

Preliminary European Survey Highlights

M&A Transactions and the Human Capital Key to Success

2008

In autumn 2008, Hewitt invited Human Resource executives from around the world to participate in our survey on “M&A Transactions and the Human Capital Key to Success.” This research study examines how global companies are managing to secure the value of acquisitions, with a specific focus on *human capital*.

In this paper we share some of the preliminary highlights from the first 28 survey respondents within the European region. Over the past two years, these companies engaged in over \$292 billion (USD) in total deal volume.

Companies challenged by human capital aspects of M&As

Over three-quarters of survey respondents indicated that they had not managed to meet or exceed “all” of the objectives in their M&A transactions. This finding is important because the full value of an M&A is only created if the objectives are achieved within a given time frame.

Our findings show that human capital issues are a major factor in M&As falling short of their objectives. Respondents have most of the tactical and transactional human capital deal issues under control. However, the less tangible, more complex human capital issues are causing deals to take longer than expected to execute and to fall short of meeting or exceeding desired objectives.

Top Contributing Factors to Deals Not Meeting Goals

- Cultural integration
- Insufficient attention/priority to workforce/people issues
- Integration/implementation took longer than expected
- Insufficient/incorrect employee communications
- Insufficient resources to execute transaction

Factors Organisations Have Under Control

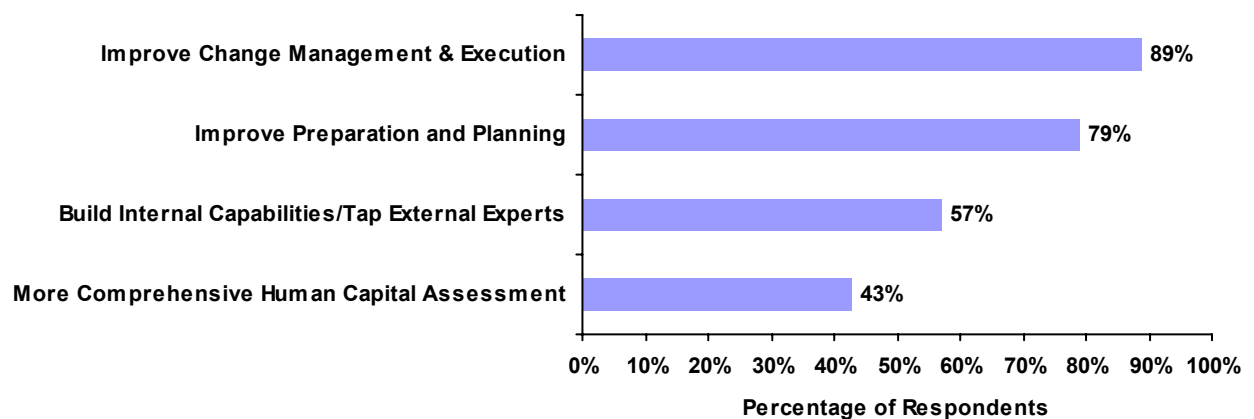
- Payroll integration/implementation issues
- HR operations integration/implementation issues
- Risks/liabilities identified during due diligence
- Compensation integration/implementation
- Staffing selection issues

If they are to address challenges such as cultural integration, lack of attention to people issues and insufficient/incorrect employee communications effectively, it is clear that companies engaging in M&As need to make a stronger connection between corporate objectives (e.g., increasing shareholder value), transaction objectives (e.g., realising growth and cost synergies), and HR contributions and measures.

Acknowledging the need for a stronger focus on human capital

Respondents understand that they need to increase their focus on human capital during future transactions. They express a desire to develop a disciplined M&A methodology and process and follow it to build internal capabilities, capture lessons from previous deals and support proactive and smooth integration. Companies acknowledge the need for a holistic approach to assessing human capital risk related to deals and they plan to integrate more systematic culture and talent/leadership assessments into their due diligence processes.

M&A Practices Most Likely to Change



Building capabilities

To make these changes, companies will need to devote more time to human capital issues in due diligence and integration. In the past, respondents have spent a median of 10% of management time during due diligence and 15% of management time during integration on human resource issues. Increasing these time investments will be the first step for companies in their journey toward building the capabilities to manage the human capital aspects of M&As effectively. It is these capabilities that are key to meeting deal objectives and maximising transaction value.

If you would like to know more about Hewitt's services in Corporate Transactions and Transformations, please contact:

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