

# DELIVERING VALUE THROUGH MERGERS AND ACQUISITIONS

## HR'S CRITICAL ROLE

Mergers and acquisitions are a risky method of growth, with an estimated 70 – 90% of M&A not delivering the intended value. The consequences of failure are high and in many cases, failure can be traced back to people issues. After an initial pandemic-driven drop in M&A, the second half of 2020 saw a dramatic rebound which is set to continue in 2021 and beyond. The HR function has the opportunity to make a critical contribution, but capability is key.

A panel of leading academics and HR practitioners explored the topic at CRF's virtual masterclass 'Delivering Value Through Mergers and Acquisitions – HR's Critical Role' on 9 March 2020. The session outlined the need for HR to equip itself for an earlier and fuller participation in the M&A process, taking responsibility at the identification, due diligence, and integration phases.



**WATCH A FULL RECORDING OF THE EVENT HERE.**

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CORPORATE RESEARCH FORUM

#### AGENDA



##### **ECONOMIC CONTEXT**

Prof. Salvatore Cantale, IMD Business School

#### VIDEO TIME REF.

(1.44 – 30.39)



##### **OVERVIEW OF RESEARCH**

Prof. Salvatore Cantale and Carmen von Rohr

(30.39 – 1.19.17)



##### **PANEL DISCUSSION WITH HR PRACTITIONERS AND EXPERTS**

Prof. Salvatore Cantale; Daniel Cloke, Independent; Rob Garber, Thomson Reuters; George Goudriaan, ABN AMRO and Carmen von Rohr

(1.19.17 – 1.38.08)



##### **A LOOK FORWARD – TRENDS AND DEVELOPMENTS**

Emily Clark and Ian Hunter, Bird & Bird

(1.38.08 – 1.51.15)

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### ECONOMIC CONTEXT

While organisations assume that acquisition equates to growth, in reality often the summation of two companies reduces their value. Often the bidder is overpaying as part of an auction process, and the acquiree reaps the value increase.

2021 will bring with it a new wave of acquisitions. In response to a poll during the session, 73% of delegates said they expect an increase in M&A activity in their company or sector. Transactions will comprise tech-based, talent-based and consumer/business model-based.

HR should be contributing to M&A work from the target identification stage and scanning the market for workforce-related gaps and challenges. HR can support through use of Strategic Workforce Planning, contribution of market intelligence to preliminary target analysis, and ensuring that the transaction is realistically value-adding from a people perspective.

During Due Diligence, HR should be verifying and deepening talent and culture work using tools where possible. The focus should be on identifying key people and roles, assessing quality of leadership, appointing leadership, and assessing cultural differences. Thomson Reuters has created a pragmatic culture model that is used to evaluate both its own culture and that of the potential acquiree in the Due Diligence phase. This is then disseminated at the integration phase to all those who will encounter the acquiree in some way.

Effective evaluation, and capturing and codifying lessons learned are often neglected aspects of M&A work, but they are central to improving the process for future transactions. ABN AMRO has used feedback and best practice from former acquisitions to develop an M&A playbook.



The current context brings with it much higher stakeholder scrutiny. It is no longer just the specialised press but also government interaction with private business (such as President Trump's interference with TikTok), or increased employee/consumer activism.

### OVERVIEW OF RESEARCH

4



Capability is key. HR should be involved early, however it can only make its contribution if it has the depth and breadth of skills required to do M&A work. The most advanced organisations are building the capability with strategies including a 'buddy' system for M&A newcomers, formal M&A development programmes, workshops to simulate different aspects of M&A, and accessible online resources. ABN AMRO has developed five HR Masterclasses, open to the entire HR community, to develop capability. HR should be capable of relating talent and culture issues to the strategic and commercial implications.

6

Initial talent and culture assessment should be undertaken by HR during the target identification stage of M&A work. Without a strong, up-to-date understanding of your own talent and cultural characteristics it's difficult to make useful comparisons with the target company. For example, Thomson Reuters HR produces a one-page Talent Overview very early in the process collating LinkedIn Talent and Glassdoor insights. Rudimentary work can then be fleshed out in later stages of the M&A lifecycle.

