Human capital and merger and acquisitions: how to integrate the global mobility and talent management function of differing cultures

In search of a new talent paradigm
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Introduction

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Today’s discussion

► EY study overview and the top five global talent management challenges
► The link between global mobility programs and talent management objectives
► Leading practices to enable talent management strategy
► Considerations for organizations growing globally
► Close and question and answer
# HR – the mergers and acquisitions (M&A) model

## Due diligence

### Risks, opportunities and strategies for creating value

- Assessing the formal and informal organization:
  - Structure and roles
  - Management processes
  - Culture
  - Human capital programs, processes and technology

## Integration/transition planning

### Creating the integration/transition strategy

- Strategy for executing post-close activity:
  - Integration planning
  - Organization design
  - Organization culture
  - Governance
  - Human capital alignment

## Post-close

### Flawless execution

- Implementing the post-close organization:
  - Integration management
  - Organization staffing
  - Cultural implementation
  - Change management and communication

## Ongoing or exit

### Realizing value from the investment

- Realizing full value upon exit:
  - Management of exit processes
  - Alignment of HC systems/processes
  - Transition to buyer/status as independent organization
  - Transition of HC systems

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**Assessing the leadership/management team(s):**

- Capabilities
- Competencies
- Cohesion
- Style
- Risk areas

**Strategy for securing the right leadership team:**

- Capabilities
- Operating dynamics
- Relationship with other stakeholders
- Networks and management routines

**See that the right leadership team is in place:**

- Management/leadership advisory services
- Team composition and dynamics
- Management of first 100 days; transition assistance for leadership team

**Leadership team transition upon exit:**

- Right leaders for exiting entity
- Transition plan for exit

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**Assessing the current mobility populations and demographics for each mobile employee:**

- Understanding business reasons for mobility
- Mapping out vendor relationships to support mobility

**Plan for global mobility:**

- Retention challenges
- Communication strategy to communicate change
- Alignment of gap between current mobility populations and what is required to align with overall business strategy

**Transition talent/leadership strategy:**

- Ongoing communication to facilitate change
- Repatriation if required for certain mobile employees
- Finalization of changes to legal and administrative documentation

**Alignment of mobility strategy with overall talent management strategy:**

- Harmonizing policies and practices
- Reassessing mobility strategy to align with newco business strategy

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**Desired outcome**

- Comprehensive understanding of human capital risks and opportunities
- Human capital impact on valuation

- Transition/integration strategy designed to enhance value
- Alignment of key human capital processes and leadership

- Key human capital and leadership issues addressed
- A focus on increasing value of entity

- Full realization of value and human capital impact of value creation
Challenge 1
Corporate workforces are becoming more global, but talent management is not keeping pace

Figure 1: What percentage of your organization’s workforce is based in a country other than where the corporate headquarters are located?

Note: Base = 596
Challenge 2
Companies struggle to invest strategically in talent management

Figure 5: How effective is your organization at the following aspects of performance and talent management?

- Adapting talent management policies to change in the business environment: 66% (High performers), 61% (Low performers)
- Investing adequately in talent management to meet organization’s financial targets: 45% (High performers), 36% (Low performers)
- Understanding clearly the relationship between employee performance and company performance (e.g., revenue growth): 60% (High performers), 51% (Low performers)

Note: Base 297 (high performers – 154, low performers – 143)
Challenge 3
Measuring the effectiveness of talent management remains a challenge

Figure 6: Which of the following metrics do you consider to be the most important determinants of an effective talent management program?

- Employee satisfaction: High performers 53%, Low performers 36%
- Retention rates: High performers 45%, Low performers 42%
- External reputation of organization as an employer: High performers 40%, Low performers 36%
- Employee productivity: High performers 38%, Low performers 41%
- Level of cross-functional collaboration: High performers 34%, Low performers 40%
- Diversity of management team: High performers 25%, Low performers 26%
- Extent of skills gaps: High performers 18%, Low performers 26%

Note: Base 297 (high performers – 154, low performers – 143)
Challenge 4
The skills and competencies required by future business leaders are changing

Figure 7: What do you consider to be the most important attributes for potential C-level leaders of your organization?

- Can lead effectively in an international business environment: 37% (47% high performers, 37% low performers)
- Can articulate and embody the values and culture of the organization: 37% (44% high performers, 37% low performers)
- Can command the respect of colleagues and reports: 38% (40% high performers, 37% low performers)
- Can engage effectively with multiple internal and external stakeholders: 33% (37% high performers, 37% low performers)
- Decisiveness: 27% (33% high performers, 33% low performers)
- Can strike the right balance between risk-taking and caution: 32% (36% high performers, 36% low performers)
- Has industry experience: 30% (32% high performers, 32% low performers)
- Has strong grasp of financials: 21% (27% high performers, 27% low performers)
- Is a good risk manager: 12% (13% high performers, 13% low performers)

Note: Base 297 (high performers – 154, low performers – 143)
Challenge 5
Companies lack robust succession plans to identify the next generation of leaders

Figure 8: To what extent do you agree that your organization has the following aspects of leadership development in place?

