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企業併購中人力資源系統整合之探索研究

An Explorative Study on Post Merger Integration

Framework from Human Resources Perspective

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Post Merger Integration Framework from
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本論文係朱蕊君君（學號 P04746030）在國立臺灣大學管理學院碩士在職專班國際企業組完成之碩士學位論文，於民國一百一十三年一月十六日承下列考試委員審查通過及口試及格，特此證明

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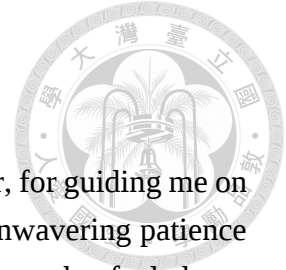
Acknowledgement

I express my deep gratitude to Professor Ji-Ren Lee, my advisor, for guiding me on the enlightening journey through the realm of strategy studies. His unwavering patience over the years has been invaluable, and even in the final semester, he fueled my determination to sprint across the finish line with zeal. Under his insightful mentorship, I evolved from a novice into an individual capable of embracing broader perspectives, becoming a source of inspiration for others to unlock their untapped potentials.

I extend heartfelt thanks to my family and friends who supported my decision to pursue further education in my late 30s within this program. Balancing numerous commitments, from personal and academic life to sports and work, proved to be a formidable challenge. Completing this thesis took years, but the memories created during this once-in-a-lifetime journey are cherished, and I am profoundly grateful for the encouragement that fueled my perseverance.

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Regina

January 16, 2024

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中文摘要

　　隨著企業發展，無論追求成長或轉型，併購常常是策略選項之一。然而，研究調查數據顯示，超過一半的併購案對股東權益產生負面影響，亦即併購成功率並不佳；因此，瞭解影響交易成功的關鍵以及經常被低估或忽視的因素至關重要。有鑒於此，本研究擬從人力資源角探討併購整合如何影響併購交易成敗，以及如何建立一個有效的人力資源併購整合架構，以促進併購後整合和交易的成功。

　　此論文採用個案研究法，始於文獻回顧，依人力資源角度深入探討併購整合對併購交易的影響，再根據筆者經驗提出了人力資源併購整合架構，以及相關的案例研究說明此架構的有效性。

　　本研究提出的人力資源併購整合架構建議包括幾個關鍵步驟。在建立人力資源整合團隊之前，需清楚訂定人力資源整合目標，並釐清併購整合中人力資源應扮演的角色。此外，應擬定與組織策略及併購策略連結的人力資源整合短期及長期整合策略和指導原則，並挑選合適的人力資源專案經理，以有效推動人力資源併購整合的規劃與執行，並訂定人力資源購整合功能領域，包含一般人力資源領域，如薪酬福利等，以及其他與併購相關的人力資源領域，如人力資源併購專案管理、關鍵人才留任、文化整合，以及變革管理和員工溝通。完成人力資源併購整合專業領域訂定後，則依人力資源領域及團隊能力成立人力資源專案團隊並明確訂定各團隊人員角色。在團隊就位後，人力資源併購整合專案規劃及執行則可以開始推動。另外，影響人力資源整合之相關部門也必須同時一併瞭解及檢視。

　　根據我們的個案研究，有幾點發現可以協助未來人力資源併購整合實際規劃和執行：

1. 建議在併購生效日數個月前就開始人力資源併購整合規劃，並在併購生效日後持續推進。

2. 在併購整合規劃初期，建議優先指派人力資源併購整合專案經理。

3. 建議應建立結合組織及併購策略之人力資源整合策略，並建立連結人力資源整合策略之人力資源整合功能領域。

4. 建議應依人力資源整合功能領域成立人力資源整合團隊，並由各人力資源領域專家負責該領域整合計劃。

5. 建議應提前規劃專案變革管理和有效執行員工溝通。

6. 建議於併購生效日後持續調整整合規劃，執行組織穩定計劃及過渡服務協議的終止。

　　本研究結果希望能有助於企業了解人力資源在併購整合的實際挑戰，協助企業理解併購整合的複雜性以提供人力資源併購整合規劃參考，最終提高併購的成功率。

關鍵字：企業併購，併購後整合，人力資源整合

THESIS ABSTRACT
INTERNATIONAL BUSINESS MANAGEMENT
COLLEGE OF MANAGEMENT
NATIONAL TAIWAN UNIVERSITY

NAME: Regina Chu   **MONTH/YEAR: January 2024**
ADVISER: Ji-Ren Lee, Ph.D.
TITLE: An Explorative Study on Post Merger Integration Framework from Human Resources Perspective

As a business evolves, it may explore additional paths for expansion or transformation, frequently contemplating mergers and acquisitions (M&A). Nevertheless, studies suggest that more than half of M&A cases have an adverse effect on shareholders' equity, indicating a suboptimal success rate. Recognizing the crucial stages and areas that influence the success of these transactions and acknowledging frequently underestimated or overlooked factors is crucial. To increase the probability of success in M&A transactions, companies should meticulously evaluate essential areas. In views of this, what is the impact of post merger integration to the success of the M&A deals from HR perspective, and how to build an effective human resources post merger integration framework to foster the success of the post merger integration and M&A deals are also subjects of the thesis.

This thesis delves into an exploratory investigation of post merger integration (PMI) with a specific focus on the human resources perspective. The exploration commences with a comprehensive literature review, aiming to comprehend the implications of post merger integration on M&A deals from the perspective of human resources. The subsequent steps involve proposing an efficient HR framework for post merger integration and conducting a case study to illustrate the effectiveness of this HR framework.

The suggested HR PMI framework comprises several key steps. Prior to establishing the HR PMI team and structure, it is essential to clearly define the overall HR PMI objectives and identify the main HR roles in the broader post merger integration process. Additionally, the HR integration strategy and guiding principles should be developed to align with the business and deal strategy. The HR PMI framework recommends commencing with the appointment of a capable and experienced HR project manager to effectively lead the planning and execution of HR post merger integration. Subsequently, a deal-and-business-fit HR PMI workstream structure should be developed. This structure encompasses standard HR content areas such as compensation and benefits, and other deal-related aspects such as HR PMI project management, talent retention,

culture alignment, and notably, change management and communication. A well-defined HR project team is then established by the delineating roles within sub-workstreams per the structure. With the project team in place, HR PMI planning, including activities such as side-by-side analysis, may commence. An imperative aspect that should not be overlooked is the identification of interdependencies to ensure a thorough understanding of any upstream and downstream factors that may impact or be impacted by the HR workstream.

