



M & A: the ultimate workforce change challenge



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February 2017

Times are changing

Research¹ conducted by Lee Hecht Harrison | Penna has revealed that UK businesses are struggling with unprecedented levels of business transformation, with almost all companies surveyed (94%) reporting significant workforce change in the last five years.

At arguably the most extreme end of this trend, merger and acquisition activity (M&A) accounted for a quarter of people-related change in businesses such as team restructures or redundancies. This type of disruption shows no sign of abating in the year ahead, with senior figures from the world of investment banking predicting that, while M&A activity is likely to be lower than we've seen in recent years, there is still "a reasonable degree of momentum" for deals with "a universe of well-capitalised trade and private equity buyers looking for quality assets" despite a backdrop of global economic and political uncertainty².

Given this environment and the uncertainty that M&A can create for employees, there is no better time for leaders to learn the lessons of many failed deals and realise the importance of successful talent integration. This is crucial to an organisation's financial sustainability and making a deal work in the long-term.

Great expectations

Despite the excitement and aspirations of achieving larger market share, driving greater innovation and enhancing revenue stream, which typically provide motivation for M&A, it has been reported that up to 90% of deals fail³. This is often due to an over-focus by senior leaders on the financial aspects of the deal, with a misguided disregard for integrating the workforces of the acquirer and acquired companies. Failure to get people on board when there are drastic changes ahead will stand in the way of leaders looking to capitalise upon the gains the deal was intended to provide in the first place.

Regardless of the specific details of any deal, the fact remains that organisations going through M&A need to maintain business as usual, and then continue to drive revenue as a combined entity. Achieving that without an engaged workforce is next to impossible.

So, why do we see organisations making the same mistake time and time again by forgetting to tap into the power of their people? This could quite simply be because there is no silver bullet.

¹ Lee Hecht Harrison | Penna 'Workforce Transformation Tracker'. Research conducted by Opinion in September 2016 among 1,000 managers in small and large companies in the UK.

² Robert Leitão, Head of global advisory, Rothschild & Co and Crispin Osbourne, Chairman of Corporate Finance EMEA at Barclays, "Views from the Top: The next 12 months in finance", *Financial News*, 4th January 2017.

³ "Why do up to 90% of Mergers and Acquisitions Fail?" *Europe Business Review*, 28th January 2015.

Positive mental attitude

Creating a new culture that is collaborative and efficient for the newly combined company requires a hefty time and financial investment from those at the top. We are conditioned to think rationally and put aside emotion when making business decisions, but that becomes nearly impossible when you are faced with making a call that will affect the livelihood of those you employ.

There is work to be done in changing the common mind-set surrounding the process of change. Our first response, even as seasoned professionals, is often panic, stress and fear, as we dread the hard work ahead of us in managing it. If we can shift this perception in ourselves towards optimism for the new opportunities that change will open up, it becomes far easier to communicate a positive vision to unsettled employees.

News of mergers is often quickly followed by a number of those expected to lose their job as a result. It becomes easy to forget that for far more people the news is positive and will lead to career progression: a promotion, a chance to learn new skills and learn from different colleagues or the opportunity to work in a different area of the business.

Whatever the circumstances and regardless of how immune to change they might appear, it is certain that every employee will need support through change, in order to reap the benefits personally and for the advantage of the organisation in achieving its objectives.

It is a common mistake to assume that it is only those at risk of redundancy who will need career advice and support, but what about the “survivors”? – those who are most engaged in the new world you’ve created likely to become your top performers and carry the business through choppy waters to the other side. You should see those people as the most important customers of the work transformation strategy you are selling, as they will be responsible for delivering your future vision. Proactively target them with communications and conversations and make sure those you see as integral to the masterplan know how important they are.

Mitigating risk

We recommend taking a proactive and pre-emptive strike to managing the people aspect of the deal. This approach is akin to taking out an insurance policy for the lead actors in a film production. Of course there are no guarantees, but the risk is mitigated by careful planning and positive action.

Practical advice

There are multiple reasons for getting the talent aspect of the M&A deal right, but what practical steps can business leaders take to ensuring that it is carried out correctly?

