



# People Advisory Services Global Capital Confidence Barometer



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## Talent is a top driver for mergers and acquisitions (M&A) strategies.

Global appetite for M&A shows no sign of waning according to the 18th EY *Global Capital Confidence Barometer* (CCB), a biannual survey of more than 2,500 executives across 43 countries.

**67%**

cite **talent acquisition** as a strategic driver for mergers or acquisitions.

**55%**

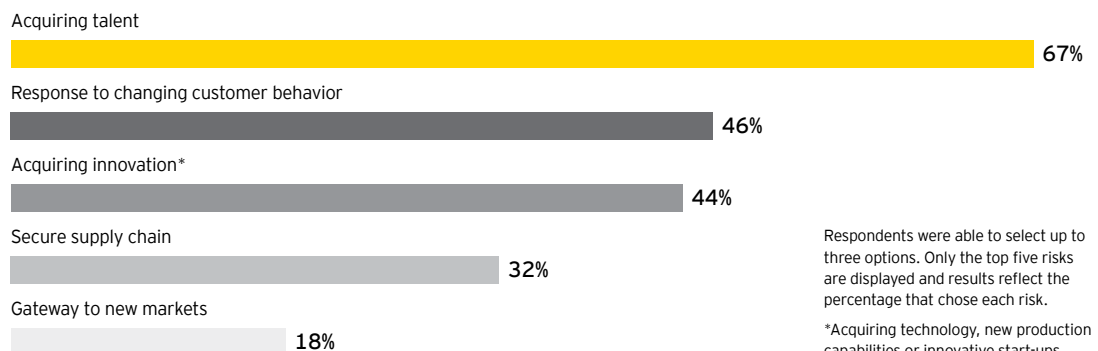
say they are struggling to hire people with the **right skillset**.

**34%**

are **challenged to reskill their existing workforce** to better respond to technology changes.

This year, however, a new driving force is pulling to the forefront: Talent. Two-thirds of survey respondents cited talent acquisition as a strategic driver for a merger or acquisition.

### Q What are your main strategic drivers for pursuing acquisitions?



Despite fears of robots replacing humans in the workplace, people continue to remain a vital component of every organization's success. In fact, it is estimated that 70-90% of mergers and acquisitions fail.<sup>1</sup> This lack of success is attributed to leadership, people and cultural issues. As portfolios and business models become more agile and diverse in their responses to business and technology change, the practice of putting the right leaders and people with the right capabilities in the right place for the right cost, is becoming correspondingly complex. And the pace of change is so fast that businesses must anticipate the organization, leadership and workforce changes, otherwise a major performance gap will emerge.

Many organizations' first response to talent gaps is to recruit the talent and/or skills they think they need; hiring contractors, building up a core contingent worker base or managed services capability, or other non-traditional forms of labor supply. Yet each of these options presents its own challenges and the data suggests that recruitment is not the underlying issue. According to this year's *Capital Confidence Barometer* survey 66% of respondents are still determining how best to use contingent workers while retaining the organization's corporate culture; 55% say they are struggling to hire people with the right skillset; 34% are challenged to reskill their existing workforce to better respond to technology changes.

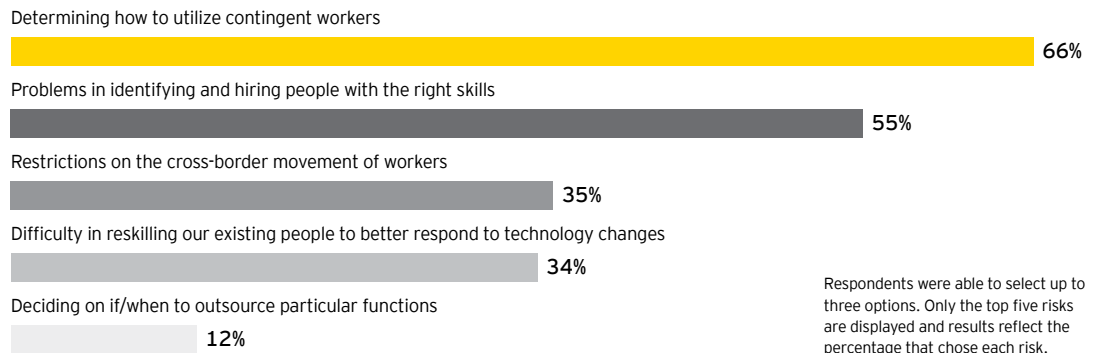
In a merger or acquisition, organizations need to fundamentally change their perspective on talent planning. Companies should look at a transaction as a one-time opportunity to secure the best talent from a competitor – in a way that is not feasible in a business-as-usual environment. Companies should

1. Martin, R.L. (2016), "M&A: The one thing you need to get right," *Harvard Business Review*

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invest the time in **leadership and talent discovery** to really understand the capabilities of the leaders and key talent in the workforce. And then focus on how to **build their leadership and key talent bench strength**. While companies will have to pick certain leaders for certain roles, the key take-away will be understanding the succession plan behind those leaders and critical workforces. Organizations that invest the time to conduct this leadership/talent discovery and planning will be able to communicate a clearer career path for critical people. In turn, this talent will be much more likely to stay and serve the combined organization.