Based on the insights gleaned from the case study, several findings can guide practical HR post merger integration planning and execution more effectively:

1. Commencing HR PMI several months before day 1 and extending efforts post day 1 is recommended.

2. The appointment of HR PMI project manager(s) should be prioritized in the initial stages of PMI planning.

3. The business-strategy and integration-strategy linked HR PMI strategy should be developed, and the HR PMI framework should be built to align with the HR PMI strategy.

4. A dedicated HR PMI team should be established and led by workstreams' center of excellence.

5. Thorough planning and effective execution of employee communication should take place well in advance.

6. Necessary adjustment to the integration, execution of stabilization and transition services agreements exit should continue after day 1.
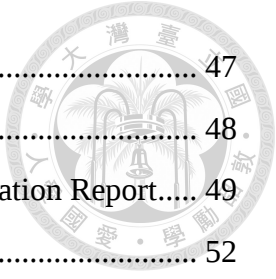
The conclusion of the thesis and findings of the case study contribute to a better understanding of the practical challenges associated with HR integration in the post merger context, offering insights that can guide organizations in navigating the complexities of HR post merger integration planning and execution, and ultimately enhancing the success rate of M&A initiatives.

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Chapter 1 Introduction

1.1 Background and Motivation of Study

People refine their business ideas, write a business plan, assess financial situation, and compete all the logistics and paper works to establish a new company. Along with the technology progression, market evolution, higher cost burden, and customer's feedback, an enterprise is prompted to seek opportunities to grow the business, either scaling up and expanding, branching into new markets, or developing and selling new products. Organic growth is one growth mode which is the process by which a company enters a new business on its own – hiring, creation of a new project or business unit, repurposing an existing business unit, etc. If the new business possesses its own value chain, the goal of organic growth is to build up the resources and capabilities that this value chain entails, without recourse to other firms. Inorganic growth, as the other growth mode, lies between non-equity alliance, equity alliances (including joint ventures), and acquisitions (Puranam and Vanneste 2016). Inorganic growth strategies often considered to be a quicker and more convenient approach to increase revenue relative to organic growth strategy, which can often be time-consuming. In the fast-paced era, companies tend to not only grow its own business under the organic growth approach but also to search for external alliance, merger or acquisition opportunities per the inorganic growth strategy when expending its business and increasing its revenue.

According to Institute for Mergers, Acquisitions & Alliances analysis (IMAA 2023), since 2000, more than 1 million transactions have been announced worldwide with a known value of over 75 trillion USD up to August 2023. In the year of 2019, the number of deals was about 54,000 transactions, while their value was about 3.9 trillion US dollars. One year later in 2020, the first year of COVID-19 pandemic, the number of deals worldwide decreased by 12% to about 47,000 transactions, while their value decreased by 16% to 3.3 trillion US dollars. In year 2021, the second year of pandemic, the number of deals surpasses that before pandemic with increase of 22% to reach about 58,000 transactions and total value increased by 60% to 5.2 trillion US dollars.

It is evident that numerous companies took the unique growth opportunities in response to the pandemic by incorporating inorganic growth tactics in addition to their organic growth strategies. Over the past few years, M&A players entered and exited in a constantly shifting landscape. In 2020, US telecom major Verizon's acquisition of BlueJeans in the videoconferencing space, US retailer Target's acquisition of Deliv as a follow-on to its earlier purchase of Shipt in the home delivery space, and global food and beverage major Nestlé's acquisition of Freshly in healthy meals delivery. All of these

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deals are aimed at serving rapidly growing consumer needs. COVID has accelerated existing transformative trends across various sectors, offering a more pronounced perspective on the business models poised for future success and those destined for obsolescence. The objectives behind business deals have shifted from merely achieving scale and cost efficiencies within an industry to broadening the range of business operations and integrating novel competencies.

According to Global M&A Report 2021 as shown in Figure 1 (Bain & Company 2021), M&A will gain further prominence. In fact, the M&A practitioners expect M&A deals to account for nearly half of revenue growth over the next three years, up from 30% over the past three years (Bain & Company 2021). M&A has become a highly effective lever for exchanges to advance long-term strategic agendas. After the pandemic, in response to global politics evolvement, and economic trends, the emergence of novel business models, and industrial revolution, enterprises are anticipated to be enthusiastic about pursuing transformation and expansion. This enthusiasm is poised to contribute to the ongoing acceleration of global mergers and acquisitions activities.
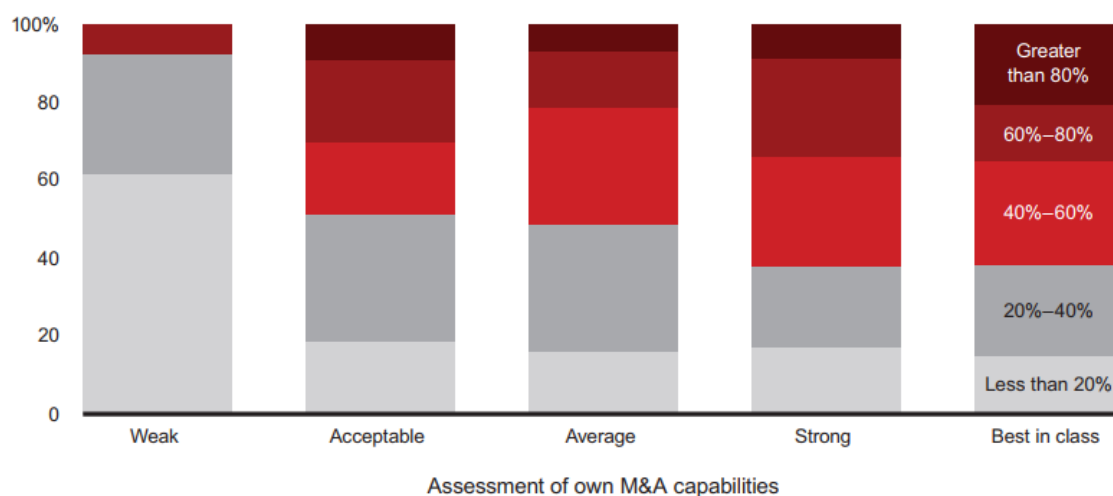
Figure 1 Expected M&A contribution to revenue growth over the next three years
Source: Bain & Company (2021)

