



mlh global hr consulting
improving business through people

Mergers and Acquisitions

People, Culture, Organisation

mlh global hr consulting offers in depth experience and expertise in the merger and acquisition area, ranging from the strategic to the operational, the small to the very large, covering Mergers, Acquisitions, JVs and Start Ups.

- HR and Cultural Due Diligence – identification of risks, liabilities and opportunities associated with the deal or new ownership, including cultural alignment
- Management Due Diligence – identification of leadership capability/bench strength (key to evaluating the need to replace or strengthen the leadership team post acquisition)
- Transaction support – offering significant savings in transaction support through the use of imaginative, context specific, solutions around key acquisition issues – retention, compensation expectation management, integration plans.
- Integration Planning – designing the integration programme, project leadership, understanding and anticipating the cultural challenges
- Integration activities - organisation design, appointments, terms and conditions, cultural integration etc
- Leadership preparation, support and mentoring
- Culture mapping – getting the cultural side right is critical to merger success but is often overlooked in the rush towards completion and integration
- Ensuring Value Retention – maximising the benefits to be derived from a full understanding of the people, cultural and organisation side of business, transactions and change
- Post merger review

Commentary

Literature and research supports the fact that getting the people side right is critical to a successful Mergers and Acquisitions. This is undoubtedly true. Over 80 percent of mergers fail to achieve projected financial, strategic, and operational synergies (Marks and Mirvis 2001). To do it right, you must compare the cultures of the organisations, carefully plan their integration, communicate relentlessly, build trust, be imaginative and flexible

It is also true that getting the people, culture and organisation side 'right' can not only increase your chances of success but also offer savings in terms of the cost of transaction and substantially contribute to value retention (or reduce value loss) of the overall acquisition.

Yet it is an area that is frequently overlooked or covered by people who are not HR experts who therefore may be able to undertake the investigation and analysis of information but miss the opportunities that can be identified during this process. Opportunities that can impact on the success of the deal itself, or its successful implementation. In addition for many organisations M&A activities are infrequent thus preventing the development of deep in-house expertise; this, coupled with the need to cover the huge surge in workload, means there are significant benefits in partnering with external experts.

People and Culture

Early, consistent focus on the people and cultural side pays dividends both in terms of increasing the chances of a successful transaction but also in terms of securing and retaining value.

"By some estimates, 85 percent of failed acquisitions are attributable to mismanagement of cultural issues." INDUSTRIAL MANAGEMENT

"In acquisitions that do fulfill their promise -- that really make two and two equal five -- leaders paid a great deal of attention to the integration process and, not surprisingly, involved people at all levels of the process." ACADEMY OF MANAGEMENT

"Only 17% of all mergers added value to the combined company, while as many as 53% actually destroyed shareholder value. Language and culture appear to be the biggest barriers to a successful completion of the deal." KPMG

" Cultural integration is ignored in the majority of business combinations. This is a major reason why 60 percent to 80 percent of all business combinations undergo a slow, painful demise."
JOURNAL OF PROPERTY MANAGEMENT

Examples would include:

- Strong employer brand reputation can lead to increased attractiveness as a buyer meaning that price does not become the only determinant of deal success
- Understanding of the cultural differences and preferences at the outset allows the development of more effective strategies for communication, engagement and integration
- Increased retention of key talent and faster induction and reduced time to effectiveness

Costs of transaction

Significant savings in transaction costs can be made through the use of imaginative, context specific, solutions around key acquisition issues – retention, compensation expectation management, integration plans. A key aspect of this is understanding the acquisition intent (strategy) and approaching the people and organisation side with a deep appreciation of 'what works where'. Examples would include:

- Highly effective alternatives to traditional retention bonuses (which can be very costly)
- Specific tailored incentive programmes linked to deal success, value retention, business performance
- Leadership preparation for managing integration and post integration – ensuring they have the mindset and options to avoid unnecessary on-costs, retain key talent, engage and motivate the people
- Light touch suggestions of what to say regarding people and how to say it during the negotiations

Value Retention

There are clear benefits to be derived from a full understanding of the people and organisation side of business, transactions and change. Whilst many of these might not kick in until after the acquisition, setting the base up front will add benefit later. We work with both the acquirer and the acquiree to support them in the leadership of these elements and the delivery/achievement of key objectives related to value retention. Examples would include:

- Retention of key individuals during and following the transaction
- With a large company acquisition of a small company – preparing both sides to manage and derive benefit and satisfaction from the post acquisition relationship
- Support of the leader/owner (plus team where relevant) during the integration phase so that they are able to give leadership to their people and understand the new 'corporate rules'. This enhances retention and reduces transaction costs.

A Strong Track Record

The mlh team have a strong track record in the people, culture and organisation side of M&As, JVs and Start Ups:

- Biotech JV in San Diego, California; Biotech acquisition in the UK; Research start up in India
- Design and leadership of a large UK post merger integration programme (3,700 people) which included a total redesign of compensation and benefits, organisation and ways of working etc
- Leadership of the people, culture and organization side of a US\$400 acquisition covering US and Europe – including post acquisition integration
- Leadership of the global and local appointments strategy and process for a major merger. Accountable for appointments to the top 700 positions (out of 23,000) and the design and overview of the local process
- Pre and post merger HR leadership and support to the Syngenta merger (over 20,000 people) including the pre-merger diligence, policy development, integration and transfer of 150 people from the UK to Switzerland)

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a global business focused Human Resources consulting company with expertise in added value HR including mergers & acquisitions, business transformation, organization design, executive coaching, talent management, recruitment and recruitment effectiveness, capability development, change leadership and HR function transformation. We partner with leaders and their teams to improve business performance, achieve growth, transformation and sustained change. We enable you to mobilise and align the skills, creativity and motivation of your people. We help deliver the organisation and people elements of your business success.