

The Human Capital Landmine:

THE PEOPLE AT THE HEART OF MERGERS AND ACQUISITIONS

Despite a slowdown following a record breaking 2021, 2022 Mergers and Acquisitions (M&A) value remained strong and on par with pre-pandemic levels at ~ \$3.5T.¹

Studies show that 70-90% of those deals will fail to meet their strategic and financial objectives². This failure is largely attributed to HR-related factors such as incompatible cultures, management styles, poor motivation, lack of communication, and loss of key talent.³

Traditionally, Mergers and Acquisitions have had an unpleasant reputation when it comes to human capital; creating images of large-scale job losses and brutal cost-saving measures. However, the recent turmoil in the job market has increased demand for skilled employees, who are often the company's most valuable asset and a key reason why that company was purchased in the first place.

There are several strategies to minimize the disruption, loss of momentum and decreased value that low morale and employee disengagement can cause:



Acknowledge Stress

Change is stressful for employees who are worried about themselves and their families. Acknowledging that this is a stressful time can help employees feel heard and understood.



Communicate Early & Often

Be as transparent as possible and convey what you do and do not know about future plans. Consider what employees need to hear, not just what you want to say to them.



Set Realistic Timing Expectations

M&A transitions take time and management is typically months ahead of employees in their understanding and acceptance of the deal. Therefore, avoid setting overly aggressive timetables that do not take into consideration the change and stress employees are dealing with and the time needed to build and maintain trust.



Explain The “Why” Of The Deal & Employee's Roles

The anxiety surrounding M&As can trigger strong reactions among employees, often because they don't understand why it is happening and what it means to them. Management should strive to help employees understand the “why” behind the deal and the important role they play in the success of the new organization.



Establish A New, Unified Culture

Transactions that include a mixing of cultures need to pay particular attention to, recognize, and acknowledge the contributions of both populations. Establishing new best practices together is a strong signal of respect for both the newly acquired and existing workforces. Fostering mutual respect between teams can lead to increased collaboration and better outcomes.



Focus On The Operational Element

Successful M&A leadership knows that the Operational Element – the processes and technologies in the HR Workstream - are the programs that touch employees in the most personal ways. Bringing businesses together means bringing these programs and their data together. If done right, the paychecks go out, insurance cards are distributed, and employees' medical claims are paid on time. If done wrong, chaos can ensue.



Manage Resources & Engage The Right External Support

Today HR organizations are busy supporting their company's day-to-day operations. Few have the extra resources or the experience to manage a complicated integration. Engaging the right support can not only ensure a streamlined integration but can enable you to use the transition to create value now and going forward.

The importance of prioritizing both the human capital and the operational component of deals has never been greater. Optimatum understands the unique challenges HR faces during an M&A transaction. We can walk you through HR Workstream related considerations as well as value creation opportunities.

ABOUT OPTIMATUM SOLUTIONS

Optimatum supports the HR workstream throughout the M&A lifecycle: from operational due diligence to day-one readiness and post-day-one synergies. Additionally, Optimatum helps sponsors leverage the aggregate purchasing power of their portfolio to capture value and drive margin expansion.

SOURCES:

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3. Managing Human Resources in Mergers and Acquisitions, SHRM.org/Resources and Tools. July 19, 2016.