### Q Which of the following workforce issues is your organization encountering?



In practice, the challenge lies in the fact that the people with the most needed “right” skills might be unknown, undiscovered or sitting in the “wrong” places – this is referred to as the “talent-to-market gap” and closing it requires a three-pronged approach:

### 1. Map

Organization and Talent Planning allows you to map the financial and structural objectives of the transaction around the enterprise operating model, organization design and talent planning by way of data-driven insights. Understanding where duplication might exist, what roles and jobs can be handled through automation and AI and building and maintaining the right organization design will be critical. Further, analyzing the talent to key market alignment gives a clear understanding of where you play and where the market opportunities are. In addition to approaching planning in a more strategic and holistic way, this helps teams to establish the systems required to engage and retain critical leaders and talent populations as well as support a robust talent pipeline for the future.

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### 2. Move

There are two components to movement: mobility and the creation of a flexible, permanently transient contingent workforce of experts and professionals to work on a project or “gig” basis as required.

It has been argued that if the average pharmaceutical company increased its talent-to-market alignment by just 10%, it could see an estimated \$77m in additional profits, a trend seen across most sectors and geographies.<sup>2</sup> Many companies spend a lot of time on **how** they should operate but much less time on **where** they should operate geographically based on customer and talent considerations. Numerous tools currently exist to make talent mobility as risk-free, seamless and user friendly as possible, whether in the course of relocation as part of assignment or business traveler programs. As such, confirming the talent-to-market alignment should be part of every merger, transaction or change strategy. Used effectively as part of a differentiating talent strategy, this approach can drive commitments to talent in current locations, relocations of talent to better locations and selection of new locations where you can attract the right talent to come to you to drive your business forward.

Transactions must evaluate the total workforce from employees to contractors. In designing an organization’s operating model, key decisions around what work should be done by employees or “gig” workers must be carefully analyzed based on business strategy and value. The key consideration for making full use of “giggers” is to focus on ensuring they feel a part of the team: 65% of contingent workers say they would work differently if they were permanent employees, and 25% say they would

2. EY, *Right people, wrong place?*, 2017, [http://www.ey.com/Publication/vwLUAssets/ey-right-people-wrong-place/\\$FILE/ey-right-people-wrong-place.pdf](http://www.ey.com/Publication/vwLUAssets/ey-right-people-wrong-place/$FILE/ey-right-people-wrong-place.pdf)

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go the extra mile if they were permanent.<sup>3</sup> Importantly, this needs to be done without demotivating any other part of the organization's workforce or compromising its culture, and this applies to a workforce being taken on as part of a merger or acquisition as well, so as to balance existing talent requirements whilst not losing the very talent that is being acquired. Improving governance practices, assigning responsibility for the contingent or new workers, and bringing them together under a unifying purpose and culture are important operational factors that will underpin the successful emergence of an integrated workforce.

### 3. Transform

In a business-as-usual environment, driving transformation can be difficult since an organization needs to create the urgency and the impetus to change. However in a transaction, the urgency and impetus to change already exists, so organizations that can capitalize on the momentum of a transaction to drive business transformation will outpace their competition. Implementing operational and cultural practices allows acquired, reorganized and relocated workers to thrive in their new environment to create competitive advantage. Tools exist to understand formal and informal organizational networks and to bridge everything from [cooperating across remote locations](#) to [analyzing team mood](#) in order to bring the blended workforce together as part of a successful change program. This real-time analysis allows for strategic planning with day to day strategy tweaks where required to ensure that the milestones are set and met to achieve an overarching successful merger, acquisition or change.

**Organizations should remember the need to constantly develop, retrain and upskill their existing workforce to be able to take on the 70% of evolving jobs that do not yet exist but will find their way into the working world as we enter the year 2030.**

Finally, organizations are introducing automation which includes artificial intelligence and other new technologies as part of transforming while transacting. Organizations should also understand the need to constantly develop, retrain and upskill their existing workforce. This will enable them to take on the 70% of evolving jobs that do not yet exist but will find their way into the working world as we enter the year 2030. Leadership and workforce capabilities will matter more in the near future as the way we work drastically and rapidly changes. This depth and breadth of change will demand companies to incorporate continuous learning programs to meet the new work demands of the business. People not only need to embrace their human skills at work, they need digital, technical, management, cultural and compliance skills to adapt to the new work environment – representing a multi-billion dollar market need/opportunity across all industries. In transactions, organizations have a unique opportunity to create a differentiated people strategy to invest in a complex, fast changing future of the business. The organizations that seize this opportunity to create a strong people advantage now create a competitive market advantage that promises sustained success. Those who do not will not only miss their transaction objectives but also the broader market opportunities as the scale and pace of change will make it difficult to course-correct easily.

3. EY, *What happens when a job for life becomes a job for a day?*, 2016, [https://www.ey.com/Publication/vwLUAssets/EY\\_Gig\\_economy\\_brochure/\\$FILE/gig-economy-brochure.pdf](https://www.ey.com/Publication/vwLUAssets/EY_Gig_economy_brochure/$FILE/gig-economy-brochure.pdf)

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As the world continues to be impacted by globalization, demographics, technology, innovation and regulation, organizations are under pressure to adapt quickly and build agile people cultures that respond to these disruptive forces. EY People Advisory Services believes a better working world is helping our clients harness their people agenda – the right people, with the right capabilities, in the right place, for the right cost, doing the right things.

We work globally and collaborate to bring you professional teams to address complex issues relating to organization transformation, end-to-end employee lifecycles, effective talent deployment and mobility, gaining value from evolving and virtual workforces, and the changing role of HR in support of business strategy. Our EY professionals ask better questions and work with clients to create holistic, innovative answers that deliver quality results.