

# Improving M&A Success



## Imperatives for Heads of HR and HR Business Partners

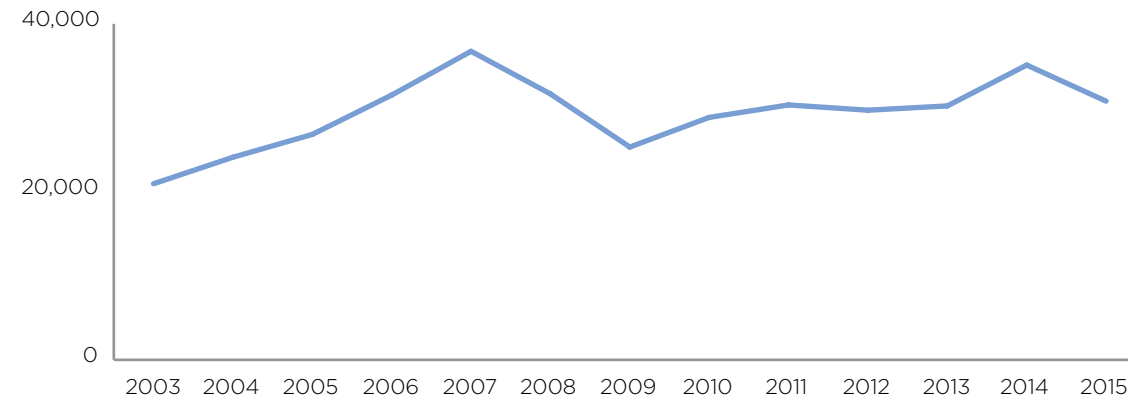
Part 1

The number and average deal value of mergers and acquisitions is increasing globally.

- Global deal count increased from 20,961 in 2003 to 30,796 in 2015.
- Average deal value was \$US135 million in 2015, up from \$US66 million in 2003.

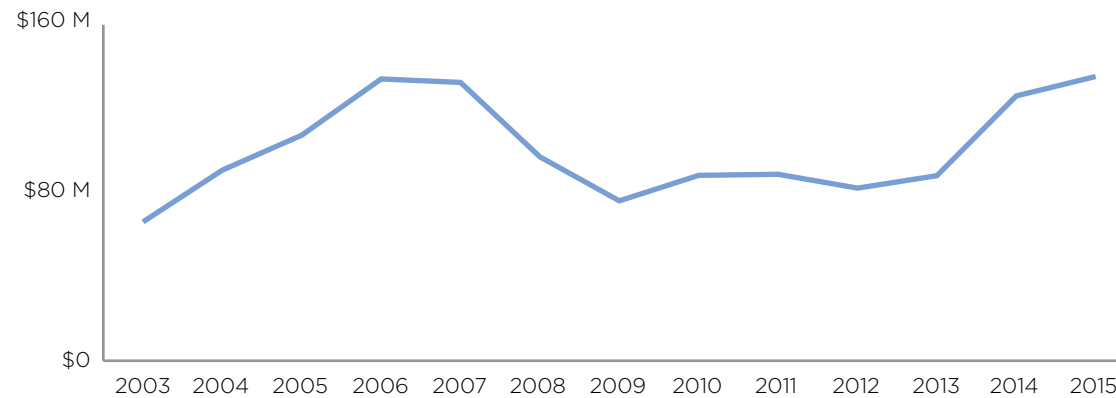
## M&A DEALS ARE MORE PREVALENT, AND THE STAKES ARE HIGHER

Global Deal Count Is Increasing



Source: Bloomberg Finance L.P., "Bloomberg Terminal," <http://www.bloomberg.com/professional>.

