The deal life cycle

Phase	M&A explanation	Typical goals
Origination: Informal due diligence and first integration plan Legal Milestone: No requirement, a company decision Buyer begins allocating resources and capital for this phase and the next	This phase happens after the buyer has determined its overall growth strategy and how acquisitions might support growth. The starting point for this article is when the buyer has identified a target. The first conversations begin with the potential target. **Limitations:** This takes place without real detailed knowledge of the target.	▪ Determine the target's strategic fit in corporate or business unit strategy ▪ Discuss deal feasibility and initial price range ▪ Assess how the target generates value ▪ Evaluate the target's leadership and gather their views on the deal strategy, and integration options that would enhance deal success ▪ Determine initial integration strategy ▪ Assess deal specific goals, including synergy goals ▪ Develop preliminary business proposition to persuade seller to sell to buyer (instead of some other firm, or not sell at all) ▪ Identify risks and priority areas for investigation in next phase ▪ Determine whether to proceed to formal due diligence

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Formal due diligence and second integration plan Legal Milestone: Confidentiality agreements signed Buyer allocates resources and capital to do the due diligence, including cost of hiring outside advisers	Due diligence is characterized as a series of investigations to help the buyer know more about the target to refine the goals and assumptions set out in the first phase, but it is a voluntary process (any buyer can sidestep this process and go straight to a bid). Most firms will complete some level of due diligence before determining whether to proceed or not. But the level of investigations conducted varies by firm, deal and attitude of the seller. The key point is that the buyer gets access to non-publicly available information and begins deeper discovery investigations on the target. The second integration planning phase begins. The conclusion of due diligence is the most significant milestone, with the next phases being contingent on the outcome of due diligence. A deal is either made or the process stops for the buyer. But if a deal goes ahead, a sale agreement (contract) is signed and the deal becomes known to all employees, shareholders and the public. **Limitations:** These can be significant, with the most common being that the seller controls what information it is comfortable sharing including the level of access it grants to its leadership and talent ranks, which may make comprehensive leadership assessments impossible for the buyer. And even if access is granted, the goal of "getting the seller to sell to you" often prohibits any sort of assessments that can be perceived as formal interviews. Added to these points, the time to do this work is limited and confidentiality restrictions limit who can even know about the potential transaction from both sides. In a competitive bidding situation, a seller may impose even more restrictions on the ability of any one bidder to access key leadership and talent. All these issues prevent any buyer getting complete, comprehensive and accurate information.	▪ Validate the strategic fit and initial assumptions ▪ Determine price, structure and terms to offer ▪ Refine views on how the target generates value ▪ Improve assessment of top leadership, next tier leadership and other key talent ▪ Assess leadership compensation and performance metrics and develop views on what may or must change in these areas ▪ Refine the integration strategy ▪ Update deal specific goals, including synergies ▪ Finalize the business proposition to persuade the target to "sell" to buyer, and not someone else ▪ Finalize the price to bid and key terms and conditions

Phase	M&A explanation	Typical goals
Formal integration planning (third) Legal Milestone: Deal is publicly announced Buyer allocates resources and capital for the integration. Often different advisers are hired/ needed.	Formal integration teams are formed, and more detailed planning can take place, typically with the seller's input. It occurs between the announcement and the closing, and this period varies in length by deal. For example, small deals may have a simultaneous sign and close, while larger deals may take over a year to close based on the need for regulatory approvals. **Limitations:** The quality and comprehensiveness of the work done in previous phases will become apparent. The time, resources and budget allocated to this effort will depend on the work done to get to this phase. Also, antitrust regulations restrict the level of confidential information that can be shared during this phase and, with the deal now public, other competitors can target key customers, and executive recruiters likewise can target key leadership and talent.	▪ Stabilize the business and keep the target performing at acceptable levels ▪ Verify the source of the target's value and compare with initial assumptions ▪ Develop more detailed integration plans ▪ Finalize the deal goals and synergies ▪ Begin senior leadership and key talent relationship development plan ▪ Review future working relationships at all levels and what significant changes may be required, at both the buyer business unit and the target
Integration execution Legal Milestone: Deal is closed, buyer now owns the target Buyer continues spending on resources and funds	This phase starts at the close date when the target becomes part of the buyer and formal integration execution begins. It is only at this point that the buyer has full access to information on the target. There is often a focus on "quick wins" to demonstrate early successes and generate "good news" stories as catalysts for continued momentum and excitement. **Limitations:** Again, the quality of the work done in previous phases will become apparent. Also, outside economic or business pressures may require a refocus of resources and priorities. Senior leadership attention will often start to wane after the deal signing and/or close, and this can impact the integration team's ability to maintain the pace of the integration and drive the necessary changes.	▪ Continue to stabilize the business and keep it performing at acceptable levels ▪ Protect and develop the source of the target's value ▪ Work toward achieving the deal goals and synergies ▪ Execute the integration plan, refining activities as needed ▪ Manage the transition and integration efforts on time and on budget ▪ Build post-close working relationships

Phase	M&A explanation	Typical goals
Return to business as usual Legal: No requirements, company decision Buyer sees returns and compares them with what was expected in the deal rationale/ goals	The combined business operates in a normal "steady" or "business as usual" state. The formal integration teams are disbanded, at different times, depending on each team's objectives and timelines. The business unit's performance is monitored over a specified time period, which can range from one year to seven years, after closing, and varies by how deeply assimilated the target is into the buyer (in some deals, separate business reporting is not possible) **Limitations:** Outside economic or business pressures often require a refocus of resources and priorities, and some integration efforts can end earlier than planned. Often, budgets for late stage integration activities dry up or as re-allocated to different areas of the business	▪ Financial goals are typically revenue growth, profit growth and market share growth ▪ People goals typically include leadership/talent progression in the organization, attrition, employee engagement and inclusion and diversity progression