Corporate Development 2013
Pushing boundaries in M&A

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For those attempting to chart the future of Mergers & Acquisitions (M&A), there are few obvious points of interest in the well-worn territory of deal volume and values. Beyond the visible realm, however, M&A is undergoing a profound transformation. From start to finish, the deal-making process is changing as a new wave of disruptive technologies — social media and advanced analytic tools — infuse themselves into both our business and our personal lives. With the advent of mobile connectivity, consumers increasingly manage their lives and express their preferences online. Businesses continue to explore ways to innovate and improve customer experiences at lower cost with technology. How technology may be used is not normally clear, but what is clear is that it is here to stay. No business executive can afford to ignore the question of how to leverage these technologies to create competitive advantage.

Imagine, for example, sourcing deals through social media — and then using those channels to query a potential target's customers, vendors, or employees about how the company is doing. Consider building a better and faster forecast on your laptop by using sophisticated predictive analytics that once could have required a mainframe. We've already made the leap from cramped, uncomfortable physical data rooms (remember those?) to virtual ones that are accessible from the comforts of home; now envision tools that can access information in those virtual rooms that probe deeply into the data with a keystroke and yield computer-generated insights almost instantly.

Ultimately, this wave has the potential to change the way M&A is conducted, offering a new generation of tools across the transaction lifecycle for data gathering, analysis, collaboration, and communication. Many of these capabilities are already reality, and we're only beginning to see what this new world may look like.

In this year's Corporate Development report, over 400 survey respondents told us about aspects of deal-making they'd like to see improved — forecasting and the M&A decision process — and some of the ways they're currently pursuing innovation through the use of analytics and corporate venture funds. With them, we look at how new technologies have already taken hold, and where they may have the most powerful effect on M&A in the years ahead.

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Executive summary

M&A is undergoing radical changes as a constellation of disruptive technologies reshape the deal-making process itself. New sources of data — and new tools to analyze it — offer corporate development executives a wealth of opportunities to gain competitive advantages. In this year's report, we look at which aspects of M&A are most in need of improvement, and how deal professionals leverage some technology innovations to meet their challenges, both now and in the future.

Business case forecasting requires the right team and laser focus on quality

The M&A business case forecast is the foundation that provides insight and confidence to decision makers as they deliberate over investment decisions. Survey respondents report an almost universal desire to improve the quality of their forecasts, but many struggle with how to do it. How can deal executives avoid relegating forecasting to an exercise in futility? Forecasting is a team sport and, rather than aiming solely for precision, looking for innovative ways to sharpen the quality of a forecast is important. This happens largely by investing the time up-front to frame the analysis, focusing on input quality, and using the analytical frameworks best suited to provide insight into the decision at hand; this means creating a solid game plan for the exercise from the get-go. Companies should also ensure that the team building the forecast has the skill and experience to make informed judgment calls throughout the process.

Increasingly, too, it may be possible to resolve some of the tensions between time and accuracy with technology. One example: the majority of respondents — nearly 60% — cited revenue growth as the single most difficult element to predict. With the help of powerful new analytics software, coupled with a wider variety of Internet-derived customer inputs, deal professionals should be able to get a better handle on the revenue components of a target, leading to more confidence in their forecasts.

So what is the formula for success? There is no one size fits all solution but increasingly we are seeing companies develop forecast playbooks to establish the game plan and frame the depth and focus of the analysis up front. The playbook also helps to ensure that an experienced team is involved; that each player understands his role in the process; that the team is using the best available information and leading analytical tools that suit the situation; and that the forecast is provided to decision makers in a way that is easily digestible to shape their judgment on the deal.

The use of advanced data analytics and social media in M&A may soon be table stakes

New technologies are proliferating, and deal professionals are taking note. Many are using cutting-edge tools to gain visibility into acquisition targets, negotiate deal terms, and smooth the integration process. Over 40% of survey respondents are currently using some form of data analytics in their deal process, and 17% are considering it; numbers that could have been close to zero only a few years ago. Roughly one-third of the respondents are already using social media channels as part of their M&A activities. While there's no substitute for on-the-ground due diligence and live meetings, it's becoming increasingly imperative for deal professionals to think creatively about how these emerging concepts could enhance their evaluation and pricing of a target and give them an edge.

Establish strategic clarity, executive access, and deal-making credibility for a swift decision process

Getting deals done efficiently yet prudently is an elusive goal for many corporate development teams. M&A transactions frequently cut across multiple businesses, functions, and geographies and involve a multitude of stakeholders, requiring a complex decision process. One-third of respondents indicate that six or more executives or committees must approve a transaction before it is completed; 15% must pass it by 10 or more. Unfortunately, bottlenecks and back-channel dealings can still paralyze the process. To avoid a "Keystone Cops" situation, it is advisable to specifically define the deal process and to align decision-making (decision makers, influencers, and those to be consulted) with the process. One success factor that is often overlooked is the role that qualitative aspects like culture and judgment play in M&A decisions. It is essential to make sure that "org charts" are not driving the process, but rather that the people involved — from the most junior to the most senior — are truly equipped for the tasks that are set before them.

Define your objectives in advance and consider corporate venture funds for an innovation edge

Corporate venture funds are another potential source of inorganic innovation to be explored. Roughly two-thirds of executives feel that these investment vehicles provide a competitive advantage, with access to new technology and new product innovation rising to the top of the list of benefits. About half expect to see more of these funds launched within their industries, particularly as this style of investing pushes beyond the traditional spaces of technology and life sciences, into new industries such as consumer products and basic manufacturing.

There are many different approaches to such investments. Some look primarily for financial returns, while others invest time and resources rather than dollars, in hopes of gaining the first foothold in an emerging technology, market, or customer segment. To increase the potential of a corporate venture fund, it is important for executives to decide which flavor of success they are pursuing long before they experience it. While financial return is important, corporate development professionals are in a good position to lead the charge and make sure that venture investments align with corporate strategy and are consistent with other types of inorganic growth.

Business case forecasting
Laser focus on quality

Business case forecasting
Laser focus on quality

Financial forecasts, where the investment thesis comes to life, can, at times, be the most controversial and angst-ridden part of the deal process. Done right, it can lay forth a road map to an accretive deal with a return in excess of the company's cost of capital. Done wrong, it can end with flawed business decisions, business disruption, lost value, and finger pointing. It is where the strategy, commercial outlook, risk and uncertainty, investment requirements, competitive implications, and synergies are synthesized into a point of view on the attractiveness of the deal. Given everything that comes into play with financial forecasts, deal teams should strive to generate useful insights rather than attempt to divine perfectly precise numbers (which are consistently wrong).

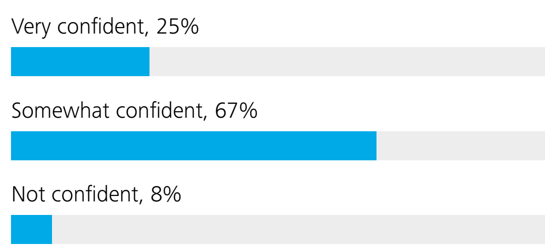
Forty-one percent of survey respondents report that the primary responsibility for developing the M&A business case forecast resides with their Corporate Development team, followed by business unit management and finance at 21% and 14%, respectively (figure 1). This puts the onus on the Corporate Development team to have a comprehensive understanding of the technical aspects of putting together a quality forecast and orchestrating the many players.

Forecast accuracy vs. forecast quality

Companies put a lot of effort into forecasting the impact of a deal, but few feel highly confident about the accuracy of their forecasts. Only 25% of survey respondents report that they have a high degree of confidence in the accuracy of their M&A business case forecasts (figure 2). The vast majority of survey respondents (75%) believe there is room for improvement.

Figure 1. Responsibility for developing M&A business case forecast

Figure 2. Confidence in accuracy of financial forecasts



When asked which forecast elements are most challenging to get a handle on, the overwhelming majority of respondents pointed to revenue growth (59%), with profit margins a distant second (19%) (figure 3). Respondents seem much more comfortable in their ability to predict investment and capital needs with few ranking them at the top of their list in terms of difficulty to forecast. Revenue growth is challenging to forecast in that it is so dependent on external market events which are largely out of the management team's control.

Dealmakers tend to forecast over time horizons of three to 10 years (figure 4). Of course, forecast time horizons should reflect an explicit forecast period until a simplifying assumption can safely be made of constant growth in perpetuity for a going concern. In practice, few companies follow this practice and typically select a set time horizon before applying a terminal value assumption to forecast cash flows beyond the explicit forecast period.

"Essentially, all models are wrong, but some are useful."

George E.P. Box, statistician

Figure 3. Most difficult elements to forecast

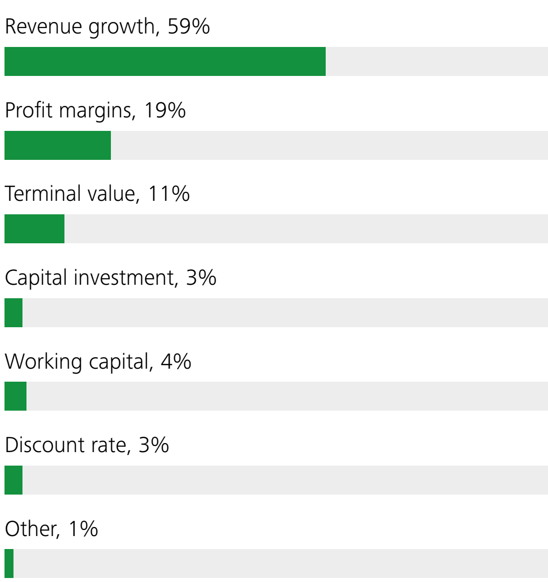
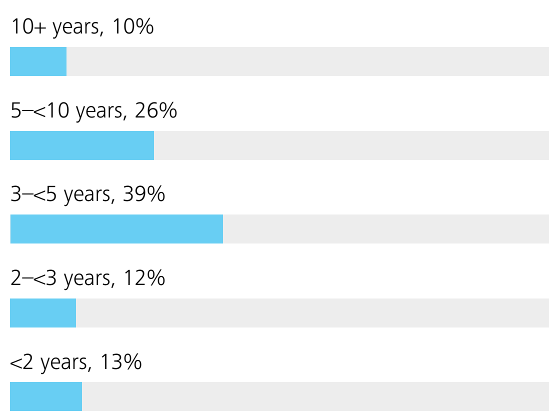


Figure 4. Time horizon of M&A business case forecast



There's an old adage that although a forecast may almost always be wrong it can nevertheless be useful. That's because the thought process behind pulling together the forecast forces management to think about future states in a disciplined way. While 43% of respondents stated there is no discernible pattern in their forecast errors, 26% report a bias towards forecasts that consistently overstate expected results and 11% report a bias that tends to understate expected results (figure 5). It is useful to understand how a company's culture and reward system might incentivize over- or under-promising when presenting business cases. The forecasting process is almost as important as the result itself, and the majority of respondents (52%) indicate that they can live with forecast errors of 5% to 10% with only 10% finding a forecast error of no more than 5% acceptable (figure 6).

