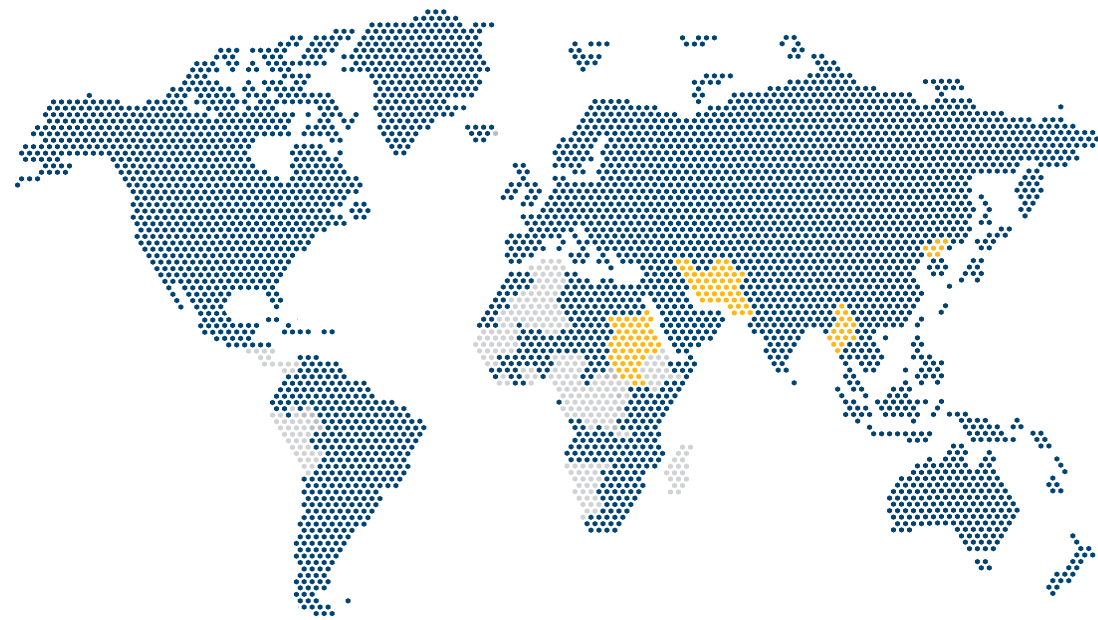


# Addressing Human Capital Challenges in M&A: The Total Rewards Perspective 2017

**Study Objectives:** Gain insights into **1.** how organizations are prioritizing efforts in transactions, **2.** greatest talent-related challenges faced, **3.** which reward programs are being leveraged, and **4.** which approaches are proving effective in meeting those challenges

## Strategic Advisory Practice Overview



■ Aon Owned Network ■ Aon Affiliated Network ■ No Aon Network

## Study Participant Highlights

### DEMOGRAPHIC HIGHLIGHTS



100  
participants

(60% of organizations had over 20,000 ees)



14  
Industries represented

(M&A activity focused in North America and Eurozone)

### SURVEY PARTICIPANTS LIST

Abbott Laboratories	Daiichi Sankyo	Nabors Industries
Agilent Technologies	Deere & Company	National Oilwell Varco
Amdocs	Deluxe	Nationwide
American Axle	Dominion Resources	Newell Brands
American Electric Power Company	Duke Energy	Newmont Mining
American Greetings	Energy Transfer Partners	Nuance Communications
AmerisourceBergen	Entergy	PepsiCo
Analog	General Dynamics	Perrigo
Aon	General Electric	Phillips 66
Applied Materials	Harris Trust & Savings Bank	Pitney Bowes
AT&T	Hartford	Pratt & Whitney
Baker Hughes	Herman Miller	Principal Financial Group
Becton, Dickinson and Company	Hoover Group Inc.	Procter & Gamble
Berkshire Hathaway	Hormel	Robert Bosch
Boeing	Ingram Micro	Rockwell Automation
Boston Scientific	Ingredion Incorporated	Rockwell Collins
Campbell Soup	Inteva Products	Schlumberger
Cardinal Health	Kennametal	Sears Hometown & Outlet Stores
Catalent Pharma Solutions	KEYCORP	Sentara Healthcare
CenturyLink	Kindred Healthcare	Sitel Worldwide
Charter Communications	Kohler	Superior Propane
CHRISTUS Health	Kroger	SYNNEX Corporation
Cisco Systems	Leidos	TD Bank, N.A.
Citi	MasterCard International	United Parcel Service
Coach	McKesson	UPMC
Colfax Corporation	Merck & Company	3M Company
Commscope	MetLife	
	Microsoft	
	MiTek Industries	
	Mondelez International	
	Motorola Solutions	

## Summary of Insights

- **Top post-signing HR priorities** include maintaining productivity, retaining top (best) talent, and identifying cost savings
- **Top HR M&A challenges** include managing competing priorities, achieving synergy targets timely, and implementing new/changed total rewards programs
- **Common understanding & effective communication** of total rewards strategy is a critical success factor in integrations
- Organizations adopt a **range of total rewards harmonization approaches**, preferring to integrate to a single platform, as quickly as is possible
- Targeted total rewards programs (**severance & retention**) are leveraged by successful companies, along with effective communication & change management tools



25+

years of mergers and acquisitions experience



200+

deals a year



200+

dedicated professional world-wide



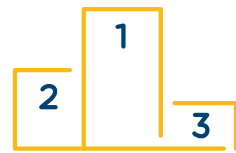
1,000

due diligence projects conducts each year

# Addressing Human Capital Challenges in M&A: The Total Rewards Perspective 2017

## Key Insights from Study

### Top Priorities & Concerns



#### Post-Signing Priorities

1. Maintaining productivity or minimizing disruption to current work
2. Retaining top (BEST) talent
3. Identifying cost savings



#### Top Workforce Concerns

1. Job security
2. Pay & benefits
3. Career opportunities & development

### Top M&A Challenges



#### Challenges in M&A

1. Managing competing priorities with day-to-day responsibilities
2. Achieving synergy targets within timeframes
3. Implementing new/changed total rewards programs

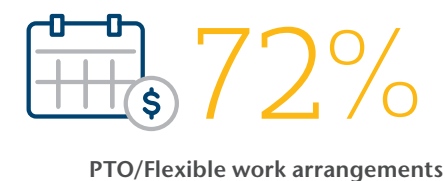
#### Underprepared Managers

Only **61%** of respondents believed their people managers were prepared to address questions during deals

### Total Rewards Strategy

Millennials are taking a broader view of reward elements

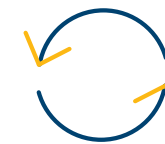
#### Key Total Rewards Strategy Elements



### Total Rewards Harmonization



Many organizations (41%) look to integrate total rewards over time as the business integrates...others (40%) proceed country by country



Majority of organizations look to integrate 12-months post-close

Integrate by 6 months (25%)  
Integrate by 12 months (53%)

Companies that approached harmonization country by country were able to achieve harmonization faster (71% within 0-6 months)

### Total Rewards Approaches

#### Severance Programs

Most provide a market competitive severance, even if greater than statutory requirements

Significant number of companies use an ad-hoc approach

#### Retention Programs

##### EFFECTIVE MECHANISMS

A multi-pronged approach to retention is encouraged

Personal Communications, and identification for higher role/hi-potential performers are considered effective beyond retention packages

##### SELECTION CRITERIA

Business Need Necessity, Key Roles, and Senior Manager/Manager Recommendations are top criteria for program participation

Principles of equity & fairness, and market competitive are critical in severance design