

MERCER WEBCAST

# THE WELL-PREPARED DEAL MAKER

## The importance of metrics for successful M&A transactions

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# Today's speakers



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# Agenda

## What we will cover today

- 
- The M&A landscape

- 
- Key findings and best practice for successful deals

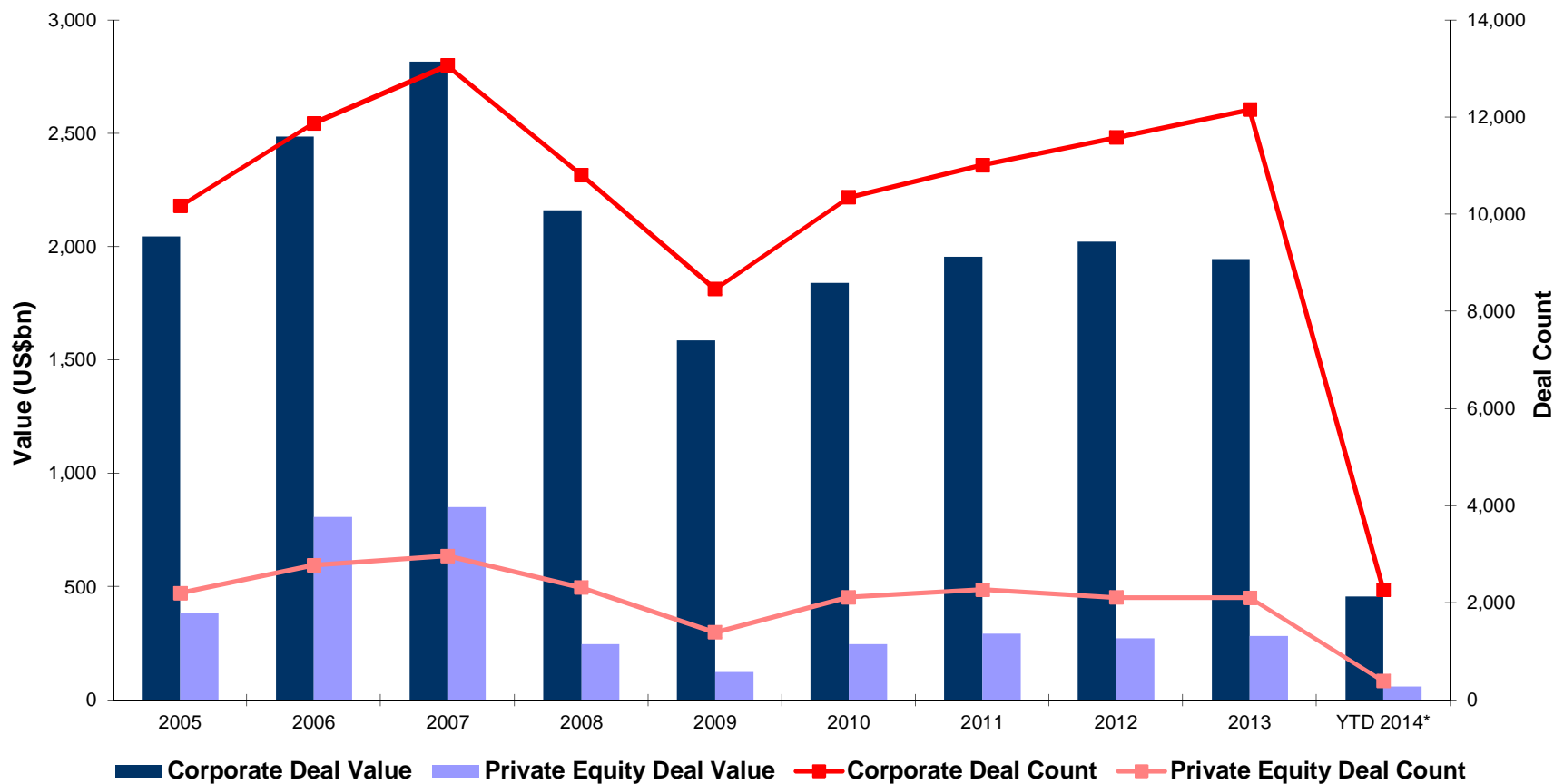
- 
- Mercer's Balanced Scorecard approach