Average Global Deal Value<sup>a</sup> Is Increasing



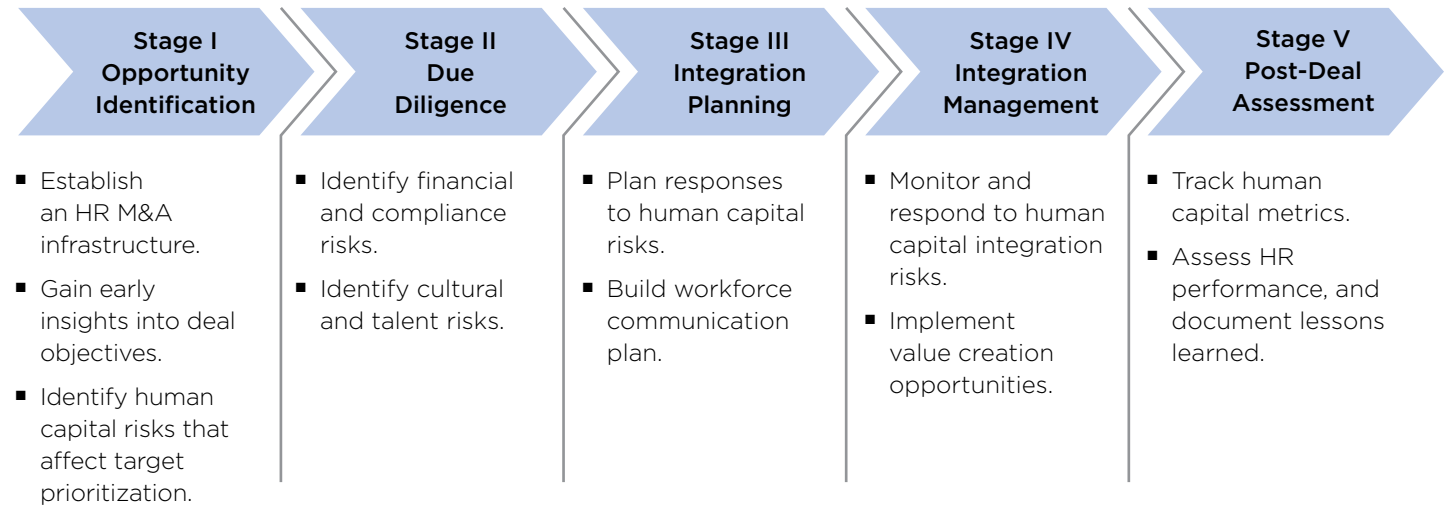
Source: Bloomberg Finance L.P., "Bloomberg Terminal," <http://www.bloomberg.com/professional>.

<sup>a</sup> Deal value has been converted to US dollars.

The HR function influences all five stages of M&A.

# HR INFLUENCES ALL STAGES OF M&A

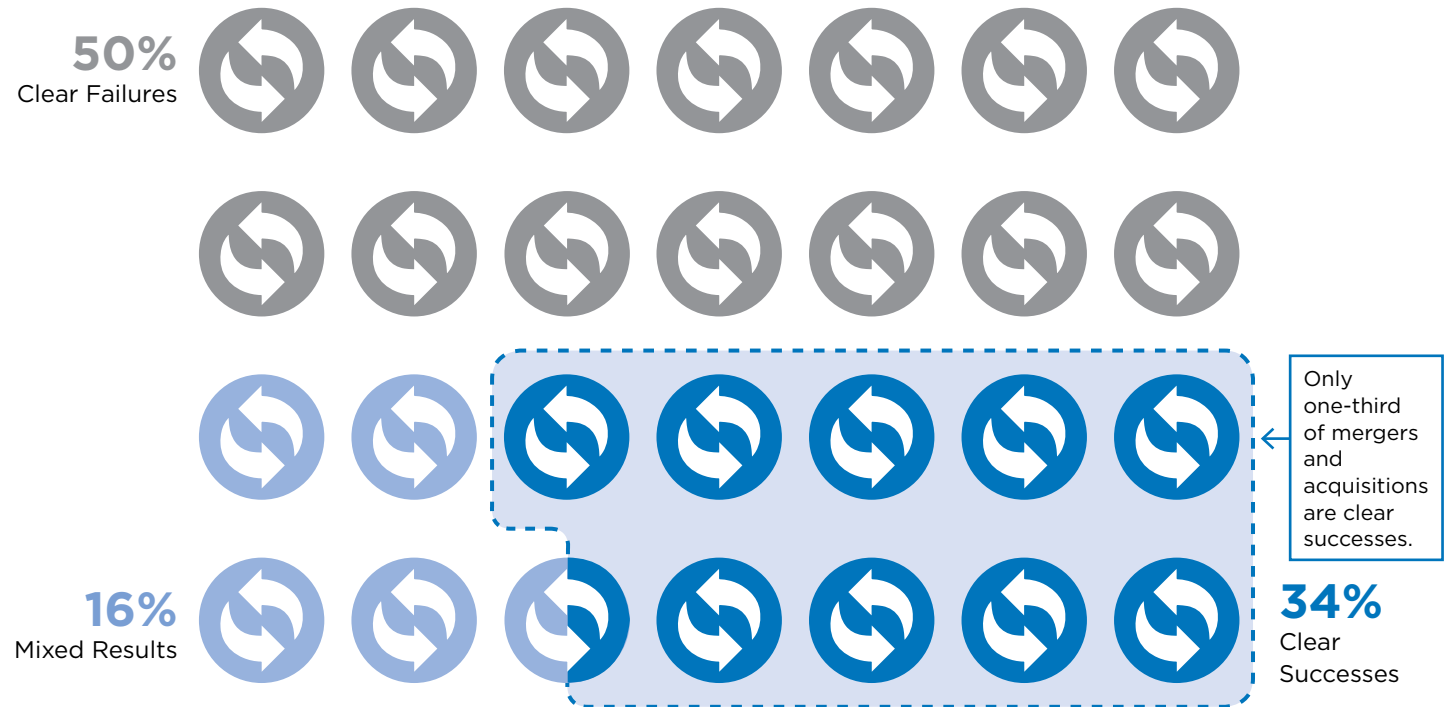
Partial List of HR Activities at Each Stage of the M&A Process