8



A longer-term, more holistic approach to integration is needed from the HR function. As panel member Daniel Cloke highlighted, the way in which a business approaches the integration phase of an M&A will inform and/or destroy the long-term culture of the combined businesses. Cloke highlighted an acquisition in which the management team decided to initially run the two businesses in parallel, giving space to develop an appropriate integration strategy that would maximise the capability in which they had invested for the long-term.

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### PANEL DISCUSSION WITH HR PRACTITIONERS AND EXPERTS

- Q** What is the reality of HR's current involvement in M&A processes?
- A** *Currently, the reality is that more often than not HR is not involved as we would recommend. To increase this, from an HR perspective our track record needs to speak for itself in terms of the value we add. HR also needs to be courageous in pointing out the dangers of not being involved. It's about demonstrating we are trusted advisors and calling out risks where appropriate.*
- Q** How as HR do we take into account the emotional journey for employees that comes as part of M&A?
- A** *HR should anticipate the emotional milestones that employees are going to meet through an M&A process, and communicate that journey ahead of time. Alongside this they can communicate the support that will be available at each stage such as coaching, workshops and manager training. It's also important to identify what's not changing and make a link between the old and the new.*
- Q** How can HR get involved in scanning the market for targets?
- A** *Strategic workforce planning enables HR to identify current and future needs of the organisation. From this analysis, HR can get involved in scanning the environment for targets that can help meet these needs. Secondly, HR can contribute market intelligence to the preliminary analysis of targets, including information about the leadership team and culture of the target company. This intelligence may be gathered through careful discussions with third parties, debriefing of recruits from companies that might be acquired, and/or desk research. Finally, HR has a crucial role to play in the development of the business case for potential transactions.*
- Q** What are the key skills HR needs to most effectively be involved in M&A?
- A** *HR people involved in the M&A team should have a profound foundation in HR. They must have crucial business skills including commercial acumen and negotiating skills. It is also crucial to have resilience for what is normally a lengthy process, and be solution-oriented.*

### Bird & Bird

#### A LOOK FORWARD – TRENDS AND DEVELOPMENTS

##### TREND 1 Diversity and Inclusion

This is undoubtedly at the top of corporate agendas for businesses of all sizes, across all sectors, and an area of great focus for multinationals in particular. In the context of M&A activity, Diversity and Inclusion should be a key area of analysis at the due diligence stage, to understand what an organisation has done and is doing in this area and what impact the M&A activity may have in terms of the organisation's Diversity & Inclusion commitments/targets going forward.

##### TREND 2 Group workforce claims

The past year has brought with it increased employee interaction through social media and other technology platforms providing tools for employees to stand together on common issues. Examples of workforce claims can be seen in the recent Uber decision and growth of equal pay claims in the private sector. It is crucial to consider how M&A activity can substantially change the demographics of an organisation, and to investigate outstanding group workforce claims and issues as part of the due diligence process.

##### TREND 3 Remote working

Post-Covid many organisations are incorporating remote and flexible working practices and reviewing their structural arrangements to support these new ways of working. Going forward this will be an important consideration for M&A due diligence, both in terms of compliance considerations, as well as how the remote working approaches and practices match up between companies.

##### TREND 4 Rise of employee activism

We are continuing to see the rise of the employee voice, demanding a greater say in strategy-related issues such as CSR and sustainability. This often manifests itself by way of employees seeking to hold organisations to their codes of ethics and mission statements. M&A is an obvious forum in which employees may seek to express their views and HR has valuable insight in terms of the inner workings and culture of the workforce to inform the business strategy and ensure retention of talent and protection of employer brand throughout the M&A process.



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### SPEAKERS



✉ EMAIL

**SALVATORE CANTALE** is Professor of Finance at IMD Business School. His major research and consulting interests are in value creation, valuation, and the way in which corporations structure liabilities and choose financing options. Before joining IMD, Salvatore was an analyst with a large investment bank in London, and held other academic posts with US business schools. He currently serves as advisor at Tulane University, Louisiana. Salvatore holds a BA in Economics and Finance from Università di Catania, Italy, a Master's Degree in Management and a PhD in Finance from INSEAD.