- 
- Questions

# M&A landscape

## A look-back

Global M&A activity - Corporate vs. PE Buyout

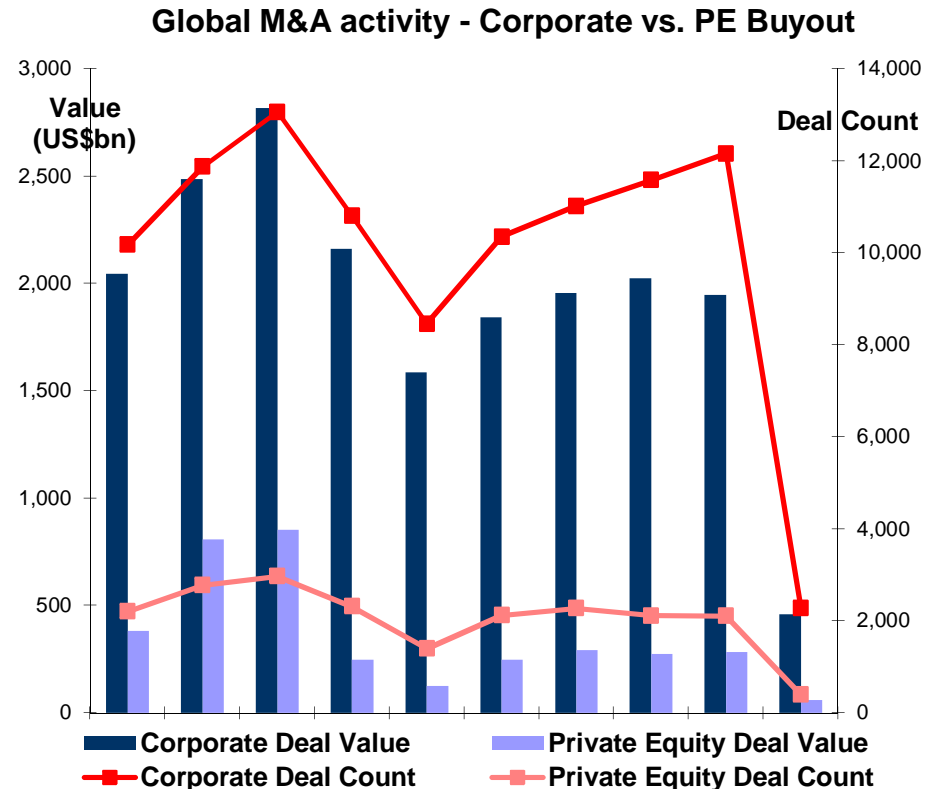


Source: Mergermarket 2014 YTD

# The M&A landscape

## 2014 trends – first half

- Worldwide M&A up 73%
- European M&A doubles
- Best start for Asia Pacific M&A on record
- Cross border M&A more than doubles
- Significant gains in healthcare and media driven M&A



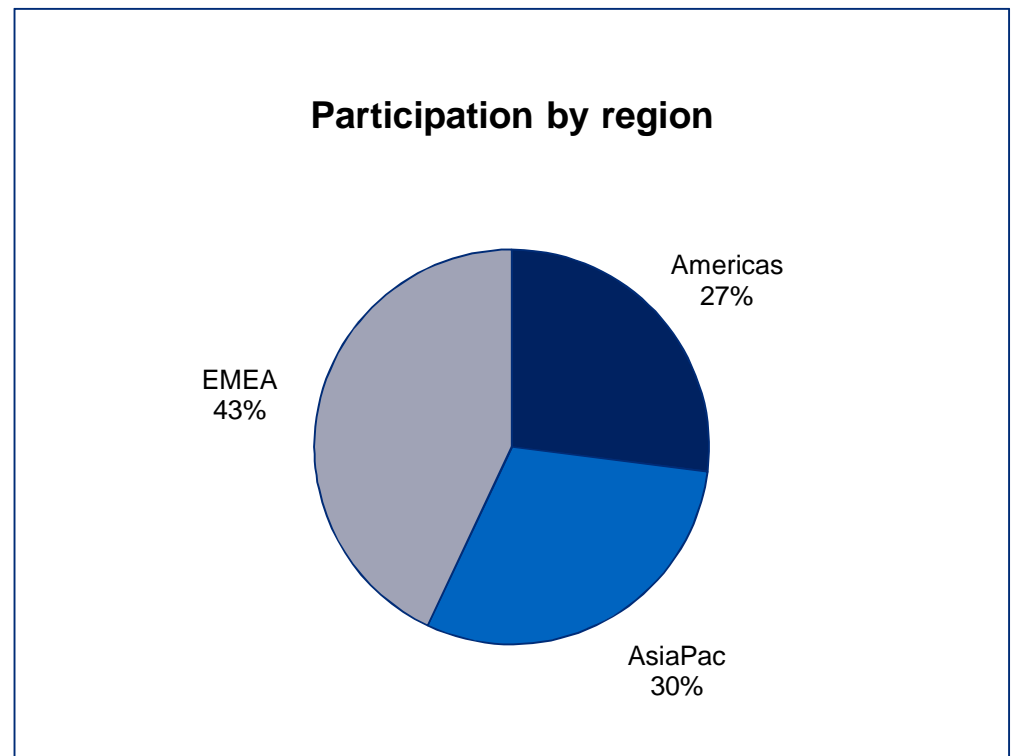
Source: Thomson Reuters: Global Deals Intelligence  
Mergers and Acquisitive Review, First half of 2014

