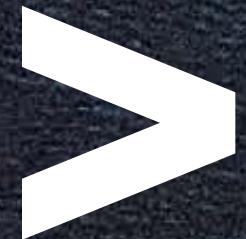


# Building M&A strength

Defining the success of serial dealmakers



Accenture Strategy

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Many serial dealmakers are seeing stellar results. Mergers and acquisitions (M&A) moved from an option companies use infrequently to a strategic strength as part of a well-used set of essential capabilities for business success.

**We will share the areas  
your company can look to  
in order to emulate the most  
successful serial dealmakers.**

## **Companies that flex their M&A muscle regularly are often seeing better business results, building a strong foundation for future growth and outperforming the market.**

Accenture Strategy analysis found a distinct correlation between merger and acquisition activity and business success as measured through total shareholder return (TSR).

Serial dealmakers saw the strongest results—the type of financial metrics that make CEOs smile. On average, the top 30 serial acquirers globally outperformed the market by 3.8x.<sup>1</sup>

We took our analysis a step further, uncovering the actions that set serial dealmakers apart when working their M&A magic. While there are other causes for their success, M&A is increasingly and more consistently part of a successful business strategy.

# Following the numbers

We analyzed the financial performance, as measured through TSR, of companies that entered into at least one merger or acquisition. Then we compared it against their respective industry index.



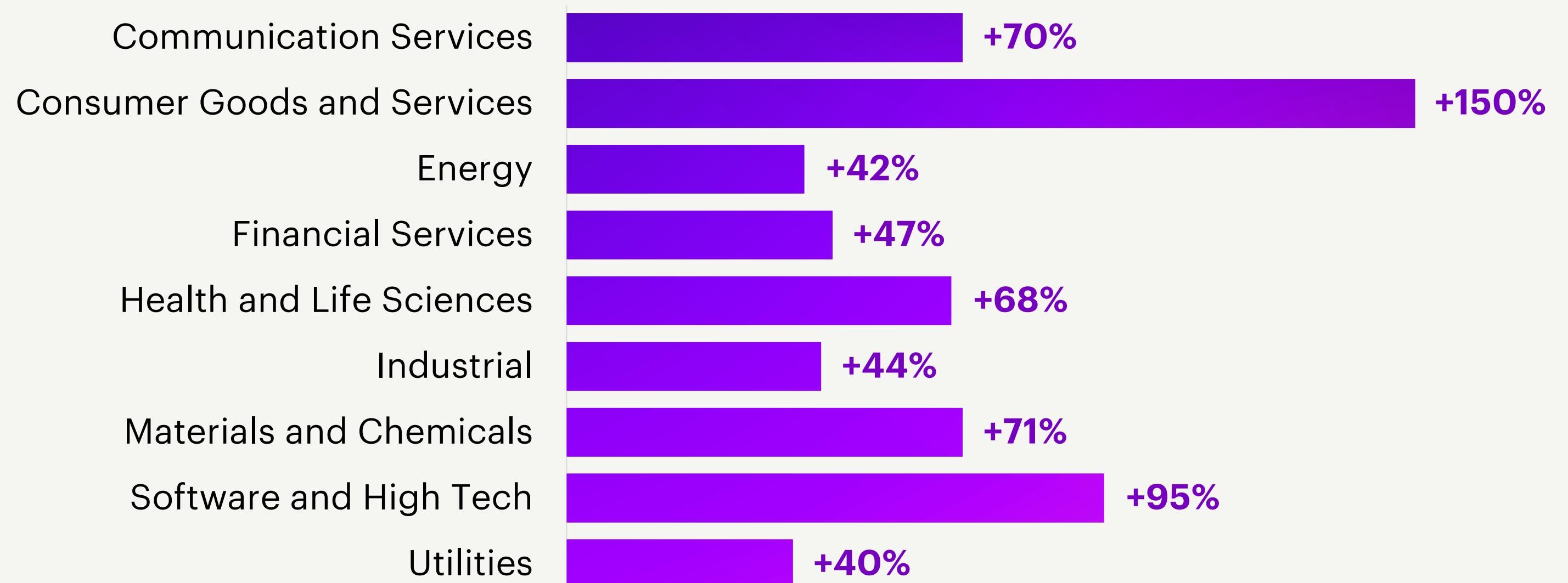
In each of three major regions and nine industry groups analyzed, acquisitive companies outperformed the industry benchmark on average.

