

M & A Integration Advisor

Strategy Partners

Retaining Key People

Bringing about a successful acquisition is not easy. It is difficult to integrate two organizations to form a new entity that meets your organization's financial and strategic goals. This can be especially true if appropriate attention is not given to the retention of employees in the new entity.

When a company is undergoing an acquisition, the employees' thoughts turn inward and they lose the ability to focus on their jobs and the customers. "I, Inc." becomes the most important issue. The focus turns to personal issues of security, feeling included, decision making, and the need to be recognized.

Security

Job security becomes a very basic issue at all levels of the organization. It is important to address the need for job security early in the announcement process, the same day if possible. Key people must realize that they are important to the success of the new entity. They must be told in person and in private that they have an important role to play in the future success and as a result

they will be kept in the company.

In addition, those who are staying will want to know about their pay, benefits and potential for advancement. They should be told what is known, what information is still under review and when answers are expected to be communicated.

Sometimes stay bonuses can be offered to protect against the loss of key people until the chaos of the acquisition has subsided.

How a company handles those who are leaving is more important than how it handles those who stay.

The reason for this is that those who stay will notice the degree of fairness which those who left received. If they deem it to be fair then they will feel comfortable that they, too, will receive at least the same fair treatment. If those who left are deemed to have been treated unfairly, then the employees who stay will constantly be looking over their shoulder, and concerned about their future security. I strongly recommend that integrating companies announce a guaranteed time period that departing employees will be given to retrain and search for other employ-

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A Successful Integration Plan Requires (in ranked order):

- Retention of Key Talent
- Honest Communication
- Integration of Cultures
- Management of Resistance

Upcoming In Future Issues:

- Integration begins with Due Diligence
- Integration Coaching Points
- Structure and Staffing Decisions
- Integration Monitoring Systems
- Key Questions for Process Re-design
- Key Integration Components: Essentials for Effective Integration

About Strategy Partners

Strategy Partners is a merger and acquisition consulting firm specializing in integration planning and implementation. Successful integration planning needs to begin as early as the Due Diligence phase. Working with your management team, we develop detailed implementation action plans. Our involvement during the implementation phase is tailored to the client's needs. We con-

duct follow-up meetings with the implementation team to monitor progress and make mid-course corrections. We also specialize as the "integration manager", executing a majority of the implementation action items. For more information, please contact us at 612-860-6984 or don@strategypartners.biz.





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Merger & Acquisition Integration Planning and Implementation

Retaining Key People(continued)

ment. This time period can be combined with an announced severance package. Employees will benefit from the notice period because it allows them to find a job while they still have a job. Stay bonuses are also effective when a department will be shut down. Those departing employees can maintain continuity of service to internal and external customers prior to the shut down date.

Feeling Included

People have a very basic need to feel that they are in on things. They want to know what is going on. To maintain the loyalty of employees during an integration, the company should keep them in the loop by involving them in key meetings and integration task forces.

Open communication is critical. Companies should hold frequent meetings to provide opportunities for employees to ask questions and get timely answers. Senior management should set specific open-door times each week to be available for employees to ask questions and receive updates.

Companies often forget to share information because no decisions have yet been made on a particular topic. But there is information about the process of the decision making, the alternatives being considered, the input needed from the employees. This information must be shared with the employees. As decisions are made always tell people the rationale behind the decision making process.

Decision Making

All employees have a need to make and influence decisions and they need latitude to make decisions without multiple approvals. Acquisitions often produce feelings of paralysis and fear of making a mistake in front of the new owners. A company can alleviate this by giving employees boundaries for decisions they can make, such as: "Decisions should be

based first on customer needs". The key is to clearly tell people what decisions senior management wants to be involved in, and let them make decisions and inform senior management later about everything else. If mistakes result, discuss them as learning opportunities, i.e., "what could have done differently?", "what should be done the next time?". As long as employees consider multiple alternatives and research the pros/cons of each alternative, they will more than likely make a better decision on most issues than senior management because they are closer to the situation!

Recognition

An employee's ego begins with the belief that he/she plays an important role in the success of the company. When a company is acquired, all of a sudden their ego identification with the company is disrupted. Providing ongoing recognition of achievements, pats on the back, and thank-yous can bolster an employee's ego identification with the new company. Hold formal recognition events and meetings. Include recognition comments at the beginning or end of team meetings. Give people something, i.e. lunch, awards. Tell people when they do something well. Use the element of surprise, unexpected recognition demonstrates a leader's interest and initiative.

In conclusion, when a company meets the security, involvement, decision making, and recognition needs of its employees, the employees see that the right thing to do is stay and commit themselves to making the integration successful. That makes it an win-win for everyone!