# Mercer research

## Survey methodology and participant profile

**Representatives from over 70 acquisitive multinational companies were interviewed to analyse the metrics and processes used to measure deal success**

- Examined typical metrics and processes used by acquirers
- Interviewees included senior corporate development executives, corporate M&A leaders and HR Directors
- Varying degrees of transactional experience
- Cross section of industries and regions



# Best practice for successful deals

## Four key factors

1 A clearly defined deal rationale

2 A robust, flexible, and holistic process

3 Governance and accountability

4 Organisational learning

**METRICS – The Fifth (essential) Element**

# Deal rationale

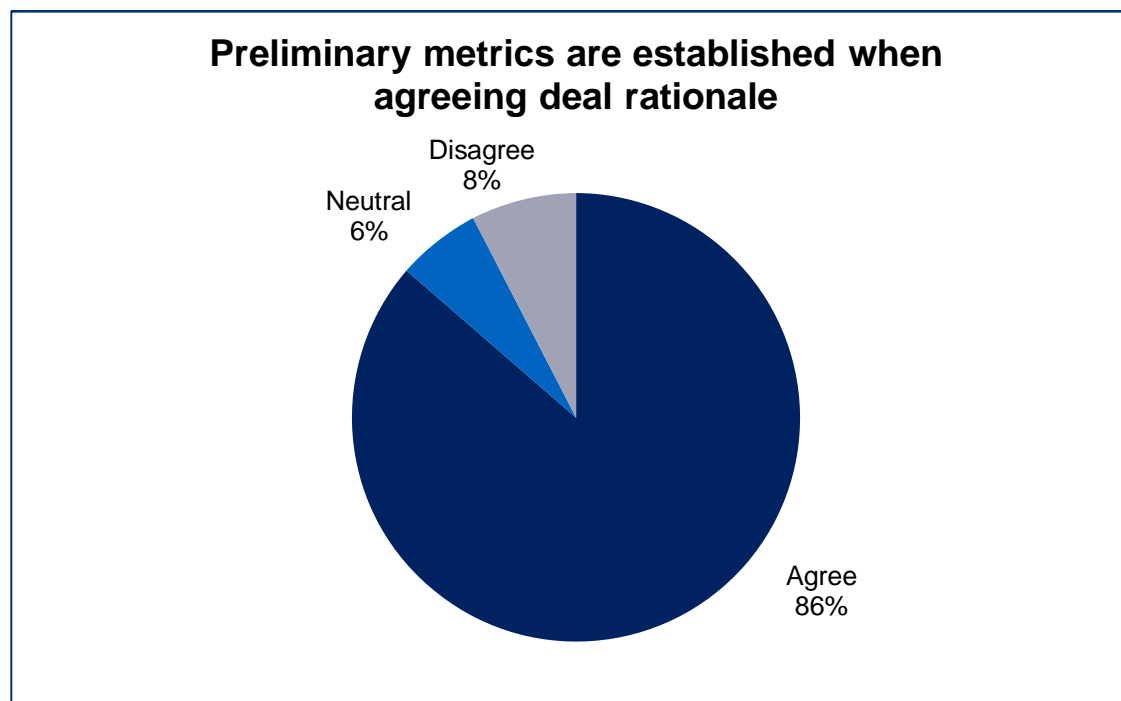
## Key findings

### Factors considered when...

- Defining the rationale
  - Strategic fit
  - Financials
- Defining synergy expectations
  - Cost synergies / value creation
  - Product, people skills and technology
- Determining integration strategy
  - Considered case by case
  - Talent / leadership and culture