More than ever, M&A is part of the formula for business success.

**Figure 1.**  
**Acquirers outperformed the market as measured through weighted TSR**



**The same applied to each of nine industry groups, analyzed at the global level**





# Serial dealmakers extend the lead

We then zoomed in on the 30 most acquisitive companies as measured by number of deals. The average acquisitive company completed four transactions between 2015 and the first quarter of 2021. The most acquisitive firms struck 42 deals on average in the same period.

We found that these serial dealmakers, on average, outperformed the market even further as measured by weighted TSR.

As serial dealmakers do what they do, they are essentially creating an “M&A factory.”

**Figure 2.**

**Top serial dealmakers further outperformed the market, beating less frequent acquirers as measured through weighted TSR**

**North America**

**+129%**

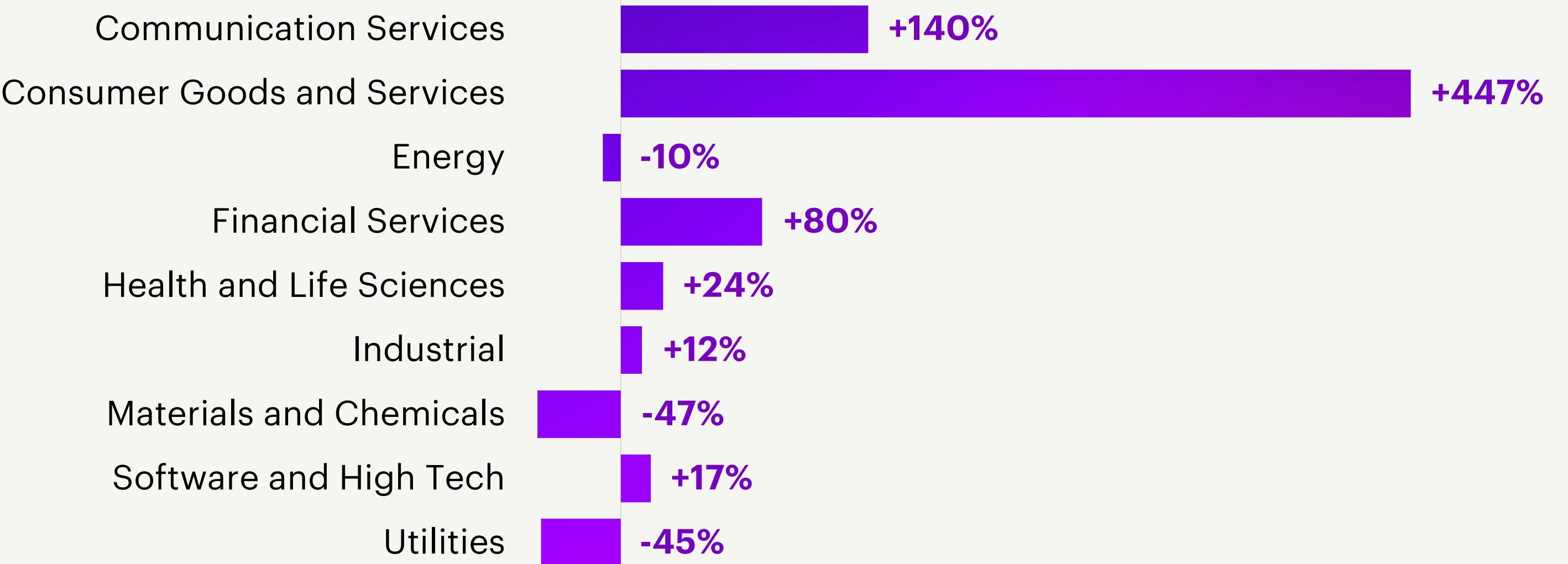
**Europe**

**+75%**

**Asia Pacific**

**+91%**

**The same applied to the majority of industry groups, analyzed at the global level**



# A look at the M&A factory

Whether your company is looking to operate as a serial dealmaker or simply to be in “all systems go” mode when the right opportunity comes around, following the lead of successful serial dealmakers can be beneficial.



