



# Mergers and Acquisitions: The Changing Practice of HCI and Design

Margaret McCormack  
BodyMedia, Inc.  
4 Smithfield St, Suite 1200  
Pittsburgh, PA 15222 USA  
+1 412 288 9901  
margaret@bodymedia.com

Nico Macdonald  
Ascendant Partners, Ltd.  
2 Dryden Street  
London WC2E 9NA  
+44/0 20 7395 6000  
nico.macdonald@ascendant.co.uk

Christopher Pacione  
BodyMedia, Inc.  
4 Smithfield St, Suite 1200  
Pittsburgh, PA 15222 USA  
+1 412 288 9901  
chrisp@bodymedia.com

## ABSTRACT

This session is intended to stimulate discussion about the current trend of mergers and acquisitions that are changing the practice of Design, HCI, and technology based companies. A panel of influential leaders from the Design and HCI communities will be brought together to debate and discuss both the benefits and consequences of acquiring, being acquired and remaining independent. Half the panelists will represent mega e-powerhouses (companies that have been acquired or merged within the last 3 years) and half the panelists will represent smaller independent design and HCI companies.

## Keywords

acquisitions, design practice, design trends, HCI practice, mergers

## INTRODUCTION

Web design firms? Design Houses? E-consultancies? Interactive Services? Interactive Strategic Alliances? Architects for the new economy? Digital change management powerhouses? Experienced designers or Experience designers?

Not long ago (circa 1995), the thought that a Design or HCI company would be offered on the stock exchange for many times its revenue, was considered nothing more than improbable but today it's reality. In November of 1999, interactive services companies that had gone public were enjoying sky-high market caps. Razorfish had a market cap of \$3.1 billion; iXL valued at \$2.4 billion; and Scient was worth \$4.1 billion.[3]

The year 1997 started a waterfall of buyouts, mergers, and acquisitions, which changed the practice of design, HCI, and information technology companies. Some of the more notable, include Sapient's purchase of Studio Archetype for \$23 million, while Razorfish spent \$677 million to acquire i-Cube which itself had acquired Boston based design house t3.[2] The trend continued with Sapient's purchase of

Chicago based E-labs; Razorfish's purchase of European Spray Network; and the merger of Agency.com with Eagle River Interactive.[1] The list of smaller independent companies continues to decrease while the mega-multi-discipline one-stop e-commerce shops continue to grow at an extraordinarily rapid pace.

## DOES SIZE REALLY MATTER?

The big players will tell you that to be influential you have to be big. In fact, to survive at all in this competitive environment you have no alternative but to go BIG and that includes going global—with acquisitions on both sides of the Atlantic and Pacific.

The large systems companies will tell you that clients have stopped questioning whether "strategic internet services companies" are legitimate they just know they "need them". [2] You might also hear that there is no room for small players that can't offer one-stop shops in the world of big time corporate development.

The smaller independent players might tell you that this corporate "suit-and-tie" takeover is a passing, albeit dangerous, trend. You might also hear that many of their clientele come to them because they are dissatisfied with the service of the mega-web companies. [3]

Yet another opinion might include the belief that once the technology playing field is finally even, things just might return to "good ole boutique design shop days." The promise of broadband could eliminate the need for tech-intensive mergers, allowing smaller independents to thrive.[2]

Is acquisition the new metric of a company's success or strategy? In a 1999 survey of design firms, almost half of the respondents stated they expected to either acquire or be acquired within the next year. Compared to the 1998 results where only one third of survey respondents shared that same expectation. [2]

## WHAT IS REALLY GOING ON?

Let's find out what is really going on from those who are trying to remain independent and those who have merged or been acquired.

What about the Clientele? Are they satisfied? A recent 1999 quiz of 400 Corporate Executives revealed that one in three had fired a firm because of poor work. [2].

What is happening to corporate culture? Can a specialized firm of 20 integrate with a company of 1,500?

What is happening to creativity? Can small firms afford the luxury of creativity when their competition is so strong? Can the mega-players still foster and hire creative talent?

Questions about creativity, clientele, culture, camaraderie, and the benefits and cost to the practice of HCI and Design will be explored during this session.

#### **PANEL MEMBERS**

Moderators:

**Margaret McCormack** – *BodyMedia, Inc.*

**Nico Macdonald** – *Ascendant Partners Limited, UK*

Panelists:

**Henry Bar-Levav** – *OvenDigital*

**Grace Colby** – *Independent (Former: ATG)*

**Harold Hambrose** – *Electronic Ink*

**Karen Mahony** – *Mahony Associates, UK*

**Clement Mok** – *Sapient (Former: Studio Archetype)*

**Rick E. Robinson** – *Sapient (Former: E-Lab)*

**Gitta Salomon** – *SWIM (Former: IDEO)*

**Terry Swack** – *Razorfish (Former: TS Design)*

**Gong Szeto** – *RareMedium (Former: io360)*

**Samantha Tripodi** – *Small Pond Studios (Former: Studio Archetype)*

#### **SESSION STRUCTURE**

Prior to the conference, moderators will conduct interviews with each of the panelists and panel themes will be developed further. The session will start with a brief statement from each panelist.

Panelist Briefings (40 minutes)

Moderator Question and Answers (40 minutes)

Questions from Audience (15 minutes)

#### **References:**

1. *Agency.com, Eagle River Merger To Form Largest Interactive Agency Consolidation*, August 1998. Available at <http://www.internetworld.com>
2. *Web Developers Combine to Build One-stop Shops*, September 1998. Available at <http://www.thestandard.com>
3. *Web Design Firms 1999 survey*, November 1999. Available at <http://www.internetworld.com>