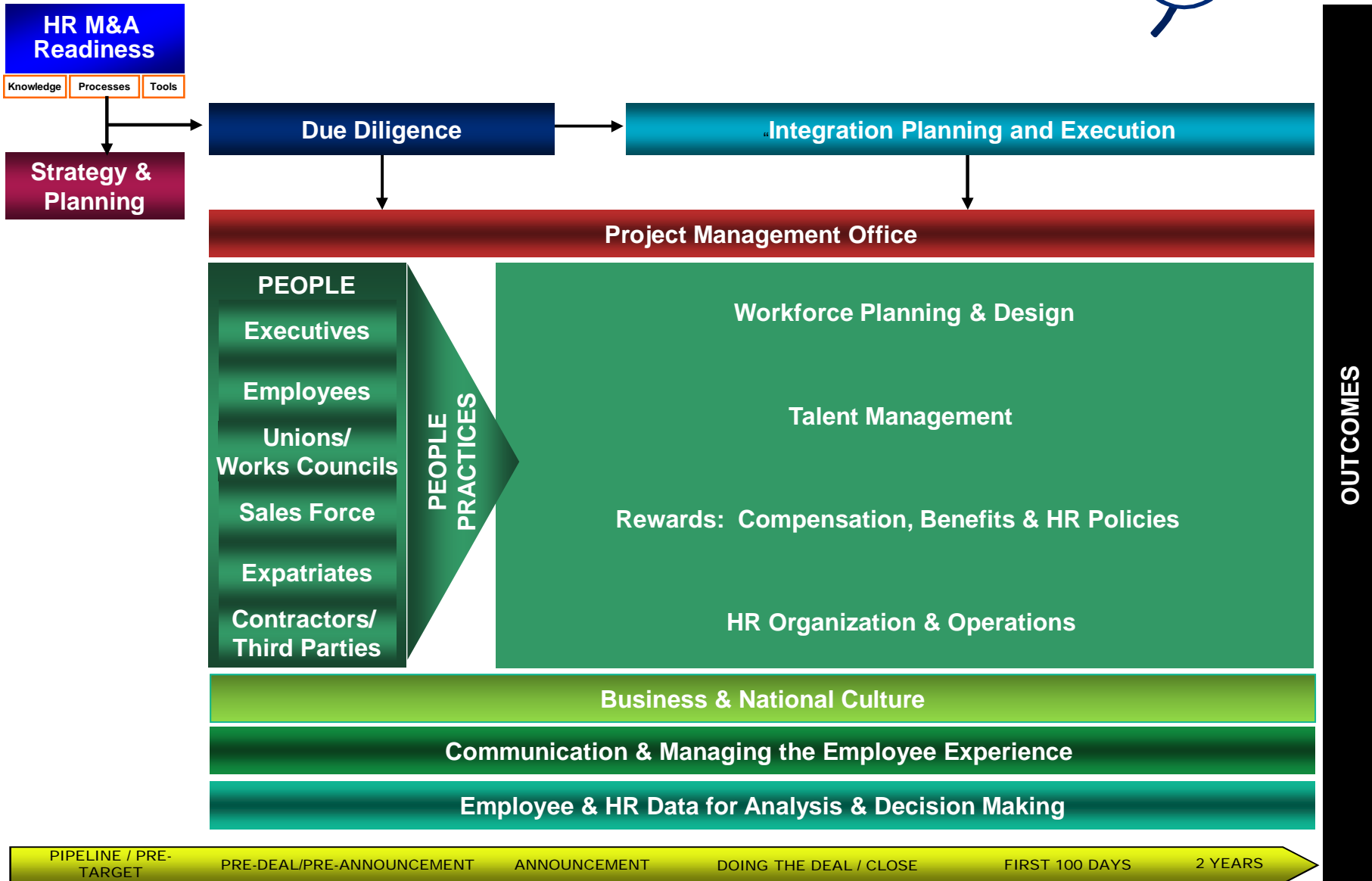


- Clearly define the business case for the transaction



- Fully inform all M&A team members about the deal rationale
- Ensure all stakeholders understand how targets and metrics link to the deal rationale