- **Current crop of leaders with the right attributes and experience**: 78% (High performers) vs 70% (Low performers)
- **A strong pipeline of future leadership talent**: 54% (High performers) vs 43% (Low performers)
- **Robust succession plans for key leadership roles**: 48% (High performers) vs 33% (Low performers)
- **Future leaders with sufficiently diverse experience and backgrounds**: 45% (High performers) vs 36% (Low performers)
- **A clear set of qualification metrics for leadership candidates**: 43% (High performers) vs 38% (Low performers)

Note: Base 297 (high performers – 154, low performers – 143)
The link between global mobility and talent management

Potential benefit drivers and measures

Pre-assignment
- Attracting talent
  Measure: attractiveness of programme on the labour market. Expenditure against peer group
- Maintain talent
  Measure: staff retention against internal and external peer group
- Knowledge transfer
  Measure: handover period
- Performance
  Measure: impact of placement on revenue, sales or cost reduction
- Global network
  Measure: new projects initiated, long-term benefits
- Knowledge transfer
  Measure: handover rate to local resource, subsequent performance
- Maintain talent
  Measure: retention rate against peer group
- Best practice
  Measure: increase in country working against peer group
- Future leaders
  Measure: career path against peer group, outside hires at top level

On assignment
- Relocation
  Measure: relocation costs
- Knowledge transfer
  Measure: knowledge transfer during handover period
- Staff costs
  Measure: staff salary, bonuses, benefits and subsistence against local peer group
- Maintain talent
  Measure: staff retention of local staff following placement against peer group
- Admin. costs
  Measure: tax and other support costs against local peer group
- Relocation
  Measure: relocation costs

Post-assignment
- Relocation
  Measure: relocation costs
- Knowledge transfer
  Measure: handover rate to local resource, subsequent performance
- Maintain talent
  Measure: retention rate against peer group
- Staff costs
  Measure: staff salary, bonuses, benefits and subsistence against local peer group
- Admin. costs
  Measure: tax and other support costs against local peer group
- Relocation
  Measure: relocation costs

Potential cost drivers and measures

Indirect costs: costs incurred due to unintended harm, such as:
- Disruption of normal services at placement site due to handover
- Loss of local talent due to restriction in advancement opportunities
- Loss of talent due to no suitable role being available on return

Direct costs: financial expenditure directly related to the placement, including:
- Relocation costs
- Staff salary, benefits and subsistence
- Administration costs

Costs
- Indirect costs
- Direct costs

Benefits
- Financial benefits
- Non-financial benefits

Financial benefits: benefits that are directly linked to financial performance, such as:
- Improved performance at placement sites during and after placement
- Improved global performance through global collaboration and best practise

Non-financial benefits: benefits giving a competitive advantage, such as:
- Ability to attract and maintain talent
- Ability to build future global leaders within the organization
M&A
Global mobility and talent management considerations and lessons learned

► Mobility risk, policies and process evaluation should start at the *due diligence* phase.

► Potential financial and brand reputational risks due to lack of controls and processes can be compounded as part of a merger and an unidentified cost in due diligence phase.

► Bearing point

► Mobility needs to have a seat at the table; therefore, it is critical that the value proposition is articulated to the various M&A stakeholders *before* a deal is considered.
M&A
Global mobility and talent management considerations and lessons learned

► Mobility program vision/charter can enhance the overall talent management strategy, and M&A activities can provide a perfect opportunity to revisit effectiveness of program characteristics as well as elevate the value of the program to the company.

► Be mindful of global executive talent before and after acquisition as planful repatriation or redeployment may be able to minimize costly severance amounts and unplanned attrition.

► Mobility populations have added complexities as part of a merger, including social security, immigration, contract and repatriation clauses that need to be reviewed, and risks that need to be addressed.
The Volkswagen story
How EY Human Capital aligns talent management and mobility with client demands

Client demands
- Home country language support in host country
- Support for assignees during filing season
- Flexible solutions (location, timing)
- Tax professionals with international competence
- Centrally coordinated service with global reach-through

EY Human Capital
- Multinational teams with language capabilities
- Global teaming regarding peak seasons
- Opportunities for employee development
- Intercultural experience and competence
- Attraction of potential talents
- Knowledge transfer to foreign offices and vice versa

Results in ...

EY’s internal assignment program
EY talent management

Develop and retain talents:
► Performance management process and tool
► Counseling process
► Coaching and training
► Opportunities to develop
► International assignment programs

The right person, with the right skills, in the right job, in the right market, doing the right things, adds significant value to the business and individual.
Our point of view

► Integrating client demands into EY’s talent management and mobility
► Growing business by offering new opportunities through growth of teams and needs for international assignments
► Increasing numbers of EY assignments, leading to more experienced employees (international competency in differing cultures, social and cultural skills, language capabilities)
► Increasing numbers of professional examina
► Creating opportunities for future leaders
► Linking of global mobility programs with talent management objectives
Final thoughts and leading practices
Considerations for growing globally

► Organic growth:
  ► Rethink approaches to international mobility and reintegration
  ► Create the right blend between global and local talent management
  ► Use analytics to identify gaps and gain understanding of workforce behavior

► Development of new brands and offerings:
  ► Leverage assignments for knowledge transfer
Final thoughts and leading practices
Considerations for growing globally

► Acquisitions and divestiture considerations:
  ► Consider assignment costs and benefits at every stage of transaction

► Return on investment factors (evaluation of whether to deploy (GM), frequent flyer, source locally or buy/outsource):
  ► Align with business strategy
  ► Optimize spending on global talent
Panel discussion and questions