



Global Cross-Border M&A Integration Survey

# Focus on the Important Factors

Executive Summary of Results

# About the research

Exploring the factors affecting Cross-Border  
M&A integration program success



- + In H2 2015, Global PMI Academy -the academic and research arm of Global PMI Partners- conducted a survey in collaboration with Dr Mohammad Faisal Ahammad of Sheffield Hallam Academy (UK)
- + We surveyed 143 senior M&A professionals involved in cross-border deals and integration from all around the world, asking each a series of questions about their most recent cross-border M&A experience to explore the factors influencing integration success
- + This survey data is used in our 2016 book **Cross-Border Mergers and Acquisitions** and will be used in an academic paper for the *British Journal of Management*

# Foreword from the author



Andrew Scola  
UK Partner

“ In effect,  
we've managed  
to create an  
**'ease of doing  
cross-border  
M&A integration'**  
index

2015 was a year of unprecedented M&A activity, with more and more occurring across international borders. Some of our survey data is surprising, for example neither of the most talked about overseas acquirers (USA and China) topped our list of the country with the largest net out-bound M&A flow (page 4).

In other areas, the survey confirmed Global PMI Partners' own experience, such as the parts of the world where M&A integration is perceived to be more challenging. In effect, we've managed to create an 'ease of doing cross-border M&A integration' index here.

The companies that will be most successful at global M&A in the long term are those that can appreciate the local differences around the world and the need to learn from collective experience of acquiring companies, that recognise the factors which truly impact cross-border integrations and actively manage these on their deals.

Many companies will stumble unnecessarily into issues with cross-border integration. We hope that the information in this report helps you on the road to successful cross-border integration.

# Research highlights

75%

of the cross-border transactions were considered successful at delivering the deal objectives, challenging the old statistic that 70% of deals fail

## Integration Management Office

are used on 57% of cross-border deals, but they are almost equally split in their location between the acquirer head office, the target head office or co-located

India

topped the list of net out-bound M&A country, with 5 times more out-bound M&A deals than in-bound deals. The UK was second with a 25% more out-bound against a higher deal volume

74%

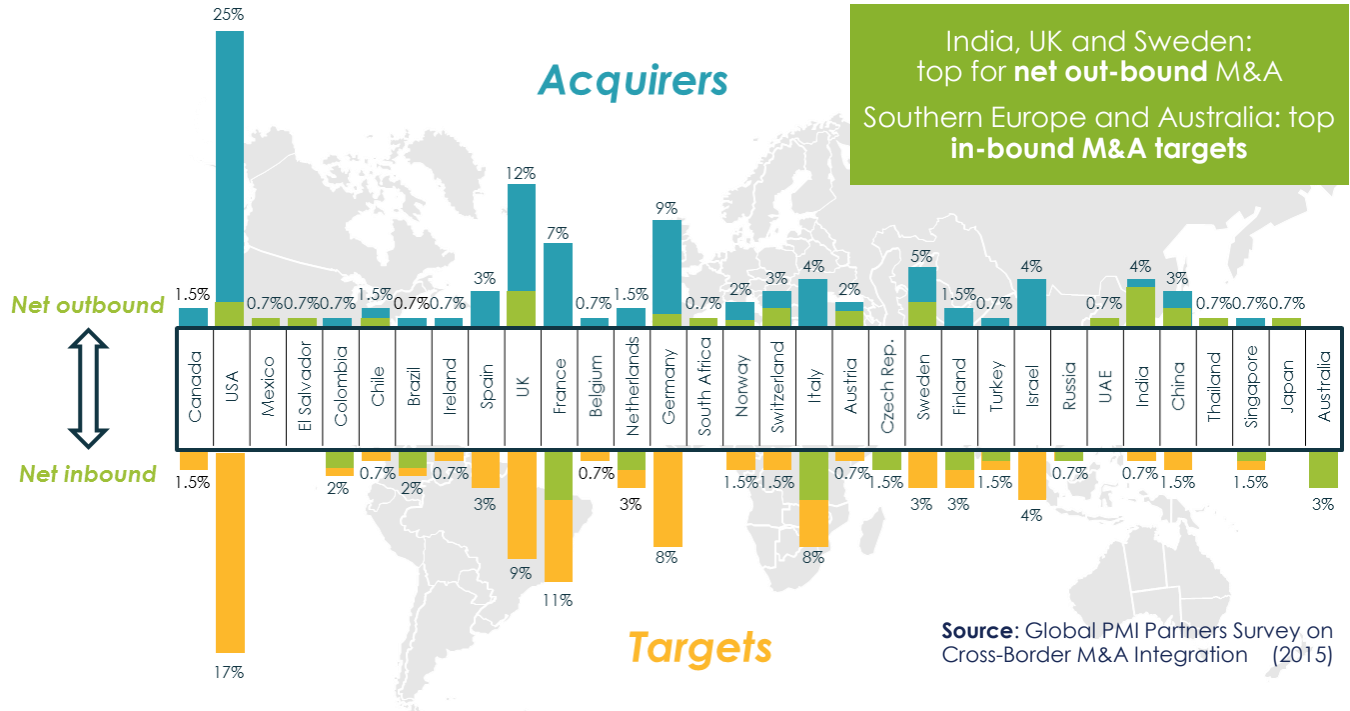
of respondents with experience of M&A in China found that the degree of cross-border challenges were a 'High challenge'

