



How to unlock value in an uncertain market

Leverage the principles of integration strategy to drive improved performance outside of live transactions





In the face of relentless market turbulence and regulatory uncertainty, corporate management teams and private equity (PE) sponsors are navigating numerous challenges that test their ability to drive performance through transactions. The extended slowdown in the deal market, which has defied the forecasts from 2023 and 2024, has cast a shadow over their quest for inorganic growth. Finding lucrative acquisition opportunities or divesting underperforming noncore assets at competitive multiples now seem increasingly difficult. As these leaders brave the uncertainty, they are compelled to adopt advanced solutions to chart a course through these volatile times and unlock hidden value within their organizations.

Companies are under pressure to optimize performance and create value

Mergers and acquisitions (M&A) transaction volume has historically been a strong indicator of corporate and PE sponsor confidence. Recently, there has been a decline in US transaction volume, with a 5.2 percent decrease from the fourth quarter of 2024 to the first quarter of 2025, signaling a more cautious approach by investors and companies.¹ This decline in confidence is being influenced by several external factors, including political uncertainty, global tariff activity, and hesitant consumer sentiment. As a result, organizations are prompted to reconsider and shift their priorities and strategies.

¹ Data from the first quarter of 2025 was accessed on June 9, 2025 from Capital IQ, (corporate) and Pitchbook (PE)

The hesitancy and caution in the market are further underscored by findings from the KPMG Consumer Pulse Summer 2025 report. Key data points from this report include:

- Forty percent of respondents reported decreased household income, indicating economic strain on consumers. This can lead to reduced spending and lower demand for products and services, impacting corporate revenues and profitability.
- Over 70 percent anticipated a recession within a year. This reflects a lack of consumer confidence in the economic future, which often results in more conservative spending and investment behaviors.

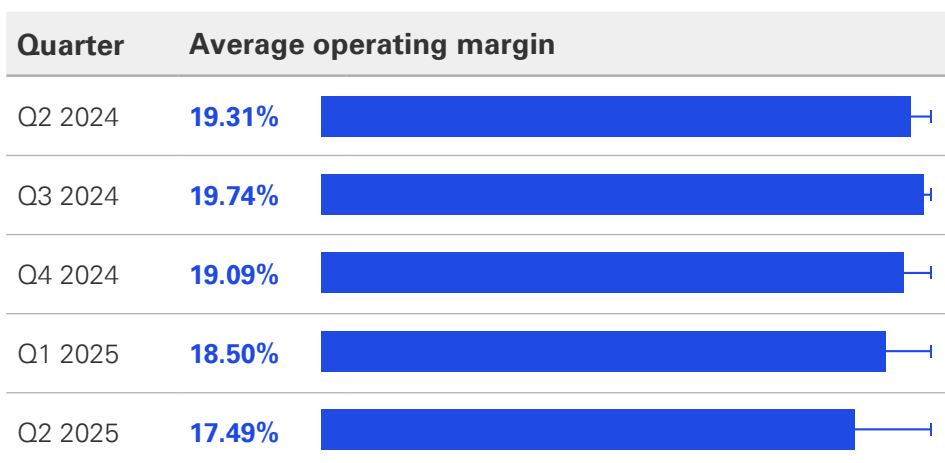
Considering this market uncertainty and its impact on deal-making, management teams are under increasing pressure to optimize operational performance in organic business growth and extract maximum value from previous transactions. However, many companies are struggling:

- More than one-third of respondents in the [2025 KPMG M&A Deal Market Study](#) identified integration planning and execution as major challenges, leading to financial underperformance, operational inefficiencies, and strategic misalignment.
- Shareholder activism continues to be a focus,² and PE firms are being driven to find more value in their existing portfolios.

As a result, management teams must accelerate their efforts to extract more value from their deals, making transformation essential.

These trends are prompting shifts in stakeholder behavior across multiple sectors. As individuals and organizations respond to economic uncertainties, entities encounter challenges in achieving their strategic and operational objectives. This has implications for the broader business environment, where the slowing pace of M&A reflects the broader economic challenges and shifting priorities of corporate management and PE sponsors.