Figure 5. Observed pattern of accuracy in forecasts

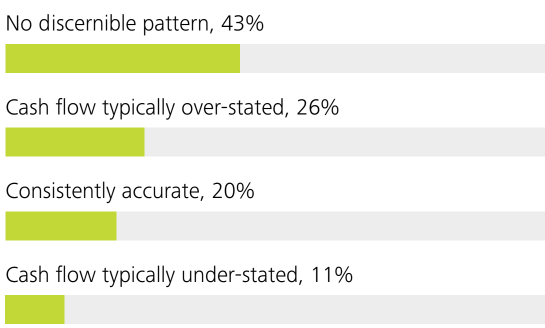
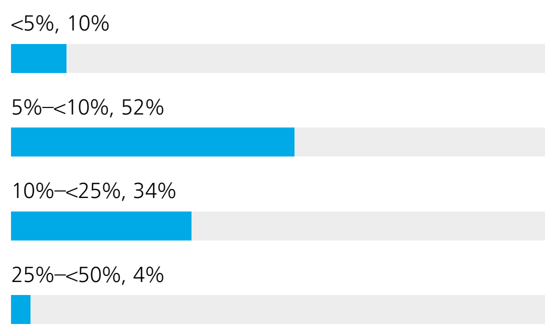


Figure 6. Largest acceptable level of forecast error



You don't understand, it's strategic!

If there's a general recognition that forecasts are, by definition, inaccurate, why do acquirers agonize over getting the forecast "right"? And in situations involving forecast elements that are inherently difficult to predict (e.g., revenue growth of an early stage company), why do we observe teams prematurely throwing in the towel by simply declaring that the deal is "strategic"? Forecast accuracy is likely a misplaced goal. The real objective should be forecast quality. Attempting to get the forecast "right" is an exercise in futility. Instead, acquirers should strive for their M&A business case forecasts to provide insight that key decision makers can use to inform their judgment about a deal and to develop mitigation plans or contingent deal structures that respond to variances in the forecast.

Defining the end game

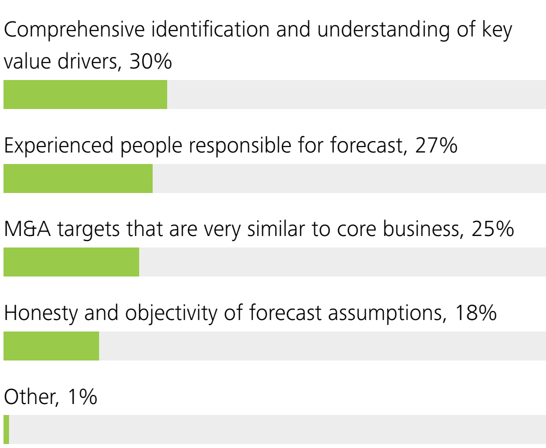
Football provides a good analogy for good forecasting. Good forecasts provide keen insight into what needs to happen to create value (the game plan and team preparation) and what puts expected value at risk (the opposing team and field conditions). Good forecasts provide decision makers (e.g., the coaching staff) with confidence about the strength of the game plan and team, expose opportunities and weaknesses, and inform game-time decisions in the face of both challenges (e.g., unexpected player injuries) and opportunities (e.g., a defensive fumble recovery) that unexpectedly come up. In preparing their teams for the game, "Coaches do not spend time predicting the final score. Instead, they develop a thoughtful game plan that accentuates the strengths of their team, compensates for weaknesses, makes sure their players are prepared, sizes up the competition, and pays attention to game day field conditions," says Charles Alsdorf, director with Deloitte Financial Advisory Services LLP. It also recognizes that judgment is a fundamental part of the game, and judgment is shaped by experience and confidence.

These three key elements influence forecast quality: 1) the game plan and team preparation, 2) framing the investment decision and forecast inputs, and 3) analysis and interpretation.

The game plan and team preparation

Football is a team sport. So is business case forecasting. In football, the coaching staff is responsible for developing the game plan and making sure each player understands his role. In business case forecasting, the M&A strategy is the equivalent of the game plan. It is the responsibility of executive management (i.e., corporate and business unit leadership) to establish the game plan, communicate it to members of the deal team, and make sure that each team member understands their role in the forecasting process. Corporate Development leaders clearly play a key role in this process. It is also the responsibility of management to make sure that the team has the right combination of skills to effectively execute the game plan and that individual team members are properly prepared and conditioned to successfully play their positions. In fact, over one-quarter of respondents indicate that putting experienced people in charge of the forecast is the most important contributor to forecast quality (figure 7).

Figure 7. Greatest contributor to M&A business case forecast quality



In practice, we frequently observe that executive management delegates responsibility for business case forecasting to junior members of the deal team without providing the right level of coaching, oversight, and coordination as the deal proceeds. This sometimes results in business case forecast reviews at the eleventh hour when bid deadlines loom and little time is left to react to management input and readjust. We also observe that members of the deal team sometimes lack the skills and experience to make the judgment calls that are inherent in forecasting. Similarly, certain assumptions, such as exchange rates or commodity prices, are typically provided by Treasury and no further analysis or testing is performed on the impact of these variables. Forecast quality suffers as a consequence.

Scheduling periodic forecast updates ("time-outs," to continue our football analogy) can improve forecast quality and make sure management stays informed of key deal issues along the way. Some standardization of both the forecast process and reporting templates helps use management time efficiently. We also find that M&A playbooks are a useful tool to help structure and organize the business case forecast team and process. Survey findings suggest that companies could improve their forecast quality by improving their management of the forecasting process. No method will yield 100% accuracy, of course, but one way to improve quality is to make forecasting a team sport, pulling experts into a structured process to make the risk profile of the deal as informed as possible.

Framing the analysis and inputs

Survey responses suggest that external market dynamics such as how an industry may evolve, competitive moves, changing customer requirements and preferences, macroeconomic and capital market uncertainties, and regulatory changes require the greatest focus in any given deal. One of the stumbling blocks that many companies face in their forecasting process is losing sight of the big picture, particularly as it relates to framing key deal issues at the beginning of the deal process. This is when time pressures are tight, key players are still coming up the learning curve on the transaction, and everyone is anxious to start running on the deal.

Thirty percent of respondents say that fully identifying and understanding the value drivers of the target is the single most important factor when it comes to forecast quality. We often observe acquirers that start to forecast and model well before the economic parameters of the target are sketched out. Properly framing the business model of the target involves assembling the right combination of informed specialists and business leaders as early as possible in the process, creating the environment where people can speak openly and without bias, and then asking the hard questions.

Key contributors to frame an investment decision effectively

Stakeholders: pursue the broadest participation in the framing process that is practically feasible

Environment: focus on creating an environment for the stakeholders that is conducive to unconstrained thinking

Questions: be prepared to ask tough questions rather than reinforcing what is known and comfortable

Stakeholders

Broad stakeholder participation in the framing process may seem to be common sense, yet it is all too easy to bypass this construct given how frequently organizations end up structured in silos. The group of stakeholders needed for good framing may involve participants outside the immediate deal team, such as subject matter specialists on the target's intellectual property or legal environment. Building the principle of broad stakeholder involvement into your framing process can improve forecast quality by helping to identify relevant drivers of value and their interrelation and result in a more efficient data collection effort.

Environment

Creating an environment that promotes unconstrained thinking (as opposed to convergence or group think) is perhaps more art than science. While this deals directly with the culture of the company, many organizations are starting to use innovative techniques such as improvisation and role play to heighten the effectiveness of team collaborations. These techniques may be used to foster a more accepting context for creative brainstorming, even if just used for very specific framing discussions.

Questions

Asking the right, sometimes difficult, questions is a key ingredient of framing. When structuring a strategic investment decision, it is crucial to understand how risks and uncertainties may affect the outcome. One useful question to ask stakeholders is: "How could we be wrong?" This requires participants to analyze or otherwise consider the assumptions underlying the decision and explore how the investment might turn out differently than expected. Using a pre-mortem question can also help identify and frame risk factors: assume it is three years in the future and the deal has generated much worse (or better) returns than expected; ask the stakeholder group to create stories that may likely result in this outcome. It is generally easier for team members to talk about risk factors in a hypothetical story than to speak critically of the transaction being considered.

Avoiding the garbage in, garbage out paradox

Once the forecast is properly framed, and the components of the forecast defined, the next step is to determine the appropriate inputs into the forecast. Forecast inputs can come from a variety of sources. The importance of determining the source of the input data and appropriate level of effort to put into determining forecast inputs is sometimes overlooked. For example, if a key forecast revenue driver is general economic growth, then there may be a variety of readily available, third-party, predictive data sources that can be tapped. On the other hand, if the planned transaction is a deal that may fundamentally transform an industry and change the business model of both target and acquirer, then more intensive, primary research such as "voice of the customer" surveys or focus groups and examining the market adoption patterns of comparable industry disruptions may be appropriate to derive forecast inputs.

In some cases, the best source of forecast inputs is the opinion of seasoned experts within a company. For example, the opinion of experienced marketing professionals may be the best source of forecast data for customer adoption rates for, say, a new product or service offering. Making sure that the forecasting process incorporates getting the best available information from the best available data sources is a leading practice.

