

Mergers and Acquisitions: the HR contribution

This extract identifies the shares some of the key steps in any M&A activity, drawing attention to the potential HR role. It is not exhaustive but does show just how important and varied this role can, and needs to be, if success is to be assured.

Phases in an acquisition:

Scouting and opportunity identification

- ◆ HR people, as with all people can feed ideas and suggestions into the M&A team

Opportunity evaluation

- ◆ Minimal HR involvement usually limited to advising on people related aspect of value retention and deal structure (including incentivisation and retention)

Due Diligence

- ◆ HR play a role in Due Diligence to assess liabilities and assets of the company
- ◆ Detailed review of all company policies, contractual obligations and HR related liabilities
- ◆ Using a checklist a report is produced which is used to evaluate the value for the bid phase

Bid

- ◆ HR involvement includes evaluation of risks and liabilities, feasibility of retaining key talent, ideas on how to 'lock in' key talent as part of the bid

Negotiation

- ◆ HR involvement in the actual negotiation would include discussions around post purchase arrangements for staff which often increase the willingness of the company to sell to you (useful in a competitive bidding session)
- ◆ During this phase HR would be expected to evaluate disclosure documents and elements of the transaction agreement

Agreement

- ◆ Between agreement and close (delay will depend on regulatory authorities) HR plays a role in sanctioning any people related liabilities the yet acquired company might seek to take on including pay increases, bonuses etc
- ◆ Lead HR planning process for all people related matters including appointments (philosophy and process) and proposal for integration (absorption, preservation etc)

Close

- ◆ HR is not involved in signing the deal so rarely required to be present at the close

Integration

- ◆ HR plays a pivotal role during the integration phase and has three main activities
 - ◆ Supporting the line in their integration activities [organisation design, appointments, retention, communication]
 - ◆ Organising and integrating itself
 - ◆ And assuming these elements are to be integrated: integrating the new company into the payroll, benefit plans, HR policies etc. Or setting up new arrangements
 - ◆ Communication to all employees

Post acquisition learning

- ◆ HR frequently leads this process

Most M&A literature states people and cultural challenges as the main source of failure – thus HR has a key role to play in ensuring success