Exhibit 1. Margin contraction



Source: S&P 500 Index data sourced from Capital IQ, July 16, 2025

² Jim Rossman, Chris Ludwig, Quinn Pitcher, "Q1 2025 Review of Shareholder Activism," Harvard Law School Forum on Corporate Governance, Harvard University, April 8, 2025



Rising activist efforts drive momentum and results

As the economic environment continues to evolve unpredictably, activist investors have emerged as powerful agents of change, driving companies to reevaluate and enhance their strategies and operations. Their growing influence is compelling management teams to focus more intensively on creating value and improving efficiency. According to the latest Harvard Law Q1 2025 Review of Shareholder Activism,³ global activist campaign activity increased in Q1'25:

- Seventy global campaigns in Q1, up 17 percent YOY
- Forty campaigns in the US, up 43 percent YOY

This surge is prompting firms to engage advisors to assess vulnerabilities and implement proactive defenses. Contrary to conventional wisdom, divesting businesses can often yield more value than acquisitions, challenging the traditional view that growth and shareholder value primarily come from acquiring assets.⁴

This shift in focus is particularly significant as it implies a deeper, more transformative approach to driving value, moving beyond immediate transactional actions to long-term structural improvements

within companies. Activists are increasingly concentrating on internal improvements, with 24 percent of campaigns in Q1'25 focusing on strategic and operational changes, 23 percent above the four-year average.

The current economic environment presents both internal and external challenges, making it more difficult for companies to deliver value to shareholders while facing tighter financial scrutiny. Notably, 49 percent of companies in the S&P 500 saw a decline in margin from Q4'24 to Q1'25, and 43 percent saw a decline from Q1'24 to Q1'25. This widespread issue highlights the

systemic nature of the financial difficulties many organizations are experiencing. Rising costs, driven by global supply chain issues, tariff uncertainty, and labor—combined with the challenge of driving revenue growth due to wavering consumer confidence and the inconsistent ability to pass on increased costs to customers—are putting management teams under significant pressure to meet earnings targets. The urgency for effective intervention has never been higher, with management teams needing to adopt innovative strategies to reverse this trend and enhance margins.



³ Jim Rossman, Chris Ludwig, Quinn Pitcher, "Q1 2025 Review of Shareholder Activism," Harvard Law School Forum on Corporate Governance, Harvard University, April 8, 2025

⁴ Svea Herbst-Bayliss, Emma-Victoria Farr, "Activist investors set to push for changes as dealmaking picks up," Reuters, July 8, 2025

How to maximize deal value in both active and slow markets

Our [2025 KPMG M&A Deal Market Study](#) revealed several common themes and key focus areas for integration value realization during slower deal-making periods:

1

Maintain strong performance

Ensure stakeholder satisfaction and effectively manage risks and cost efficiencies in core operations.

In our study, 52 percent of respondents cited the need to maintain strong performance during the transition phase. Additionally, 44 percent pointed to maintaining customer and stakeholder satisfaction, and 44 percent considered managing risks and challenges as primary focus areas for value realization.

2

Active integration management

Focus on thorough management of the integration process, robust communication, and continuous optimization of operations from past acquisitions.

Active integration management was key for 47 percent of respondents, effective communication and stakeholder engagement cited by 45 percent, and ongoing adjustments and operational optimization by 44 percent.

3

Address integration challenges

Plan for regulatory compliance, manage cultural integration, and target synergies related to cost, revenue, and operational efficiencies.

Integration planning and regulatory hurdles were challenges for 41 percent of respondents. Managing cultural, processes, and systems integration was vital for 37 percent, with 43 percent focusing on top-down and 41 percent on bottom-up synergy realization.

As the M&A market slows and companies face pressure to deliver value, management teams are increasingly turning to internal optimization and delayed integration principles. These strategies allow organizations to assess and improve their operating models, cost structures, and past acquisitions, ensuring they are well prepared for future growth opportunities. Deploy these following three principles to unlock value in various scenarios:

Cost reduction

Companies can streamline operations by reengineering workflow processes to eliminate inefficiencies and reduce redundancy and complexity. Reducing headcount by identifying and eliminating redundant or nonessential roles significantly lowers payroll expenses. Enhancing procurement processes to secure better pricing and terms from suppliers can minimize costs. Additionally, consolidating redundant systems reduces complexity and lowers maintenance and licensing costs. Outsourcing or offshoring noncore activities to third-party providers or lower-cost regions further reduces expenses. Establishing shared services centers to centralize administrative functions such as HR, finance, and IT eliminates redundancies and reduces costs.



Addressing investor pressure

To streamline operations and meet investor expectations, leaders can optimize both core and noncore operations and conduct rapid operating model diagnostics to assess the current state. Identifying and realizing synergies is crucial. Our paper, "[Think Like an Activist](#),"⁵ explores strategies for CEOs to maximize shareholder value by adopting activist investor tactics. Contrary to what most CEOs believe, divesting businesses can create more value than acquiring. This challenges the conventional wisdom that acquisitions are the primary path to growth and increased shareholder value.