Three main areas came to the fore when we looked at what the most successful serial dealmakers do well:



01

Vision



02

Operating model



03

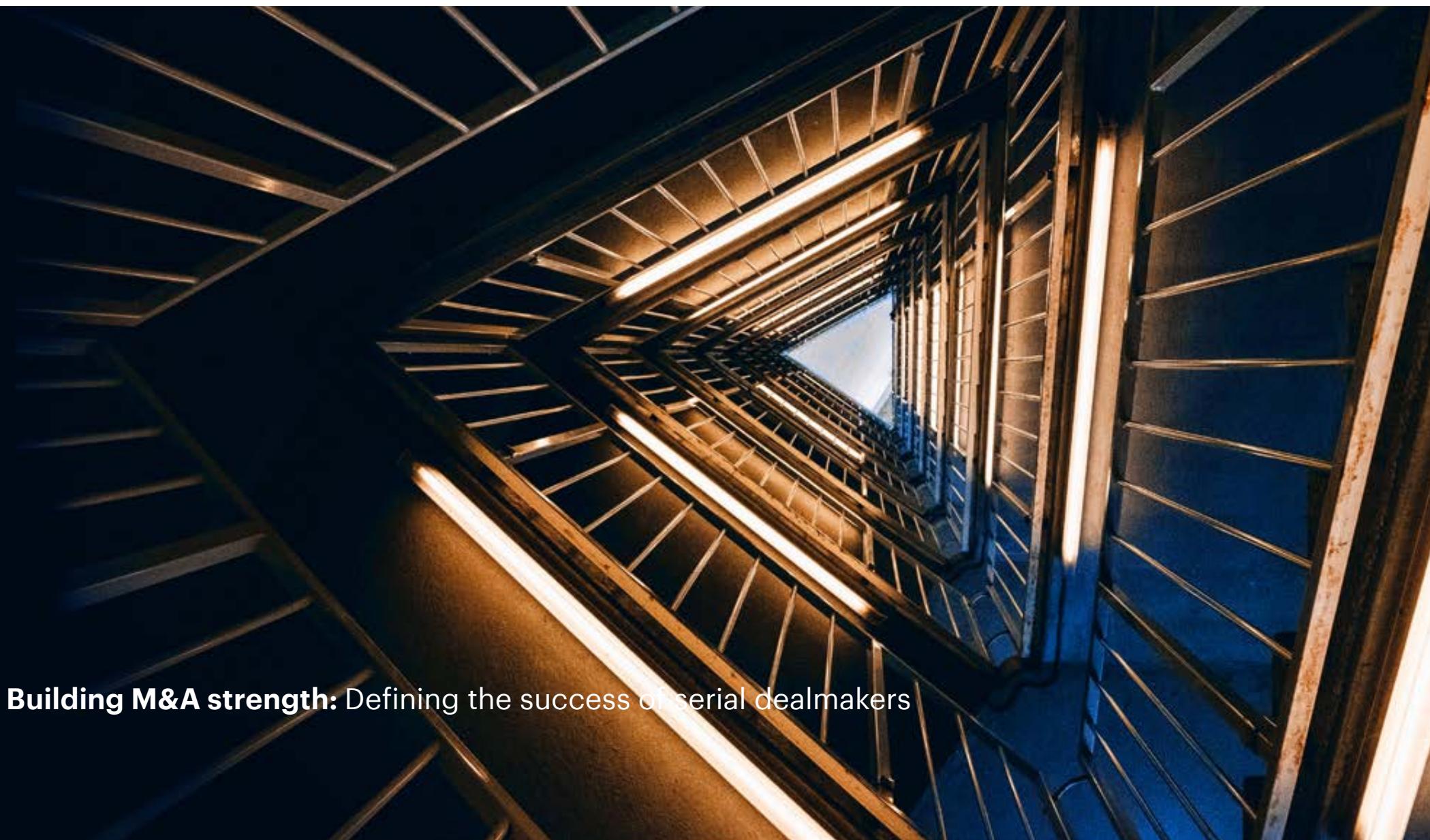
Execution

While these are areas every company involved in M&A delves into, it's *how* the most successful companies navigate them that produces better results.

# 01

## A clear M&A vision illuminates the path

Successful serial dealmakers begin with the end in mind. They have a long-term vision that goes beyond industry barriers and helps them identify the right targets.



### **Paint the long-term picture.**

Serial dealmakers' long-term vision paints a picture of their "to-be" state, and they regularly review their current portfolio through this lens. Combining that vision with business metrics like intellectual property (IP), talent capabilities, product offerings, geographic opportunities and more, these acquirers are able to identify opportunities before their competition does. This capability gives them an "always-on" advantage.

