



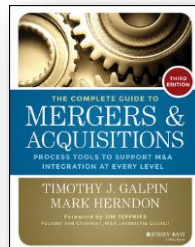
Key Findings from
The State of M&A Integration Effectiveness™ Survey

Primary Contributors



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Who is the M&A Leadership Council?



Why this survey now?



YTD and forecast deal activity

Volume, values, frequency, complexity



Integration is still rated as the highest risk deal-phase

Responsible for the majority of value erosion



Deal failures and underperformance remain at unacceptable levels

“Well in excess of \$1 trillion in shareholder value has dissipated in the last decade – not in deals that fell apart but in deals that simply failed to deliver.”

The Art of M&A Strategy
Kenneth Smith and Alexandra Reed Lajoux



Survey Objectives

Thesis: Identify a predictive roadmap for consistently improved business results.

1

Determine

the prevalence of proven M&A integration best practices currently in use

2

Correlate

specific integration practices proven to drive statistically valid improvements in relevant business outcomes

3

Assess

the extent to which acquirers are building more effective internal M&A integration capabilities



















4

Identify

common remaining obstacles which consistently limit success



Survey Participants

 AUTODESK.	 AVNET®	 BMO Financial Group
 CISCO SYSTEMS	CORNING	 DELL
 EMBRAER	ERICSSON 	 FedEx
 HARRIS	 HERSHEY'S	Humana.
 LOCKHEED MARTIN	 LOWE'S	 McAfee®
 MetLife®	 Microsoft	 QVC
 Steelcase	 stryker®	YAHOO!



153 Respondents



Balanced Participation

- Industry
- Executive level
- Function
- Size
- Deal experience

Survey Design



71 questions or sub-questions

- 40 best practice input variables
- 12 primary business result measures
- Plus, respondent demographics and general information



Analyzed

- Frequency responses
- Regression output
- Predictive modeling



Note on Regression Analysis

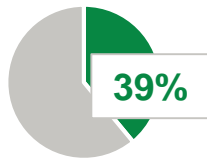
- Measured “success **with** best practices” vs. “success **without** best practices”
- To identify the percentage increase in successful outcomes linked to the use of each best practice

General Observations

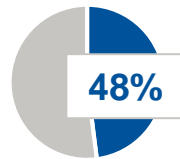
Perceptions of ability to achieve business results are improving, but many still underperform on core value-drivers

Examples:

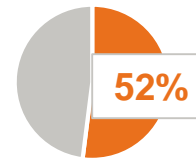
Percentage of respondents reporting they typically underperform or DO NOT meet the following business result objectives



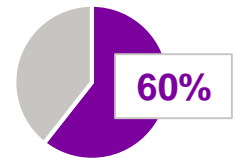
Cost synergy objectives and overall business results