Our research demonstrates that divestitures often lead to higher market valuations and excess returns compared to acquisitions, offering a powerful strategic insight for CEOs to consider. An in-depth study of more than 1,400 activist campaigns that we conducted for that paper shows how these investors used portfolio actions—divestitures, acquisitions, etc.—as well as investments in performance and growth to beat the market. Leveraging technology and analytics for real-time tracking and establishing clear key performance indicators (KPIs) and tracking mechanisms. These measures ensure transparency and accountability, allowing management to make timely adjustments and meet investor expectations efficiently.



⁵"[Think Like an Activist](#)" KPMG, 2020

Maximizing value from past acquisitions

For underrealized value from past acquisitions, leaders should focus on quick-win efficiency opportunities by eliminating redundant roles and optimizing procurement processes. Implementing longer-term transformational initiatives such as digital transformation, enhanced data analytics, and centralizing administrative functions drive sustained value creation. Expanding the customer base and forming strategic partnerships further contributes to revenue growth. Utilizing digital tools and advanced data analytics enhances decision-making and operational performance, ensuring strategic alignment and sustained value creation.



As companies strive to maximize deal value, achieving operational excellence through synergies becomes crucial. Management teams must adopt these strategic initiatives to enhance efficiency and drive value.



Achieving operational excellence through synergies

To thrive in uncertain times and fully realize potential synergies, management teams must adopt strategic initiatives that enhance efficiency and drive value. Here are key strategies to achieve these goals:

1 **Combine top-down and bottom-up approaches to help identify and prioritize strategic initiatives that can drive immediate value creation and operational efficiency:**

- In our survey, 43 percent of respondents preferred top-down identification to help create a high-level focus on setting overarching synergy targets.
- Conversely, 41 percent of respondents favored a bottom-up approach to emphasize detailed functional planning and achieve these targets at the operational level.

2 **Leverage technology and analytics to streamline operations and reduce redundancies:**

- Utilize advanced technologies and analytics, including generative AI, to identify and track synergies in real time.
- Use proactive management and make timely adjustments to ensure the realization of anticipated benefits.

3 **Ensure program alignment with transparency and accountability:**

- Establish clear, specific, and measurable KPIs, and employ robust tracking systems to monitor the progress of synergy realization.
- Implement regular reporting and review processes to ensure transparency and accountability, and to make necessary course corrections.

Solutions for value creation in times of market turbulence

To address these challenges and support management teams in their turn toward internal value creation, KPMG has identified a strategic approach: the principles of delayed integration. By “delayed integration,” we mean a strategic review of efficiency opportunities across operating models and go-to-market (GTM) strategies to drive a fit-for-purpose organization and cost base.

By revisiting past transactions that were postponed due to risk, complexity, or regulatory requirements, or by thoroughly examining enterprise operations following organic and inorganic changes, delayed integration enables companies to maximize efficiency.

With a focus on internal optimization and value creation through delayed integration, organizations can assess their operating models, cost structures, and value realization from past acquisitions to unlock untapped value and enhance efficiency.



Our strategic approach to delayed integration includes:

Rapid operating model diagnostic:

- Conduct a thorough assessment of enterprise operations across the portfolio and determine opportunities and requirements for delivering on overall corporate strategy.
- This includes reviewing people and process execution, technology infrastructure, systems and strategies, asset utilization and efficiency, and vendor strategy across corporate and segment-level operations.
- Opportunities to drive operating model efficiency are identified and prioritized as a foundation for the delayed integration program.



Operating model and value creation strategy validation:

- Develop a target state operating model to deliver fit-for-purpose support of near- and long-term corporate and business strategy goals.
- Operating model and cost efficiency opportunities are determined through a combination of top-down and bottom-up assessments across the portfolio.
- Each operating model decision balances the unique requirements to deliver on business objectives, intraportfolio efficiencies, and cost strategies both internal and external to the company.



Transformation planning:

- Create detailed plans to deliver and manage operating model transformation, value realization, transformation phasing, and change management.
- Drive function- and program-level strategies down to trackable tasks to enable the implementation and transformation program.



Tracking and reporting:

- Establish clear KPIs and tracking mechanisms to actively monitor and manage transformation delivery, and leverage technology and analytics for tracking, automation, and troubleshooting in real time.

