establishing them before signing and refining them through sign-to-close.

Integration outcomes are largely determined before signing

Most organizations treat operating model decisions as topics for downstream integration. They defer hard questions in the name of flexibility, speed to signing, or cultural sensitivity. In cross-border deals, particularly those involving Japanese organizations, this timing is often intentional. It may preserve the operational autonomy of the acquisition target to protect innovation, talent, and local market responsiveness, consistent with the globalization patterns described in Deloitte's "Beyond borders" publication.[2]

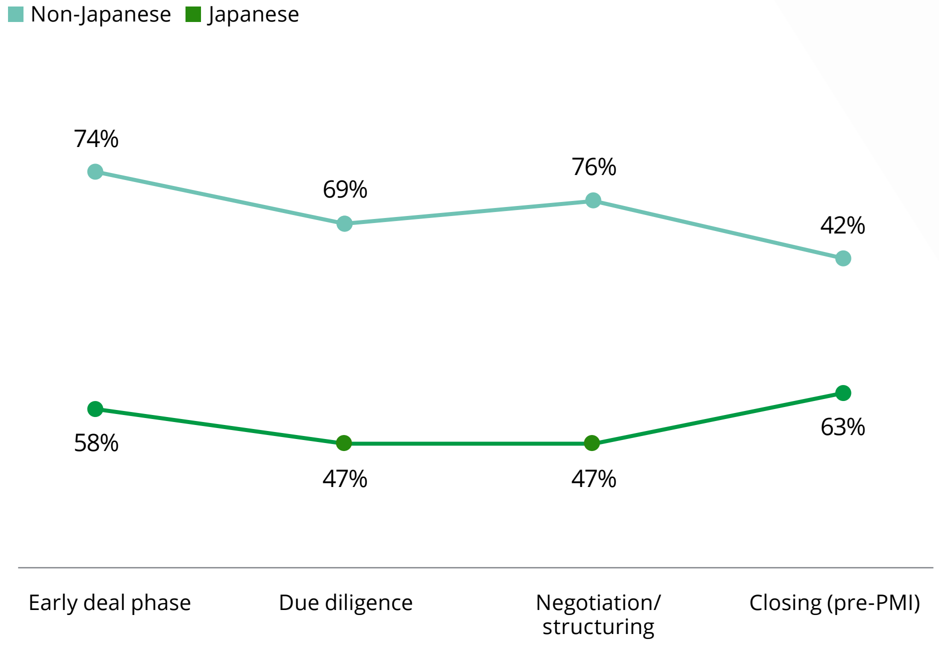
This approach can work, but only if the end-state operating model is explicit. When it is not, integration teams inherit ambiguity. Decision rights are assumed rather than explicitly defined. Escalation paths emerge organically rather than by design. Integration sequencing becomes reactive, driven by friction rather than intent. What appears post-close as "slow PMI" is often the predictable consequence of unresolved operating model trade-offs made well *before* close.

Responses from our cross-border M&A survey reinforce this pattern. Cultural and organizational friction can surface not only during PMI, but also during negotiation, diligence, and closing—suggesting the issue is not resistance to change, but misalignment on how the combined organization is meant to function once change occurs.[3]

This pattern is visible well before integration begins. As shown in figure 1, executives already report cultural, organizational, and communication friction across early deal phases, including target evaluation, negotiation, diligence, and closing. The recurrence of these challenges before Day 1 reinforces a central finding of this series: Many post-merger integration failures are rooted in pre-close operating model ambiguity, not integration execution missteps.

Figure 1: Organizational and decision friction emerges before integration begins

Survey responses show that cultural, organizational, and communication challenges surface across early deal phases, not only during post-merger integration. This pattern indicates that many PMI issues originate from unresolved pre-close operating model and decision-making design choices.



Source: Deloitte 2026 cross-border M&A survey (n = 126). Nationality split: Japanese (n = 38), non-Japanese (n = 88) (% of respondents citing challenge).

Three operating model decisions that matter before close

Experienced deal leaders tend to converge on three operating model questions they must answer before integration planning begins. These are not PMI tactics; they are structural design choices.

Decision 1: Where authority truly sits

Cross-border deals quietly fail when decision authority and accountability are not aligned.

In many transactions that involve Japanese organizations, global headquarters retains formal approval rights while regional or local teams are expected to execute at speed. This mismatch creates friction not because people resist decisions, but because no one is certain which decisions local teams can make, which require escalation, and which are shared.

Non-Japanese executives in our survey frequently diagnose this as a capability or governance gap. Japanese executives more often experience it as decision-making friction. Both perspectives describe the same problem: The combined organization has not explicitly delineated decision accountability.[4]

For M&A leaders, pre-close clarity requires answering these questions:

- Which decisions are local by default, and which are global by exception?
- What triggers escalation, to whom, and within what time frame?
- Who owns outcomes when accountability is shared across geographies?

Deferring these questions shifts the burden to integration teams, which means they are often not addressed until after momentum has already been lost.

Decision 2: How much integration is intended, and when

Delayed or selective integration is a legitimate strategy, particularly in innovation-sensitive or R&D-driven businesses. Our "Beyond borders" publication highlights ways Japanese organizations frequently use delayed integration to preserve entrepreneurial culture and scientific productivity.[5]

The problem arises when the delay is a tactic to maintain stability rather than a deliberate plan.

Without explicit integration intent, teams are bound to interpret autonomy differently. Some will assume permanence. Others will assume eventual absorption. That ambiguity throws incentives out of alignment, leaves system investments uneven, and stalls synergy realization.

