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What are Best Practices for Retaining Employees During Mergers and Acquisitions?

Abstract

The purpose of this report is to guide decision makers at this company, by offering the most recent theories and practices regarding talent retention programs. Recently mergers and acquisitions have become a major part of global business. During the M&A, it is important to manage the organizational and human resource issues. Our team focused on gathering real business cases. Then we highlight some suggestions from the best practices to create successful M&A. It is our intent that the research findings in this report will help to enlighten and inform the company's leaders to guide the effective human management program centered on key talent, ultimately leading to organizational success.

Keywords

human resources, employee retention, mergers and acquisitions, mergers, acquisitions, retaining employees during mergers and acquisitions

Comments

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Executive Summary

Eunjung Lee & Hye joon Park

Cornell University ILRHR 6640 : March 8, 2013

Question

Talent Management: Best practices and benchmarks around retention of employees during mergers and acquisition (M&A)

- o HR management during M&A
- o The key talent retention programs
- o The types of incentives to offer
- o Key lessons from the best practices

Introduction

The purpose of this report is to guide decision makers at this company, by offering the most recent theories and practices regarding talent retention programs. Recently mergers and acquisitions have become a major part of global business. During the M&A, it is important to manage the organizational and human resource issues. Our team focused on gathering real business cases. Then we highlight some suggestions from the best practices to create successful M&A. It is our intent that the research findings in this report will help to enlighten and inform the company's leaders to guide the effective human management program centered on key talent, ultimately leading to organizational success.

HR management during M&A

We identified employers that exhibit successful traits in this area, notably their retention agreements, which are rated as highly or mostly effective for retaining employees during an acquisition, and their ability to keep all or nearly all of their employees through the retention period in past acquisitions. Three practices stood out when examining these companies.

- identify retention talents as early in the process as possible
- recognize that money is necessary, but insufficient, to create the emotional connections to the

new organization. In particular clarify their roles and report line.

- remain flexible within the confines of a well defined and consistent retention strategy and process.

Talent Assessment

Most of all, the HR department of the buying company has to know exactly which skill and competencies are needed. In that case it can be possible to find proper people. In fact, identification of talents early is difficult because access to relevant information about employees is limited. To gather the information, it can be helpful to focus on informal fact -finding across multiple channels. For example, you had better talk to people below top management in critical functions or units to understand the breadth and depth of available talent. Recently because of the scandals on Wall, Street many HR experts comment talent management programs of the future will have to consider behaviorally-based individual assessments of adherence to ethical standards in actual ethical dilemmas encountered by leaders in these organizations. Ethics should be objectively measured first before any potential measurement is done.

Talent Retention Programs

Through the book “*Best practices in talent management,*” we can see 14 companies’ practices and find the most prevalent retention programs including ‘above market salaries’, ‘training and development opportunities’, ‘top commitment’, ‘flexible work schedules and ‘group incentives’(Appendix 3). Companies with these programs have lower talents’ turnover than those without a program. In particular, after M&A they are worry about their future career. In this case, giving the supportive work relationships or the meaningful work is more effective because it makes people feel they are important for new company.

Types of incentives

With the goal of retaining key talent, the reward programs offer a variety of ways to acknowledge employees. Progressive HR departments strategically use incentives and rewards as a part of the total compensation package.(e.g. incentive compensation, year-end bonus, retention bonus, sign-on bonus, profit sharing, spot bonus). Some organizations offer nonmonetary

awards, such as additional time off for extraordinary accomplishments and 72% of organizations publicly recognize employees for good work. In addition, it is as important for HR to make an attractive package as it is to strategically promote consistent and wise use of incentive and reward programs. Otherwise, talent would not give the acquired new company trust and would think to move other options.

Conclusion

Through a number of researches, there are a myriad of programs for HR to strategically attract and retain valuable employees. However, a “one-size-fits-all” process does not pertain to talent management, and therefore, HR must design programs that are appropriate for its specific organization and industry. However, many successful companies give us a tip that at a certain point retention is driven more by the new organizational culture and environment than by a specific monetary agreement. And retention is a never-ending story. Therefore, HR has to review all policies and programs at least annually to ensure they are competitive in the marketplace and appropriately address talents’ concerns for job satisfaction.