### **Avoid this common pitfall.**

The most common pitfall we see is a vision that remains siloed. It must be shared across the C-suite to be effective. The best serial dealmakers don't just create the vision. They share it broadly across the C-suite to align all areas of the company, from the Chief Innovation Officer to the Chief Human Resources Officer.

## Company example

# Apple uses M&A to attract top talent

The competition for talent is impacting companies across all industries, but the high-tech industry is particularly hard hit as companies with deep pockets go head-to-head. Apple is using M&A to help it gain an edge in this arena. The company has differed from some of its rivals, acquiring smaller, lesser-known companies rather than focusing on large acquisitions, having made 47 transactions since 2015 with an average deal size of US\$53 million.<sup>2</sup> Many of these smaller companies come with specialized technical staff that can bring new capabilities in-house for Apple.

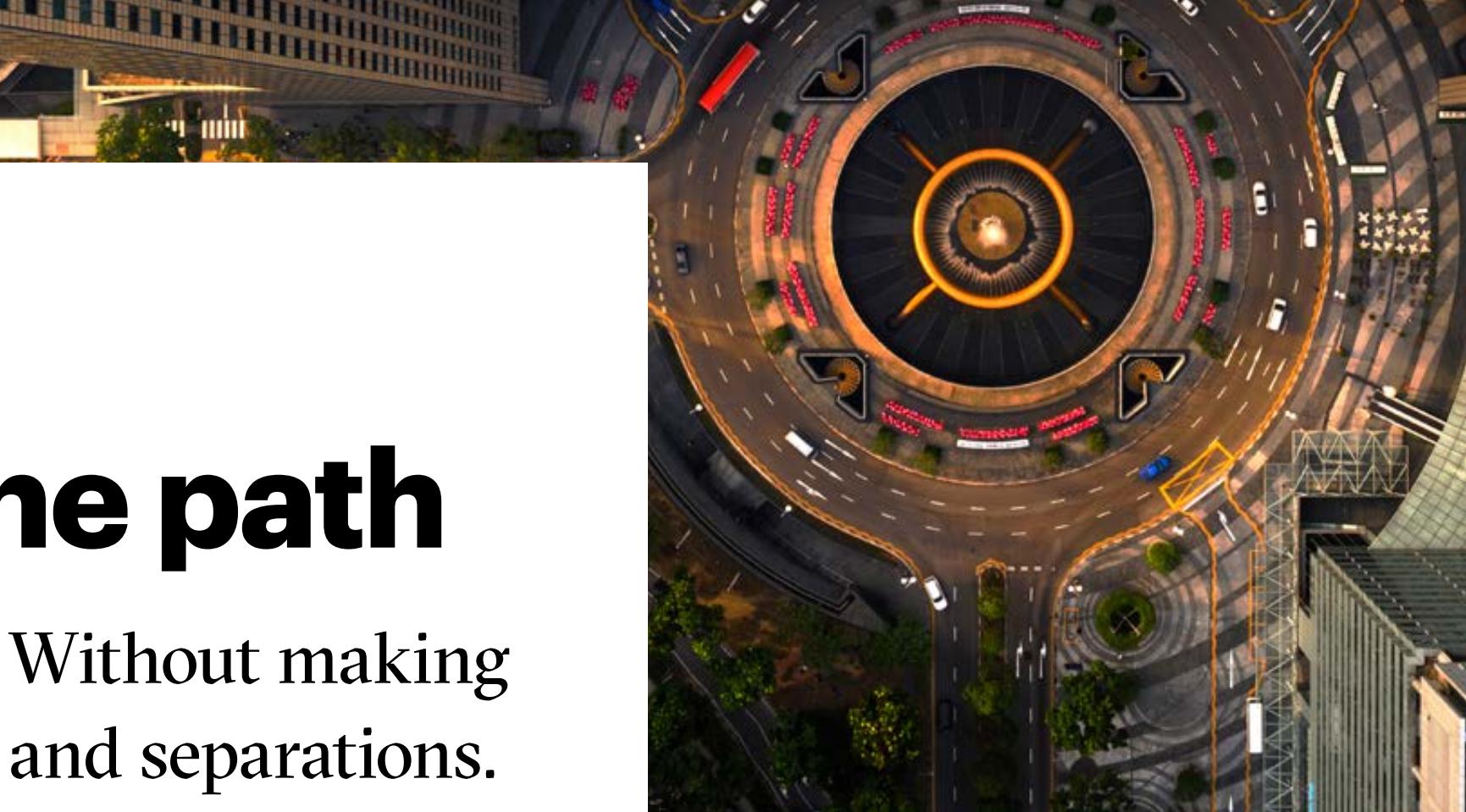
At the company's shareholder meeting in February 2021, CEO Tim Cook explained: "We're not afraid to look at acquisitions of any size. But our priority is on valuation and strategic fit, and our focus is generally going to be on small, innovative companies exploring technologies that complement our products, and help push them forward."<sup>3</sup>

