

January 25, 2018

## Planning a Merger? Don't Neglect HR!

By Kimberlie England

Mergers and acquisitions (M&As) are many things: they are exciting, glamorous, and often controversial; they can provide economies of scale and broaden market shares; they can increase capabilities and capacity; they can enhance bottom lines and expand global reach. Successful M&As are also a lot of work. To enhance financial results and minimize risk, companies should address human resource issues during the earliest stages of the M&A.

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To say HR policies and practices are complex is an understatement. With the Internal Revenue Code, ERISA, and the myriad of other federal and state regulations that govern all aspects of HR, the day-to-day operations are a challenge. Layer on the added complexity of a merger or acquisition, and the knowledge and skills needed to successfully integrate two often very different organizations frequently goes well beyond the expertise of the typical HR department. That's where Findley can help.

### Background

Our client, Company ABC, a midsized Midwest manufacturing company, was interested in acquiring a company that provided essential support services. The acquisition would add another 400 employees to ABC's population of approximately 600 workers. The business plan for this acquisition called for a sales approach where both organizations would visit potential customers together to present a new total system solution. From a people perspective, this meant that the two organizations needed

to integrate seamlessly. Furthermore, ABC wanted to use this opportunity to implement some of the best practices of each company to create a top-notch organization.

### Challenge

The HR side of mergers and acquisitions can be crucial to the success of the integrated company. By considering HR issues in the early stages of the process, ABC was able to:

- Increase the probability of retaining key people and competencies;
- Ensure benefit and retirement costs and savings were fully captured;
- Support its global footprint, languages, and compliance;
- Transition key HR processes, such as payroll and training, smoothly;
- Understand any cultural advantages and barriers arising from the acquisition.

### Solution

ABC asked Findley to evaluate the major HR functions of each company and provide recommendations on changes to support the integration. Our team evaluated health and group benefit plans and costs, pay and incentive plans, retirement plans, along with policies and culture issues to determine best practices for the combined organization.

To learn more about both companies, we reviewed benefit plan documents and records. We also interviewed key management personnel to clarify policy issues and practices and to evaluate cultural differences and communication issues. We presented our findings to ABC's management team, including the new vice president of the acquired service company.

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Clearly, communications would be important to the success of the transition. Changes, whether positive or negative, can affect employee morale and productivity. For many employees, whether employed by the target or the buyer, concerns about jobs, benefits, and career paths will be top of mind. The most effective way of managing those concerns and minimizing speculation and rumors is through early, open, and frequent communication. Findley developed a communication strategy that included employee meetings, printed communications, and a website designed to provide up-to-date information as new decisions were made.

## Results

The acquisition was completed within two months of presenting our findings. The company implemented some recommendations that required immediate action. For example, Findley supported ABC through the merging of retirement plans, including communications. Other recommendations from our report were integrated into ABC's long-term strategic plans. The transition communications—particularly the website—were successful. There were nearly 600 website hits, and employees posted over 25 questions during the weeks after the acquisition.

The hard work and combined efforts of ABC's HR group and Findley did not go unnoticed. We were all pleased by this compliment about the transition communications from ABC's executive director in Australia, "This is just first class. I applaud all who worked to put this together. Wow, this makes me proud of you guys!!!"

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