New product development objectives post-deal



Revenue synergy objectives



Higher performance culture post-deal

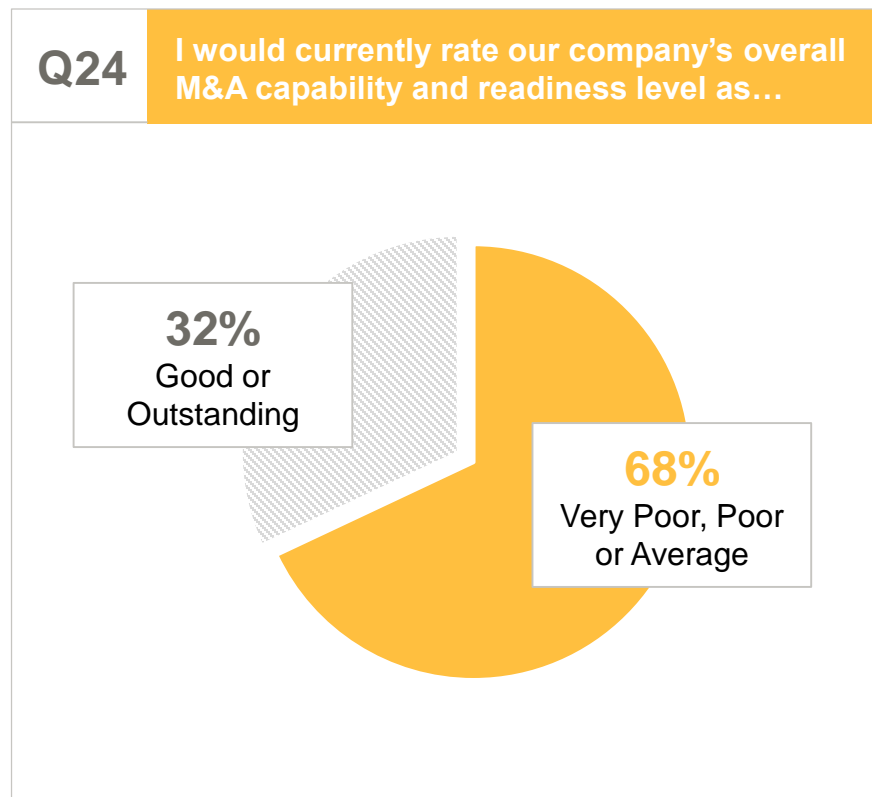
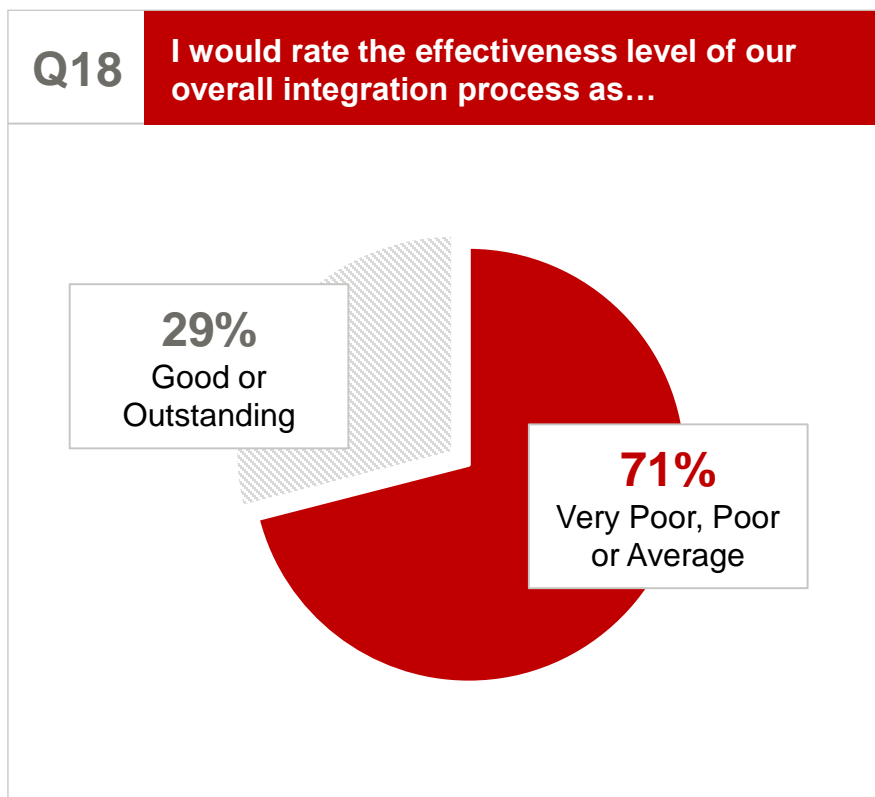
The top three “greatest remaining obstacles or challenges” identified were:

- Resourcing (also identified as one of the top “breakthrough practices”)
- Integration strategy framework (also identified as one of the top “breakthrough practices”)
- Culture

Source: M&A Partners | The State of M&A Integration Effectiveness™ Survey

Key Finding #1

The levels of overall integration process effectiveness and M&A capabilities are perceived to be inadequate



