



VALUING YOUR HUMAN CAPITAL: A NECESSITY FOR MERGERS & ACQUISITIONS

The Global Banking Industry is witnessing dynamic enormous consolidation. To consolidate, either through mergers or acquisitions means putting a value on your people, this is the sole greatest asset of any viable banking system that will survive the 21st century. The new economy is often called the knowledge economy. Emerging from an industrial age, **this new economy distinguishes itself by a large amount of the value of the company residing in the head of the employee** instead of in the tangible assets of the company. It is not enough therefore to estimate the worth of any bank in terms of only the IT, branch network and deposits liability in order to ascertain the bank's candidature for either a merger or an acquisition. The compatibility of people and work culture is also of enormous importance if not of greatest importance, because it is people who work on the IT, to drive the process that makes an organization successful or unsuccessful.

Another illustration of the intrinsic value of intangible and human capital is the historical evolution of the ratio of the S&P 500 between the market value and the book value. The ratio of book value to market value was approximately 1 in the early 1980s. In 2000 it had risen to about 6; meaning it increased 6 times in the last 20 years. Among those companies, current employees are now perceived as a key element, along with the ability to attract and retain talent.

The human intellectual asset like many physical assets is hard to value. An insurance company will value your hand if you lose it, but how much is it really worth to you? To value your people therefore is to measure the worth of your training and development investment that has gone into shaping them.

The various models available to value human assets of corporations are only approximate and not supposed to be a true science. However, it is not the absolute value of human capital that is critical; but more of its significance as an indicator of the importance that management should pay to it. Employees have moved from being a cost to be seen only on the income statement but more in the balance sheet as an asset or a capital

Once I am confident that I have the right people on the right job plus the right skills and right knowledge upon the right attitudes; then I have a competent workforce with necessary prerequisite to take the company to the next level. Organization can ascertain these various values by engaging the services of human capital consultants.

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