

# The M&A Capability Landscape in 2026: an Emerging Value-Creation Chasm

*Five structural forces are pushing organizations toward an M&A capability cliff that is already dividing the market in terms of value creation.*

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In mid-2025, Tiger Team M&A published research documenting what we dubbed the “M&A capability cliff.” Lean teams of two to three people are being expected to execute deal pipelines that previously required eight to twelve. We hoped the data would stabilize as deal markets recovered. Instead, the underlying issues have become more entrenched, creating a clear difference in the value creation achieved by acquirers investing in strategic M&A capability and those who are not.

Global M&A activity surged past \$4.8 trillion in 2025, a 40%+ increase over the prior year. Team sizes didn’t recover and budgets didn’t grow. Instead, several reinforcing structural dynamics have converged that make a return to the traditional model of hiring and consulting support unlikely.

This is no longer a cyclical staffing problem awaiting a hiring wave. The data point to a growing structural capability deficit. Organizations that recognize the shift now will build durable advantage in how they execute and capture value from deals.. Those that do not will accumulate integration debt and weaken the return on the capital they deploy through acquisitions.

## At a Glance: What the Data Shows for the Last 2 Quarters

The data shift in just six months is striking across every dimension we track:

Metric	Mid-2025	Q1 2026	Trend
Global M&A deal value	\$3.4T	\$4.9T	40%+ increase
Typical M&A team size	2–3 core members (75% decrease vs pre 2021)	74% of teams <5 people (DealRoom, 2026)	50% decrease at low end
Programmatic acquirer advantage	1.7x outperformance	2.1x (McKinsey 2026)	24% increase
M&A share of corporate cash	Declining	7% (Bain 2026)	30-year low

<b>AI-driven headcount suppression</b>	Emerging trend	30% of enterprises capping headcount due to AI (ETR)	<b>30% increase</b>
<b>Entry-level recruiting constraint</b>	Emerging trend	73% decline in junior hiring rates (Ravio)	<b>73% decrease</b>

Every indicator points in the same direction. Deal volume is rising while execution capacity is shrinking. The result is a widening capability gap that will ultimately show up in value creation outcomes.

### Five Dynamics Pushing Organizations Toward the Capability Cliff

What makes this moment different from prior M&A cycles is that these pressures are not independent. They reinforce each other and amplify the underlying capacity problem. Five structural dynamics have converged to push many organizations closer to the M&A capability cliff:

**1. Deal complexity has structurally increased.** Megadeals (\$5B+) contributed 73% of incremental deal value in 2025. Sixty percent of those transactions were executed by infrequent acquirers, the companies with the least M&A infrastructure (Bain, January 2026). These aren't routine tuck-ins. They are complex, cross-border, multi-jurisdictional transactions being attempted by organizations that have limited experience running integrations of this scale.

**2. Budgetary allocation to M&A sharply declined.** In 2025, a year of near-record deal activity, M&A accounted for just 7% of S&P World Index companies' cash expenditures. This was the lowest share in 30 years (Bain, January 2026)! Capital is being redirected to AI-related capex and R&D. As a result, operational budgets for M&A headcount, tools, and training are increasingly stripped down.

**2. AI-driven headcount mandates add a new hurdle to M&A team growth.** Thirty percent of enterprises are now limiting future headcount growth specifically because of AI investments (ETR, January 2026). CFOs are prioritizing automation over hiring (Deloitte Q4 2025). M&A functions already struggle to secure headcount in the best of times, and these mandates make adequate staffing even harder. Even when deal pipelines increase, the expectation is that teams will absorb the additional workload without additional staff. Enterprise-wide AI mandates suppress hiring across all corporate functions, including M&A, while AI tools within M&A provide just enough incremental capacity to make the status quo *survivable* but not *sustainable*.

**4. The talent pipeline has collapsed.** Entry-level hiring rates declined by 73% (Ravio, October 2025). At the same time, 1.2 million layoffs were announced in 2025, an increase of up 58% year-over-year. January 2026 marked the worst start to a year since 2009 (Challenger). Much of the distributed M&A expertise that companies built over decades was systematically dismantled during the 2022-2024 layoffs. The IT directors who understood due diligence and the HR partners who knew integration planning have disappeared from many organizations. This experience gap will widen for the next three to five years unless there is a dramatic shift in of near-term hiring decisions.

**5. Force multipliers for lean teams, via AI-powered tooling, is still missing for value-creation processes.** AI usage among M&A practitioners has increased significantly over the past year. Surveys place adoption between 45-67% (Deloitte, Ideals VDR). But available solutions are still overwhelmingly focused on early-lifecycle activities such as deal sourcing, screening, and diligence document review. Integration planning and execution, where the staffing and capability crisis is most acute (and where value capture actually happens), remains largely unsupported by AI. Enterprises can find and assess targets faster, but they can't close deals and create value more efficiently or reliably. The result is a growing backlog of deals that lean teams struggle to complete successfully.

## **The Perverse Equilibrium: When Deal Velocity Outpaces Integration Capacity**

Taken together, these five dynamics create what we'd describe as a perverse equilibrium. Many organizations can see the capability cliff forming in front of them, yet the system allows deals to keep moving forward as if the drop is someone else's problem.

