SpencerStuart

Mergers & Acquisitions

Protecting deal value: Board oversight of talent in M&A



Boards spend enormous time evaluating strategy, valuation, financing, synergies and risk when considering a potential merger or acquisition, and they are right to do so. But transactions, even those with the best terms, do not create value on their own — they merely create the *opportunity* for value. Whether a company can turn an investment thesis into real value depends in large part on its leadership system.

By leadership system, we mean the full architecture of leaders, roles, capabilities, behaviors and governance that must be in place and working effectively for the deal to succeed. This includes the right CEO and executive team, the mission-critical roles beneath them, the cultural behaviors that shape execution, and even governance mechanisms that help the board spot risks early and ensure accountability.

Most directors we work with are keenly aware that getting these elements wrong can derail a deal. The problem is that they lack a structured framework for evaluating them early on with the same rigor they apply to financial, operational and strategic risks. As a result, boards often find themselves learning about leadership and talent problems later in the deal cycle, when it's harder for them to provide input on critical leadership decisions and the talent agenda of the merged entity.

The questions that follow are designed to help chairs and directors put this leadership diligence into practice — before approval, during the deal process, after close and through the first year. Taken together, they shift boards from episodic deal oversight to true value stewardship, by applying disciplined scrutiny of the leadership considerations that will help the transaction succeed in the long term. They also create a common language for directors and management, rooted in the outcomes they are trying to achieve, the leadership conditions that must be in place and what to do if they are not.



1. Is the CEO and leadership team equipped to spearhead the integration?

The board's central question should not simply be whether management has an integration plan, but whether the CEO and leadership team have the capability, capacity and alignment to execute it.

It's important to remember that integration is not business as usual — anything but. It requires leaders to make fast trade-offs, align around an enterprise agenda, sustain confidence through uncertainty and keep the organization focused on the deal thesis.

Directors should look for actual evidence, not seek refuge in reassurance. Has the team led a transaction of comparable scale or complexity? If not, how will the team augment its integration expertise? Are accountabilities clearly defined? Is the executive team aligned on what must change, what must be protected and where returns will come from? If any of those answers are uncertain, the board should ask what support, succession planning or leadership changes may be needed before performance is put at risk.

2. Has the board conducted sufficient leadership diligence on the mission-critical roles that will determine whether the deal thesis is delivered?

Boards naturally focus on the CEO and executive team when assessing whether a transaction can succeed. Yet in many integrations, value is disproportionately created — or destroyed — by a relatively small number of leaders several levels below the executive committee. For talent below the executive team, the board's role is not to conduct detailed assessment or manage retention directly, but to ensure management has identified the mission-critical roles, understands the associated risks and has credible plans in place to retain and support the leaders most essential to delivering the deal thesis.

The board should therefore connect each major source of value in the deal thesis to the leadership roles most essential to delivery. If the deal depends on supply chain synergies, directors should know who will lead that work and whether they have done it before. If it depends on cross-selling, they should understand whether the commercial organization is built to deliver. If it depends on financial discipline, they should assess whether finance leadership has the experience required. In other words, every source of value should have an owner.

For each major source of expected return, directors should understand who owns it, what capabilities are required, what evidence exists that the current leader can deliver and what contingency plan exists if gaps emerge. Leadership diligence should be viewed as an essential component of protecting the investment thesis — not simply an integration activity after the deal closes.

3. Are cultural behaviors helping or hindering value realization?

Culture is often described as a downstream "people issue" but boards should view it through a commercial lens — a set of behaviors and operating norms that can accelerate or constrain the deal thesis. Decision velocity, accountability, innovation, customer focus and risk management all influence whether expected synergies and growth opportunities are ultimately realized.

The practical issue is not whether the cultures between the combining organizations are broadly compatible, but which specific cultural strengths from each one are essential to protecting value and which behaviors may need to change in the combined company. Boards should press management early on to identify the cultural strengths that must not be lost, as well as the cultural tensions that could undermine execution, customer retention or value realization — and then develop and execute the necessary strategies around these imperatives.