Number of M&A transactions increased more than 15 times from 1985 to 2023 as illustrated in Figure 2 (IMAA 2023). Given the significant rise in M&A deals, it can be reasonably anticipated that M&A transactions should be able to enhance shareholder value as their ultimate objective. However, according to Harvard Business Review, it shows that more than 60% of deals destroy shareholder value (Lewis and McKone 2016). An M&A deal can be likened to a marriage, commencing with the identification of a suitable partner according to the preference and life goal, followed by getting to know the

target intimately, and ultimately making the commitment to join forces for the long term. Each steps play signification roles to ensure the success of the marriage, as well as an M&A deal. While it's commonly acknowledged that the M&A strategy and the negotiated deal price are pivotal factors influencing the success of an M&A transaction, it's important to note that a change in business ownership doesn't guarantee the continued outstanding performance of the business or the automatic realization of synergies, just like no guarantee on happily-ever-after life post marriage.
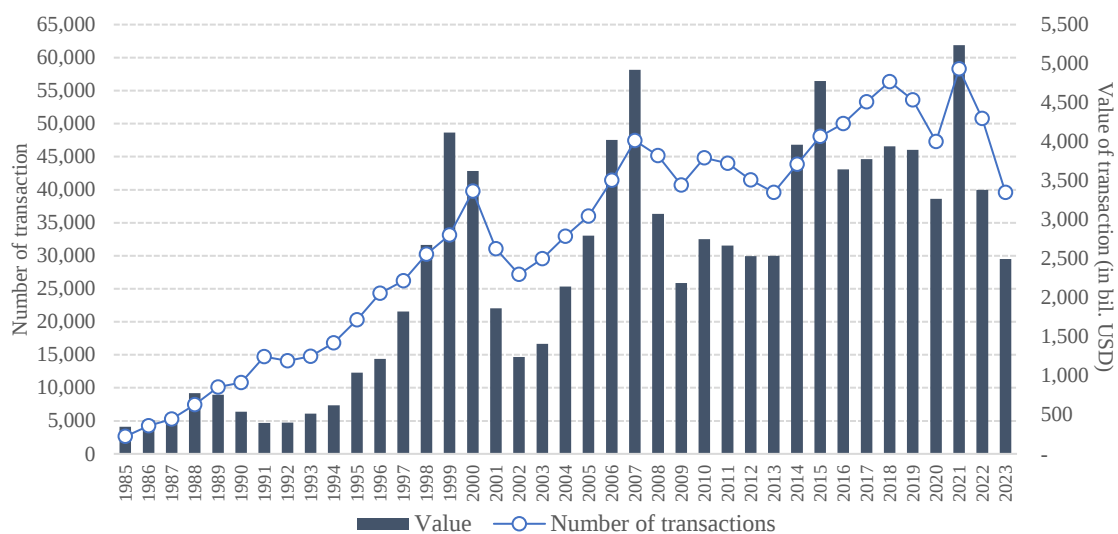
Figure 2 Mergers and acquisition transactions from 1985 to 2023
Source: Institute for Mergers, Acquisitions & Alliances (2023)

The initial examination of M&A literature reveals a predominant focus on outlining the various stages of M&A, with an emphasis on strategy development and transaction pricing. In contrast, the post-merger integration phase is often underexplored, primarily discussed in theoretical terms that may pose practical challenges, with limited focus from human resources perspective. The author is motivated by the recognition that the human element is a fundamental driver of M&A outcomes and hence conduct the study of the said topic.

1.2 Study Questions and Objectives

A recent survey (PwC 2023) highlights that companies engaging in M&A transactions are allocating increased resources to integration processes, aiming to overcome post-acquisition challenges and achieve their ultimate objectives. According to Figure 3, 59% of companies now invest 6% or more of the deal value in integration, a

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significant rise from the 38% reported in 2019. Furthermore, 15% more of companies are allocating more than 10% of the deal value to integration efforts. Remarkably, 78% of successful M&A organizations are dedicating 6% or more of the deal value to integration, illustrating a substantial commitment to the process. In comparison, only 56% of other respondents are operating at this level of investment (PwC 2023) Figure 4. These findings suggest a positive correlation between the level of investment in integration and the success of M&A outcomes. The data underscores the importance of companies directing their efforts and focus towards effective integration strategies in the post-acquisition phase.
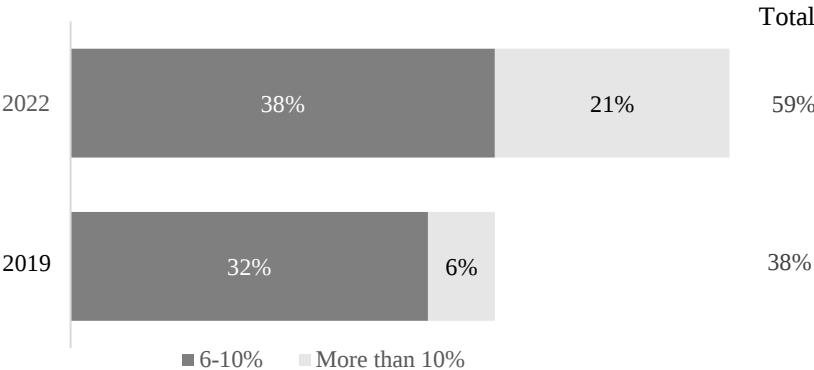
Figure 3 Percentage of deal value spent on integration
Source: PwC (2023)
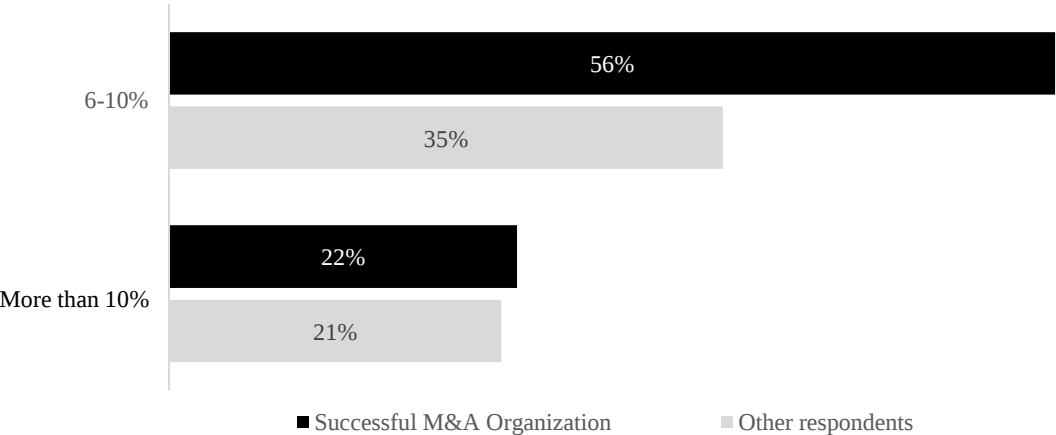
Figure 4 Percentage of deal value spent on integration - successful M&A organizations
vs. other respondents
Source: PwC (2023)