Analysis and interpretation — embrace uncertainty

Better methods of measuring risks or uncertainty may also create better forecasts. According to survey respondents, most companies (70%) use just one method of uncertainty analysis with very few (11%) using three or more approaches. Currently, many companies are using either sensitivity analysis (varying one factor at a time) or scenario analysis (varying multiple factors at a time) to measure the impact of uncertainty on their business cases (figure 8). A much smaller percentage of companies (8%) apply more dynamic uncertainty modeling approaches such as Monte Carlo simulation.

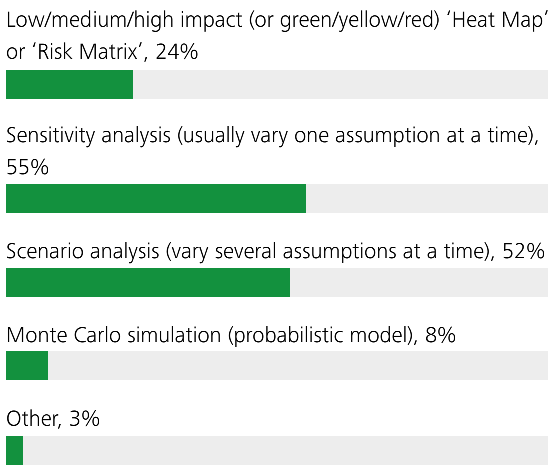
Using sensitivity analysis — varying one factor at a time — can be useful in testing the impact of a change in a particular value driver on expected returns but does not take account of the interdependencies among value drivers and risk factors. For example, an assumption of higher revenue growth may impact cost of goods as a result of volume discounts.

Scenario analysis can be more comprehensive and tests the sensitivity of returns to changes in several key value drivers. However, both of these approaches are deterministic and neither provides insight into the probability of realizing a certain outcome.

More advanced approaches to uncertainty analysis such as Monte Carlo simulation, decision analysis, and real options are now available on laptop computers and provide higher levels of insight; these methods require analysts with the skill and expertise to run the analysis and interpret the results correctly to be useful.

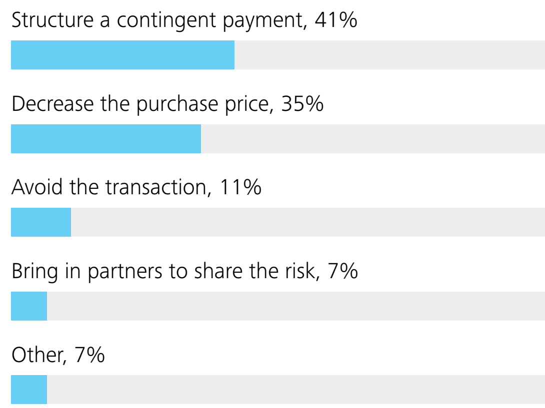
The point here is not that applying every conceivable approach to analyzing uncertainty leads to better investment decisions, but that we now have tools at our disposal that allow us to analyze (and manage) uncertainty dynamically to improve the probability of realizing a desired outcome.

Figure 8. Measures of uncertainty in M&A business case forecasts



Uncertainty may be part of forecasting, and it's also important for companies to structure pricing and payment to deal with it. Over 40% of survey respondents say they use contingent payments to help buffer their companies from uncertainty, allowing them to pay for performance to some extent — or withhold payment for under-performance (figure 9). Over one-third says they are able to decrease purchase price to manage uncertainties, though this is more prevalent among larger companies (with more than $1 billion in revenue). Managing uncertainty in the execution of a transaction may take the form of performance-based payments, internal triggers for when to modify the integration and management of the new acquisition, or contingent financing instruments such as options and convertible instruments. The common foundation for these risk mitigation methods is better risk measurement during the forecasting process.

Figure 9. Most common action taken to mitigate uncertainty in M&A business case forecasts



Key takeaways

For some companies, forecasting is the weak link in their M&A process, and for others it may be a source of competitive advantage. Many companies are somewhere in between. We are seeing increased interest in codifying the forecast process, roles and responsibilities, methodologies, and leading practices in M&A playbooks. A key question for management is: could the improvement in value creation from better deal decision-making be worth the cost and effort of enhancing the current process?

At the end of the day, business decisions require a good deal of judgment and decision makers are influenced by their confidence in the team and process the team undertook to provide the decision makers with the information they need to inform their decisions. If decision makers conclude that forecast quality is not high enough to provide the level of confidence they need to commit to a deal decision, they have the option to seek more granular detail of forecast elements (e.g., voice of customer), more analysis around how variations in key assumptions impact value, or to conclude that the risk is too high relative to expected return.

1. Substitute the goal of an **accurate** forecast (and the comfort of false precision) for the goal of a **quality** forecast — one that provides insight about deal terms and value realization.
2. Forecasting is a team sport that requires a game plan and the right complement of people, including players with the right level of experience to exercise judgment.
3. Close your spreadsheet. And don't open it until the **right** stakeholders have had a chance to ask the **right** questions in the **right** setting about **what's** driving value.
4. Don't settle for lemonade. When you're given lemons for forecast inputs, dig deeper and look for ways to get the best available data to populate forecast assumptions.
5. You can't out-run uncertainty. Instead, embrace it through risk-based approaches and use these analytical approaches to structure deal terms.

Perspective

JR Reagan

Leader of the Deloitte Analytics HIVE (Highly Immersive Visual Environment)
Principal, Deloitte & Touche LLP

The survey indicated that 40% of people are using analytics in some way in the M&A process. What types of analytics have you observed clients performing for M&A?
We see companies using analytics to look at the whole M&A equation — from the vetting process where they dive in to see whether or not the information is useful and what they can find out about the target company, to being able to use Big Data to compare against industry trends, all the way through the stage where the deal is announced. Companies are increasingly asking, how you gather the information internally, how do you get a database to compare various aspects of the merger and acquisition: financials, HR, all that kind of stuff. It's very analytics-driven, and our M&A teams are increasingly pulling in the Deloitte Analytics HIVE to create advanced models.

What types of challenges do you find companies trying to overcome when they invest in an analytics project, particularly in the M&A context?
The HIVE stands for "Highly Immersive Visual Environment," and the V really matters here. Visualization becomes very important because we're dealing with millions and billions and even trillions of rows and columns of information on companies, with conditions and hypotheses that support the idea that "We're going to buy this company because the market is going to do X, and we're going to grow together." These are all pattern-based things we're trying to sum up in our heads, and it gets really hard to do that because there's so much information. Well, how can we put models together that show that in a better way than spreadsheets?

The important part of visualization is that as human beings, research shows we can recognize patterns and pictures 60,000 times faster than a page of text. When we multiply the amount of text on a spreadsheet model, it becomes overwhelming. Visualization not only makes the decision process easier, but also much more effective.

This becomes particularly important with Big Data, which is not just about what is in our four walls and what we may get from the other company through due diligence. You put on top of that all the relevant data points — be it social media activity, census information, weather information, on and on and on — and it starts to tell us different things about the transaction. Much richer insights than the purely financial model we normally go into transactions with. So visualization, analytics, Big Data, social media; it all comes into play to yield a much more predictive capability than we've had in the past.

What types of analyses does the HIVE run in the M&A context?
On the simplest basis, it is "what-iffing," the predictive scenarios: "if I do this, what might the stock price be based on this condition?" That was valuable in one case, because we had numerous parties with 50 different spreadsheets and 50 different ways of modeling that. They wanted more of a common starting point to look at everything.

We've created other models that look at geography and resources. This was the scenario: "We expect the price for this particular mineral to be higher, it's coming from this region but going to that country, how does that affect share price? And what if that declines, where else would we get the rare earth minerals?"

While there is an incredible amount of data, and many analytical and visualization approaches available for digesting all that data, the key is to focus on those analyses, data and insights that could influence the M&A decision. Sometimes data analytics is merely interesting; other times it can reinforce or change a decision. Good analytics focuses on what is relevant to the current decision. For instance, how does that uncertainty about rare earth minerals impact whether and how you do the deal?

How do you think forecasting could change with the use of Big Data and visualization, which seems to go far beyond even some of the more sophisticated analyses companies do now, like Monte Carlo simulations?
An executive might be thinking, "I'll run the Monte Carlo simulation, then I kind of know what is happening in that region because I read this, and then I have these meeting notes." These are all factors we sum up in our heads; now we have the ability to put that on steroids and take a more fact-based approach to what has traditionally been intuition-based.

Studies show that relying on intuition and heuristics for complex decisions like M&A typically results in poor decisions. Leading analytical and visualization methods synthesize models and data from multiple sources to provide a more defensible foundation for making big-bet decisions. The simulation model might tell us about the likelihood of achieving targeted synergies in a deal, and visualization of Big Data can then provide a way to investigate, challenge, or reinforce the assumptions about achieving those synergies. Intuition can supplement this process, but if intuition is the basis for decisions, we can easily beat that.

Our survey indicated that many people are wary of social media because they're concerned about the reliability of the data. What's your guidance on how to wade through the noise and find the right information?
We hear that concern a lot, and we just tell folks that social media is a lot about people's opinions. That's valuable just like it is for surveys. For some reason, they think of social media as being different, but we see it almost as real-time surveying. With targeted questions and targeted people, you can get real, raw, unfiltered commentary that may be very rich, and it can be on almost anything, from conditions in a particular country, to preference for different products. Social media is an additional source of information; it's not *the* source of information.