Only one-third of the M&A initiatives tested by Gartner succeed, based on the goals set by the organizations at the outset.

# ONLY ONE-THIRD OF M&A DEALS SUCCEED

M&A Success  
*Performance Against Organizationally Defined Goals*



n = 72 mergers and acquisitions.

We used survey responses to identify organizational factors that increase the probability of M&A success.

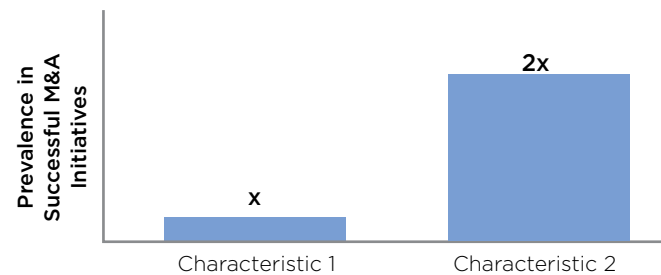
- We studied 72 mergers and acquisitions undertaken in the past three years and identified the key factors that differentiate successful M&A initiatives.
- All the differentiators of M&A success are in organizations' control, and a majority are in HR's sphere of influence.

# OUR INVESTIGATION OF M&A SUCCESS FACTORS

**1** We analyzed 72 mergers and acquisitions to identify successes and failures.

Type of Goal	Performance Against Stated Goals		
	Clear Failure	Mixed Results	Clear Success
Revenue			✓
Cost Cutting		✓	
Shareholder Value	✓		
Return on Project Investment		✓	
Time Saving	✓		
Employee Performance			✓
Employee Engagement	✓		
Employee Feedback	✓		
Other			✓

**3** We identified imperatives for HR based on the characteristics of the most successful organizations.



**2** We identified characteristics that differentiate the most successful mergers and acquisitions from the least successful.

Characteristics of...		
Failed Changes	Changes with Mixed Results	Successful Changes
▪ _____	▪ _____	▪ _____
▪ _____	▪ _____	▪ _____
▪ _____	▪ _____	▪ _____