## Sales Growth

was called out as the KPI area where success does not match importance

# Net national M&A deal flow

Cross-border M&A deal flow



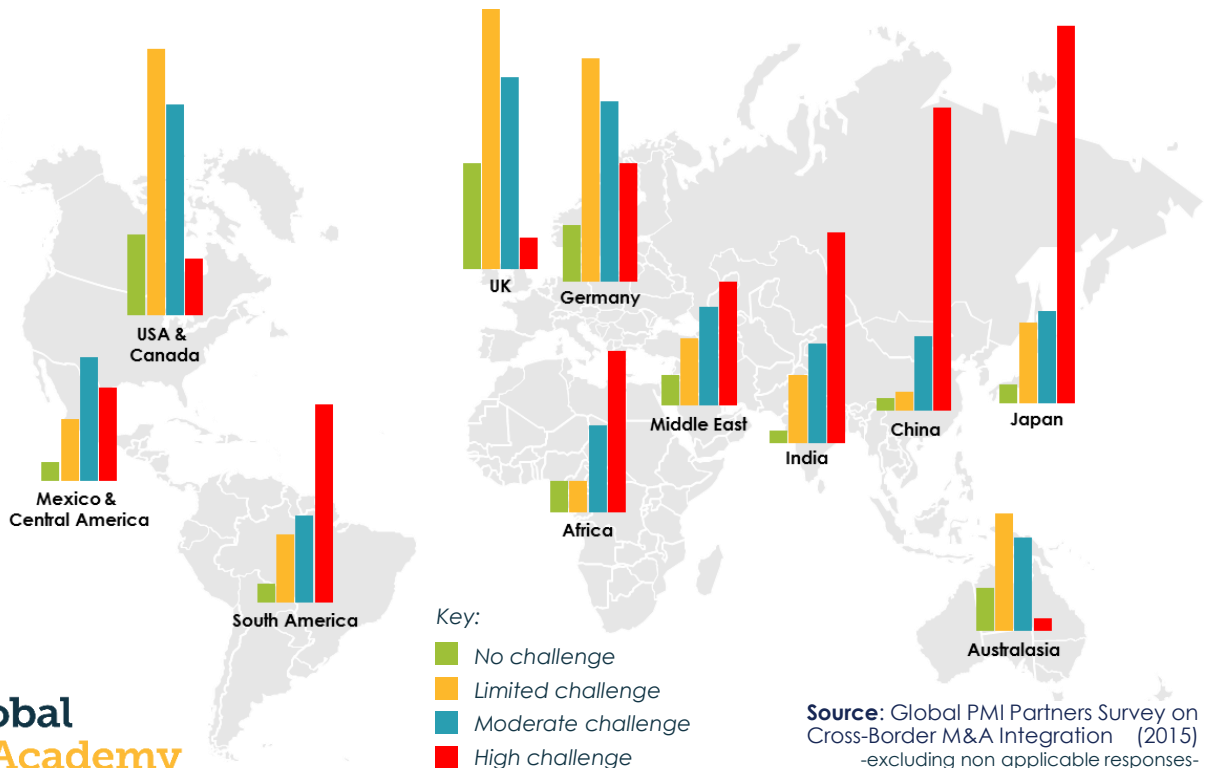
- + Highly acquisitive countries, as expected, are **USA, UK, Germany** and **France**
- + Net M&A flow is illustrated by green bar, either net out-bound (more acquirers) or net in-bound (more targets)
  - Top countries for net out-bound M&A: **India, UK, Sweden, China, USA**
  - Top countries for net in-bound M&A: **France, Italy, Australia**
- + We know that optimism about the US and global economy drove M&A deal making in 2015. The growth in out-bound M&A was probably driven by companies seeking to access new customers, industries and markets from countries with stronger currencies.
- + Net out-bound M&A highs in India and UK may reflect local market uncertainties in these countries, with economic performance and potential EU exit (Brexit) respectively enticing companies to look abroad for safer investments and risk mitigating strategies through M&A.