According to M&A Beyond Borders survey (Economist Intelligence Unit 2008), 64% achieved the end goal of shareholder value enhancement during their last cross-border transaction. While the results are generally good, success is far from guaranteed. The data also reveals that over 30% of transactions fail to deliver any added value to shareholders, and nearly 1 out of ten to pain without gain. Organizations are eager to pinpoint the primary obstacles, enabling them to proactively strategize and prepare for the future. The M&A Beyond Borders survey (Economist Intelligence Unit 2008) indicates that the foremost challenges post-transaction revolve around cultural disparities for half of companies surveyed, with human capital integration matters, encompassing both managerial and employee facets, following closely behind for 35% of the companies surveyed, according to Figure 5.
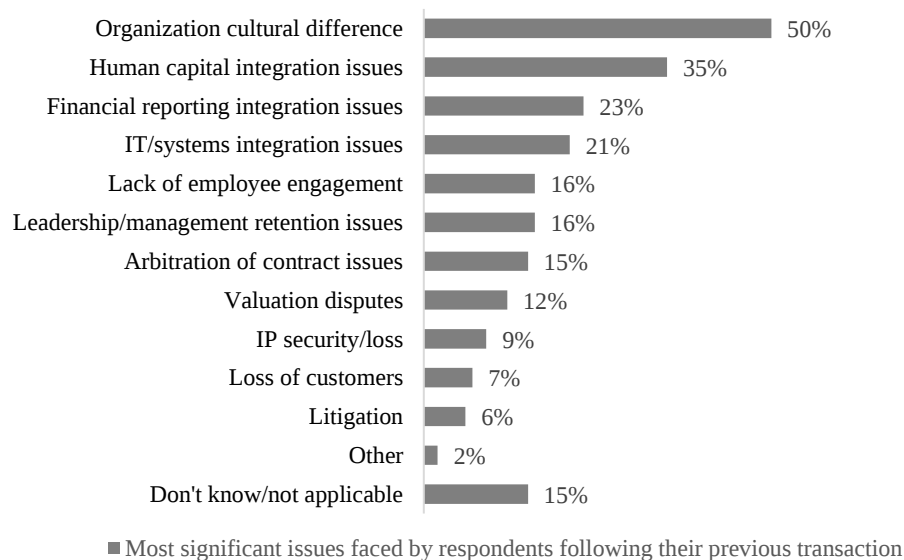
■ Most significant issues faced by respondents following their previous transaction

Figure 5 Most significant issues faced by respondents following their previous transactions
Source: The Economic Intelligence Unit (2008)

The significance of post merger activities, particularly in achieving the success of a deal, is evident, with a specific focus on addressing human resources challenges. The central theme of this thesis is to examine two questions:

1. What is the impact of post merger integration to the success of the M&A deals from HR perspective?

2. How to build an effective human resources post merger integration framework to foster the success of the post merger integration and M&A deals?

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1.3 Study Methodology and Limitation

1.3.1 Study Methodology

Upon finalizing the study's questions and scope, this thesis employs a literature review methodology, complemented by the author's personal 20 years experiences in HR M&A consulting field, and related projects observations to employ qualitative analysis. The objective is to organize a proposed post-merger integration framework from HR perspective, and validate it by cross-referencing with a case study.

Author began with a comprehensive review of global literature, research, studies and surveys on M&A, post-merger integration, and identifying key factors crucial to the integration process from HR perspective. Subsequently, the author proposed a post merger integration framework from HR perspective based on these findings. Given the thesis's aim to provide practical contributions to companies, the author selected theses and studies that specifically discussed post merger integration with focus on HR aspect, drawing on the author's project experiences in an HR consulting firm to further validate the proposed framework against real case.
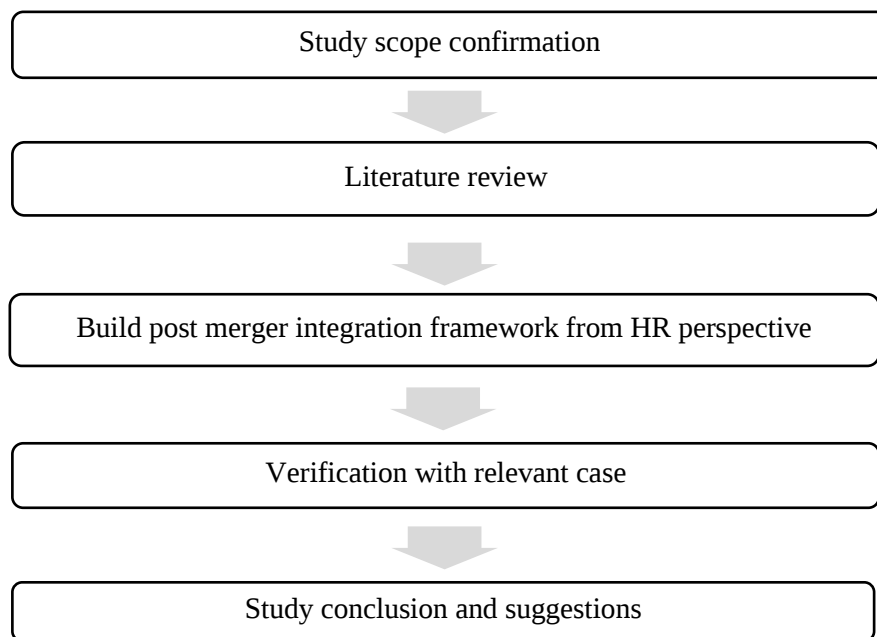
Integral to the thesis, a case study serves as the cornerstone for conducting thorough research and analysis. Meticulous attention is dedicated to pinpointing the case that resonates with the objectives and questions of the thesis. The overarching aim is to not only directly tackles the thesis questions but also imparts valuable insights, fostering the generation of knowledge that holds broader applicability.

The chosen case study delves into the acquisition of a multinational target by a prominent Taiwanese company. The acquiring company, boasting a substantial workforce of 8,000 employees primarily situated in Taiwan, China, and the Philippines, set its sights on a target business with a global staff of 1,500 employees. The target, a division of a Fortune 500 company with a colossal global workforce of 105,000 employees, became a focal point due to the growing demand for energy and power systems, particularly with the surge in electric vehicles. The case was specifically selected to examine the intricacies of integration planning and execution before and after day 1, offering a comprehensive HR perspective. This exploration sought to address the two pivotal questions outlined in the thesis. The case transpired in 2023, prompted by an increased need for additional support in developing the HR PMI framework, a facet initially overlooked due to resource constraints and limited experience. Through a thorough examination of the case, the author was able to underscore the profound impact of PMI from an HR standpoint and propose a comprehensive HR PMI framework.