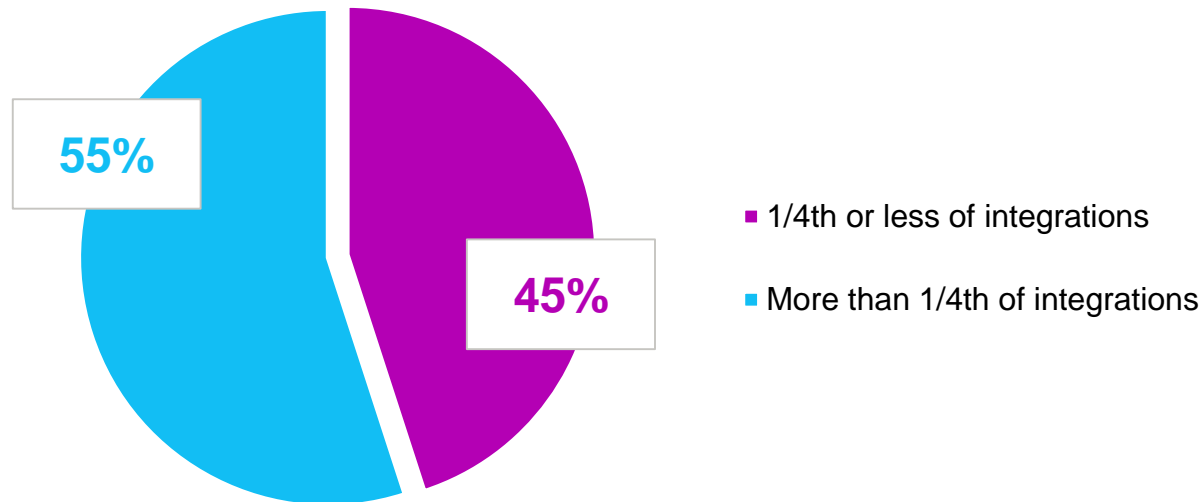
Source: M&A Partners | The State of M&A Integration Effectiveness™ Survey

Key Finding #2

Value erosion continues to negatively impact a high percentage of all integrations

Q17

In what percentage of integrations does your company experience some type of “value erosion,” business disruption or unanticipated negative synergies due to integration actions taken or not taken?



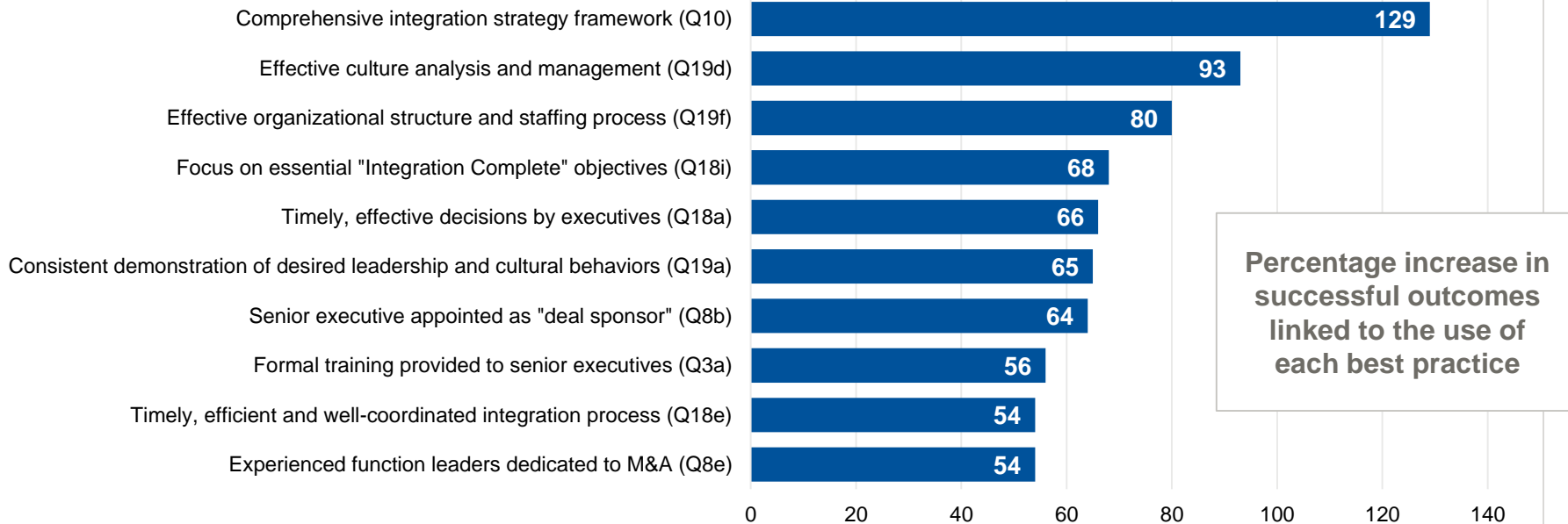
Source: M&A Partners | The State of M&A Integration Effectiveness™ Survey