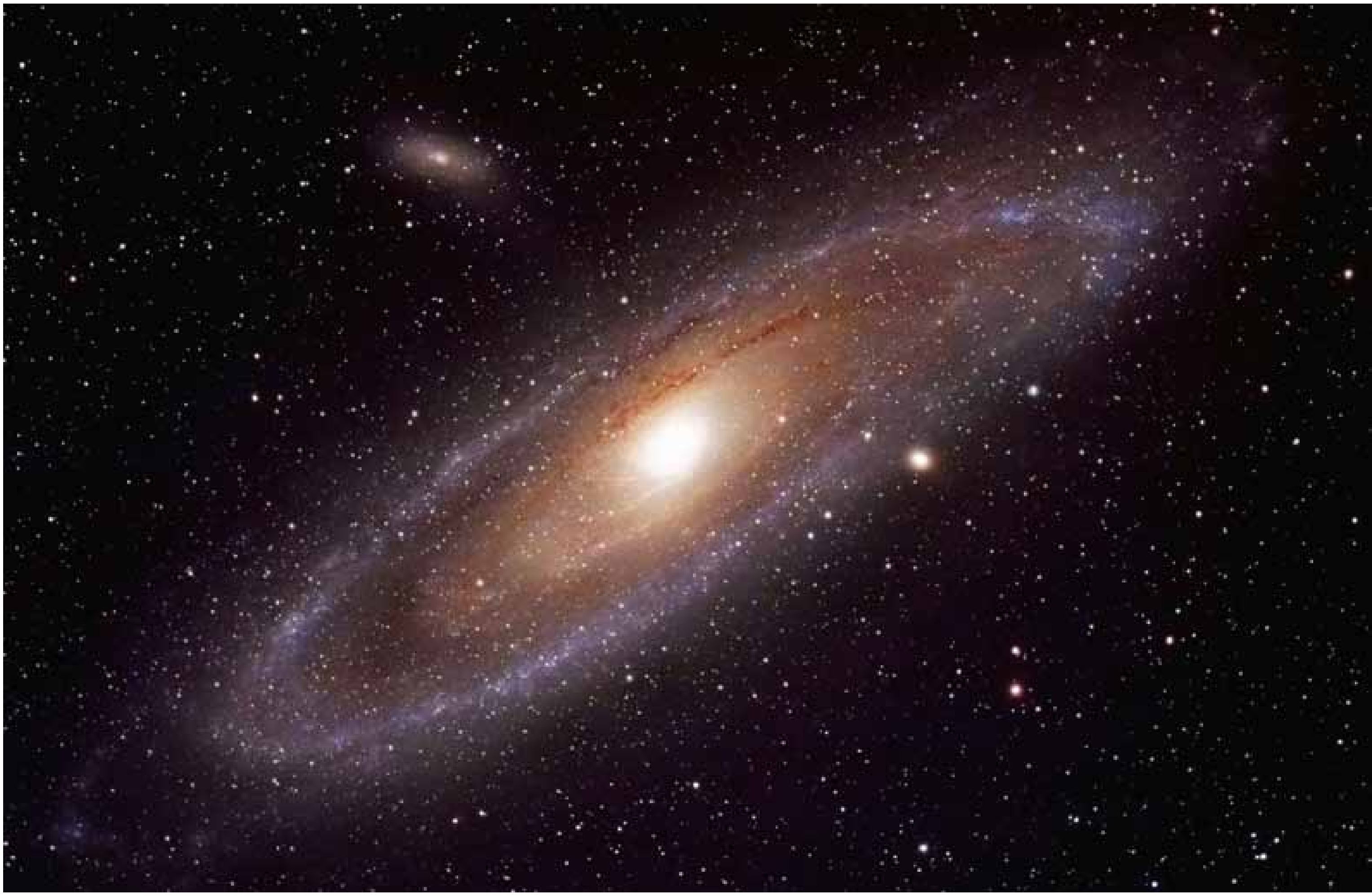
About the HIVE

While analytics isn't new, we're experiencing a renaissance in the science, technology, and application of business analytics today, which makes it hard to keep up. Many business leaders are now facing the dilemma of how best to quickly get up to speed on what analytics can actually deliver in practice.

That's where the Deloitte Analytics HIVE (Highly Immersive Visual Environment) can help. In this physical environment, visitors can examine the latest analytics technologies and approaches themselves, using their own data, all in one place. In a very short amount of time, you can learn what might otherwise have taken months of meetings, demonstrations, and business pitches.

Visitors are able to choose from a host of different ways to experience analytics in the HIVE. Want a deep dive into a particular analytics approach? An open-ended Q&A session with our team? A guided tour of your own data? An Analytics 101 course? We can do that and more.

The HIVE has been visited by scores of business leaders at some of the world's leading companies — many of whom are looking for better ways to drive real business results from analytics. We invite anyone to visit the HIVE — not just our clients, but any organization that meets a handful of basic criteria.



Digital advantage
Data analytics and social media in M&A

Digital advantage
Data analytics and social media in M&A

Since the introduction of the computer spreadsheet program over 30 years ago, executives have been able to drill increasingly deeper into data to inform decision-making. This analytic capacity is an essential component for almost any corporate project, and not surprisingly, it is also a hallmark of the deal-making process. "We're using analytics on almost every deal, and in almost every stage, from customer and vendor analysis, to pricing realignment, and even post-merger workforce planning," says Marco Sguazzin, principal with Deloitte Consulting LLP.

With the advent of the Big Data era, in which spreadsheet cells can be analyzed alongside unstructured data such as social media postings, there is now a new frontier to be conquered: how to derive benefits from applying more powerful analytical tools to an overflow of data sources. From wikis, blogs, and social networking sites to web-based tools that can tag and filter, there is no shortage of new sources of insight. The question is how can acquirers leverage these opportunities in a practical way to become more effective dealmakers?

Although the long-term view of how technology may transform M&A is still emerging, the transformative power of technology and how it can be applied to dig for trends and insights, influence customer decisions, improve brand perception, foster communications and collaboration, and enhance productivity is undeniable. "The adoption trajectory is likely to be similar to the evolution of cloud computing," says Kathleen Neiber, partner with Deloitte & Touche LLP. "Five years ago, most executives were skeptical due to initial perceptions that it could present security challenges; now, cloud computing is mainstream."

Currently, about 40% of survey respondents report using technology-driven analytics in M&A, and 17% say their companies are considering it (figure 10). While the term "analytics" can cover a variety of meanings, in the context of deals, survey respondents say they are most often used to scrutinize the customers and markets of target companies. They are also used frequently to evaluate the potential synergies of a deal, as well as the target's workforce and compensation schemes (figure 11).

Figure 10. Does company deploy technology-driven analytics in M&A?

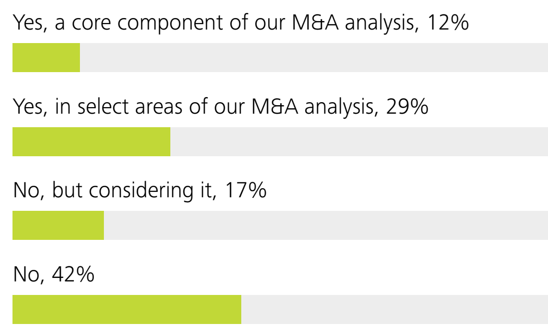
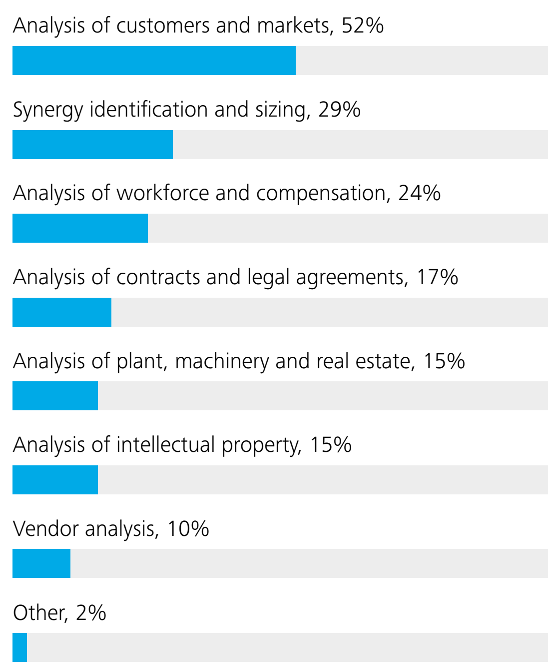


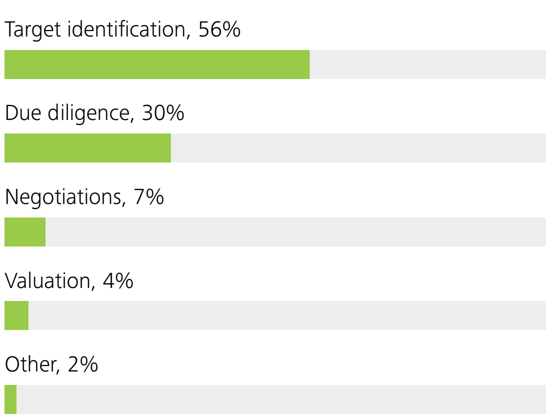
Figure 11. Uses of data analytics in M&A



"At some point, analytic tools that can consolidate huge volumes of data into recognizable trends are essential," notes JR Reagan, leader of the Deloitte Analytics HIVE.[1] "Executives are dealing with millions and billions, and even trillions, of rows and columns of information that support the idea that: We're going to buy this company because the market is going to do X and we're going to grow together," he says. "It gets really hard for them to sum it all up in their heads because there's so much information." Instead, his group frequently turns to visualizations of the data to help simplify interpretations.

According to survey respondents, the most intense users of technology-driven analytics in M&A today come from the financial services, consumer and industrial products, and life sciences and health care industries; industries that are accustomed to detailing and segmenting customers. Technology, media and telecommunications companies report the lowest level of utilization of technology-driven analytics in M&A, which is surprising given the technological sophistication of many of these businesses. This suggests that there may be an opportunity to gain an advantage through the use of these new tools. Indeed, as cost-effective, powerful tools become increasingly user-friendly and readily available, advanced knowledge of analytics is less of a requirement to be able to perform what used to be complex analysis requiring expensive technology.