M&A results often require time to manifest as either success or failure, and the highly human-centric nature of M&A activities poses difficulties in securing direct participant interviews. Moreover, people's memories may become less strong over time. Therefore, the thesis utilizes a combination of literature insights and firsthand experiences to strengthen the reliability of the proposed post merger integration framework from HR perspective, recognizing the complexities involved in evaluating M&A success and the challenges associated with obtaining real-time participant perspectives.

Based on the above, the study flow of this thesis is as below:

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┌─────────────────────────────────────────────────────────────┐
│            Study conclusion and suggestions                  │
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1.3.2 Study Limitation

Generally speaking, M&A may refer to merger, acquisition, divestiture, or joint-venture. The M&A study in this thesis refers to the following limitation:

- The acquiring company is an operating company. A private equity firm who does not engage business integration is excluded.

- The acquiring company wields significant influence over the acquired company in the context of mergers or acquisitions.

- The acquired business or unit is sizeable and stand-along after day 1 with its own HR operations.

- The transaction involves employees within its scope; hence, scenarios such as mergers or acquisitions solely involving assets, know-how, or hardware with no employee involvement are excluded.

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- The acquiring company expresses an intention to participate in the management and operations of the acquired business.

- The acquiring company and the acquired company may be integrated based on the same or similar product or service portfolio. The acquisition across industry with no or limited integration is excluded in the study.

- The case study presented in this thesis is a singular instance based on the author's recent project experience in a consulting firm. The author began to involve approximately 90 days before Day 1 and continued for 30 days after Day 1 with no longer term observation.

- The case study was drafted by the author with limited perspective.

Chapter 2 Literature Review

Mergers and acquisitions (M&A) process consists of different phases by looking at deal cycle timeline, starting from target identification all the way to post merger integration and then business as usual. Once the deal is announced, integration planning starts for all the functions, and people-related issues led by human resources (HR) function plays significant role to ensure business continuity from people aspect. This chapter starts with reasons of mergers and acquisitions, followed by definition of post merger integration, M&A types, and types of post merger integration strategy.

2.1 Reason for Mergers and Acquisitions

The core of M&A is a deliberate transfer of control and ownership of a business organized in one of more corporations (Coates 2014). There are a lot of reasons why companies do M&A. But unless a company is buying a business and selling its parts, or doing an arbitrage, M&A integration will almost certainly occur to different degree according to M&A objectives.

When formulating a corporate development strategy, the nature of desired acquisitions frequently shapes the overall strategy even prior to compiling an extensive list of potential targets. Companies engage in mergers and acquisitions for a variety of reasons. One of the primary reasons is to achieve growth. M&A allows companies to expand their product offerings, increase their market share, and enter new geographic markets. M&A can also provide companies with access to new technologies, intellectual property, and talent, which can help to enhance their competitiveness. Another reason for M&A is to achieve economies of scale. M&A can reduce costs, increase efficiency, and improve profitability. This is particularly true in industries such as manufacturing, where economies of scale are critical to success. M&A can also help companies to diversify their business operations. By acquiring companies in different industries or markets, companies can reduce their exposure to risk and volatility in a single market. This can help to stabilize their earnings and improve their long-term prospects (DealRoom by M&A Science 2021).In some M&A situation the reason is to eliminate competitors (Palmer 2022). The reasons of M&A drives the integration approach and can not be omitted. Without knowing the reason of M&A, the integration approach will not be able to achieve business objectives as it was aiming for.

2.2 M&A Types

The corporate strategy naturally leads to the desired acquisitions and impacts on mergers and acquisitions types. A merger is a transaction of two companies, usually of similar size, in which the shareholders of each of the two separate companies, jointly own the shares of the company that arises after the merger. This is distinct from an acquisition, where a company buys the outstanding shares of a target company, and the target company's shareholders receive the proceeds from selling those shares.
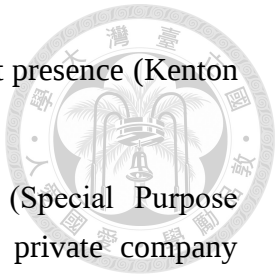
M&A transactions fall into a variety of types, including horizontal acquisition, market extension acquisition, vertical acquisition, conglomerate acquisition, congeneric acquisition, reverse takeover, and acqui-hire (Patel 2023).

1. **Horizontal acquisition:** horizontal acquisitions, also known as horizontal mergers, entail expanding market presence through consolidation. Both entities involved should operate within the same industry, offering products and services that are largely similar. The augmented scale of the merged company is expected to enhance its negotiating leverage and establish a more favorable competitive stance compared to the individual positions of the two companies before the merger. In numerous industries, major players have either attained or sustained their leading positions through horizontal acquisitions. The merger of Exxon and Mobil to create ExxonMobil in 1998 could be seen as the textbook case of a horizontal merger. Both companies were major integrated oil and gas companies in the oil and gas sector based in the US. The horizontal merger combined the first and second largest energy corporations in the US, and diversified its portfolio with each companies having a foothold in different parts of the world. Exxon was able to gain access to Mobil's gas stations and its product reserves. ExxonMobil afterwards increased efficiency in operations, pooling of resources, and streamlining of procedures (Oguche 2023).

2. **Market extension acquisition:** a Market Extension acquisition represents a deviation from a horizontal acquisition, involving companies situated in distinct geographic areas. The primary objective remains consolidation, but it spans a broader geographical scope. In these industries, where consolidation levels are typically elevated, emerging companies entering the market find it more advantageous to pursue acquisitions rather than initiating greenfield operations in the new geographic area. For example, the merger between RBC Centura (RBC) and Eagle Bancshares Inc. in 2002 exemplified a market extension merger. This strategic move facilitated RBC in expanding its operations within the North

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American market. Notably, Eagle Bancshares possessed Tucker Federal Bank, a major financial institution based in Atlanta, boasting a workforce of over 250 employees (Mentorme Careers 2021).

3. **Vertical acquisition:** while a horizontal acquisition involves a company purchasing a competitor operating at the same level of the production chain, a vertical acquisition takes place when one company acquires another situated at a different level of the production or value chain. In a vertical acquisition, a company concentrated on a specific area within the chain acquires another that emphasizes a different aspect of the production or value process. In practice, vertical transactions often take the form of acquisitions rather than merger, where a significantly larger company purchases one of its partners or suppliers. This strategic move enables the acquiring company to exert greater control over its value chain. A case in point is the acquisition of Pixar by Walt Disney in 2006. Recognized as an innovative animation studio boasting a pool of highly talented individuals, Pixar brought a wealth of creativity to the partnership. On the other hand, Walt Disney, a prominent mass media and entertainment company, sought to enhance its offerings and strengthen its position within the industry through this strategic acquisition (Thakur 2023).

