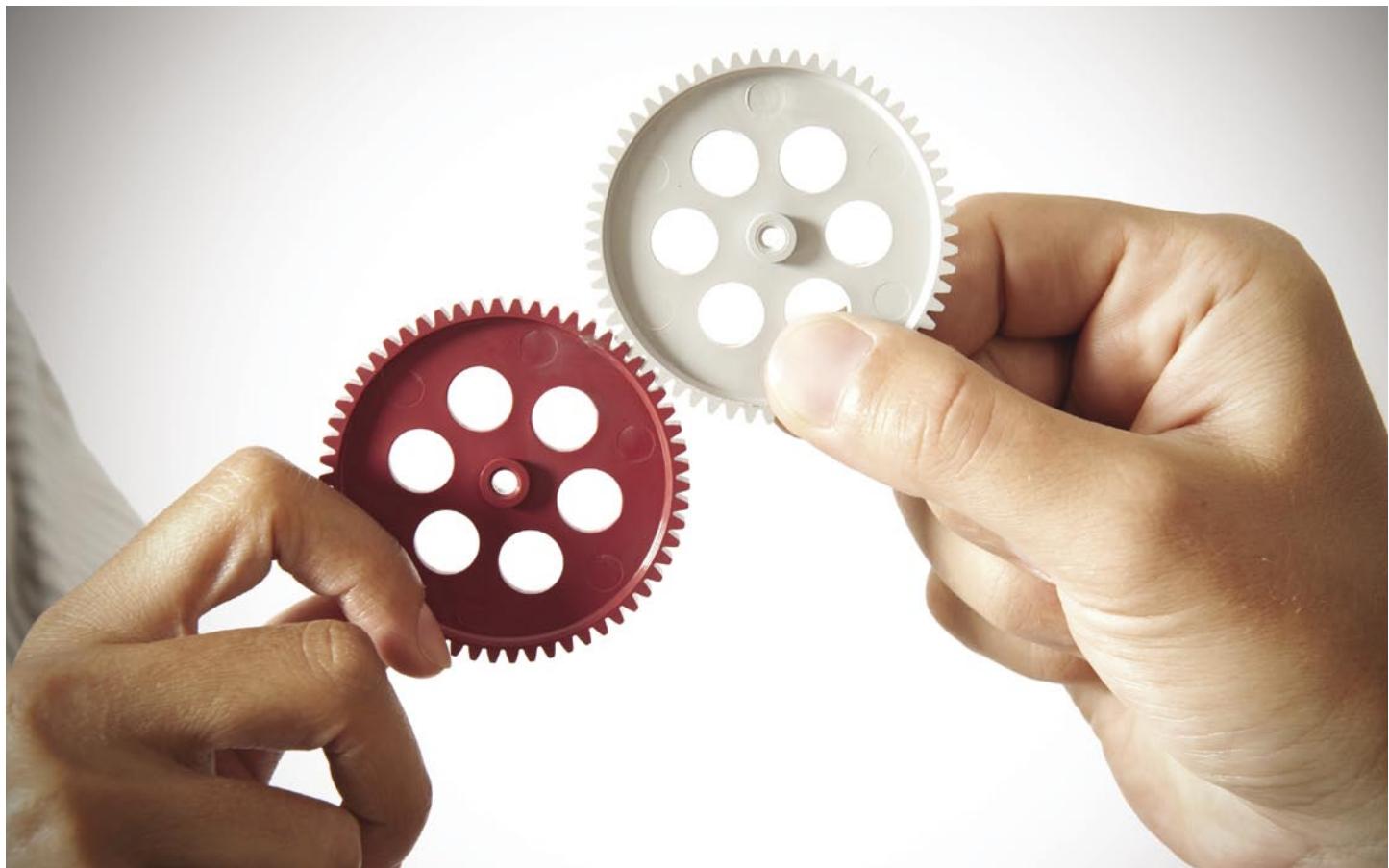




■ SPECIAL REPORT Q&A June 2019

Getting talent integration right

FW moderates a discussion on getting talent integration right between Kelly Karger, Marie Holmstrom and Annie Rzepecki at Willis Towers Watson.



Q&A:

Getting talent integration right

FW moderates a discussion on getting talent integration right between Kelly Karger, Marie Holmstrom and Annie Rzepecki at Willis Towers Watson.