Key Finding #3

Use of specific integration best practices yields substantial improvements in core business results

3.a

Regression analysis showed the following top ten integration best practices to be directly linked to successful outcomes of **REVENUE SYNERGY CAPTURE**

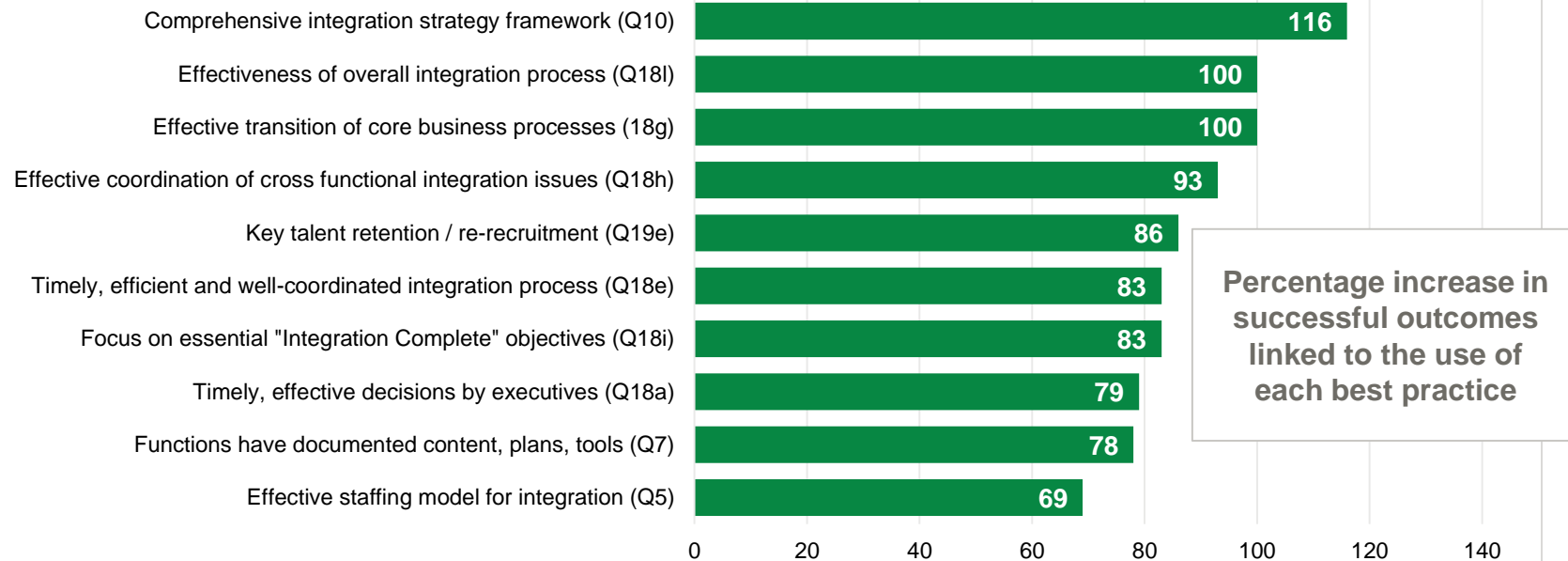


Source: M&A Partners | The State of M&A Integration Effectiveness™ Survey

Key Finding #3

Use of specific integration best practices yields substantial improvements in core business results