# M&A process



## M&A process Best practice

2

A robust, flexible,  
and holistic process

- Create a holistic process
- Ensure flexibility
- Develop a robust, well-planned process
- Assign activities and responsibilities for each stage

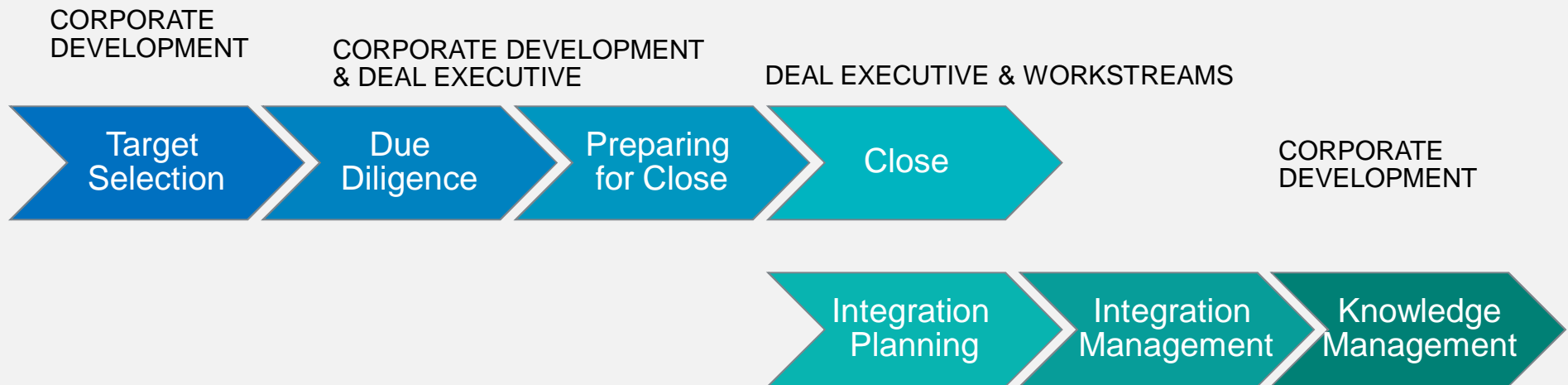
# Accountability and governance

## Key findings

3

Accountability and Governance

### RESPONSIBILITIES DURING A DEAL\*



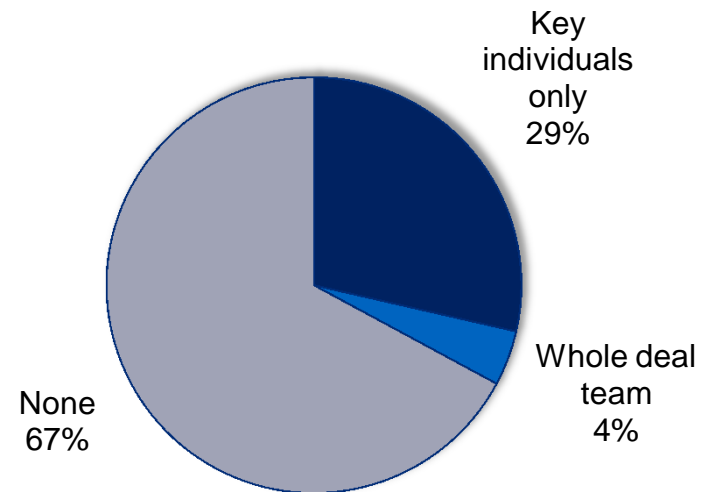
**\*All stages of the transaction should involve the HR function**