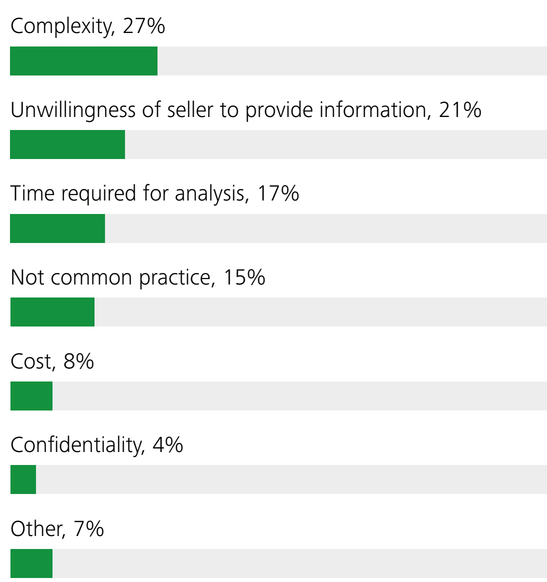
Figure 12. Social media role in M&A



There are many sources of unconventional, non-spreadsheet data that a company might consider incorporating into its forecasts and modeling, but the constant flow of information from social media channels is certainly one of the most alluring. Two commonly-cited uses for this realm of data are target identification and due diligence (figure 12).

"There's nothing better than sourcing the opinions of real customers, and what's great about social media data is you get it unfiltered and up-to-date," says John Somorjai, Senior Vice President of Corporate Development for salesforce.com. "When you're looking at acquiring a company and you can compare the customer opinions across five or six different companies in that category, it gives you some important insights as to who has the best relationships with their customers."

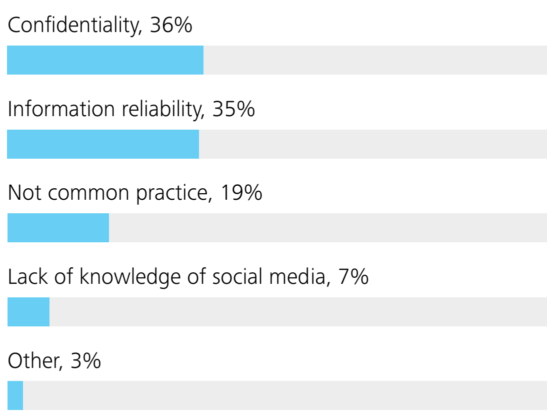
Figure 13. Greatest impediment to use of data analytics in M&A



1 Highly Immersive Visual Environment

Not surprisingly, there are still many details — and obstacles — for companies to work through when it comes to using nascent technology to enhance M&A. Complexity is the top reason companies aren't using data analytics, noted by 27% of respondents, with the unwillingness of sellers to provide relevant information in second place (figure 13). Social media presents different problems; while information is abundant, 36% of respondents are concerned about its confidentiality, and another 35% worry about its reliability (figure 14).

Figure 14. Greatest impediment to use of social media in M&A



How technology has fostered changes in M&A so far

The story on how technology may continue to transform M&A has yet to be written, but here are a few examples of what we are seeing in practice.

Monitoring stakeholder perspectives

New social media monitoring tools allow acquirers to monitor chat rooms, blogs, and a variety of social media sites to gauge employee morale, investor sentiment, and customer preferences and satisfaction, to name just a few applications, in a structured way.

Price discovery

"It used to be that negotiating a deal was an art form done behind closed doors. Now it's almost like a public discussion," says Chris Ruggeri. That's because social media has made it easier than ever for shareholders, even smaller minority shareholders, to coordinate with others, giving smaller players a much bigger voice.

Due diligence

Data analytics can provide transformative insights in a variety of ways, including searching huge volumes of vendor agreements for cost savings, scanning intellectual property patents for licensing opportunities, and monitoring news feeds for market-moving changes. We observe an increasing number of acquirers taking a more structured approach to tracking information of customers, competitors, vendors, etc.

Target sourcing

Crowdsourcing now exists for M&A. Companies in the market to acquire (or be acquired) can visit crowdsourcing sites focused on M&A, where communities suggest deals, provide insights and perspectives on the pros and cons of proposed deals, and vote for their favorites. The result is a wealth of information on potential targets, feasibility of a deal, and public's reaction.

Disclosure

Regulators are also recognizing the new communication media as a powerful force. The SEC, for example, recently sanctioned social media in some circumstances as a method of disseminating public company press releases and other market-moving information.

Collaboration in post-merger integration

The workload in post-merger integration planning and execution can often become overwhelming, and considerable time is spent in coordinating a multitude of teams whose plans all need to align in direction, timing, and execution. Social media tools, such as Deloitte's M&A Central toolset, provide an effective means for teams to collaborate in a real-time and automated fashion on their integration strategies and the many tasks necessary for accelerated and efficient execution, and enhance value creation.

Key takeaways

Although there is diversity in practice in how businesses use data analytics and social media in M&A, adoption rates in the very short history of the technology are high. In our view, we have just scratched the surface of the applications of this technology that may continue to evolve. The SEC's recent guidance approving the use of social media as an acceptable medium for business disclosures adds legitimacy to the technology as a business tool.

Perhaps the key takeaway is that no one is suggesting machines replace human judgment in any stage of the M&A process. "We hear the concern about the reliability of social media a lot, and we just remind folks that social media is an additional source of information; it's not the source of information," says JR Reagan. "It's like real-time surveying: with targeted questions and targeted people, you can get real, raw, unfiltered commentary that may be very rich." Indeed, "social media can really help you prepare and understand the relationship customers have with the company, but you've still got to get in there and understand the depths of a company, how their operations run and what the management team is really like," notes salesforce.com's Somorjai.

M&A is competitive and stakeholder demands for more certainty in value creation puts the onus on management to use whatever it has at its disposal to increase the probability of success. The objective is to figure out how technology can be practically applied to provide greater clarity on enhancing deal value as well as providing a competitive edge on getting value-creating deals done.

1 Calculators replaced slide rules, software spreadsheets replaced calculators. Data analytics in M&A will not replace human judgment, but those who fail to embrace it in some way may ultimately be at a competitive disadvantage.

2 You don't need a degree in analytics to reap the benefits. Choose the level of sophistication required by your M&A decisions and get started.

3 Focus your analytics on what is relevant to the M&A decision at hand. Think creatively and cast a wide net for useful sources of data, then hone in on the data and insights that will help inform your deal decisions.

4 As a due diligence data source, social media is growing in prevalence and relevance, giving savvy users the opportunity to turn an analog view of a target into high definition.

5 Don't wait for the ink to dry. Target identification and due diligence may be the more obvious uses for social media in M&A, but during integration, "secure" social media sites can provide efficient platforms for collaboration and coordination.

Decisions, decisions, decisions

The M&A approval and leadership process

Decisions, decisions, decisions
The M&A approval and leadership process

Ask corporate development professionals how their organizations could be more effective, and the answers may inevitably cluster around improving the deal decision process. Our past Corporate Development surveys document an overwhelming response to this need, and it is a logical one: M&A transactions frequently cut across multiple businesses, functions, and geographies and create complex decision matrices, particularly in large global organizations.

In fact, one-third of respondents indicate that six or more executives or committees must approve a transaction before it is completed. A healthy minority — 15% on average and more among larger companies — report that 10 or more decision-makers must weigh in to approve a deal (figure 15). These approvals must happen early and often, with 63% of survey respondents saying they must get approval before submitting a non-binding offer (figure 16).

Figure 15. Number of decision makers in M&A approval process

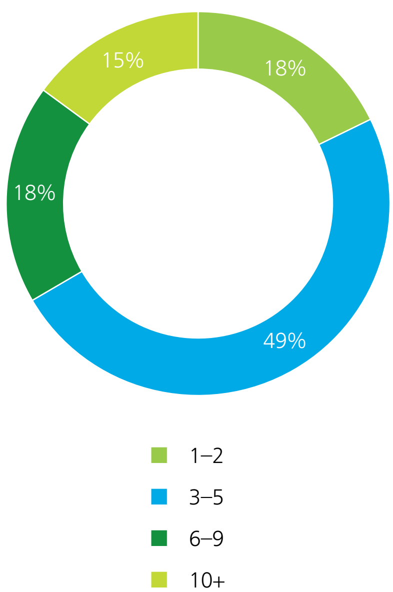
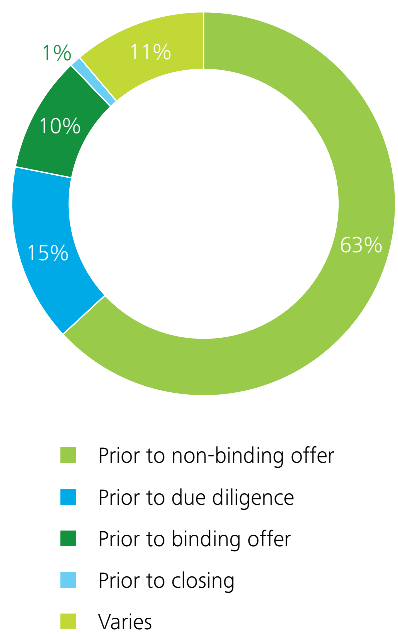


Figure 16. When formal approval is required to proceed



Organization and process are essential parts of successful M&A,[2] with organization defining who the decision-makers are and process determining when they step in. While the concepts are simple, they are surprisingly difficult to achieve in practice. Seventy-five percent of survey respondents have well-defined M&A approval processes, yet only 19% consider the efficiency of these processes to be excellent (figure 17). Furthermore, close to one-third of respondents rate the efficiency of their process fair to poor, suggesting that many companies have a long way to go to extract value from defined M&A decision processes (figure 18). "Too often, we see organizations succumb to the process/efficiency paradox where the means outweigh the ends. Many firms put a laser beam focus on process improvement and end up over-engineering the steps needed to get to a decision. Speed and innovation should be designed into the deal making process," says Geoffrey Helt, senior manager with Deloitte Consulting LLP.

Figure 17. Does your company have a clearly-defined M&A approval process?