Apple's approach to M&A is in line with its long-term strategy. Deals are struck to get to a desired state faster, driven by a larger vision.

## 02

# A superior M&A operating model clears the path

The most successful acquirers in our analysis had created an operating model for M&A. Without making it overly complex, they addressed how to be in a continuous ready state for acquisitions and separations.



## Establish and “feed” dedicated resources for deal execution.

Companies that are serious about using M&A as part of their overall business strategy walk the talk. Not only do they invest—in people, time, and through funding—to set up a central M&A capability, they continue to “feed” it as a strategic resource. It is not a one-and-done effort. As a result of this, new initiatives can be rolled into M&A operating model planning immediately based on the needs.

## “Framework” is more than a consulting term.

We are as guilty as other consultants of slipping into “consulting speak,” despite our best efforts. “Framework” is one of those words that can elicit eyerolls. Yet when successfully nailing an operating model for M&A, a framework has real value. Teams need to understand what full versus light integration might mean from a people, process, and technology perspective. A comprehensive framework that is tailored to a variety of deal types helps to drive efficiency and effectiveness in execution.

## Complement your internal expertise and capabilities.

Working with a pool of preferred suppliers to complement your internal expertise and capabilities allows your teams to become a well-oiled M&A machine without having to be experts in all aspects of M&A—which could become cost-prohibitive, given the workload volatility inherent to transactions and the competition for top talent. Filling resource and expertise gaps in your operating model in a plug-and-play manner is critical to becoming an M&A leader.

## Company example

# Transforming into a focused leader in health technology

A high-tech conglomerate has undergone some radical changes over the past decade. Formerly one of the largest electronics companies in the world, the company has transformed itself into a health technology leader, having divested numerous non-core businesses.

These separations scored high on all carve-out complexity dimensions, including global business presence in more than 100 countries, integrated country operations, shared service centers, and shared IT platforms.

Through its experiences, the company found several guiding principles to be key in addressing separation challenges:

- 1 Establish an effective and efficient governance, with representatives of both sending and receiving organization in all streams.
- 2 Guide the separation through clear principles for overall program and individual functions, ensuring consistency and minimizing changes once the blueprint is defined.
- 3 Use proven tools and methods to accelerate the process, while being prepared for the unexpected: using fallback scenarios for critical activities and a control-center approach during cutover.
- 4 Have a dedicated divestment team within M&A—along with a preferred supplier with proven methodologies and strong industry expertise—to leverage key takeaways from earlier deals and quickly deliver results.

These principles and experiences have created a “carve-out factory,” where lessons learned are applied to future carve-outs.

In any deal, the key is to keep the organization’s overall strategy and vision in mind. After all, while much has changed, the company is still focused on what it has always done: creating meaningful innovation that improves people’s well-being.

# 03

## Experienced M&A execution speeds you on the path

Long-term vision and a strong operating model can put you on the right path, but stellar execution is necessary to speed you to desired outcomes. When it comes to integration and separation, successful dealmakers do a few things really well.

### Maximize value with the right tools and templates.

Building templates that can be reused, either in the same form or with slight adjustments, adds speed to your teams. Online tools abound that can help with project management, speeding the way to synergies. Governance and master planning are also key, with the right supporting technology available to help teams develop what they need and adjust in near real-time.

