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Architecting Value in M&A: Why People, Incentives and Governance Decide Deal Success

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Dr. Matthias Wochinz
Author

In M&A, value is rarely lost in the spreadsheet. It is lost in the daily functioning of the organization. While deals are justified through strategy, financial models and synergy assumptions, their success depends on whether the combined company can align people, incentives, governance and culture behind a shared purpose and future — and translate this alignment into disciplined execution. And execution means actions by people. The best strategy and product will fail without proper daily delivery.

Too many transactions are treated as financial or legal events. In reality, they are organizational transformations. Moreover, the lives and identities of all employees also go through a transformation, some of them might call it a rollercoaster. Value is not realized through deal design alone, but through how effectively the new organization thinks, decides and acts. The difference between success and failure lies in the architecture that connects strategy with daily behavior.

People as the hidden intangible assets

People — with their skills, experiences, motivations, aspirations, potential and values — are the most important hidden intangible assets of any firm. These assets are rarely captured adequately in financial models, yet they determine whether strategic intent can be translated into execution.

A successful M&A therefore also requires a forward-looking people map and a clear people strategy for the combined organization that is closely linked to the corporate goals. Leaders must identify which capabilities to preserve, which leadership profiles to strengthen, which potential to unlock and which values should define the future company. Aligning and shaping this human architecture is indispensable for executing the post-merger strategy and ensuring long-term success.

Culture as lived reality

Culture is not defined by statements, but by everyday behavior. It is visible in how decisions are made, how information flows, what individual and collective behaviors are expected and rewarded, how conflict is handled, whether ideas are challenged, and whether innovation and customer focus are genuinely supported.

Post-merger culture work must therefore be analytical and grounded in reality. Leaders must understand the existing routines, informal influence structures and decision norms that shape how work gets done. Culture cannot be changed by communication alone; it is shaped by the organizational context — including structures, decision rights, incentives and daily leadership behaviors. It goes without saying that for instance thoroughly making a new post M&A leadership competency model that supports the new company mission become part of the daily lives is hard. However, only when these elements are aligned with the strategy can consistent execution emerge. The culture has to be something that all employees can “feel“ in their daily work.

Incentives, priorities and the principal–agent problem

M&A transactions amplify the principal–agent problem. Without deliberate alignment, there is the risk some individuals and groups might rationally optimize for their own interests rather than the success of the combined organization.

This makes transparent expectation management, incentive and accountability design central success factors. A well-balanced mix of individual, team and company-wide targets aligns personal performance with collective outcomes. Individual targets create accountability, team targets foster collaboration, and company-wide targets reinforce shared ownership. When combined effectively, they link measurable personal impact with collective accountability.

At the same time, priorities must be simple and clear. Low-value and low-priority activities must be stopped, and organizational attention must be focused on what truly drives value. The key leadership question is straightforward: What should we be doing to make the company and its stakeholders successful?

Meritocracy, decision clarity and AI as enabler

High-performing post-merger organizations foster meritocracy — the principle that the best performer should be rewarded, regardless of old hierarchy or legacy position. This requires an environment where fair and transparent contribution assessment and diverse perspectives are encouraged and evaluated based on their contribution to value creation.

However, openness must be combined with clarity. Decision-making structures must be explicit, and outcome responsibility must be clearly defined. Debate should lead to decisions, and decisions must lead to execution with accountability.

Artificial intelligence can act as a powerful enabler in this context. Used where it creates value, AI enhances transparency, supports better decision-making and helps identify patterns, risks and opportunities that would otherwise remain hidden. It strengthens — but does not replace — leadership judgment. AI can help merge and manage huge data so employees can focus on high value tasks.

Togetherness and collective responsibility

The success of any M&A decision is a collective responsibility. Strategy, operating model and execution roadmap must be authentically lived by the CEO, the Board and the Executive Committee. Leadership must create a compelling vision that combines strategic clarity with emotional resonance and fosters a genuine sense of togetherness.

People must feel that they belong to a shared future and that their contribution as professionals and individual personalities matters. Without this sense of belonging, even well-designed structures and incentives are likely fail to generate commitment.

At the same time, middle management plays a decisive role. It translates strategy into daily practice and shapes how employees experience change. Through its actions, it creates measurable impact on organizational culture. Successful M&A execution requires alignment across all levels: leadership that embodies the transformation and middle management that delivers it.

Building high-performing post-merger organizations

High-performing post-merger organizations are deliberately designed. They combine clear and understandable governance, a balanced incentive system and targeted initiatives that foster togetherness and shared commitment linked to a purpose and a better future.

Constructive critics should be engaged early. Their perspectives can improve decisions, strengthen the strategy and increase buy-in. At the same time, leadership must act decisively where individuals fundamentally resist the future direction or undermine execution. Transformation requires both openness to valuable input and clarity in ensuring alignment.

Governance as the execution framework

Governance defines how the organization functions. It determines decision rights, speed, accountability and escalation mechanisms. Effective governance is not about adding complexity, but about creating clarity.

It must enable fast, informed decisions while ensuring accountability. At the same time, it should preserve those elements of the target organization that already support the future strategy. Not everything needs to be changed; in many cases, value lies in protecting what already works.

Simplicity and daily execution

Strategy, governance and incentives only create value if they are simple, understandable and lived every day. Every employee should be able to grasp them without extensive explanation.

Clarity creates alignment. Alignment enables speed. Speed drives execution.

This requires discipline from leadership. Strategy must be translated into clear priorities, governance into simple decision rules, and incentives into consistent behavioral signals. Most importantly, these elements must be visible in daily actions — in how decisions are made, how performance is managed and how leaders behave.

From transaction to value creation

The most successful acquirers do not just execute transactions. They architect value. They align people, incentives, governance and culture in a way that enables consistent execution and long-term performance.

Financial logic may justify a deal. But it is the organization — how it thinks, decides and acts — that determines whether value is ultimately created or the initially estimated synergies and upward potentials fade away.

About the Author

Dr. Matthias Wochinz has experience in M&A and organizational transformation. His interests include people, technology, banking and business growth. He is a graduate of INSEAD, the London School of Economics (LSE) and Sciences Po.

LinkedIn: https://www.linkedin.com/in/dr-matthias-wochinz/