4. **Conglomerate acquisition:** our consumption patterns increasingly revolve around conglomerates, who have become experts in acquisitions. A conglomerate acquisition takes place when a sizable company expands through a sequence of bolt-on acquisitions, typically encompassing a wide array of product and service lines, diverse geographical locations, and varied industry perspectives. Pepsico's acquisitions of Wendy's and Pizza Hut represent good examples of conglomerate acquisitions with the selling of soft drinks having little relevance to the selling of pizzas, although it should be noted that all of these restaurants still only have Pepsi on tap, decades after the original transactions (Patel 2023).

5. **Congeneric acquisition:** a congeneric acquisition, also known as a concentric acquisition or product extension merger, represents a twist of the horizontal acquisition. The two companies participating in the deal don't share the same products or service lines; instead, they offer different products and services, even if they broadly serve the same market. Despite the divergence in their offerings, the overlap between the companies creates synergies, resulting in a combined entity that is more potent than the sum of its individual parts. In 1998, Citicorp acquired the Traveler's Group, a financial services company with a distinct product line. Despite both operating in the financial industry, their merger resulted

in the formation of Citicorp Inc., enabling an expanded market presence (Kenton 2021).

6. **Reverse takeover:** it's commonly referred to as SPAC (Special Purpose Acquisition Company) deals. In this acquisition format, a private company acquires a public company with the aim of utilizing it as a means to go public, thus bypassing the typically expensive initial public offering (IPO) process. The structure of a reverse takeover can vary, and it may also entail the public company acquiring the private company, depending on the arrangement. However, the overarching goal remains consistent: for the private company to assume control of the newly merged entity and achieve a public listing. A notable example is Burger King's reverse merger in 2012, wherein Justice Holdings, a publicly-traded shell company, assimilated Burger King. This occurred merely 18 months subsequent to the fast-food chain's privatization following its acquisition by 3G Capital in 2010. The collaboration between Justice Holdings and 3G Capital resulted in Burger King returning to the status of a publicly traded company (IG Australia Pty Ltd. n.d.).

7. **Acqui-hire:** the term acqui-hire is a combination of the words "acquisition" and "hire" . In an era where the most prominent companies are distinguished not only by their physical assets but also by their talent and intellectual property, the acquisition strategy becomes a validated method for organizations to secure a leading position in the talent competition within their industry. This trend is particularly prominent in the technology sector, where a scarcity of top-tier programmers compels major tech companies to go to great lengths to acquire valuable talent, even if it involves purchasing entire companies. Facebook's acquisition of Drop.io in 2010, with the explicit goal of bringing Drop.io CEO Sam Lessin onto the Facebook roster was a great example of acqui-hire as the acquisition was primarily for its employees instead of products or services (McGregor 2012).

2.3 Definition of Post Merger Integration

Scholars have different definition of post merger integration. It can be defined as the process that unfolds in the aftermath of the deal closure to reconfigure merging firms by redeploying, adding, or diverting resources, lines of products or entire business, in order to achieve the expected combination benefits (Bodner 2018). It can also be defined as the making of changes in the functional activity arrangements, organizational

structures and systems, and cultures of combining organizations to facilitate their consolidation into a functioning whole (Pablo 1994). Similarly, post deal integration can also be the managerial actions taken to combine two previously separate firms (Cording 2008). No matter how scholars define the post merger integration, it is obvious that the process involves the seamless assimilation of every part of the organization, as high level as the organization structures, all the way to systems, cultures, people, and all pieces of the organization, to ensure a cohesive and successful transition.

2.4 Types of Post Merger Integration Strategy
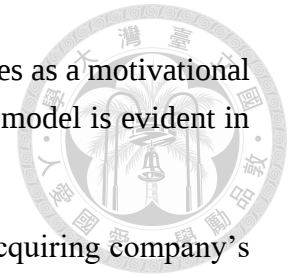
Post merger integration (PMI), is one of the most difficult conundrum for the acquired companies in a M&A. "What am I going to do with the target" should be the first question the rational acquiring companies think about and have answer. HR integration strategy team shall then be developed to align the overall post merger integration strategy. Two criteria should be consider for assessment while a company consider post merger integration (Haspeslagh 1991):

1. The need for strategic interdependence: this refers to the combined value created after acquisition which should obviously be greater than the value of both the firms combined together. Value creation can be in many forms like increased resources, skills or combined benefits.

2. The need for organizational autonomy: managers must not lost sight of the fact that the strategic task of an acquisition is to create value. Furthermore autonomy should be granted too quickly, although people are important and should be treated fairly and with dignity.

A simple PMI strategy framework which is developed by Philippe Haspeslagh and David B. Jemison could be the starting point. The framework (Haspeslagh 1991) approaches are based on two criteria above, the need for strategic interdependence and the need for organizational autonomy, and provides insight and guidance in mergers and acquisition on choosing the optimal integration approach, which will lead to the integration approach for human resources. It's a two by two matrix in Figure 6 including:

1. **Preservation strategy:** This approach is characterized by the acquiring company's focus on preserving the target's sources of value intact. The acquired company is treated as a separate entity, and the acquiring company provides resources and support to help the acquired company maintain its identity. Reducing interdependencies can mitigate risks within the acquiring company's

portfolio, and proponents argue that increased autonomy serves as a motivational factor for the management team. Successful adoption of this model is evident in companies like General Electric.

2. **Symbiosis strategy:** This approach is characterized by the acquiring company's simultaneous focus on boundary preservation and boundary permeability. This is undeniably the most intricate post merger integration model, yet, if executed successfully, it offers the highest rewards. Given the rapid evolution of new technologies, the unprecedented cultural differences between generations, and the globalization of the economy, most buyers find themselves compelled to adopt this model or risk losing market shares.

3. **Holding strategy:** This approach is characterized by the acquiring company's non-intention of integrating the target. Value is created only by financial transfers, risk-sharing, or general management capability. Purchasing a company solely for the purpose of holding it within a portfolio contradicts Michael Porter's assertion that businesses should maintain a focus. In such cases, there is minimal or no realization of economies of scale, rendering it a loosely defined strategy. On a positive note, the buyer is relieved from concerns about strategic interdependence among entities and can implement their own organizational structure.