### People matter. Show them they do.

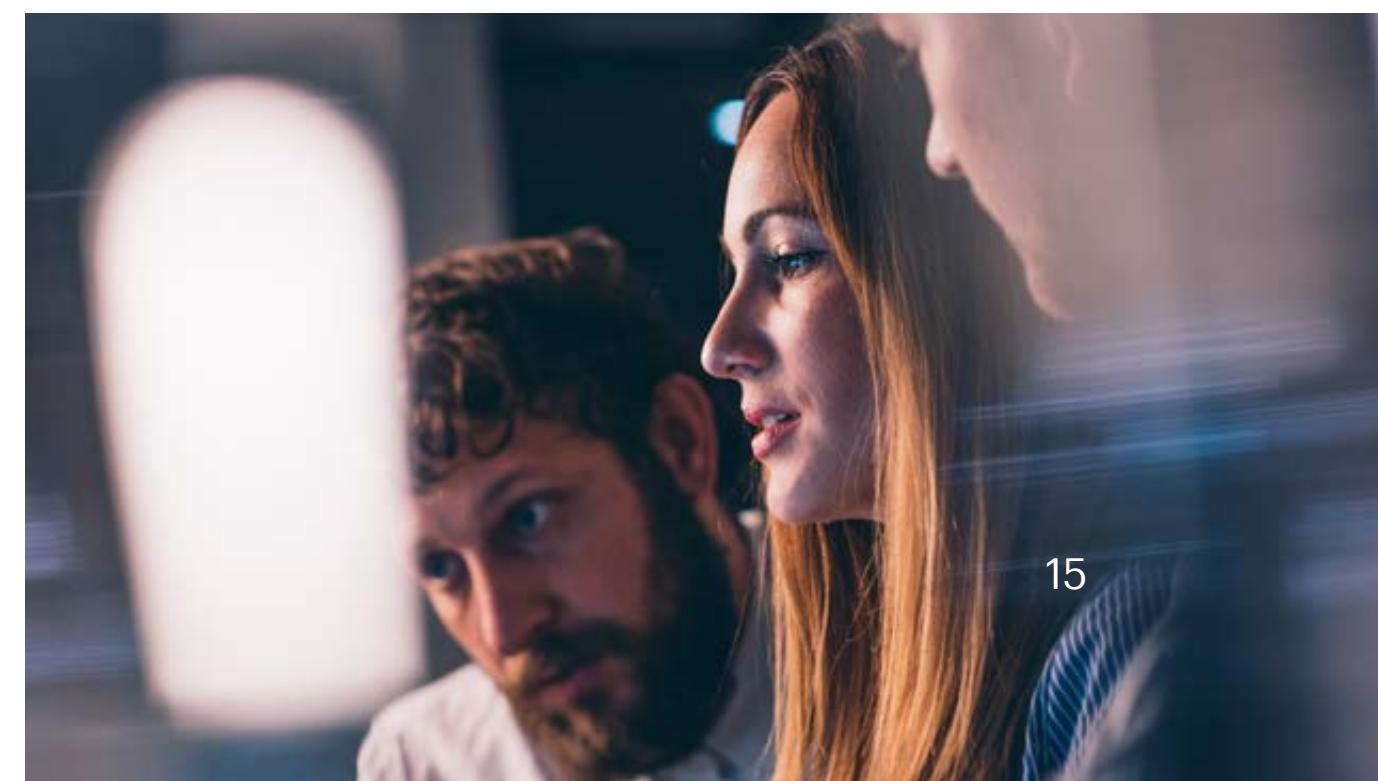
In the competition for talent, companies that can retain key talent during integration or separation and share a long-term vision of the combined organization come out ahead. Using [deal intent as a guide](#), organizations can leverage a fit-for-purpose approach to talent that makes people partners in change.

### Treat strategy and execution as best friends.

Creating and maintaining a regular feedback loop between strategy and execution is essential to ensure teams are staying on track—and adjusting where necessary. Institutionalizing learnings across all areas—but particularly between strategy and execution—will help create a culture of success for post-deal outcomes.

### Integration is longer term. Oversee it as such.

While we help clients integrate after a deal as quickly as possible, integration is not a short-term affair. Overseeing it for an extended period of time—up to three years—enables knowledge to become institutionalized.



## Company example

# Accenture is one of the most acquisitive firms globally

When we talk about M&A operating models, it is not just from our experience with clients, but also from Accenture's own experience as the most acquisitive company in the world. As of mid-2021, Accenture had announced at least 65 takeovers over the past two years. This equates to acquiring a target every ten days, on average.<sup>4</sup>

In the past, Accenture did maybe three or four acquisitions a year. That number reached 34 deals in fiscal 2020. We even surpassed that number in fiscal 2021 with 47 acquisitions and a total investment of US\$4.2 billion.