3.b Regression analysis showed the following top ten integration best practices to be directly linked to successful outcomes of **MINIMIZING VALUE EROSION**



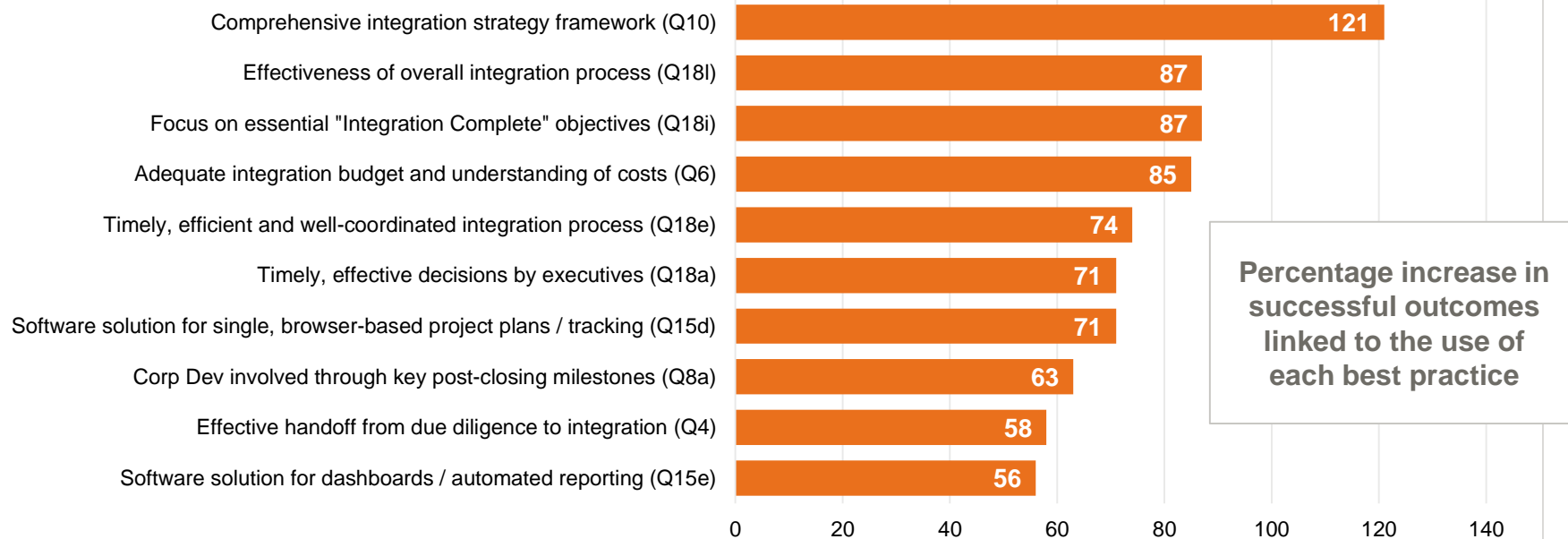
Source: M&A Partners | The State of M&A Integration Effectiveness™ Survey

Key Finding #3

Use of specific integration best practices yields substantial improvements in core business results

3.c

Regression analysis showed the following top ten integration best practices to be directly linked to successful outcomes of **ACHIEVING THE OPTIMAL PACE OF INTEGRATION**

