

Overcoming biases in M&A: A process perspective

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Abstract

Mergers & acquisitions (M&A) are an important element of any company's growth plan. However, the actual performance of most M&A activity fails to live up to the expectations of the acquirers. The psychological biases that affect decision-making have been posited as a source of this disappointing performance. The broad strokes in which these biases have been offered up as explanation for M&A failure don't offer much insight into the specific causes, and therefore the actions business leaders can take to mitigate their impact. We review a 4-step M&A process, identify the different biases that affect the different stages, and then offer practical debiasing techniques targeted at that particular stage of the decision-making process. This targeted debiasing can help business leaders find practical solutions to this vexing problem. Finally, we review two biases that motivate decision makers to avoid pursuing M&A deals at all – to the detriment of achieving their growth targets.

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Overcoming this problem may require you to step away from the process entirely if you don't encounter the right company in your search. 3. Overestimating synergies. In the simplest terms, synergies occur when one plus one is greater than two. However the M&A process goes or how long it takes, the most important thing is to remember that the priority is your own firm. Consequently, a list of mergers and acquisitions problems and solutions would not be complete without mentioning the inexperienced practitioners tendency to "neglect number one." Making it better is the reason you undertake M&A in the first place, so neglecting your company's day-to-day operations in favor of deal-making goes against the aim of what you're trying to achieve in the first place. This is a very important process from the perspective of business alignment. When we talk about the measuring performance of individuals, they need to be measured from the perspective of individual contribution in achieving organization goals. In addition to measuring performance, this is an important activity to uncover the cause of lack of performance. Managers also need to be cautious about this bias and be objective in their assessment and measure performance based on the roles, responsibilities and the goals assigned to the individuals instead of how they appear in their work. 3. First impression or Primacy effect: First impression is important no doubt, especially when we all suffer from selective cognition and confirmation bias.