How did Accenture make such a leap? Stuart Nicoll, who heads up our corporate development team, put it well:

"It has been a long campaign over the past decade to build our M&A engine. As you would expect, we have formalized our M&A framework end to end. We have very clear criteria about the stages that a deal goes through via a pipeline. We have a highly secure digital cloud-based pipeline and workflow management tool, and we have investment committees that are experienced in evaluating whether an acquisition opportunity is the right opportunity for us to pursue.

Smaller deals are vetted by our Market Investment Committees, one for each market, and the larger ones by the Corporate Investment Committee, and the largest of all have a robust Board approval process to manage through as well.

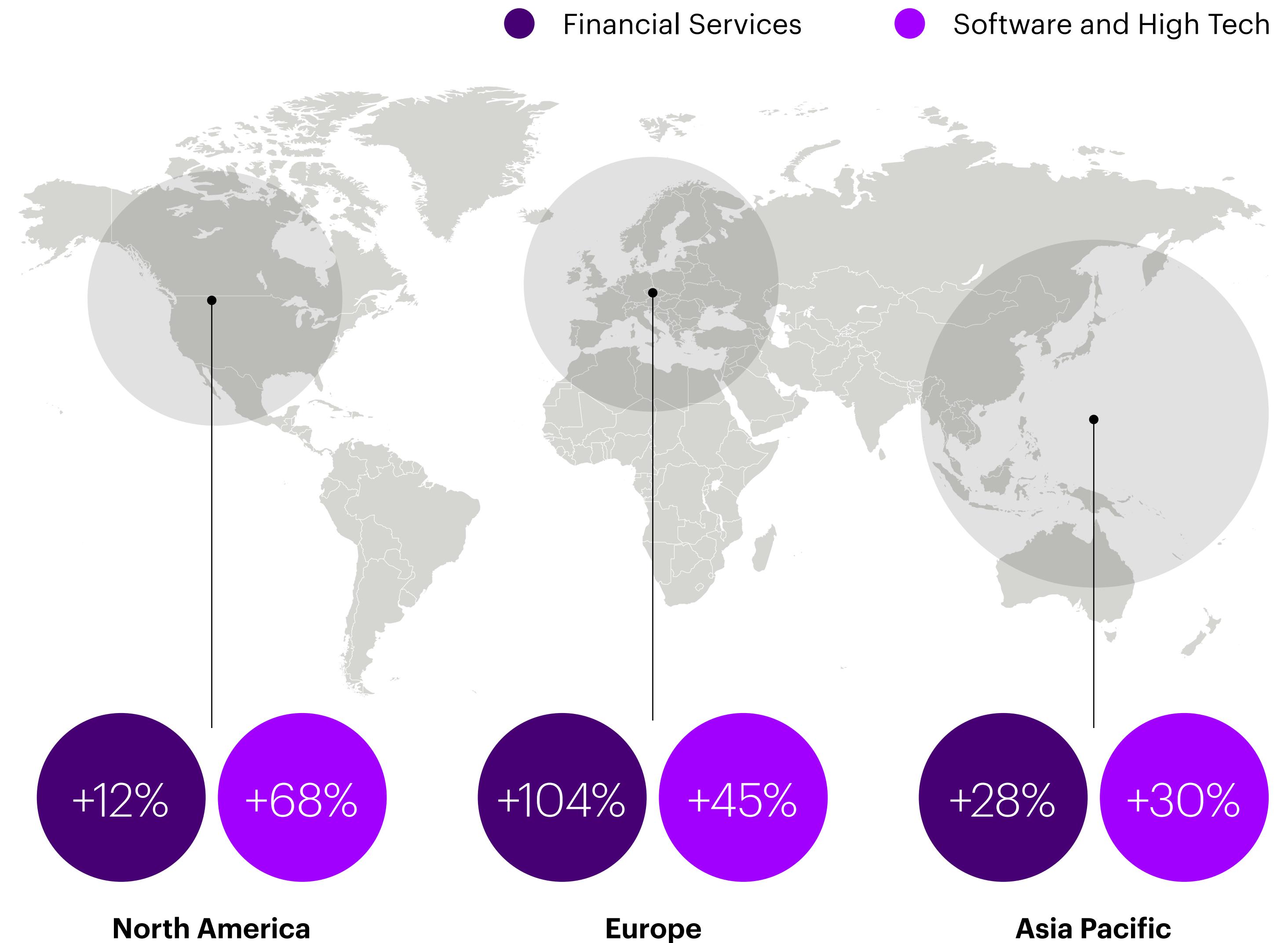
We carefully monitor and measure the performance of every acquisition for a minimum of three years, sometimes longer, with frequent regular visits to the appropriate committee. This helps keep focus on the investment but also provides a virtuous feedback loop.