# Ease of doing M&A integration

- + Survey respondents were asked, for countries where they had experience of doing cross-border M&A acquisitions and integration, the **degree of challenge** (e.g. legal, regulatory and political) in different parts of the world – the results were conclusive
- + The **top challenge countries** are unequivocally **Japan, China, India, Africa** and **South America**, correlating with the countries where governments have more protectionist policies, less transparent regulation, higher levels of bribery and corruption, less established anti-trust protection and indeed cultural and language differences from the major acquiring countries in many cases.
- + **China focus**: Cross-border M&A in China is challenging for foreign firms, particularly following the 2011 implementation of National Security Review of M&A, which effectively allows domestic market stakeholders to block any M&A deal they perceive to be a threat
- + In contrast, survey respondents faced **least challenges** in the **UK, USA, Germany** and **Australia**.

**The challenges** of doing cross-border M&A are perceived to be extremely high in **China, Japan, India, Africa** and South America

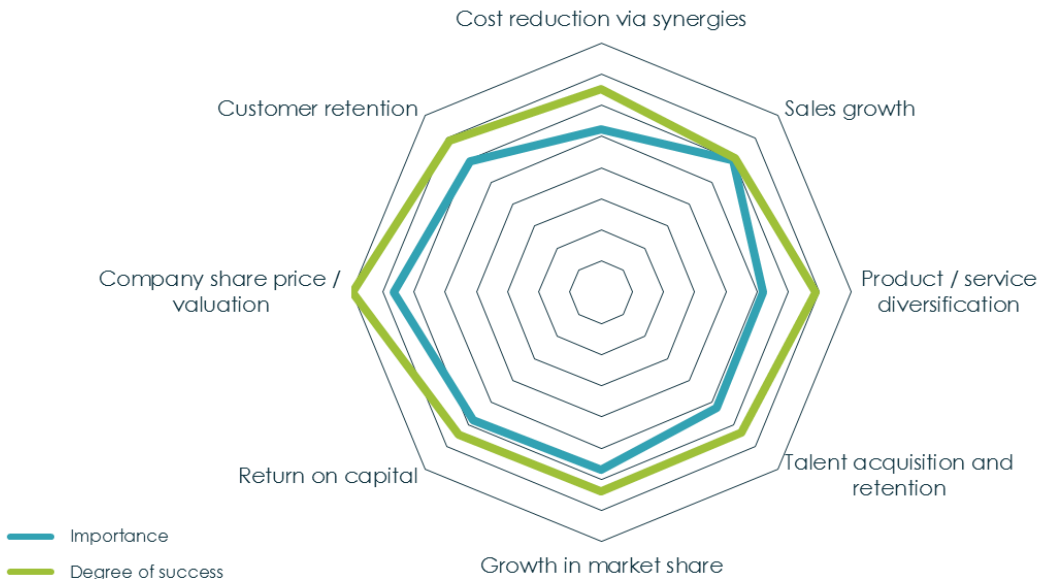
Degrees of cross-border M&A challenges



**Source:** Global PMI Partners Survey on Cross-Border M&A Integration (2015)  
-excluding non applicable responses-

# KPI importance vs. success

Relative importance vs success of Key Performance Indicators



- + Evaluating the performance of cross-border M&A deals is a critical aspects of the process. We asked M&A professionals to rate both the **importance** and the **success** of a variety of key performance indicators.
- + The above spider diagram shows the **relative importance vs success** of key performance indicators. Not surprisingly, sales growth stands out as the area where success does not reflect importance. The findings tend to suggest that the growth synergies are typically difficult to achieve.
- + This comparison also revealed that **product/service diversification is among the least important indicator of performance.**

Sales growth (growth synergies) is one of the most important success factors for cross-border M&A, but at the same time, one of the hardest to realize

# Focus on the important factors

- + The analysis revealed that **'hard' factors** like sector-specific regulations, corporate law, financial control, and competition authorities have the highest impact on cross-border integration. In contrast, political, media or social pressures have the least impact during cross-border integration.
- + The findings suggest that companies need to focus on these areas first and foremost. **Sector-specific regulations**, such as those in highly regulated financial services, oil and gas and healthcare sectors, are highly impactful and can vary greatly between acquirer and target countries. In the financial services sector, for example, increased regulation in the last 10 years since the financial crisis increases the compliance obligations both during the deal process and on an ongoing basis in the target country.
- + Corporate law and competition law varies between different jurisdictions. Firms operating in the USA and Asia have relatively light labor laws, but employment laws in Europe can have a major impact during deal making stage as well as during cross-border integration, shaping the deal structure and the integration program completely.
- + Knowledge of the specific external interdependencies that will affect your cross-border deal is critical

The 'hard' legal and financial interdependencies with cross-border M&A were perceived to be much more impactful than the 'soft' social and political factors



High-impact areas of cross-border integration

**Source:** Global PMI Partners Survey on Cross-Border M&A Integration (2015)

-Text size represents aggregate count of areas rated as high impact



# Conclusions

## M&A in emerging markets is challenging

The challenges of doing cross-border M&A are extremely high in China, Japan, India, Africa and South America.