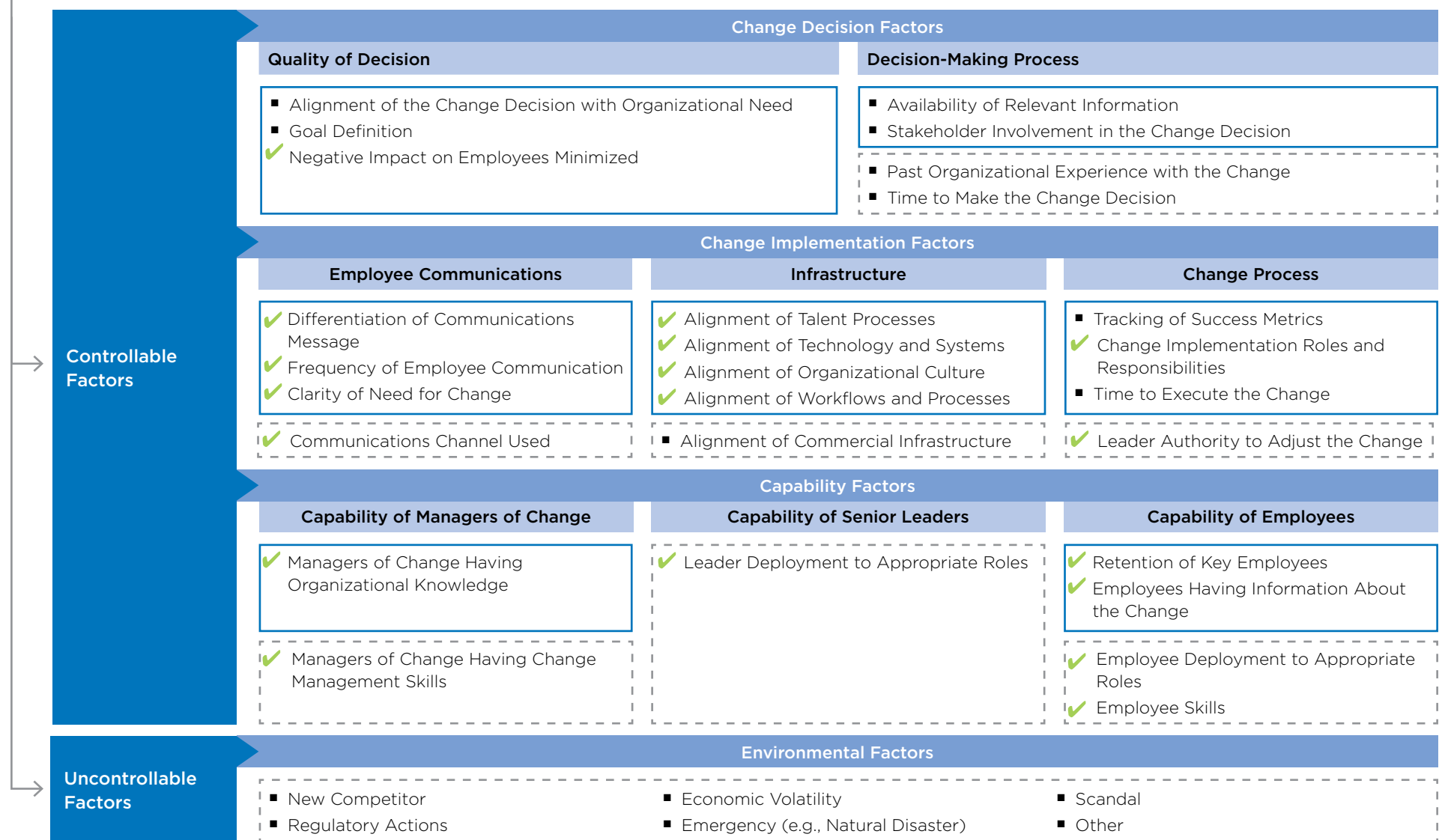
# DIFFERENTIATORS OF M&A SUCCESS

We identified the factors that differentiate successful from unsuccessful M&As.

  Differentiator of M&A Success<sup>a</sup>

  Not a Differentiator of M&A Success

✓ HR Owns or Influences



n = 72 mergers and acquisitions.

<sup>a</sup> Differentiators of M&A success are identified by calculating the frequency of each organizational factor in the most successful mergers and acquisitions and their frequency in the least successful mergers and acquisitions, then analyzing whether the difference in frequency is statistically significant. Please see the Appendix for more details about how differentiators were calculated.

# SEVEN M&A IMPERATIVES FOR HR

Examining the differentiators of M&A success reveals seven imperatives HR can act on to improve the probability of achieving organizational M&A goals.



## IMPERATIVE 1

Front-load HR information gathering to the early stages of the M&A process.

## IMPERATIVE 2

Involve stakeholders across multiple levels, not only senior leaders, in planning and managing the integration.

## IMPERATIVE 3

Allow more time than you estimate the integration process will require.

## IMPERATIVE 4

Create an integration team with organizational expertise, not just change management skills.

## IMPERATIVE 5

Align talent processes before aligning culture, technology, and workflows.

## IMPERATIVE 6

Focus on reinforcing the right message about the merger or acquisition, not who delivers it.