- **Don't wait for the dust to settle**

It is tempting to wait for calm to be restored before making too many changes in a new organisation. The intention is a good one – not wanting to make anyone feel unnecessary unsettled. However, a leisurely pace usually has the opposite effect, with the workforce being left to drift without clear purpose and still the uncertainty of knowing that change is coming down the line. Aim to complete your core organisational changes in the first quarter of the deal going through to avoid this inertia.

- **Follow the leader**

The need for speed is never more important than when it comes to selecting and announcing a new leader to act as the figurehead of everything you are trying to achieve as a new entity. Personal sensitivities and respect for loyalty, as well as HR and legal requirements are crucial to observe, but putting a face to the new organisation gives employees something to centre themselves around and model behaviour against.

- **Build a new culture**

Dealmakers often fall into the trap of thinking that the culture of the legacy organisation will naturally blend with the organisation it is acquiring. This is rarely the case. What is actually required is the purposeful design and implementation of a brand new culture for the new organisation – this is the only way to focus everyone on the future and escape the cries of “we used to do it this way”.

- **Facilitate relationship building**

Again, due to the complexities of human nature and the fact that new colleagues were once likely competitors, collaboration is unlikely to occur organically. Leaders need to create opportunities for people to get to know each other on neutral ground so neither side has the comfort of familiar surroundings. An engaging format that we've seen work well is a speed networking event to break the ice and build bridges.

- **Mission critical**

A vital part of a new culture and the basis for effective new working relationships is a shared vision underpinned by mutual goals. There is plenty of evidence that a key factor in employee engagement, particularly for the millennials and Generation Z, is meaningful work. Galvanise the workforce around a new combined revenue target or innovative project and you will succeed in avoiding the paralysis oftentimes caused by nostalgia and a lack of purpose.

- **Tangible signals for the new brand**

This new set of values is what provides the foundations for a new visual identity that you should quickly rollout so that people feel they are consistently part of a new entity. This can include changing email footers and business cards, or purchasing branded merchandise to use in the office. Internal communication of the brand can be overlooked when the focus is on the external launch of the brand to alert both customers and stakeholders, but your people are an equally important target audience for your marketing activity.

- **Put aside perfection**

Leaders are prone to strive for perfection in their very nature but you will not succeed in pleasing everyone when you shake things up. While you take time working out how to please everyone, the world around you inevitably changes. An organisational design that is only 80% right but launched quickly that could be perfected at a later date to meet market demand, is far better than one that is 100% perfect but never sees the light of day.

- **Preach to the converted**

It is often the discontented workers who shout the loudest and fight to be heard, so it is easy to experience a crisis of confidence when communicating to the whole workforce, but remember that group tends to be a minority. If you communicate often and consistently and reinforce your positive message, you serve to reassure those that are already behind you, as well as potentially convince those “sitting on the fence” that the future is indeed golden.

- **Celebrate the success stories**

With perpetual consolidation and change happening across each and every sector, it will be the agile employee that survives and thrives, regardless of seniority. Make a point of publicly celebrating those people who take initiative and pursue the new opportunities they are given to turn them into something brilliant. Recognition for individuals can provide motivation for the masses not just job satisfaction for those you cast a spotlight upon.

- **Personal vs. profit**

A strong challenge we get to putting the needs of people at the heart of the deal is that M&A activity is essentially financially motivated, so naturally turning change into profit should be paramount. But business success is not solely grounded in financial investment, a talented workforce is essential to creating value. It's been proven that engagement drives productivity, which in turn moves the cogs of performance. Lose sight of your workforce and failure is inevitable.

For more information on how we can support you and your people through M&A-related change, please contact us on 0207 036 8317 or email us at contact@lhhpenna.com

For more information,
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About LHH Penna

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When your business is changing, you need to support your people through it. Whether you're restructuring, changing your culture or developing your leaders, we'll help. We work with companies to simplify the challenges of workforce transformation. We do that by helping their people navigate change, become better leaders, develop their careers or find a new path in life. The results: a strong employer brand, less risk and better business performance.

Everyone's different. So are we

As the world's leading integrated talent development and career transition company, we've got both global scale and local knowledge; pioneering technology and experience consultants. But that's not the whole story. It's how we work that's different. We never think of companies or people as numbers on a spreadsheet. We treat everyone as unique, with their own aspirations, challenges and potential. That's the belief we live and work by. It's why 70% of our client have worked with us for more than five years. And why 97% of our clients would recommend us.