## Accountability and governance

### Best practice

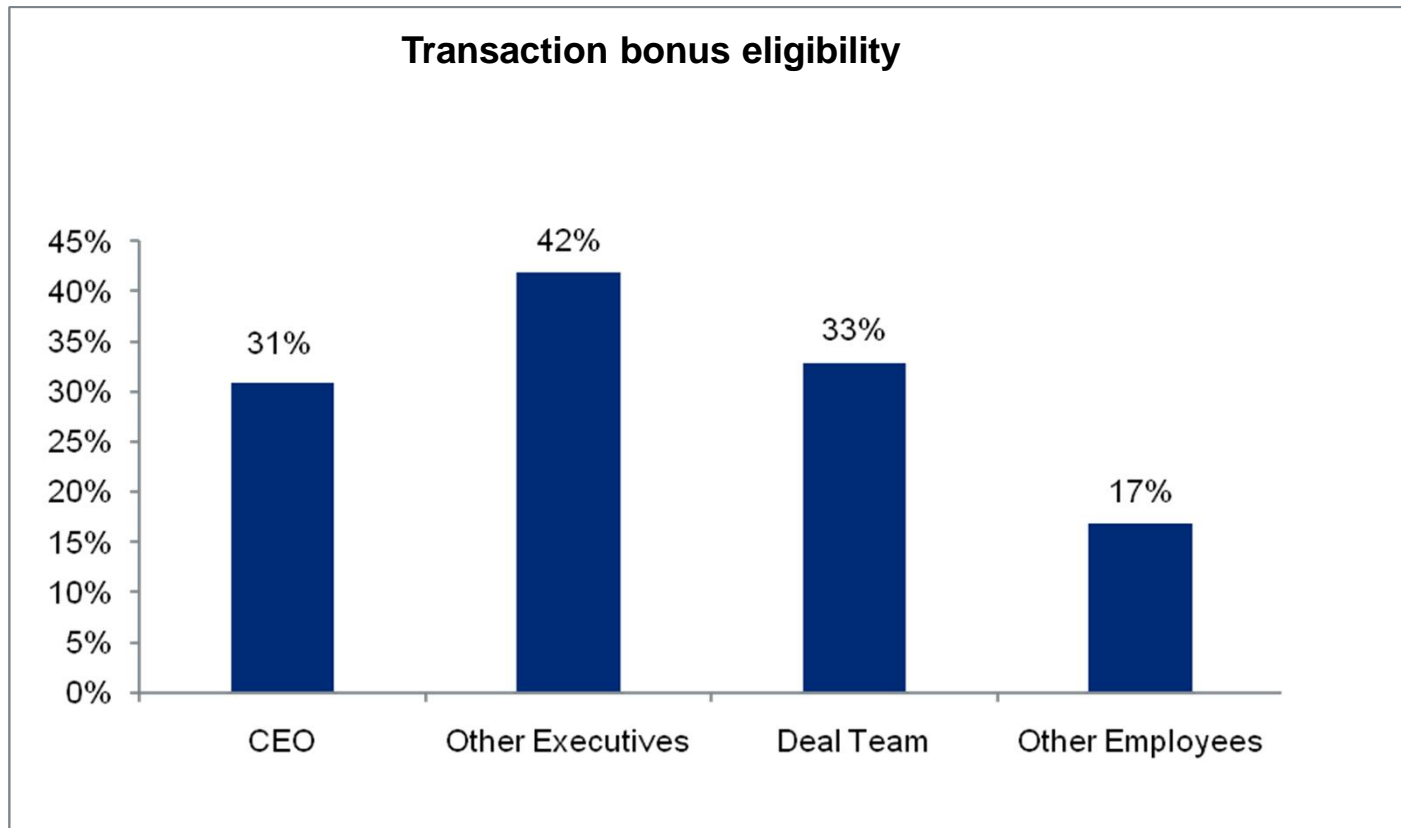
- Experienced, knowledgeable team to handle the business and/or integration aspects of the deal and deliver on targets
- Assign an individual to coordinate information exchange
- Decide whether there should be incentives to motivate key players to achieve their expected goals

