

5 Key Challenges HR Faces During M&A



Organizations often merge or acquire other businesses in order to expand into new markets, acquire new technology or reduce competition. A merger is when two companies become one and an acquisition is when one company acquires another.

Mergers and acquisitions (M&A) can help organizations become more efficient, profitable and powerful. For example, the merger between Exxon and Mobil helped both companies obtain a larger share of the gas and oil market. And the merger between Merck, a pharmaceutical manufacturer, and Medco, a distributor of pharmaceuticals, helped Merck gain an advantage in distributing its products.

But in the process of M&As, with all of the legal and financial issues to deal with, employees are sometimes ignored. Doing so can decrease morale and productivity and lead to an exodus of key talent.

Those in Human Resources face a number of challenges during a merger or acquisition. They include:

1. **Identifying and communicating the reasons for the M&A to employees.** Often employees see change as dislocating and upsetting. HR must communicate effectively and openly with all employees throughout the transition. Specifically, HR must communicate with employees about the necessity for the change, explain how the change will benefit them, and manage the stresses that accompany change.
2. **Forming an M&A team and choosing and coaching an M&A leader.** The team leader must focus solely on the M&A rather than be involved in running the business, be sensitive to cultural differences, lead the change process, and retain and motivate key employees.
3. **Assessing the corporate cultures.** One company may be driven by a sales mentality while another may be focused on innovation. Or decisions in one company may be top down while the other may be used to more participative decision making. HR must anticipate cultural challenges and take steps to integrate the two cultures.

4. **Deciding who stays and who goes.** HR must determine the new organizational structure, and retain and motivate key talent.
5. **Comparing benefits, compensation and union contracts and deciding on HR policies and practices.**

According to Andrew F. Giffin and Jeffrey A. Schmidt, authors of Why HR Can Make or Break Your M&A,

“M&As provide enormous potential for growth that simply can’t be achieved as quickly through organic, incremental development. However, success rates are not very high, rendering them an expensive and very risky way to grow a business. When ... companies pay close attention to the people aspects of a merger or an acquisition, they greatly increase the chances that the deal will fulfill its promise. That’s why, in the final analysis, HR can make or break an M&A.”

I am curious ... what challenges have you faced during M&As and how have you handled them?

By Judy Lindenberger