A further major advantage of a strong M&A framework is that Accenture is very disciplined about putting an offer on the table to target companies. We stand out in our speed and certainty to close, qualities that are attractive to sellers, founders, and management. As a result, Accenture has a very high close rate when we have an agreed, exclusive letter of intent."<sup>5</sup>

# Small cap or larger deals?

Within the group of serial dealmakers, we ran a comparison to see if acquirers of relatively small companies outperformed the acquirers that focused on larger deals. We based this on the percentage of deals that fell below the median deal size for their respective industry.

Both in financial services and in software and high tech, small-cap serial acquirers outperformed their larger-cap peers across all regions, as successful players in those industries have been focusing on bolt-on and capability-building acquisitions to strengthen their market positioning and build towards their company vision.





# Flexing your M&A muscle

If your company is changing the way it employs M&A—and it should to keep up with global business changes—three considerations can help strengthen any deal.



**Our analysis and experience show forward-thinking M&A leaders keep these considerations top of mind:**

**01**

### **Keep M&A and divestitures in their place**

M&A is a means to an end. It should begin with the business outcomes you want to achieve and flow from your corporate strategy. Conduct active portfolio balancing regularly with that in mind.

**02**

### **Develop an open, “always-on” culture and mindset**

It is no longer a tool to be used occasionally. Today's global business environment and the continued development of ecosystems makes M&A an oft-used business tactic. In assessing a potential target, start by quantifying the value of the joint business and the potential opportunities, and share that with the target early on.

**03**

### **Build a reputation for being a good acquirer**

At Accenture, we have found that many companies we target are open and interested. We believe that is because Accenture has built a reputation among small businesses and their advisers as a good acquirer. We value their passion for great, interesting work. They value our brand, our channel, our “culture of cultures,” and our ability to be good stewards for their people and for their clients. This can help smooth a deal from beginning to end.<sup>6</sup>

**M&A has truly become a business muscle,  
one that becomes stronger the more often  
it is used.**

**Our analysis shows M&A is a key part  
of overall corporate success. The more  
companies treat it as such, instead of as a  
rare specialty, the faster they can move to  
make their business strategy come alive.**

## References

- <sup>1</sup> Accenture Strategy analyzed the financial performance of 2,884 publicly listed companies with annual revenue exceeding US\$3 billion that entered into at least one merger or acquisition between January 1, 2015 and March 31, 2021, as identified through S&P CapitalIQ data. Serial dealmakers were defined as the most acquisitive firms, as measured through number of deals, within their respective industry and/or region. Financial performance was measured as total shareholder return (TSR) and compared to industry benchmarks over the same period. For industry averages, the TSR of individual companies was weighted by the average market capitalization in the respective period.
- <sup>2</sup> Accenture Strategy analysis of S&P CapitalIQ data, 2021.
- <sup>3</sup> Kif Leswing, [How Apple does M&A: Small and quiet, with no bankers](#), CNBC, May 1, 2021.
- <sup>4</sup> Thomas Seal, [Accenture's tech push makes it world's most acquisitive firm](#), Bloomberg, March 3, 2021.
- <sup>5</sup> Stuart Nicoll, [How we use acquisitions to capture significant value for Accenture](#), Accenture, August 3, 2021.
- <sup>6</sup> Ibid.

## About Accenture

Accenture is a global professional services company with leading capabilities in digital, cloud and security. Combining unmatched experience and specialized skills across more than 40 industries, we offer Strategy and Consulting, Interactive, Technology and Operations services—all powered by the world’s largest network of Advanced Technology and Intelligent Operations centers. Our 624,000 people deliver on the promise of technology and human ingenuity every day, serving clients in more than 120 countries. We embrace the power of change to create value and shared success for our clients, people, shareholders, partners and communities.

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## About Accenture Strategy

Accenture Strategy works with boards, CEOs and C-suite executives to create 360° value for all stakeholders by defining and answering their most strategic business questions—including growth, profitability, technology-driven transformation, mergers and acquisitions (M&A), operating models and sustainability—with insights from AI and data science, combined with deep industry and function expertise.

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