**Award of deal-specific incentives**



# Transaction bonus programs

## Eligibility and participation



Source: Mercer Survey of M&A Retention and Transaction Programs, 2012

# Organisational learning

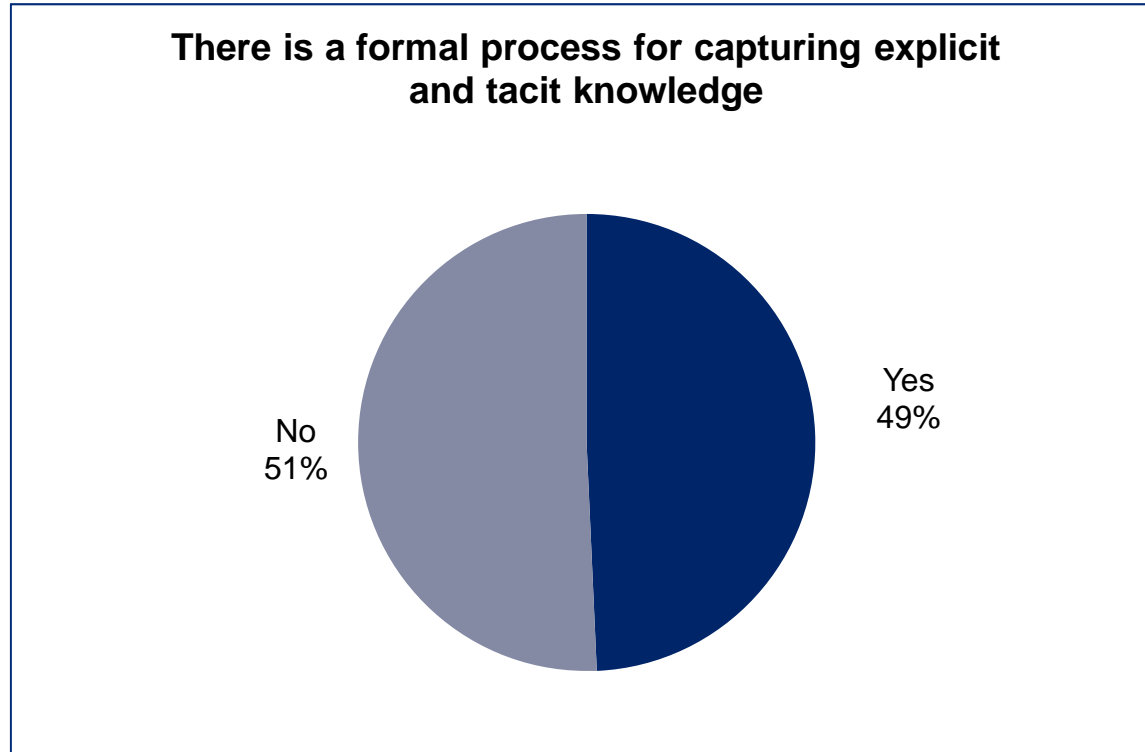
## Your input...

- Question:

Does your company and/or function have a formal process in place to capture explicit and tacit knowledge from transactions?

- Response options:

- a) Yes
- b) No
- c) Don't know



“Varies from business to business. Those with playbooks in place have improved practices for gathering knowledge. Where a structured approach does not exist, there is a threat of making the same errors again.” **Director - Mergers & Acquisitions EMEA HR**



# Organisational learning

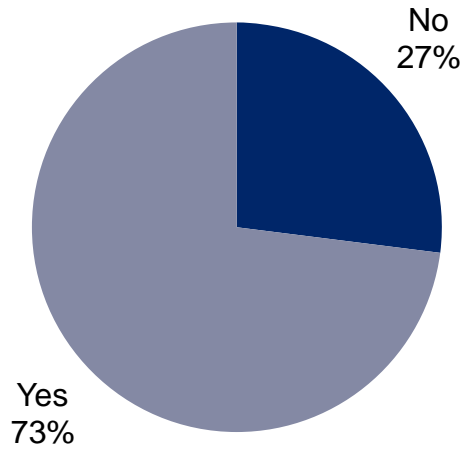
## Best practice

- Ensure lessons are learned
- Assign individual to compile and document
- Determine how and when to share this information
- Conduct a post-deal audit