4. How will we know early if leadership, talent or culture risks are undermining the investment thesis?

Performance erosion rarely begins with a single obvious failure; the warning signs often emerge away from the spotlight. Boards apply rigorous financial and operational oversight during a deal, examining product, synergy and financial metrics in detail, but fewer apply the same precision to the leadership system. To close that gap, the board should ask management to define the leadership, talent and culture indicators it will track alongside financial and operational metrics and then oversee performance of those metrics.

These may include retention of key talent, executive team alignment, readiness of integration leaders, employee sentiment in critical parts of the business, and whether the organization is building the capabilities required by the deal thesis. The board does not run the integration, but the same discipline brought to synergy analysis should be applied to leadership readiness and capabilities, giving directors a way to spot signals early enough to influence the outcome.

Red flags include repeated reliance on broad assurances, unresolved ownership for major synergy targets, overloaded integration leaders, uncertainty among critical talent, delayed decisions, cultural tensions being described only in generic terms, or a board receiving financial updates without a parallel view of leadership and people risk and performance.



5. What does the transaction mean for the board itself?

The same discipline should apply not only to management, but also to the board itself. After all, a significant transaction will change the company the directors themselves are governing. The organization may become larger, more global, more complex, more regulated or more technologically sophisticated. As the enterprise evolves and changes, directors should ask whether the board's composition, capability set and governance model still fit the company it is becoming.

In some transactions, board composition will be shaped by negotiation and compromise, especially in mergers of equal peers. Even where those choices are politically or commercially constrained, directors should still step back and ask whether the combined board is too large, and whether it has the skills needed to govern a potentially larger, more complex business.

Perhaps greater international experience would be helpful, or maybe it needs AI expertise. Some deeper sectoral knowledge could also be useful or stronger committee leadership. The question is not only about who gets a seat, but whether the board's size, capabilities, information flows and oversight cadence support effective governance as the company evolves.

The same forward-looking approach should also extend to board leader succession planning. M&A can expose capability gaps and accelerate changes in board leadership structure. While these changes can often be predicted in the early phases of the deal, many boards spend too little time on planning, or turn to it too late, leaving them unprepared. Proactive board evaluation and succession planning cannot be overlooked as a part of leadership diligence.





From vision to value: A practical board agenda for protecting deal outcomes

Before approving or overseeing a major transaction, chairs and directors can use this agenda to keep the board focused on overseeing execution of the talent strategy that will propel value creation, not just deal completion.

PRE-CLOSE

- **Test the deal thesis**. Identify the leadership, talent, culture and governance risks most likely to affect delivery, and require evidence rather than reassurance.
- **Map roles to outcomes**. Link the most important sources of expected return to the leaders and roles that will disproportionately determine whether they are delivered.

FIRST 180 DAYS

- **Assess leadership readiness**. Confirm whether the CEO and executive team are aligned, capable and sufficiently resourced to lead the integration.
- **Track early warning signs**. Monitor the indicators that show whether leadership, talent or culture risks are beginning to undermine execution or expected returns.

YEAR ONE

- **Protect critical talent and culture**. Determine which people, behaviors and cultural strengths must be retained, integrated or changed to support the deal thesis.
- **Set board intervention points**. Agree when missed milestones, talent losses, delayed decisions or unresolved cultural issues require deeper discussion, additional support, succession planning or a change in oversight cadence.
- **Review the board's own readiness**. Test whether the board has the right size, composition, capabilities, information flows and governance model for the larger or more complex company the transaction has created.

The board does not negotiate, manage or execute the deal. But by asking sharper questions and insisting on evidence, directors can influence whether the organization has the most effective leadership system in place to deliver on the deal thesis. While transactions create opportunity and leaders create value, it's down to the board to make sure their organization has both.



ARCL-PROTECTOVERSIGHTBOARDM_A-AUG2026

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