APPENDICES

Appendix 1.

Three most critical issues to be addressed in the first six months post transaction

Issue	percent of respondents (n=62)	
	head of HR's view	Head of HR's perspective of CEO, Board's view
Strategies to retain key employees	20%	25%
maintaining employee morale	15%	15%
a well-executed employee communication program	15%	11%
focus on cultural alignment	11%	7%
realistic synergies and cost benefits /	11%	21%

savings in relation to employee costs		
HR Planning and project management (for example duplication of job functions)	6%	6%
integrating pay and performance management program	6%	5%
other	12%	9%

Appendix 2.

Perceived/Proven Importance of Employment Value Proposition Elements

Ranked by Likert (n=51), Scale: 1 = No Importance, 5 = Critical Importance

Scale	Employee value proposition elements
5	Ethics Executive quality
4	Compensation Health benefits Retirement benefits Vacation benefits Development opportunity Career advancement opportunity Organizational stability Organizational growth Market position Product brand awareness Social responsibility Innovation methodology/history Best employer recognition Work-life balance programs Co-worker quality Manager quality Flexible work schedules/locations Transparency in executive decision making and communication

3	Meritocracy
	Workforce diversity
	Environmental responsibility
	Organization size
	Best employee recognition
	Work-life balance programs
	Work location
	Work environment
	Education/tuition benefits

Appendix3.

The program design of 14 best practice corporations

Avon Products

- CEO Andrea Jung and the Talent Management Group (TM) built their talent practices on two guiding principles: execute on the “what” and differentiate on the “how.”
- Moved from a regional to a matrix structure; cut management layers; made a significant investment in management talent.

Bank of America

- CEO Ken Lewis personally spearheaded BOA’s executive development strategy.
- Created a New Executive Orientation Program with coaching and support.

Corning

- Created a boot camp immersion experience for potential program managers.
- The Corning Management Committee chartered a task team to design a pipeline for program leaders.

Ecolab

- Human Resources formulated key areas and ways through which Ecolab would establish and maintain its competitive advantage—the five key business drivers. These included Talent Development, Leadership, Relationships, Innovation, and Delivering Results.
- HR established the Ecolab Talent Council, composed of the ten most senior Ecolab executives including the CEO, and representing all key business lines, geographies, and critical functions.

GE Money Americas

- With the assistance of a human resources consultant, created a centralized staffing process and a dedicated team.
- Applied the Lean approach to the staffing process to create efficiencies and cut costs.

Insurance CES Division

- Hired consultants to review CES's structure and finances and another set of consultants to perform an assessment survey.
- Got the ball rolling with a no-holds-barred leadership conference.

Internal Revenue Service

- Developed a competency model with twenty-one leadership competencies.
- In collaboration with a consultant, developed the Leadership Succession Review (LSR).

Kaiser Permanente Colorado

- Restructured in collaboration with the Kaiser Permanente National Organization.
- Designed a series of programs including the Peer Network, Leadership Edge, Experience Management, and Executive Coaching.

McDonald's

- Top management asked Human Resources to redesign the performance development system in order to place a stronger focus on accountability for results, increase performance differentiation, and enhance openness to change and innovation.

Microsoft SMSG

- Formed a new program, ExPo Leaders Building Leaders (ExPo stands for Exceptional Potential), drawing on the Corporate Leadership Council's 2005 study "Realizing the Full Potential of Rising Talent."

Murray & Roberts

- A project team was assembled consisting of line managers, HR practitioners, and a consultant. The project team reported to the executive in the Office of the Group CE.

Porter Novelli

- Hired a chief talent officer to work with the executive management group.
- Implemented a Leadership Pipeline program with results-based role definitions.
- In a series of staff interviews, Porter Novelli grappled with the question of defining leadership and management. These concepts were regarded as critically important, but participants stated that neither was well-articulated or easily measured. A client-centered strategy was a key success factor, as was creative thinking.

Southern Company

- The CEO initiated an in-depth review of the company's leadership development and succession processes.
- Chartered a group of executives as the Leadership Action Council, serving as a steering committee for leadership development.

Whirlpool

- Chairman David Whitman and the executive committee spearheaded development of the Whirlpool Leadership Model.

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