An effective operating model distinguishes clearly between:

- Strategic autonomy (durable): Where independence is a source of value.
- Sequenced integration (intentional): Where integration is expected, but intentionally paced.
- Immediate integration (non-negotiable): Where control, risk, or compliance demand it.

Articulating these distinctions before close prevents a common failure mode: Integration is "delayed" until it becomes unavoidable and far more disruptive.

Decision 3: How decisions will actually be made across borders

Culture is often cited as the reason cross-border decisions take longer. Our survey suggests a more precise explanation: Decision-making norms aren't incompatible, but they are misaligned.[6]

Japanese organizations often rely on consensus-building processes designed to reduce downstream risk. Non-Japanese organizations tend to prioritize speed, escalation, and individual accountability. Neither approach is inherently superior, but combining them without alignment can produce predictable delays.

Operating model design must therefore address not just who decides, but how decisions move:

- What decision cycle times are expected?
- Which topics require consensus, and which are owner-driven?
- How are disagreements resolved without stalling execution?

When these questions are left unresolved, they reappear during integration as "cultural issues" that can be difficult to diagnose and even harder to fix. Figure 2 reframes common early deal-stage challenges as signals of deeper operating model design gaps that, if left unaddressed before close, predictably erode execution and value after Day 1.

Figure 2: Early deal-stage signals often point to unresolved pre-close operating model design

Early deal-stage friction often reflects unresolved pre-close operating model decisions that later compound into post-merger governance and execution challenges.

EARLY DEAL-STAGE SIGNALS	PRE-CLOSE OP MODEL DESIGN GAPS	POST-CLOSE INTEGRATION CONSEQUENCES
What you see first:	**What those signals indicate:**	**What happens if gaps persist:**
• Cultural and organizational fit concerns	• Authority and decision rights not explicitly redefined	• Difficulty aligning decision-making and governance
• Prolonged decision-making and negotiation cycles	• Integration intent unclear (autonomy vs. integration timing)	• Slow escalation and delayed execution
• Communication and coordination friction	• Decision-making norms misaligned across geographies	• Erosion of deal momentum and value realization

Source: Deloitte 2026 cross-border M&A survey (n = 126) and qualitative analysis of deal life cycle responses

Why operating model ambiguity destroys value quietly

Failed integrations collapse visibly. But operating model failures tend to erode value gradually and incrementally.

In these cases, synergies are delayed rather than lost outright. Talent attrition happens gradually. Decision latency accumulates across dozens of small choices. By the time performance gaps become visible, the organization has often normalized inefficiency as the cost of being cross-border.

This dynamic was captured in the readiness lens introduced in the first article of this series, where organizations that lack operating model clarity and decision-making alignment were shown to sit in a zone of *silent value leakage*.[7] Nothing breaks dramatically, but momentum steadily dissipates.

What M&A leaders should do now

For M&A leaders, the lesson is not to integrate more quickly, but to design earlier and more deliberately.

Operating model clarity is not an integration deliverable. It is a pre-signing leadership responsibility, refined through sign-to-close. It requires explicit trade-offs about control, autonomy, and decision-making that may feel uncomfortable—but which can be far less costly than resolving them post-close.

Practical actions organizations can initiate before signing include:

- Drafting a decision-rights map for the most critical recurring decisions.
- Defining integration intent by workstream (durable autonomy, sequenced integration, immediate integration).
- Agreeing on decision cadence and escalation time frames for the first 90 days post-close.
- Identifying a small set of control and risk non-negotiables that must be integrated early.

Cross-border M&A deals rarely lose value because integration teams fail. They lose it because deal teams ask people to integrate into an operating model that was never clearly defined.

The next article will examine the most persistent source of pre-close ambiguity: decision-making architecture and the ways consensus-driven and speed-driven models can be redesigned to coexist without stalling execution.

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Other articles in this series:

- **What makes—or breaks—value in cross-border M&A: Insights from Japanese and global dealmakers:** Sets the foundation for the series, drawing on survey insights from M&A executives to explain why cross-border deals underperform and where value is truly created or lost across the deal life cycle.

Coming soon:

- **Nemawashi meets deal speed: Redesigning decision-making for cross-border M&A:** Examines how decision-making architecture—not culture alone—drives execution speed and quality, and how consensus and speed can be deliberately designed to coexist in cross-border deals.
- **Boards, risk, and global control: Why cross-border M&A breaks down above the deal team:** Focuses on the role of boards in cross-border M&A, showing how board attention often peaks at deal milestones rather than value moments—and how M&A leaders can engage boards more effectively to enable long-term value creation.

About the survey and acknowledgments

In October 2025, a Deloitte survey conducted by Potloc—a market research firm—polled 126 life sciences executives on globalization strategies, cross-border deal-making and deal value. All participants worked at private or public companies with revenues greater than $10 million (62% were at or above $1 billion). All were Director-level or above and had cross-border M&A experience within the last three years.

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Endnotes

1. J. Henning Buchholz, Catharina Lurken, and Tsuyoshi Araki, "What makes—or breaks—value in cross-border M&A: Insights from Japanese and global dealmakers," Deloitte. Based on a survey of 126 executives with cross-border M&A experience.
2. Catharina Lurken, Hanno Ronte, and Shoichi Negishi, "Beyond borders: Japanese life sciences organizations evolving for global growth," Deloitte, 2025.
3. Buchholz et al., "What makes—or breaks—value in cross-border M&A: Insights from Japanese and global dealmakers."
4. Ibid.
5. Lurken et al., "Beyond borders: Japanese life sciences organizations evolving for global growth."
6. Buchholz et al., "What makes—or breaks—value in cross-border M&A: Insights from Japanese and global dealmakers."
7. Ibid.

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