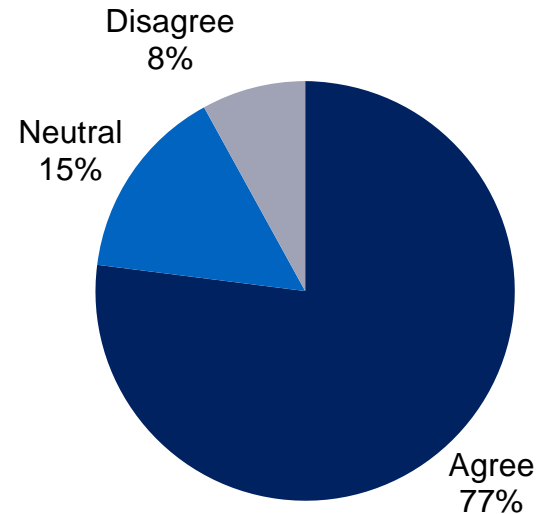
# Metrics

## The Fifth (essential) Element

### Formal review process in place following a transaction



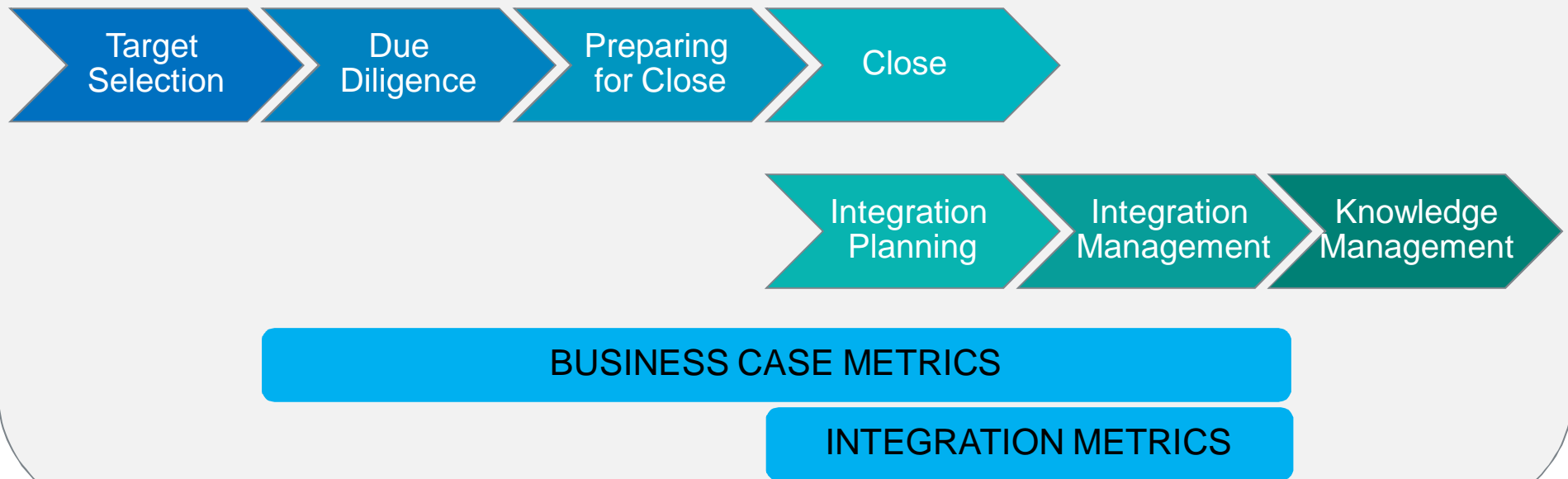
### Use of metrics contributes to the success of deals



# Mercer's Balanced Scorecard approach

## Bringing it all together

### USE OF METRICS BY DEAL STAGE



# Mercer's Balanced Scorecard approach

## High-level example metrics

<b>Financial</b>	<b>Customers/Products</b>
<ul style="list-style-type: none"><li>• Revenue</li><li>• EBIDTA</li><li>• Cost synergies / Operational cost Savings</li></ul>	<ul style="list-style-type: none"><li>• Customer acquisition / retention</li><li>• Market share</li><li>• Cross sell revenue</li><li>• New product development</li></ul>
<b>Operations / Technology</b>	<b>People</b>
<ul style="list-style-type: none"><li>• Productivity / utilisation</li><li>• Timing of operations integration</li><li>• Number of complaints</li><li>• Knowledge transfer</li></ul>	<ul style="list-style-type: none"><li>• Human capital productivity</li><li>• HR effectiveness</li><li>• Key employee retention</li><li>• Organisational engagement</li></ul>

## Best practice for successful deals

- 1 A clearly defined deal rationale
- 2 A robust, flexible, and holistic process
- 3 Governance and accountability
- 4 Organisational learning

**METRICS – The Fifth (essential) Element**

# Questions



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## QUESTIONS

Please type your questions in the Q&A section of the toolbar and we will do our best to answer as many questions as we have time for.

To submit a question while in full screen mode, use the Q&A button, on the floating panel, on the top of your screen.



**CLICK HERE TO ASK A QUESTION  
TO "ALL PANELISTS"**

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