THE PANELLISTS



Kelly Karger
Senior Director
Willis Towers Watson
T: +1 (612) 655 2370
E: kelly.karger@willistowerswatson.com

Kelly Karger, FCA FSA EA CMAS is a senior director in Willis Towers Watson's global M&A practice, with over 22 years of consulting experience. She has extensive experience in helping clients with people issues during corporate transactions, including mergers, acquisitions, divestitures and joint ventures, and spanning the transaction timeline from due diligence through integration planning and execution. She also serves as a people and risk M&A trainer for the M&A Leadership Council.



Marie Holmstrom
Senior Director
Willis Towers Watson
T: +1 (704) 756 1671
E: marie.holmstrom@willistowerswatson.com

Marie Holmstrom, PhD is a senior director at Willis Towers Watson. Currently, she is the US Southeast market leader for the talent line of business, which includes the talent management, communications & change management, employee insights and talent assessment practices. She helps organisations ensure they have the talent and leaders in place to make the working lives of their employees more meaningful and to achieve business results.



Annie Rzepecki
Director
Willis Towers Watson
T: +1 (612) 432 6982
E: annie.rzepecki@willistowerswatson.com

Annie Rzepecki, MA is a director in Willis Towers Watson's talent line of business. She helps companies work through and sustain changes that affect their people and their business. Passionate about motivating employee behaviours that help a company thrive, she focuses mostly on transformations involving mergers and acquisitions, employee value propositions/employee experience, total rewards, career/salary frameworks, leadership development, organisation design, talent management, employee engagement and HR technology implementations.

FW: Do you believe acquirers need to devote more attention to human capital integration planning and execution as part of the M&A process? To what extent can this issue impact the ultimate success of a deal?

Karger: We all know that a deal is only successful if the desired business results are realised. Getting that right means the acquirer needs to ensure people are productive and focused on generating business value in line with deal goals. This makes the human capital arm of integration extremely critical. While some organisations are still struggling to get this right, we have seen many come a long way in prioritising human capital planning and execution during transactions. The reality, however, is that the acquisitions of today are different than they were even just a few years ago. Industries are converging, forcing companies to acquire differently to drive innovation and business relevance. This shift means that even organisations with well-developed human capital integration plans must still be able to take an objective look at the 'next deal' to ensure that its unique human capital issues are addressed. We have found that organisations that spend more time and focus on human capital integration planning and executing have a clearer and smoother path to driving desired results.

FW: What role do senior leaders have in articulating a new vision for the company, and ensuring its culture is aligned with business objectives?

Karger: Culture follows the leader. That is because the foundational elements of an organisation's culture are demonstrated by leadership behaviours, responses to crisis and what actually gets rewarded. It is no surprise to me that our research regularly finds 'leadership addressing the vision' and 'culture' as two critical qualities for successful integrations. From a leader perspective, we know that the best leaders – overall and in transactions – are those who act as change agents and inspirers. They are the ones who proactively seek out and embrace change,



and inspire others to embrace the vision of the combined organisation. In fact, when a deal is announced, the majority of employees look to their leaders to see how they react. The same goes for when the deal closes and integration begins. That is why a critical step in any transaction is ensuring cultural alignment at all leadership levels. Undermining the culture at a senior leadership level will be a fast track to confusion and rejection throughout the organisation. On the flip side, when you get this right, you ensure all senior leaders are equipped to not only articulate how the vision and culture of the organisation connects to business goals, but to also consistently stand behind that vision and bring it to life with their teams. The bottom line is that senior leaders are the cornerstone of successful transactions.

FW: How should acquirers go about assessing the roles, structures and talent they will need after the deal has closed? How important is it to also understand and manage employees' concerns and desires?