## IMPERATIVE 7

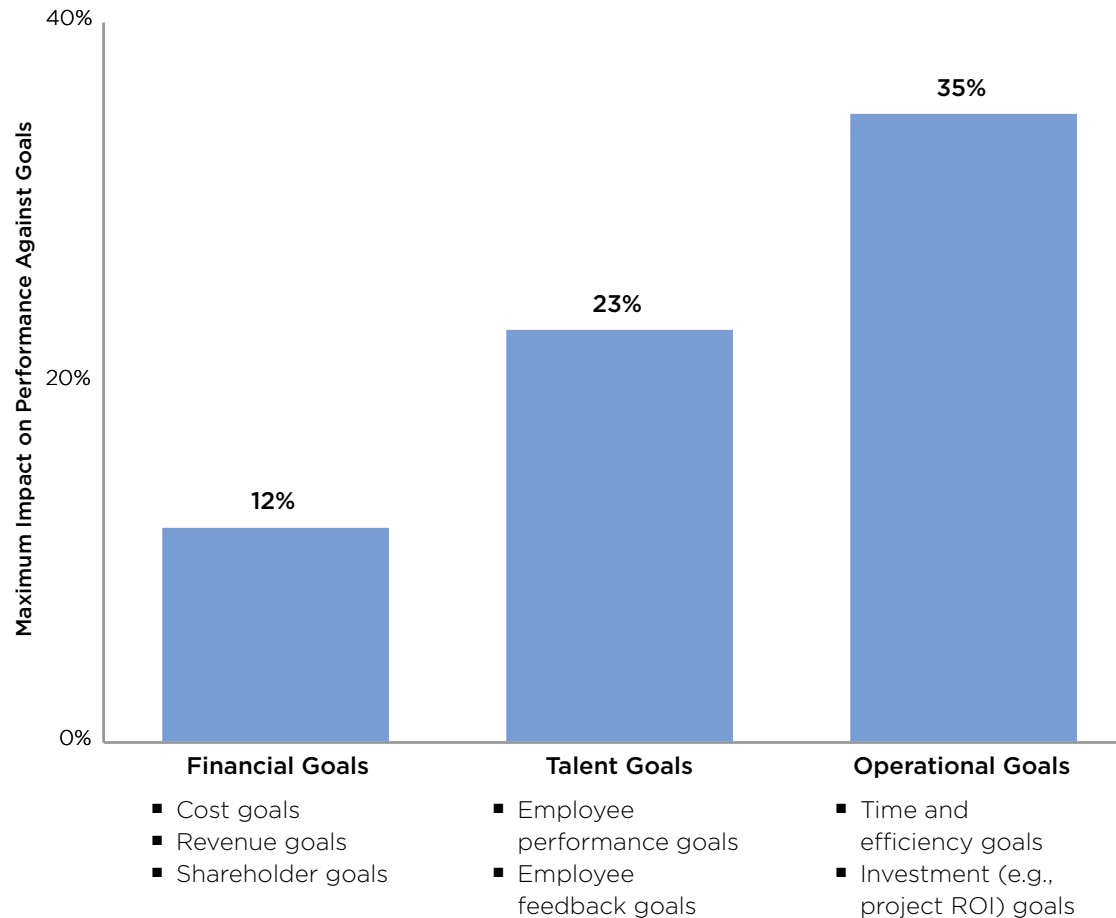
Track relevant metrics throughout the M&A process, not only after integration.

Organizations that implement the seven M&A imperatives for HR can substantially increase their effectiveness at achieving M&A objectives.

- Implementing the seven imperatives can improve performance against the financial, talent, and operational goals an organization identifies at the outset of a merger or acquisition by 12%, 23%, and 35%, respectively.

## IMPROVE YOUR EFFECTIVENESS AT M&A

The Seven HR Imperatives' Maximum Impact on Performance Against Organizationally Defined Goals<sup>a</sup>



*n* = 72 mergers and acquisitions.

<sup>a</sup> The maximum impact on performance against goals is calculated by comparing two statistical estimates: the predicted impact when an organization scores relatively high on the differentiators that inform the seven imperatives, and the predicted value when an organization scores relatively low on the differentiators that inform the seven imperatives. The effects of all differentiators are modeled separately for each set of goals using three different linear regressions.