This strategic approach enables companies to maximize opportunities to streamline redundant processes and operations, optimize procurement spend, and centralize overhead and administrative support, leading to significant financial and strategic benefits. By fostering a culture of continuous improvement, organizations can also enhance their adaptability to evolving market conditions and regulatory environments.

Our unique stance on delayed integration not only emphasizes the creation of organic value and the improvement of operational efficiency but also promotes a more resilient organizational structure. This provides a robust framework for companies to navigate these challenging times, ensuring long-term sustainability and competitive advantage.



The following case study exemplifies how organizations can apply delayed integration principles to unlock value and enhance operational efficiency in real-world scenarios. This detailed analysis provides insights into the strategic processes and outcomes of integrating diverse entities under challenging conditions.

Case study

A multidisciplinary life sciences tools and services company was undergoing rebranding and requested an integration of two companies in clinical diagnostics to form a combined entity, which would be fully integrated into the larger life sciences organization.

Client situation

The client, a multidisciplinary life sciences tools and services company, had completed over 10 acquisitions in just three years but lacked the resources and expertise to integrate some of them effectively. The request was to integrate two EU-based clinical diagnostics companies into a larger EU complex lab services business, all within the global organization headquartered in the US. Both companies had been operating independently, leading to resistance to integration and additional challenges. KPMG leadership had previously worked with the client to conduct due diligence on the asset and possessed the necessary expertise to support the integration, including change management and day-to-day guidance.

Our approach

- KPMG advised and supported the global integration management office on the overall integration strategy, operational planning, and governance.
- KPMG provided detailed integration planning support, including aligning integration goals and priorities, agreeing on a go-forward GTM strategy, defining the future state and target operating model, and identifying key talent from both organizations.
- KPMG offered functional support to IT, finance, legal, HR, and communications, as well as extended projects such as headcount and an annual operating plan analysis.
- To overcome significant management resistance, KPMG facilitated consensus-based decision-making through international in-person workshops and close coordination with the group CFO and EVP.

Client outcome

- The integration created a business that combines channel expertise and testing capabilities with best-in-class products, seamlessly integrated into the larger life sciences organization.
- An accelerated integration program was completed within a tight timeline, ensuring the integration was achieved in an abbreviated timeframe.
- KPMG helped the client overcome significant integration resistance, resulting in a combined entity that operates cohesively and achieves its synergy goals.
- We identified opportunities for business transformation, including quick wins and synergies, the establishment of KPI sales goals, and the development of a new organizational design that accounts for key talent.
- We ensured business continuity and success, enabling the client to reach new sales and synergy goals without adversely affecting the business.
- The client now has a comprehensive set of integration tools and resources—including a KPI tracker, integration management office governance structure, and headcount and annual operating plan analyses—that can serve as key building blocks for future business expansion.

Delayed integration as an opportunity to accelerate value

Building on the previously discussed principles, we actively collaborate with your management team, taking a holistic view of the business strategy to facilitate integration and efficiency. This includes further assessments of your organization's current state. This diagnostic informs operational adjustments needed for continued value creation. Understanding the current state enables you to strategically manage transaction processes.

A bottom-up strategy is deployed at the business unit, regional, and function levels to guide operational strategy refinement. This approach

balances operational efficiency with cost opportunities to assess trade-offs and transformation, helping organizations avoid the stagnation trap of thinking "what got us here is what will get us there."

We then work with management to prioritize identified strategic initiatives, from quick-win efficiency opportunities to longer-term, transformational value levers. This assessment streamlines redundancies and inefficiencies while enhancing the overall business strategy objectives, promoting an integrated operating model fit for the target business of tomorrow.

How KPMG can help

While dealmakers continue to monitor macroeconomic trends in hope of seeing an opportunity to drive M&A activity in 2025, management teams should use the continued period of slowdown to maximize their efficiency and operational readiness to transact. Outside of a live M&A transaction, organizations should assess operational and financial performance, leveraging the principles of delayed integration to drive operating model and cost efficiency, maximize value realization from past deal synergies, and streamline intraportfolio operations. This approach not only prepares them for future acquisitions or divestments but also ensures they are well positioned to navigate the current economic challenges and deliver sustained value to shareholders.



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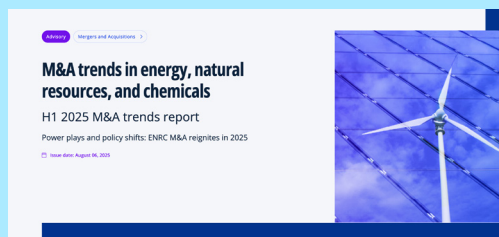
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DASD-2025-18458