Who Stays & Who Goes?
Post-Merger Staffing Issues

While mergers and acquisitions continue to occur at a record pace, many experts contend that only 30% of these deals achieve desired results. The reasons for failure are as different as the companies involved, but one of the top reasons is poor integration of the two organizations following a merge.

Faced with the task of saving costs and eliminating redundancies after a merge, executives are posed with the most difficult decision of deciding who stays and who goes. Not only is this a challenging task emotionally, it is a challenging strategic task – the company's success depends on making the right decisions about people.

Relationships, politics, hearsay and emotions often are the driving force behind the decision of which individuals move forward with the new entity and which get left behind. To make the right decisions, leaders need to exercise due diligence to understand the:

- future business requirements
- existing skill sets and competency levels within the two merging organizations
- the level of the fortitude of existing employees as it relates to change – change is difficult and not everyone is willing to engage in it, manage it and accept it

Matching the business' requirements with existing skills sets and identifying gaps gives executives the data they need to make informed decisions about which employees are best suited to continue with the new organization and which aren't.

Our experience has been that companies focus on the more tangible side of the merger (financial, product, technology, etc) but often neglect the people side. We share our experience with two companies who approached the people side of the merger quite differently.

Company A – a company who failed miserably at integrating the two merging entities – and Company B – a company that merged successfully and today has made merger integration a core competency. Company B continues to execute mergers successfully as part of its growth strategy.

Here are the details of each company's experience.

Company A – A Merger Gone Bad

The deal closed on Thursday. As of Thursday afternoon, all executive management of the acquired company was gone. The following Monday morning, the acquiring company called a mandatory meeting of all senior management of the acquired company with the executive team of the acquiring company.

During the meeting – unbeknownst to the senior managers of the acquired company, without input or any detailed understanding of personnel competencies and expertise, customer requirements, commitments or expectations, more than one third of their respective staffs were let go.

By Renate Rooney

Here's where Company A failed.

- No formal communication was given to the remaining employees. No long-term communication strategy was ever created.
- Empty promises where made, which alienated remaining staff.
- No integration team was created.
- No transition plans were created.
- Employees were expected to "deal with" customer and vendor complaints, issues and concerns.
- No retention plans were implemented to retain key individuals critical to the merger's success.
- No integration of the two cultures was even attempted, so people continued to behave and work as they had in their two separate entities.

Within a month, Company A tried to rehire more than half of the people they let go. In some cases, when they were successful in rehiring people, they overpaid them to return. Within three months, more than one quarter of the remaining "key" people they needed to be successful had left.

Customers were irate and began canceling contracts and moving to the competition. The company was so focused on the short term -cost reductions that they lost sight of how important their employees were to the business' long-term success.

Company B – Doing It Right

Company B invested in its future. They invested the time and resources needed to integrate the two entities successfully.

Once the merger was announced, a dedicated cross-functional/cross-company merger integration team was created. The team gathered and analyzed data that allowed them to create an integration plan that focused on the long-term performance of the merged company.

As part of the process, the integration team:

- Conducted interviews with stakeholders.
- Identified future resource requirements.
- Identified individuals they saw as key to the success of the business.
- Created a retention plan and incentives.
- Identified duplicate resources.
- Identified competencies and required skill sets.
- Identified skill set gaps and defined a plan on how to resolve them.
- Developed transition plans.
- Identified the cost structure of the work force.
- Identified the workforce mix – employee (full-time vs. part-time), contract resources, temporary resources, outsourcing opportunities.
- Analyzed the two corporate cultures.
- Identified integration risks.
- Created a communication plan.
- Created an implementation plan.

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The team then shared their findings and recommendations with the executive team. This information gave executives the data they needed to make strategic decisions on the structure and operations of the merged entity. While not all recommendations were accepted, the integration team had a plan on how to move forward. Once the deal closed, the team was ready for action.

So, how do you decide who stays and who goes when a merger takes place? Here are some success strategies that may help.

- **Be proactive. Create a merger team**
  Create a dedicated cross-functional team that is responsible for compiling and analyzing the data you'll need to make good decisions. Use the information to develop a clear understanding of your future business requirements. Develop a clear understanding of your workforce – skill sets, competencies and how they can support the future business requirements. Identify the gaps and how you'll address them.

- **Create an integration plan for the people-side of the merger**
  Using the information you receive from your integration team, plan for how you'll manage the transition and integrate employees. Plan for how to retain key employees, communicate to employees, minimize anxieties and squash rumors.

- **Follow through with your plan**
  Create and sustain positive momentum by executing the plan and committing to keep open communication lines. It takes time for a new culture to be established and for people to embrace a huge change. But with the support, guidance and good example of a strategic executive team that is in touch with its people, it can be done.

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