Companies acquiring and integrating businesses in these markets should expect (and resource plan for) significant levels of legal, financial and political challenge.

## Hard factors matter

The highest impact areas were overwhelmingly the 'hard' legal and financial factors, such as local sector regulation, corporate law and financial controls and regulation. Social and political factors were far less important to cross-border integration.

## Growth synergies are hardest to realize

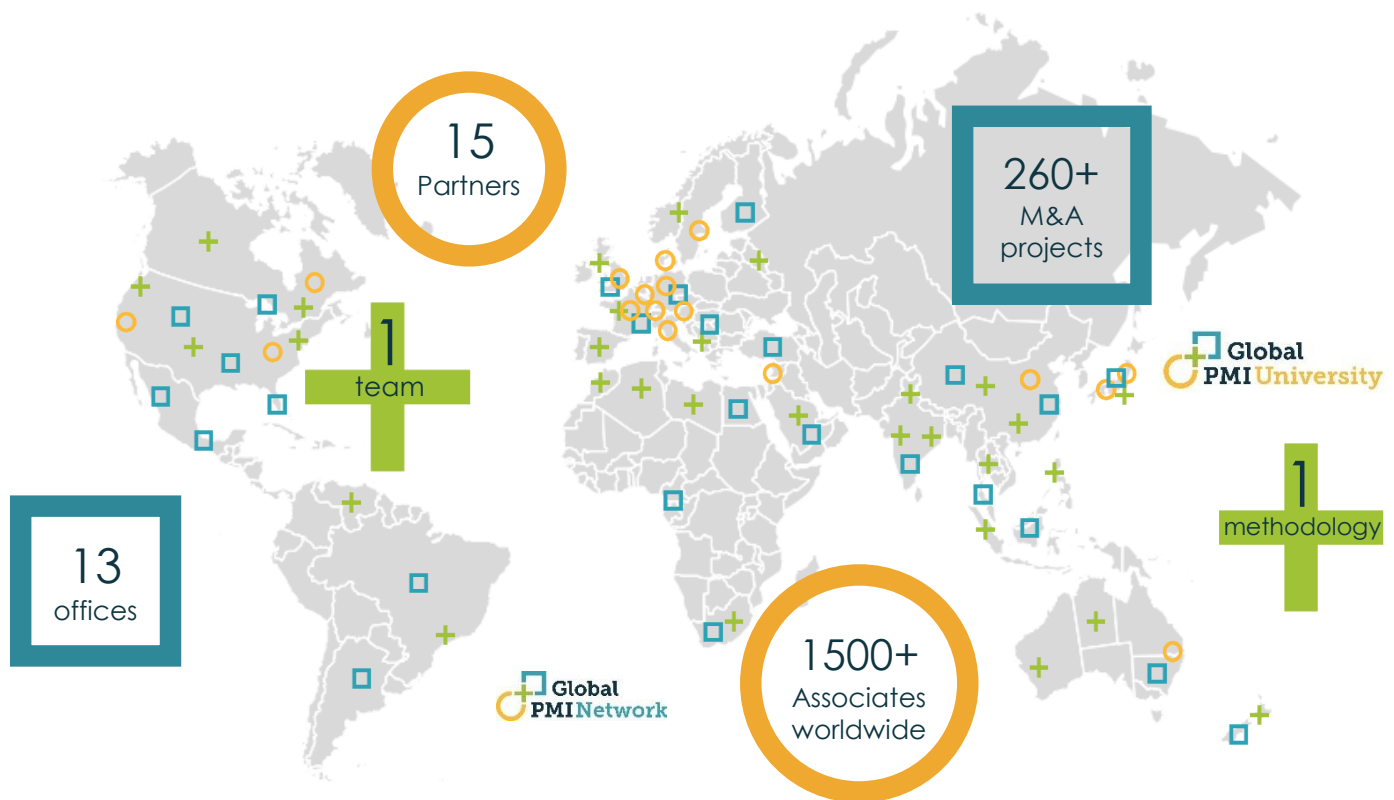
Our survey confirmed the market view that growth synergies (sales growth) are more difficult to realize, compared to cost synergies and other KPIs, which are easier to predict and control. Analysts are likely to continue discounting value creation activities based on this.

## Focus on the important factors

The critical success factors will vary by deal but respondents agreed that understanding and focusing on these was critical to delivering deal value.

# About Global PMI Partners

We are a global management consultancy focused on  
**Pre- and Post-Merger Integration**



We understand cross-border M&A and help our clients prepare for business transformations by providing M&A expertise, on-demand resources, localized knowledge and assets



# Thank you +

to all those who participated in this research