



CORPORATE FINANCE PRACTICE

## Growing through deals: A reality check

**The size and frequency of deals matter less than how companies execute them.**

**Andres Cottin,  
Werner Rehm, and  
Robert Uhlener**

The bigger a company gets, the harder it is to keep up with investors' expectations for growth. Mergers and acquisitions are essential, but how big do deals need to be—and how frequent? Because a single deal that might double the market capitalization of a small company will scarcely register for a large one, many big companies pursue ever-larger deals—or a whole lot of smaller ones. Does either of those strategies more often lead to success?

Apparently not. Patterns of deal size and frequency have made little difference in performance as measured by excess total returns to shareholders (TRS) among the world's top 1,000 companies<sup>1</sup>

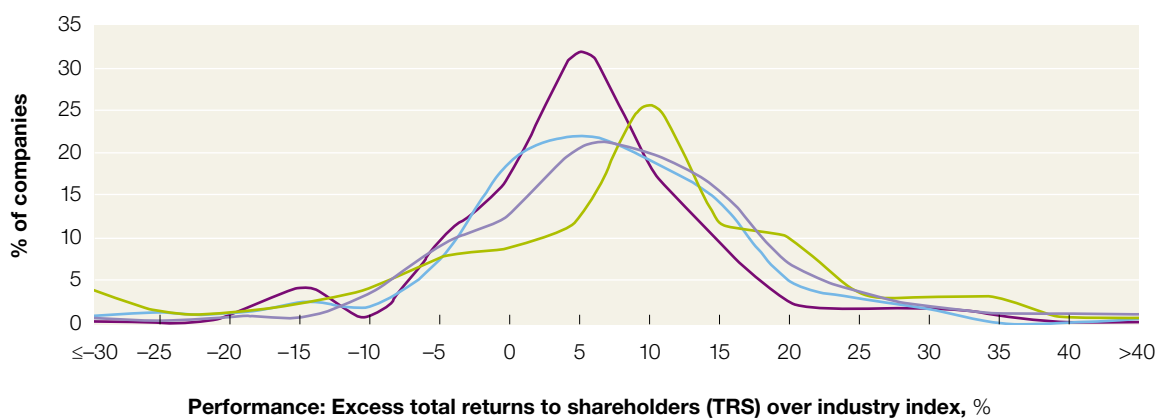
by market capitalization. It seems not to matter much whether companies completed one large deal, many small deals, or few deals. In statistical parlance, the distribution of samples reflecting different combinations of deal sizes and market caps was both widely distributed and overlapping. From a value-creation perspective, this finding means that the size and number of deals matter less than the discipline with which they are identified, priced, integrated, and managed. [o](#)

<sup>1</sup> The sample included the top 1,000 companies by market capitalization in 1999 and 2009. After we excluded banks, companies in Africa and South America, and companies with insufficient data, 917 companies (which collectively completed more than 30,000 deals) remained in the sample.

## Exhibit

**The distribution of samples reflecting different combinations of deal sizes and market caps was both widely distributed and overlapping.**

Top 1,000 companies globally by market capitalization, 1999–2009



Acquired **more than** 18% of market capitalization with . . .



. . . **fewer than**  
15 deals



. . . **more than**  
15 deals

Acquired **less than** 18% of market capitalization with . . .



. . . **fewer than**  
15 deals



. . . **more than**  
15 deals

**For all companies**

18% = median acquired market capitalization and 15 = median number of deals.

**Andres Cottin** (Andres\_Cottin@McKinsey.com) and **Werner Rehm** (Werner\_Rehm@McKinsey.com) are consultants in McKinsey's New York office; **Robert Uhlaner** (Robert\_Uhlaner@McKinsey.com) is a partner in the San Francisco office. Copyright © 2011 McKinsey & Company. All rights reserved.