Holmstrom: Every aspect of a deal should centre on the overall objectives of the

transaction, such as market consolidation and product diversity, and the talent strategy is no exception. In the simplest of terms, you start by answering two critical questions: What organisation design will achieve the overall objectives of the transaction? And, what are the headcount and financial targets and timelines needed to make that happen? As the organisation structure is cascaded down to business units, each business should review its role requirements against the job architecture, making adjustments to reflect the objectives of the new organisation design as well as the unique needs of the business. This step should include not only adjustments to roles, but also adjustments to assessment criteria and how talent is evaluated. In parallel to defining the role and assessment criteria, you must shape a detailed, consistent and fair process for candidate identification, assessment and selection. This approach should, again, be grounded on the deal strategy, anticipated synergies and organisation design principles. It also should go beyond the talent acquisition approach and include protocols for staffing reviews, redeployment, role transitions and terminations. Getting these processes

right prior to beginning talent assessments will position you for a smooth integration, strengthen talent to job fit and ensure compliance with local labour regulations. In parallel to the structural design elements, it is critical that you do not lose focus on your employees. Understanding and managing employee concerns can make or break a deal's success.

Rzepecki: The most successful deals require leaders who are in tune with their employees' concerns and desires. Leaders must ensure employees do not get distracted. Regardless of whether or not the acquisition will affect them directly, all employees will wonder if they still have a job, and if so, how it might be different. They will also want to know who they will report to and work with, and whether the organisation will still be a place where they can grow their career. Leaders must also understand when and how to work with their new colleagues – if at all – especially when legacy organisations have similar jobs or products. And, possibly most critical, leaders must maintain confidence in the organisation. They can do this by proactively addressing speculations about divestitures, redundancies, reduction in force (RIF) and reorganisation. It is also important to understand if and how HR, shared services and corporate functions such as finance and IT will be impacted.

Will these functions have to support more and different people and business units? Are some jobs duplicative, and if so, will those people have to reapply, learn new skills or find a job elsewhere?

FW: In your experience, what are some of the key challenges and risks companies are likely to encounter during the talent integration process?

Holmstrom: Timing is everything during talent integration. Having strong, agile leaders is critical to navigating a period when everything depends on someone, or something, else – often resulting in the need to identify and revisit workstream interdependencies. For instance, the more time spent on organisation design changes results in a more condensed timeline for talent selection decisions – getting shorter and shorter as you get deeper into the organisation. Similarly, you must be mindful of executive placements as these naturally have a domino effect on leadership decisions and talent selection – even those made early in the process. It is also important to be realistic about reduction targets and timelines – these may slip as leaders are faced with difficult staffing decisions. The bottom line is that management and integration leaders should always work in contingency plans around timing and costs with some of these

assumptions in mind. In parallel, they must also think about the impact that delayed or reversed talent and leadership decisions may have on their employees.

Rzepecki: Engagement is a huge challenge when integrating talent. A comprehensive change management strategy should help employees understand what the deal means for their employee experience and their career ambitions. The strategy should also include tactics to minimise distraction and help employees feel informed and involved in shaping the future of the organisation. Retention is another challenge. Competitors will aggressively approach your top talent. Get ahead of this by putting a retention strategy in place for those employees. This could include retention bonuses, special assignments or development opportunities, or simply ensuring frequent, meaningful touchpoints with a manager or leader. This is especially true during executive and leadership appointments. Last but not least is trust. Leaders and managers will require coaching and tools so they can talk about the integration and answer questions in an authentic way. Establishing a single source of truth for integration updates, like a microsite, is also essential.

FW: What key issues arise when addressing 'total rewards' during integration? What influences the process, direction, and timeline of this integration?

Karger: Integration of total rewards can be a particularly challenging process. There is a tremendous number of constraints placed on the integration. First, you need to consider the various levels of requirements – comparability requirements in the employee matters agreement, contractual agreements with outside parties such as unions and works councils and regulatory requirements, to name a few. You also need to consider the lead time needed for implementation, which is often longer than leadership's desired target date. It is also a bit of a balancing act – particularly with reward programmes. On the one hand, many transactions are entered with the expectation that cost synergies will be realised through harmonising reward

**ENGAGEMENT IS A HUGE CHALLENGE WHEN INTEGRATING TALENT.
A COMPREHENSIVE CHANGE MANAGEMENT STRATEGY SHOULD
HELP EMPLOYEES UNDERSTAND WHAT THE DEAL MEANS FOR
THEIR EMPLOYEE EXPERIENCE AND THEIR CAREER AMBITIONS.**

ANNIE RZEPECKI
Willis Towers Watson

programmes. Yet you cannot downplay the emotional side. Reward programmes impact employees in their pay cheques and at home with their families. As with all integration activities, rewards programmes integration must be grounded in the business objectives of the deal, while addressing all of these constraints and managing the employee experience. This is a tall order for any organisation.