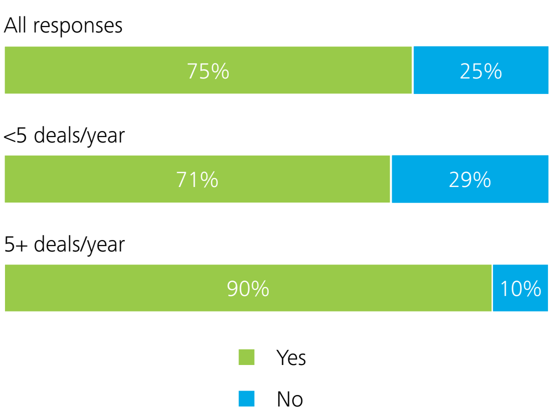
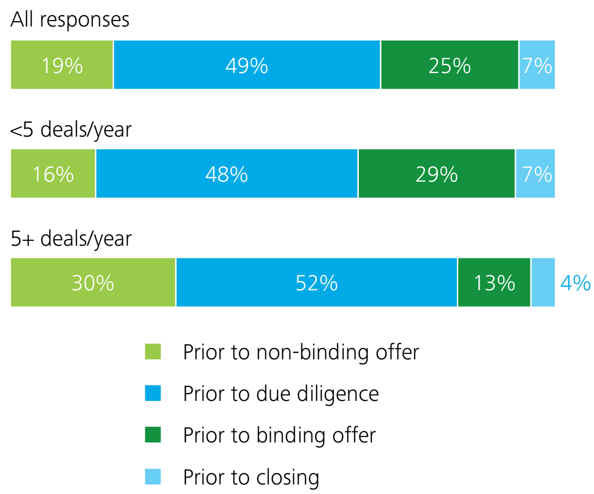


Figure 18. Efficiency of M&A approval process



There are many reasons for this disconnect, but some of the more common ones we observe in practice include: a failure to clearly designate decision-making power; overscheduled decision-makers who create bottlenecks; deal team members who corrupt the decision process by using back-channel dealings; and, conversely, plodding and over-engineered processes that stem from misguided attempts to keep everyone informed of every detail.

In many cases, practice can help make perfect. Companies that are the most active acquirers tend to invest more deeply than others in creating the right infrastructure and policies around deal flow, according to the survey, and are also more likely to report having an efficient process. "The probability of success increases with practice," says Geoffrey Helt. "More times "at bat" enable a corporate development team to not only build vital relationships, but also to get smart about deal economics and tighten the strategy required to win in the future." In fact, companies that complete five or more deals per year were 27% more likely to have a well-defined decision process than those with lower deal volumes, and are almost twice as likely to consider that process highly efficient.

2 Corporate Development 2010: Refining the M&A Playbook

One success factor that is often overlooked, however, is the huge role that qualitative aspects like relationships, experience, judgment, and culture play in M&A decisions. These aspects can be trickier to define than organization and process, but they are no less important to manage. “Deal-making is a complicated dance, fraught with surprises and real-time challenges,” says Diane Sinti, director with Deloitte Consulting LLP. “The winning formula relies on both optimizing the process and understanding that it is something of an art form.”

Deal-making is a constant part of corporate life, yet no two transactions are ever the same. To achieve excellence in M&A, companies need more than process; they need the right people with the right knowledge engaged at the right points in the deal cycle. Getting to this optimal state often means clarifying the roles of various decision-makers, and explicitly parsing who needs to be informed about a deal, who needs to be consulted, and who will actually make the decision. When companies fail to do this, they run the risk of allowing structures to suffocate judgment — one of the most critical aspects of M&A.

The decision process and the role of the investment committee

Typically, key decision-makers are busy senior executives with many roles to juggle — creating the potential for frequent disruption and inefficiency in the process. To streamline reviews and approvals, and provide the appropriate level of oversight, roughly half the respondents report using an investment committee, a practice that is even more common in larger and more-acquisitive companies. Of the companies with investment committees, more than half said their committee has three to five members (figure 19). A significant percentage (36%) of respondents indicates that their investment committees meet on an ad-hoc basis, with the rest having regular meetings on some periodic basis (figure 20).

Figure 19. Size of Investment Committee

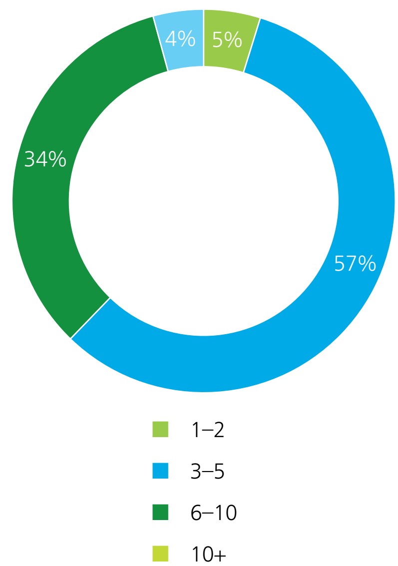
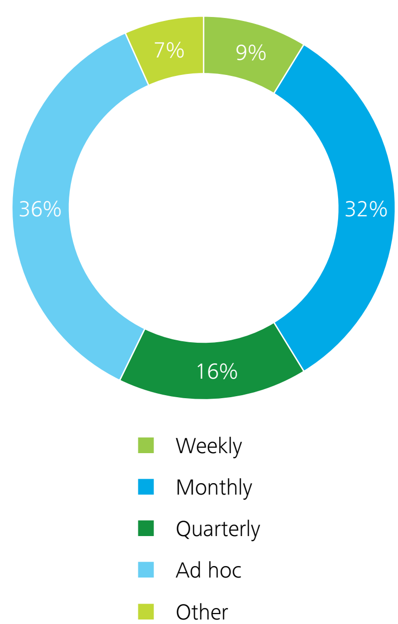


Figure 20. Frequency of Investment Committee meetings



While investment committees provide helpful infrastructure for shepherding deals through an organization, the survey results also suggest that the full value of an investment committee may not currently be being realized. The majority of respondents see the committee's primary contribution as providing another layer of diligence on the deal or facilitating executive alignment; only 12% say the committee is a source of expert advice (figure 21). "The investment committee should not just be a gate that dealmakers need to get through," says Sara Elinson, managing director with Deloitte Corporate Finance LLC. "Instead, with the right choices, it can become more of an advisory board and add greater value." To get this consultative aspect from the committee, it is essential for executives to be very thoughtful about who is on the committee, what specific roles each one may play, and to be sure that they have the appropriate level of respect within the organization to fulfill an advisory role.

With or without the presence of an investment committee, the board of directors remains a crucial part of the M&A decision process. A majority (54%) of survey respondents indicate that their board must approve all M&A transactions (figure 22). However, acquisitive and larger companies have more latitude than others. Only 19% of companies doing five or more deals a year, and 26% of companies with $5 billion or more in annual revenues, require board approval for all deals. The M&A decision process should be designed to benefit from the experienced input of seasoned directors at the right times and to facilitate keeping the board appropriately informed throughout the process so it can fulfill its oversight responsibilities and duty of care to shareholders.

Figure 21. Most important contribution of Investment Committee

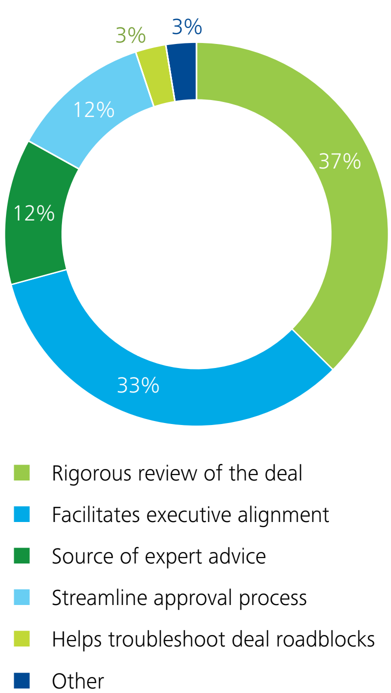
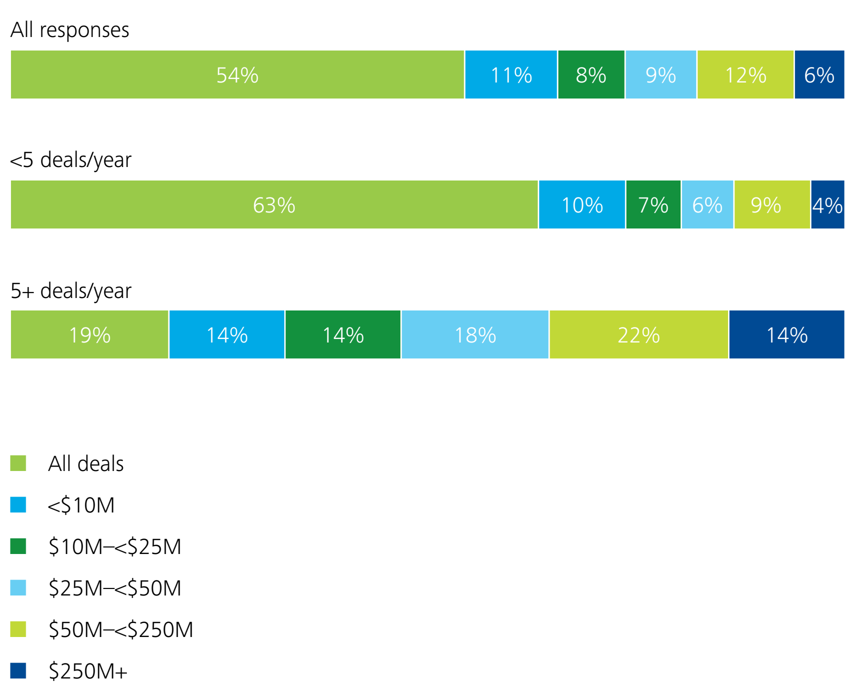


Figure 22. Threshold for board approval of M&A transactions



Winning Corporate Development Organization, Winning Deals

In many companies, the primary work of corporate development in the M&A decision process is to influence decision-making, rather than to be a primary decision-maker. In this "advisory" capacity, corporate development plays a leading role in fostering the culture of deal success that goes beyond any single transaction. Corporate development is the linchpin for enabling increased M&A velocity and a higher quality of decision making. The top ways that the corporate development function adds value is by advising stakeholders and influencing or aligning stakeholders, according to survey respondents (figure 23).