This creates an illusion of capability. . Serial acquirers increasingly lean on Big 4 and boutique advisory firms as on-demand band-aids for resource gaps. This reliance is likely growing as deal volumes surge against retracting team sizes. Since consultancy engagements are temporary by design, the capability cliff becomes steeper. When the engagement ends, the methodology walks out the door. This means institutional knowledge is never created, no internal expertise is retained, no repeatable capability is built, and the next deal requires the same expensive intervention. It's a subscription to dependency that costs more than creating a path to capability. And because consultancy spend is coded as transaction cost and approved deal by deal, it rarely forces the enterprise to confront the underlying structural deficit.

The result is a kind of organizational anesthesia. Teams limp through each current deal, avoiding a crisis that might force investment Each under-resourced integration creates compounding integration debt. Think of it like technical debt in software: the shortcuts don't blow up immediately, but they compound until the whole system becomes fragile. Over time, that strain does more than slow integration; it determines who ultimately captures the value of the deal.

**And here's the part that should concern everyone watching this space: we can't yet see how bad it actually is.** The M&A rebound that began in earnest in 2025 is recent enough that the vast majority of deals transacted during this wave haven't reached the critical post-Day 100 proving ground where value creation is actually tested. The first 100 days of any integration tend to produce visible progress in the form of organizational announcements, leadership alignment, and quick-win synergies that allow leaders to declare early success.

Early integration milestones often create the appearance of progress. From the edge of the capability cliff, the ground can still look stable. The harder questions emerge later.

- Does the deal thesis translate into sustained operational value?
- Are synergy targets being realized rather than tracked?
- Is integration debt accumulating beneath the surface?

These answers arrive in months 6 through 24.

For deals closed in the 2025 surge, that reckoning is still ahead. The 70%+ failure rate that has persisted for decades isn't about to improve because deal teams are working harder. If anything, the structural dynamics we've outlined suggest outcomes will actually worsen. The evidence will not become visible for another 12 to 18 months.

Meanwhile, the market is already adapting to the constraint rather than solving it. EY's Q4 2025 CEO Outlook found that 79% of CEOs plan joint ventures and strategic alliances in 2026, up from 62% the prior year. KPMG identified carve-outs as the dominant 2026 deal theme. These lighter-touch deal structures may reflect companies unconsciously choosing formats that require less integration capacity because they cannot staff full acquisitions.

## **The Value Creation Chasm**

The capability cliff is now beginning to translate into a widening value creation chasm. Organizations that have invested in systematic M&A capability are converting deal activity into measurable returns, while those operating with lean teams and ad-hoc integration models struggle to capture the value the deal was intended to create.

McKinsey's February 2026 survey of 878 executives illustrates that the capability cliff is creating a results chasm. Programmatic acquirers, defined as companies that execute a steady cadence of deals anchored to a clear strategic thesis, now generate 2.1x the excess total shareholder returns of their peers, up from 1.7x just months earlier. That gap is accelerating, not stabilizing.

Only about 14% of organizations have built the systematic M&A capabilities driving these outcomes. The rest are running on heroics: the corporate development VP working 80-hour weeks, the finance director moonlighting as an integration lead. That model doesn't scale to meet both the volume and complexity ahead, and it doesn't survive the departure of the one or two people holding it together.

The companies getting this right share common characteristics. They treat M&A as a repeatable operation, not a series of one-off projects. They invest in capability that compounds across deals rather than walking out the door when advisors leave. They measure more than five post-merger KPIs and achieve 23% higher synergy capture as a result. And critically, they're making these investments *now*, while the capability cliff gives them structural advantage over competitors who are waiting for the constraint to resolve itself. As the capability cliff deepens, the difference between these two groups is widening into a capability chasm.

## From Capability Cliff to Value Creation Chasm

The M&A capability cliff we documented in mid-2025 hasn't corrected. Organizations can see it more clearly now, but most continue operating as if it will somehow resolve itself. Five reinforcing structural forces are pushing more companies to that edge. : The result is a widening value creation chasm that separates the organizations building systematic M&A excellence from those hoping the next hiring cycle will solve the problem.

It won't. The hiring cycle isn't coming, at least not in the form M&A teams need. The question facing every acquirer, every PE operating partner, and every chief strategy officer is whether to invest in building M&A capability now, while the advantage can still be captured, or later, when the value creation chasm becomes far more expensive to close.

The data is unambiguous. The window is open. The compounding has already begun.

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## About the Authors

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**Klint Kendrick, PhD, SPHR** is the **founder of Master Your Merger** and chair of the **HR M&A Roundtable**. A former Fortune 50 HR M&A leader, he has supported more than 150 transactions representing tens of billions of dollars in deal value. His work focuses on the leadership, organizational, and integration execution decisions that determine whether acquisitions create value after close, including the concept of integration debt, which describes how misdirected or under-resourced integration decisions accumulate hidden costs that erode deal value. He also teaches mergers and acquisitions at New York University.

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