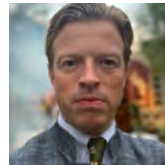
✉ EMAIL

Independent Consultant **DANIEL CLOKE** held senior HR Director roles for over 25-years in a variety of industries undergoing change. He has substantial experience of mergers, acquisitions, and disposals for global companies. Most recently as Group HR and Internal Comms. Director for GVC Holdings PLC, where he led the integration of Ladbroke's and Gala Coral. Daniel now works as an independent consultant with a range of UK and multi-national clients.



✉ EMAIL

HR M&A Advisor and Post-Merger Integration Expert **ROBERT GARBER** helps organisations build HR strategies that facilitate successful M&A transactions. With more than 15 years of diverse transaction experience, Rob has expertise in all phases of M&A. He has worked on 200+ transactions including buy-side, sell-side and outsourcing deals. Recently, Rob's focus has been on developing methodologies for managing the integration of cultures between buyers and target companies, and developing M&A playbooks for HR teams. After a 13+ year career as VP – HR M&A at Thomson Reuters, Rob established the consultancy Adeptus HR M&A Advisors.



✉ EMAIL

**GEORGE GOUDRIAAN** is a senior international HR manager at ABN AMRO Bank NV, where he is the HR Workstream lead of the bank's Corporate Development activities. George also acts as interim country HR manager in various countries and is a member of the Supervisory Board of the Dutch ABN AMRO Pension Plan. For the past two years George has headed the German HR operations in Frankfurt. George previously worked as a private banker, followed by a role as Business Manager, expanding the bank's global Corporate Banking footprint. He is a passionate HR leader who enjoys working on projects that relate to organisational design and continuous improvement of the bank and its employees. George holds a Master's Degree in International Business Administration from Erasmus University, Rotterdam.



✉ EMAIL

**DR. CARMEN VON ROHR** is Content and Digital Manager at CRF. Carmen is a sociologist with extensive research and learning design experience. She began her career as a digital learning designer in higher education at Cengage Learning before joining CRF in 2018 to contribute to research and learning content.



✉ EMAIL

**JOHN WHELAN MBE** is a Director at CRF. Formerly UK HR Director of BAE Systems, the FTSE 100 defence, security, and aerospace company, John's experience and strengths lie in business and HR Transformation, Organisation Development and Employee Relations. Prior to joining BAE, he held a variety of HR roles in engineering, technology and manufacturing businesses across the telecommunications and semiconductor industries including Matra-Marconi Space where he was HR Director for the UK and, latterly, Group HRD.

## DELIVERING VALUE THROUGH MERGERS AND ACQUISITIONS HR'S CRITICAL ROLE

### FURTHER READING

Bird & Bird. 2020. 'HR Due Diligence Checklist'. Delivering Value Through Mergers and Acquisitions – HR's Critical Role. (48 – 49). <https://www.crforum.co.uk/research-and-resources/research-report-delivering-value-through-mergers-and-acquisitions-hrs-critical-role>

CRF and PARC. 2021. **Delivering Value Through Mergers and Acquisitions – HR's Critical Role**. Full Report. Via CRF: <https://www.crforum.co.uk/research-and-resources/research-report-delivering-value-through-mergers-and-acquisitions-hrs-critical-role>  
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orgvue. 2020. **Modeling for Mergers Ebook**. <https://www.orgvue.com/resources/ebook/ebook-modeling-for-mergers>

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### crf UPCOMING EVENTS



ONLINE:

[Making a Success of Hybrid Working Post-Covid: Peer Exchange Forum](#)  
30<sup>th</sup> March 12.00 GMT



ONLINE:

[Strategic Workforce Planning: Unlocking Future Capabilities to Drive Business Success](#)  
15<sup>th</sup> April 12.00 GMT



ONLINE:

[Reinventing the Business Model: Leading in the New Landscape](#)  
18<sup>th</sup> May 13.00 GMT

### parc UPCOMING EVENTS



ONLINE:

[Fair Reward Policy – What Does it Mean and How is it Changing?](#)  
24<sup>th</sup> March 17.00 GMT



ONLINE:

[Employment Policies – What we Need and Why we Need Them](#)  
14<sup>th</sup> April 17.00 GMT



ONLINE:

[Online Peer Exchange](#)  
12<sup>th</sup> May 13.00 GMT