In terms of bringing a deal to fruition, some of the most important factors — together cited by almost three-quarters of survey respondents — are providing clarity on the strategy of the deal, maintaining regular access to executives and decision makers, and commanding respect and authority across the organization (figure 24). This last factor is important in influencing the stakeholders in the process. This may explain why, in practice, and as we reported in prior years' surveys, we are seeing the corporate development role in acquisitive companies taking on a higher level of import. Heads of corporate development are increasingly reporting directly to CEOs and CFOs, and carrying titles like executive vice president which convey the importance and standing of these key executives.

Clearly, the corporate development team's role extends far beyond finding and evaluating targets and negotiating deals. Corporate development plays a key role in driving the decision process, making sure the right stakeholders and engaged at the right time and armed with the information they need to make informed investment decisions.

Figure 23. Greatest value of corporate development team

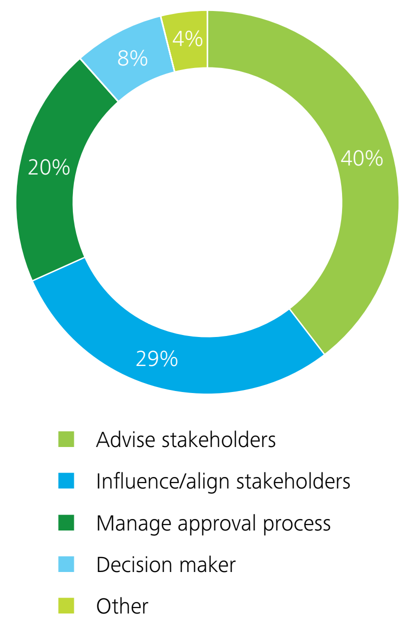
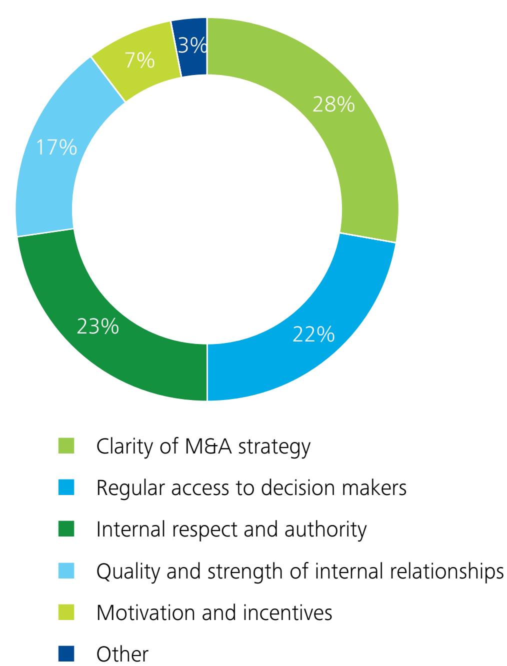


Figure 24. Greatest impact on ability of corporate development team to drive deals to closing

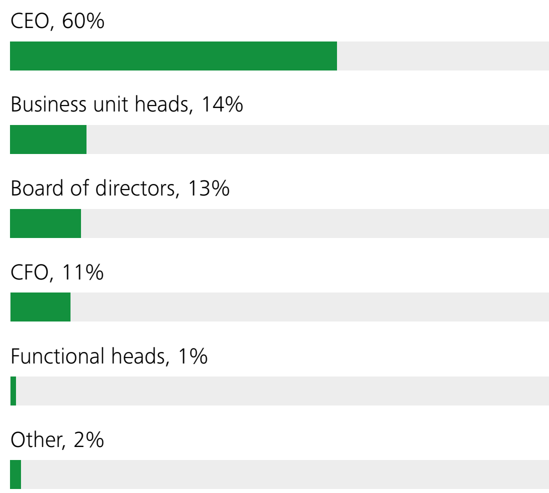


How to get there

Corporate development executives looking for ways to add value should capitalize on the strong relationships that undergird the factors that make them valuable to their companies. The survey results highlight the relationship-building imperative, and call for thoughtful consideration of where to focus efforts in this area. Cultivating ties with the CEO is almost always useful, with 60% of respondents ranking it the most important connection for the corporate development team, but identifying other key decision-makers is critical, as well (figure 25). Executives at companies that have annual revenue over $5 billion and/or complete five or more deals a year, for example, ranked relationships with business unit heads significantly higher in importance than companies that are smaller or less acquisitive.

These relationships also pave the path to more "at-bat" opportunities. Both within their teams and across the organization, corporate development leaders should infuse the idea of transactions being at the heart of a broader strategic imperative to take risks and transform companies. By bringing forward opportunities that accelerate the CEO's transformational agenda, the corporate development team can establish deal-making as an invaluable piston in the company's growth engine. Positioning corporate development this way creates a valuable and ongoing interplay between the team and the business, which over time becomes a true competitive differentiator.

Figure 25. Most important relationships for corporate development team



Key takeaways

Infrastructure and policies are vital components of a top-notch corporate deal process. However, setting transactions up for success also means paying careful attention to who is involved in the process, when, and why. "The trifecta of strategic clarity, executive access, and deal-making credibility is what translates to merger velocity," says Diane Sinti. "This is the equation for exponential deal value creation, in part because it creates a natural momentum for success in post-merger integration efforts." For corporate development organizations aiming to up their game, it's clear that this trifecta is the place to start.

1 A well-defined M&A process is one thing; honing it, over time and with practice, so it can deliver efficient and innovative transactions is **the** thing.

2 The right people with the right capabilities, namely, judgment and influence, account for some of the "art" of successful acquirers.

3 Clarification of and adherence to the different roles in decision-making — who decides, who approves, who is merely informed — can remove transaction bottlenecks and non-value added disruption.

4 Beyond gatekeepers, Investment Committees can play an important advisory role to the deal team, but only when Investment Committee members have the right experience and gravitas within the organization.

5 Companies look to the Corporate Development team to influence decision making up and down the organization. Serving in this capacity continues the trend of elevating corporate development executives from deal execution to special advisor to the C-Suite.

Corporate venture funds Coming of age?

Corporate venture funds
Coming of age?

Companies are under tremendous pressure to foster a steady stream of innovation, thanks to both shareholder and customer expectations. One way to pursue innovation is through a corporate venture fund: corporate capital or in-kind investments in emerging firms. Although only 19% of survey respondents report that their company currently has such a fund, nearly half expect the number of funds in their industry to increase (figure 26). However, it's possible that reality may not live up to this perception, since only 12% of companies without venture funds expect to establish one themselves during the next two years. Nevertheless, broader market trends indicate that corporate capital is a growing force in the venture game. Both the number of funds and the percentage of overall venture dollars coming from such funds has been on the rise since 2009. In 2012, over 15% of venture-backed deals had some involvement from a corporate partner, the highest proportion since 2008.[3]

Why have a corporate venture fund

About two-thirds of respondents (62%) feel a venture fund provides a company with a competitive advantage. In fact, there are a number of advantages to investing in early stage companies from a corporate investor's point of view. A primary one is that executives at the investing company can quickly get up to speed on new areas of innovation that may be outside their core competencies, giving them a broader view of new market opportunities. It also has the potential to accelerate the growth of the emerging company by leveraging the know-how, brand, and resources of a typically larger, established company.

If the strategic fit ends up being a strong one, the investing company often has the right of first refusal on any acquisition offer, so it doesn't lose the advantage once the emerging firm is ready for prime time. However, acquisition is not necessarily the main objective of many corporate venture investments; the vast majority of respondents (79%) say that fewer than half of their investees ultimately end up becoming controlled subsidiaries (figure 27).

Figure 26. Expected change in number of corporate venture funds in industry over next two to three years

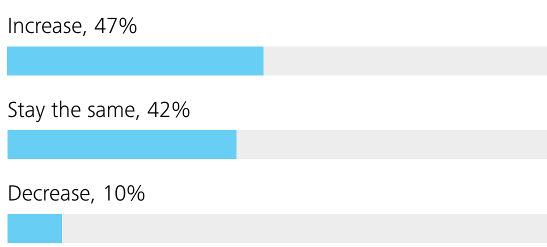
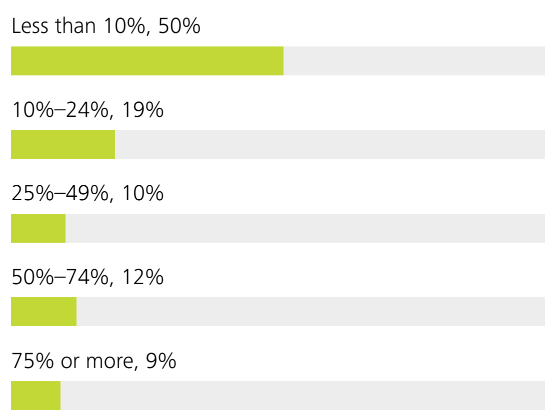


Figure 27. Percent of corporate venture fund investments that become controlled subsidiaries of parent company



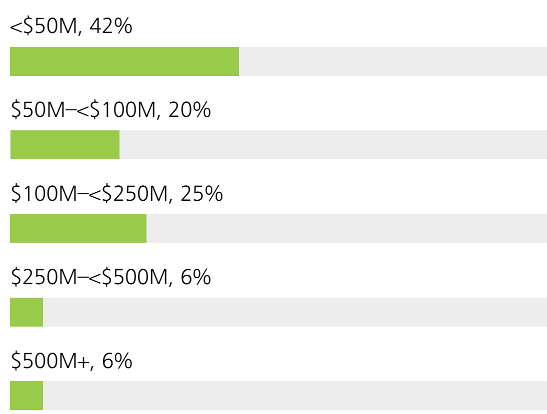
3 National Venture Capital Association, Yearbook 2013, prepared by Thomson Reuters

Much of the desire for innovation is driven by a need for technology to keep up with evolving business practices in the digital age. One-third of survey respondents (both those with and without corporate venture funds) ranked access to new technology at the top of the list of venture investment benefits. "Technology is not just about technology companies these days," says Chris Ruggeri. "Technology drives productivity and lowers costs and can be used to get closer to increasingly mobile customers via smartphones and other mobile devices; this applies to a wide range of industries." In fact, while venture investing is typically associated with large technology and life sciences firms, the survey data indicate that other industries — namely business and professional services, financial services, energy and resources — may see the greatest growth in corporate venture funds. Not surprisingly, these funds tend to be most common at larger companies and companies that do five or more deals a year due to the relatively high risk profile of venture investing. However, corporate venture investing is not exclusively limited to technology-driven deals. For example, consumer products companies are getting into the mix as they seek investments in early stage companies with new and novel ingredients, for example, that complement their existing portfolio of products.