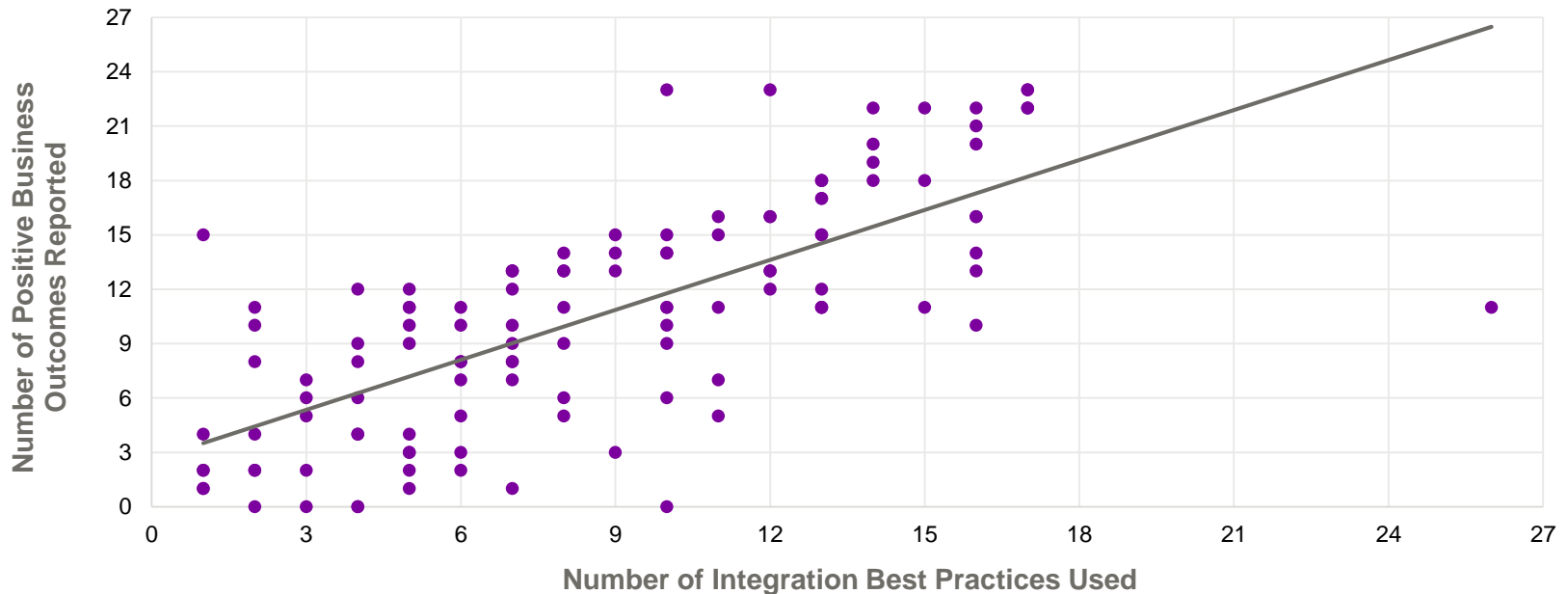


Source: M&A Partners | The State of M&A Integration Effectiveness™ Survey

Key Finding #4

Organizations that apply more M&A integration best practices tend to outperform those that do not

Relationship of multiple best practices to overall integration results



Source: M&A Partners | The State of M&A Integration Effectiveness™ Survey

5 Highest ROI Actions to Take Now

- 1 Target immediate high-gain solutions in common problem areas such as:**
 - Documenting an end-to-end process, including functional and cross-functional interfaces
 - Software solutions for due diligence and integration management
 - Staffing/resourcing/budgeting for integration
 - Governance roles and responsibilities
 - Leadership behaviors and decision making protocols
 - Communications, culture and change management
- 2 Conduct an Executive Briefing on these survey findings in your organization to achieve alignment on essential requirements for maximum success**
- 3 Conduct an M&A capabilities & readiness baseline assessment**

Benchmark your status against this normative data and the M&A Partners' Integration Effectiveness Index™ on which this survey was based
- 4 Provide training for your M&A team and function leads**
- 5 Implement priority actions on the best practices representing the highest gain impact for your organization**



Thank You

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