ACQUISITIONS

STABILITY Must Be Ensured

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Growth has been the key element in ambitions of people – the only change is that people want it "faster". Therefore the concept of lifetime employment – of an individual working till superannuation in the same organization – has become, more or less, non-existent. Job-hopping has become a common phenomenon because one has no time to wait for growth to happen.

Organizations are no exception. For achieving expansion and fast growth, companies are keen on adopting short-cuts by taking over already running businesses, through Merger & Acquisitions, instead of creating new prospects and developing them. All these appear to be attractive to the shareholders and owners of the enterprises, but the process needs to be undertaken in a careful strategic manner otherwise it may get derailed and the acquirer is left with a mess. In this process apart from the employees and the management, various external entities such as investment bankers, business brokers, legal and accounting firms, and the general business network are involved.

Whenever a merger or acquisition is notified, all the employees are naturally anxious over the prospects of change. For the sake of simplicity let us call the company taking over as the buyer and the acquired company as the seller. The key anxiety of the seller's employees is around job security and /or relocations along with other associated concerns such as increased / changed job responsibilities and real or perceived differences in management style between the seller and the buyer. Since most buyers emphasize on improved profitability and downsizing appears to be the most popular belief as the best way to achieve desired results, these concerns are often justified. However, if these concerns are not addressed immediately and appropriately, employee apprehension, anxiety and resentment can spell disaster.

The stakes are multiple when the buyer has obvious plans to restructure the seller's organization. But careful strategic planning, preferably before the buyer takes over, can help reduce or eliminate employee anxieties, resentment, and backlash. Any merger and acquisition can only be said to have achieved its objectives when the entire process is put in place in a seamless manner, is demonstrated and the entire assimilation plan is implemented.

Certain steps if taken well in advance can really be helpful in containing the employee's concern

Learning about the Seller's Organization

It is of foremost importance to gather as much information as possible about the seller's organization, scope of business etc. in detail covering the following areas:

•Business Verticals and Horizontals
•Company Growth Strategies
•Exact Organogram
•Policies & Practices in place
•Cultural Factors
•Profiles of Key Managers
•Employee Data
•Performance Initiatives & Measures.

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The buyer must involve the seller right at the initial stages and start extracting information for the due diligence phase. Once the knowledge of the industry and business has been acquired, the buyer needs to gather sufficient information pertaining to the seller's business perspectives, competition, market strengths and staff profile. They need to have a plan in place for conducting the 'road shows' at all the sites where the seller has staff. They also need to form a team and carry out one-to-one personal discussions and round tables with groups of employees. It is a good opportunity to gather information and gain sufficient knowledge on the operational aspects and also to feel the 'pulse of people'. In the process, the high performing managers and workers are also identified without using a formal technique.

Identifying the Key Managers and Using them as a Resource

Once identified, the key members, rather managers, should be approached during the due diligence period, after taking the seller into confidence. It would be a good idea to offer these managers with an incentive (e.g. post acquisition bonus, equity, promotion etc.) which can be one of the best ways to ensure their continued commitment and support.

Key managers with a stake in the company's future are likely to be more committed to the overall well being of the operations, making it more profitable. Identification of these managers is a key to the acquisition process because, without their cooperation, success may be difficult to achieve. Inputs from managers are critical in developing a business plan. Their advice should be sought on goal setting, whether the goal relates to revenues, earnings, or increased employee job satisfaction. *Past instances are witness that acquiring firms that retain the seller's executives, outperform those that terminate existing management teams.*

By engaging committed managers into their confidence, the buyer can gain important insights into the seller's current status, including profitability, market position and problems to be addressed. These managers often know what should be done to make the company more profitable, as well as the prospects for improvement and the best approach to making those improvements. They can also help identify key employees and positions that can be combined or eliminated. If 'downsizing' becomes a part of the strategy, it will be better for the word to come from long-time, respected managers rather than from a buyer that is an 'unknown entity'. If nothing else, the involvement of key managers in layoffs helps to maintain the morale of employees who stay with the company.

Of course, managers should be asked to keep any pre-closing discussions confidential. In addition, because of the important role they generally play in the everyday operations of the business, some sort of commitment to stay with the company for a specified period of time is desirable.

Bringing the Employees Together

Once the key managers are placed and their support is behind the acquisition and a business plan developed (with their inputs) is in place, the next step is to seek the cooperation of the employees. The remaining employees must be convinced of the business need for any planned changes. They must also be brought into the planning process whenever possible. To achieve this goal, effective communication between the buyer and the

employees is critical. The buyer should meet with employees the first day that the company is taken over to explain the business plan, including the action steps needed to achieve its objectives.

The buyer should let employees know what is expected of them, including whether their work processes will be changing or whether changes in productivity or performance parameters, would be required.

The prospects for the future should be clearly defined, including any incentive plans and expected layoffs (it is recommended that layoffs are avoided by the buyers). During the transition, it is critical that the buyer is available and accessible to employees and speaks at their level.

'Frequently Asked Question & Answer (FAQs)' sessions must be held along with circulation of written communication addressing the staff at large. It may be a good idea, for example, for the members of the buyer's management team to associate themselves with employees for a few days to better learn the details of business as well as build a rapport with employees. When employees feel free both to ask questions and make suggestions, morale and productivity are generally affected positively.

Having A Coherent Post-Acquisition Business Plan

One of the most effective tools for mitigating employee backlash is a well-communicated post-acquisition business plan – a well-designed business plan,that includes the inputs of the management team that has been retained. Let employees know where they stand. The buyer's goal should be to enter the seller's company on the date the transaction closes with a clearly identified plan for running the business and improving profitability. The post-acquisition operating plan should detail strategy and identify markets and performance goals while placing deserving employees in key positions.

Employment-related complaints are consistently more prevalent in unstable industries, and mergers and acquisitions create legal liability that requires extra preventative measures. The fact that the organization has gone through an acquisition and/or merger puts it in a higher risk category for harassment and/or discrimination complaints. Acquisitions and mergers create stress for everyone, not only can they create fear and rivalry, they can lead to inappropriate workplace behavior. In order to prevent a failure of any action we must ensure that:
•The correct and true picture is shared with all employees, as action speaks more than words – and everyone is intelligent enough to judge and feel the change. One must share the truth before circumstances and passage of time, create the grounds for people to become suspicious, defensive and angry.
•The senior managers and officers take care of the feelings and emotions of people – their aspirations, needs, and apprehensions.
•Any new opportunities for employee growth and advancement are well publicized.
•New rules are clear and transparent from the start. A merger and/or acquisition are an opportunity to assess and revisit developmental needs, policies, procedures and other human resource systems and processes.
Advantages of such opportunities must be utilized.

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