Holmstrom: Ideally, an acquirer will decide on the go-forward strategy for design, financing and operational issues with total rewards before close. Starting early ensures you have the time to structure interim rewards and benefits arrangements, plan the path for harmonisation of titles and grading structure, prioritise compensation plan design integrations and plan for administrative conversions. During the first 100 days, total rewards is focused on cataloguing inherited plans as well as policy and procedures, implementing new or combined plans, monitoring interim arrangements, and ensuring appropriate benefit assets and liabilities are transferred and reported. Longer term, the focus is on detailed integration plans and analysis of reward investments against employees' perceived value to ensure that the total talent experience is being delivered via total rewards as intended.

FW: What solutions are available to help manage the risks and challenges associated with the talent integration process? What role is technology playing?

Holmstrom: One risk with a clear solution is insufficient or ineffective onboarding of talent to new roles. With so much change happening across the organisation at once, moving talent into new roles can be hindered by confusion. To mitigate this risk, organisations leverage technology, such as integration portals, to establish common enterprise-wide onboarding policies and processes, automate manager and HR access to support and track placements, provide a personalised user experience, and provide consistent content and resources for talent transfers. Automated workflows ensure

TIMING IS EVERYTHING DURING TALENT INTEGRATION. HAVING STRONG, AGILE LEADERS IS CRITICAL TO NAVIGATING A PERIOD WHEN EVERYTHING DEPENDS ON SOMEONE, OR SOMETHING, ELSE.

MARIE HOLMSTROM
Willis Towers Watson

that all involved parties receive routine communication and prompts at required times. Employee records are loaded automatically into the human resources information system (HRIS) for improved timeliness and data accuracy. This creates a defensible audit trail of acceptances, information and version-controlled forms and agreements for all transfers.

Rzepecki: Another risk with a clear mitigation path is managing the overall change. Companies should build a change management strategy as early as possible to articulate objectives, challenges, opportunities and success measures, along

with an analysis of what key groups of stakeholders need to know, feel and do – what unique messages and tactics are needed to reach them? Organisations that understand the power of technology are using mobile-friendly tools to elevate the employee experience before, during and after acquisitions. For instance, microsites are quick to stand up and easy to update. Companies drive employees here for acquisition-related updates, tools and FAQs – sometimes creating separate sites for various groups, as appropriate. Personalised communication platforms can surface relevant content based on the employee's legacy organisation and

INTEGRATION OF TOTAL REWARDS CAN BE A PARTICULARLY CHALLENGING PROCESS. THERE IS A TREMENDOUS NUMBER OF CONSTRAINTS PLACED ON THE INTEGRATION.

KELLY KARGER
Willis Towers Watson

employee data collected from multiple systems, regardless of how long it takes you to integrate those legacy systems. These are relatively simple tactics that can go a long way to integrating your talent and bringing them along.

FW: What essential advice would you offer to acquirers when it comes to keeping their talent integration plans on track and achieving transaction synergies?

Rzepecki: Do not equate a communication plan with a change management strategy. Communication is just one of six levers you must pull to effectively lead employees through change: communication, leading, measuring, involving, learning and sustaining. You must also equip leaders

to inspire confidence in the change, create clarity among employees and foster a sense of community. Use a balanced set of metrics to define success and support continuous improvement. Create intentional opportunities for employees to shape direction, unearth challenges and model the way forward. Ensure that people have the knowledge and skills to adapt to change and be effective in their roles. And reinforce behavioural change over time through structure, technology, process and people programmes.

Karger: Another ‘do not’ is underestimating the value of developing integration plans and failing to manage those plans throughout implementation. We all know that the plans will change, pretty

much as soon as you finish putting them together. But that is part of the value of doing the planning exercise. The planning process should include stress testing for impact on the plan due to changes in the timeline, moving milestones and changes to key dependencies. Stress testing will allow your integration team to adjust to changes more quickly and confidently. Last but not least, well designed integration plans help the entire team ensure that integration is actually completed and transitioned to ongoing operations. ■

This article first appeared in the June 2019 issue of Financier Worldwide magazine. Permission to use this reprint has been granted by the publisher. © 2019 Financier Worldwide Limited.

FINANCIER
WORLDWIDE corporatefinanceintelligence