4. **Absorption strategy:** This approach is characterized by the acquiring company's strong control over the acquired company by imposing its governance model. The acquiring company's vision for the acquisition is carried out, and the acquired company is integrated into the acquiring company's operations. This represents the inherent approach to business growth through acquisitions. Typically, companies employ an absorption strategy to expedite growth that would otherwise be too time-consuming organically or in the face of resource constraints. However, this often gives rise to cultural conflicts, as evidenced by the challenges faced by companies like HP or Chrysler. From the acquiring company's viewpoint, implementing an absorption strategy is complex. Initially, the acquiring company must define acquisition criteria to address the requirement for strategic interdependence. Subsequently, an assessment of the target's culture is essential to ensure a potential fit.
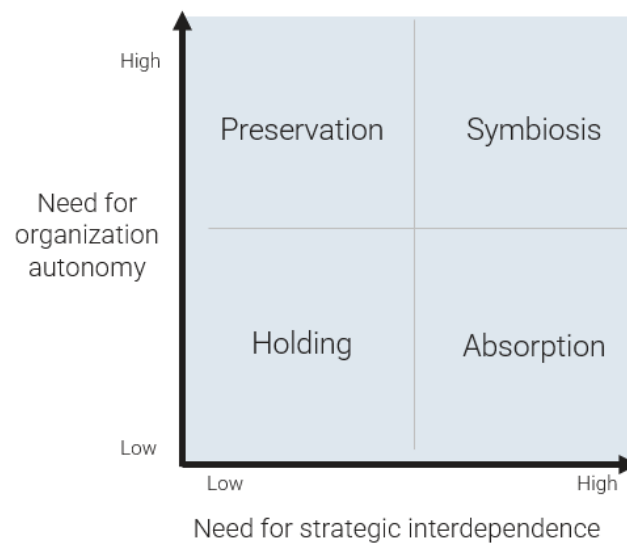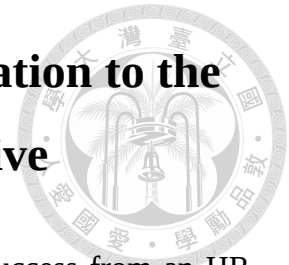
Figure 6 Post merger integration strategy framework
Source: Haspeslagh and Jemison (1991)

Chapter 3 Impacts of Post Merger Integration to the M&A Success from HR Perspective

Examining the impact of post-merger integration on M&A success from an HR perspective commences by delineating the parameters for a successful M&A deal. The exploration extends to identifying key milestones throughout the M&A life cycle that significantly affect overall success. Subsequently, the focus narrows down to scrutinizing the specific impact of post-merger integration on M&A success. This chapter is a compilation by the author, drawing from author's practical project experience, unique viewpoint, and supplemented by relevant supporting data.

3.1 Definition of a Successful M&A deal

A common successful M&A is defined as delivering market-beating returns on shareholder capital (Deloitte 2020), or the value of the combined firm exceeds the cost of the investment (Canina, Kim and Ma 2010). Success can vary based on the specific circumstances and strategic intentions of the deal. A M&A deal unlocks new avenues of growth and innovation, expanding the combined market presence and diversifying the product portfolio to achieve financial performance. As a result, shareholder value is substantially enhanced as financial performance of the combined business exceeds projections, reflecting a synthesis of expertise, resources, and vision.

Determining other measures of M&A success should be done as early as possible by senior executives even before signing the letter of intent to set clear and measurable criteria that reflect the goals and objectives of the transaction. Besides financial synergies achievement, other key metrics used to measure deal success include aspects of integration, market share, customer, innovation, and people according to Aon survey findings in Figure 7 (Aon Hewitt 2011).

It is clear that success measures in M&A go beyond financial gains and encompass elements of efficient operations, market presence, talent engagement, and more. A M&A deal requires all-function collaboration to achieve the common objectives, with clear goals outlined and embedded with all executives, employees and even shareholders.
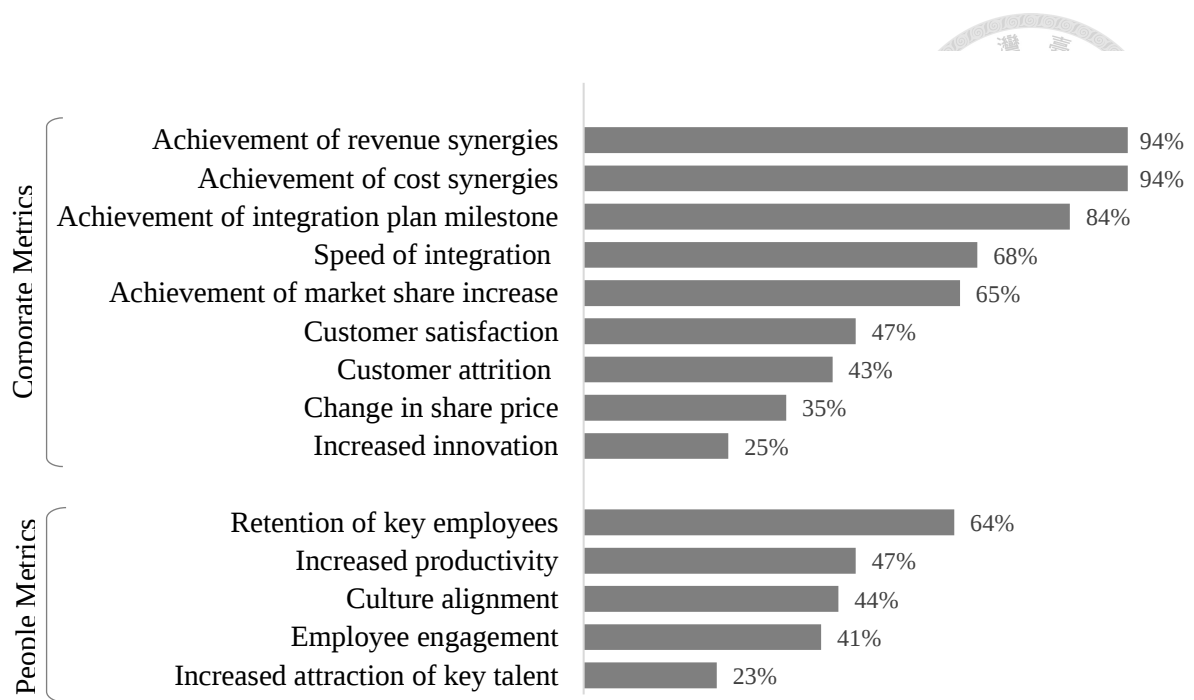
Figure 7 Key metrics used to measure deal success
Source: Aon Hewitt (2011)

3.2 Key Milestones in M&A Life Cycle Impacting the Success of M&A from HR Perspective

The success of a M&A deal hinges on a series of key milestones within the M&A lifecycle, with each stage significantly impacting the outcome from a HR perspective. The due diligence phase lays the foundation, where HR plays a pivotal role in assessing cultural compatibility, workforce capabilities, and potential integration challenges on the HR program transition and integration. Besides red flags on compliance and cost issues, HR due diligence during pre deal phase addresses more on talent, HR operation and integration risks to prepare for the post deal planning and execution. The immediate post deal phase requires efficient communication to address employee concerns, talent retention, and continuation on compensation, benefits and HR policies and system to ensure legal compliance, no disruption on HR operations and talent retention.