Other potential advantages of corporate venture investing are that it comes without the integration pressure that an acquisition brings and can lessen the dilutive impact of investments in businesses that are not yet profitable. From an accounting perspective, minority positions generally do not need to be consolidated, representing less risk to the income statement. Venture investments are also less of a threat to the balance sheet than other alliances, since the investing company may not be committed to support funding for any length of time.

Creating a venture fund does not necessarily require a huge amount of capital in the context of a large organization. Over 60% of funds have less than $100 million of capital committed to venture investing, with the majority of those falling under the $50 million mark (figure 28). In fact, emerging companies and even financial investors often seek out corporate investors for the non-financial attributes they offer. No standard corporate venture fund model has emerged; and some corporate venture funds support the growth of entrepreneurs and start-ups solely with their know-how, intellectual property, management expertise, and other in-kind contributions rather than financial investments. "It's not all about money," says Sherry House, senior vice president with Deloitte Corporate Finance LLC. "Corporate partners can often help a start-up reach a vital development milestone, including sponsoring a beta test case or becoming the start-up's first customer — aspects that a pure financial sponsor can't provide."

Figure 28. Capital committed to corporate venture fund



How to create and measure success

Corporate development teams play a critical role in their company's venture funds, according to the survey data. Three-quarters are involved in some way with the funds; of those, two-thirds consider themselves to be very involved. However, venture investing is fundamentally different from traditional M&A investing. Targets tend to be small and early in their lifecycle with an unproven track record and higher risk profile than more mature targets.

"Venture investing typically does not entail a change of control at the outset of the relationship and, therefore, requires dealmakers with an entrepreneurial spirit and sound partnering skills," says Alan Warner, partner with Deloitte & Touche LLP. For this reason, many companies choose to establish corporate venture funds that are separate and distinct from their corporate development teams. However, they should take care to clearly define the mission of the venture investing arm so as not to create a venture investing program that is in competition with the corporate development program or strays from the overall corporate mission. Venture investing should complement other types of inorganic growth initiatives focused on innovation, not confuse the objective.

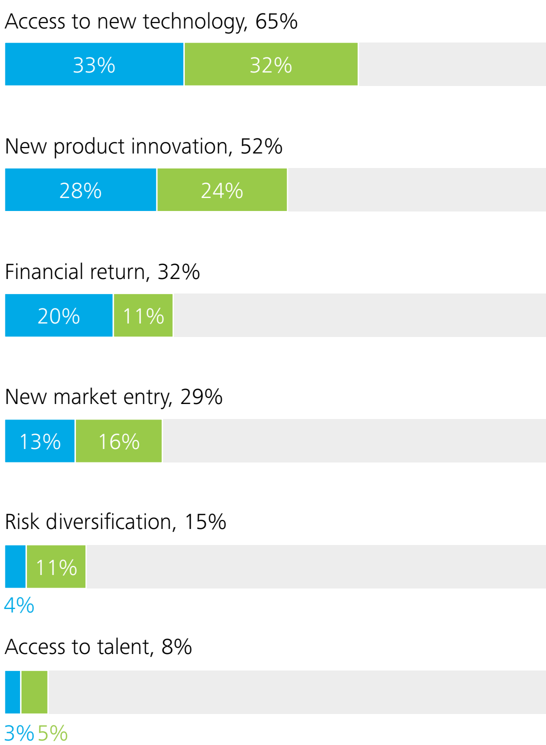
One way that corporate development can add value to venture investing is to play a role in making sure proposed investments align with the broader corporate M&A strategy. However, to do so effectively, it is important to realize that the roadmap for venture dollars and their outcomes may be very different from those of traditional acquisitions. Investments may be in companies that do not yet have a commercially viable product or service and may not be revenue-producing let along profitable.

The success of corporate venture funds can be measured in a number of ways. The most basic metric could be the financial returns that accrue to investments a company makes: a simple return-on-investment calculation. A company could also tally the number of minority investments that lead to controlling positions if its intent is for the venture fund to simply provide a pipeline of acquisition candidates. However, other benefits of corporate venturing are less tangible and may be more difficult to measure but are no less valuable. For example, creating options to acquire potentially disruptive products or technology, identifying unique talent, or increasing the know-how about a particular market clearly has value but may be difficult to measure with a high degree of precision.

In reality, however, few emerging firms are acquired by a large corporate investment partner — less than 10%, according to half of respondents (figure 27) — and rarely create huge financial gains through a third-party sale. Financial returns were in fact only cited by 32% of survey participants whose companies have a venture fund when asked for the two main objectives (figure 29). Access to new technology and new product innovation ranked much higher, at 65% and 52% respectively. These results suggest that the opportunity to innovate, as a complement to other forms of organic and inorganic innovation, is one of the main objectives of creating a venture fund. "Companies should consider integrating the option to increase the ownership stake in the emerging company at some point in the future — representing a hybrid between the traditional 'buy versus build' decision — as this creates strategic flexibility," says Ken Kirschner, partner with Deloitte & Touche LLP.

A better measure of success may be how well the investments help a firm advance their corporate strategy — the essence of what drives financial returns. In that context, success might be measured by a fund's activities helping to drive market leadership, access to top talent, or ability to fuel innovation in the parent company.

Figure 11. Uses of data analytics in M&A



Key takeaways

Corporate venture funds carry the potential of meaningful strategic rewards in the form of innovation by creating strategic options for established companies that manage a corporate investor's exposure to higher risk, early stage investments. While they are not for every company, those with the capacity to set aside capital or resources for investments in early stage companies may be able to leverage relatively small stakes into major benefits for the organization as a whole.

Companies should clarify and define their corporate venture investment objectives up front — be they technology gains, access to new products or markets, or financial returns — and then focus their energies on maximizing the venture fund's potential in a way that is aligned with corporate strategy. Defining the investor's resource commitment up-front and how investments in early stage companies may be nurtured and managed to harvest the expected benefits can also help set them up for success.

1 62% of respondents believe that corporate venturing provides a competitive advantage in a fast-paced world where innovation and first-to-market advantage can make all the difference.

2 Corporate venturing is a complement, not a substitute, for more traditional forms of innovation and should closely align with corporate strategy. Corporate development can play a key role in fostering this alignment.

3 Successful corporate venturing requires advanced partnering and minority investment skills. Making sure the team is equipped with the right skills and mindset to nurture early stage companies is a key success factor.

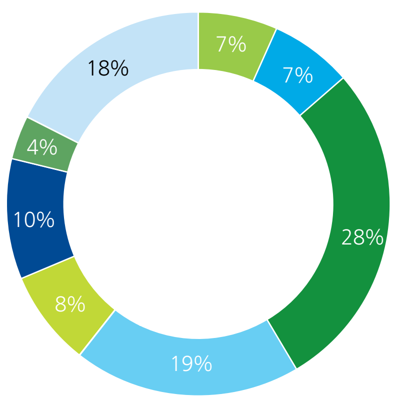
4 Venture investing is about creating strategic options: disruptive technology, unique talent, product substitutes, etc. Specific plans to harvest these benefits are critical to realizing the total return of venture investing.

Profile of survey respondents

Deloitte surveyed professionals involved in corporate development decisions at their organizations. The survey was conducted online in April 2013, and was completed by 435 respondents.

Twenty-eight percent were heads of Corporate Development and another 27% of respondents were Corporate Development executives or staff (figure 30). In addition, 7% of respondents were CEOs or Presidents and 7% were CFOs. The remainder included board directors, heads of business units or divisions, and executives in finance, HR, tax, accounting, IT, and other functions involved in M&A.

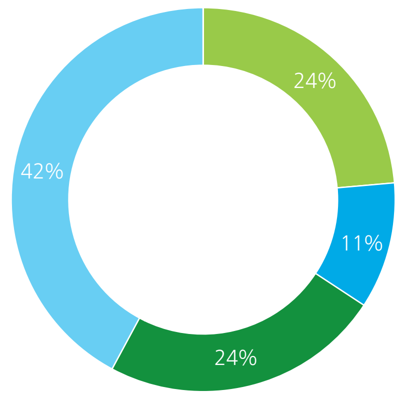
Figure 30. Role



- CEO/President
- CFO
- Head of corporate development/M&A
- Corporate development/M&A executive
- Corporate development/M&A staff
- Controller/finance
- Board director
- Other

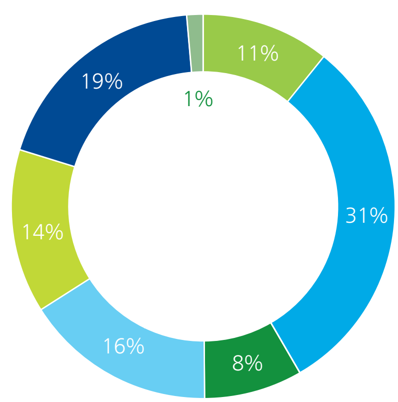
Thirty-four percent of the professionals surveyed were from companies with annual revenues of over $5 billion, with 24% having revenues of $1 billion to $5 billion (figure 31). There was strong representation from both public companies (60%) and private companies (40%). Respondents belonged to a wide cross-section of industries (figure 32).

Figure 31. Revenue



- $10B+
- $5B–<$10B
- $1B–<$5B
- <$1B

Figure 32. Industry



- Business & Professional Services
- Consumer & Industrial Products
- Energy & Resources
- Financial Services
- Life Sciences & Health Care
- Technolgy, Media & Telecommunications
- Other

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