During the pre-deal phase, HR assists in conducting due diligence by analyzing the workforce of the acquired business. This involves assessing the skills, capabilities, and organizational culture of the acquired business to identify potential alignment issues and areas of synergy. HR's expertise in evaluating compensation structures, employee benefits, and employment contracts helps the acquiring company to make informed

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decisions regarding the valuation and negotiation of the deal. Moreover, HR can identify potential talent gaps and staffing needs that need to be addressed post-acquisition, as well as high level integration planning.

Once the deal is announced, HR plays a pivotal role in developing the initial integration strategy in the implementation planning phase followed by the due diligence phase. HR professionals collaborate with the leadership team to determine the high level approach for HR transition, organizational structure, and to prepare for day 1 employee communication. During this period, in scope employees are often emotionally affected and are distracted from their jobs. Moreover, some employees might start researching for external job opportunities due to job uncertainty and potential impact on their future managers, rewards packages, working locations, reward package, and beyond. All the shocks and unknown may lead to disruption to the business operations, impact on quality of products and services, and even the negative impact to company publicity, especially during heavy social media use era. By addressing concerns about job security, changes in roles, and high-level concerns from the in scope employees, HR helps manage employee anxieties, reduce resistance to the changes, and accept the transfer by the in scope employees. HR's involvement in crafting a clear communication plan ensures that employees are informed about the progress of the M&A, the changes to their working terms and conditions, and are aware of the company's vision for the future.

The integration phase begins when the deal is closed, and HR's contributions become particularly pronounced. HR guides the integration process by identifying redundancies, mapping out reporting structures, managing the transition of employees in the new structure, assessing and executing the compensation and benefits harmonization, integrating HR systems and programs. Retaining key talent is another critical aspect, and HR implements strategies to ensure that valuable employees are motivated to stay and contribute to the future success. HR professionals facilitate cross-functional collaboration, helping employees from different backgrounds work together effectively. Another crucial aspect requiring long term efforts is culture integration where HR plays a central role in creating a unified corporate culture that respects the strengths of both businesses. In this phase HR integration strategy continues to refine with consideration of business strategy, operation integration progress, financial affordability, workforce dynamics and organization readiness.

3.3 Impacts of Post Merger Integration to M&A Deal from HR Perspective

Both academics and practitioners stress the crucial role played by post merger integration in the success of M&A (Zollo 2008). Financial evaluation, compliance risk assessment and operational risk valuation are the main focuses before deal is closed. Once the deal is closed, M&A efforts shift to integration which aims for effectively and collaboratively work together between two businesses. According to most studies, between 70 and 90 percent of acquisitions fail. Most explanations for this depressing number emphasize problems with integrating the two parties involved (Graham 2020). The post merger integration directly influences the realization of synergies, operational efficiency, and overall success. The effectiveness of integrating two distinct businesses into a cohesive whole determines the extent to which financial goals are met, operational processes harmonized, and customer experiences maintained. Proper integration ensures the optimization of resources, elimination of redundancies, and alignment of cultures, thereby enabling the new business to capture market opportunities and solidify its competitive stance.

The key player to drive collaboration between two businesses are people, the key assets of an organization. Employees who strive for success of a company expect to receive their pay checks on time to pay their bills, to be able to bring their dependents for medical treatment under company healthcare coverage, to take business actions per leadership team's clear decision and vision, to be able to work in a harmony and collaborative work environment in a daily basis, and to foresee their career progressing positively where they work for. A poorly executed HR integration can cause employee's dissatisfaction and disengagement, decreased morale, poor productivity, lack of solidarity and can lead to compliance issues, disruptions in operations, loss of customers and even a failure to achieve the strategic objectives that motivated the merger or acquisition in the first place. The effective alignment of HR practices, policies, culture, organization and communication strategies becomes paramount to minimize resistance, facilitate a smooth transition, and foster a positive work environment. As depicted in Figure 7 of the Aon Hewitt 2011 Culture Integration in M&A survey (Aon Hewitt 2011), people metrics emerge as crucial factors influencing the success or failure of a deal. If managed adeptly, post merger integration can lead to the successful blending of diverse workforces and the realization of synergies through optimized staffing and resource allocation. Therefore, the manner in which HR navigates the integration process significantly impacts the overall success and sustainability of the M&A deal.

Chapter 4 Proposed Post Merger Integration Framework from HR Perspective

In the dynamic landscape of post merger integration, where successful consolidation of diverse organizational elements is pivotal, a comprehensive and strategic HR framework emerges as the cornerstone for achieving seamless transition and long-term value creation. Recognizing the profound influence of human resources on the success of M&A deals, this proposed framework encapsulates a holistic approach that encompasses cultural alignment, talent retention, communication strategies, and organizational structure optimization. By strategically orchestrating these components, organizations can navigate the intricacies of post merger integration with precision, ensuring not only the harmonious integration of personnel and organization, but also the realization of synergies that propel the merged entity towards sustained growth and enhanced performance. The followings are the proposed PMI framework from HR perspective. The author has compiled this chapter, drawing upon her practical project experience, distinctive perspective, and complemented by pertinent supporting data and study.

4.1 Defining HR Objectives and Key Roles in Overall Post Merger Integration

M&A are complex processes that involve a wide range of stakeholders, including shareholders, customers, suppliers, and employees. One of the critical success factors in any merger or acquisition is the effective integration of HR systems, policies, and practices. HR plays a significant role especially post merger integration, as HR areas affect employees' me-issue that impacts greatly on employee's morale and will affect business performance. Some of the key questions employees would ask include: "will I get a new manager", "will my compensation change", "will there be any redundancy", etc. HR needs to be able to answer all the HR related questions to prepare the employees for their new journey and to ensure a smooth transition and alignment of the workforce, culture, policy and procedures as the primary objectives.

To address smooth transition from HR perspective, key HR roles in post merger integration covers the key areas as follows:

4.1.1 Facilitation for Employees Transfer and Employment

In stock deals in-scope employees remain in the same organization with no change on the employment. However, in certain deals, the individuals being transferred may be separated from the seller, and the buyer may not have an existing legal entity prepared to directly employ the in-scope employees in some jurisdiction. HR must devise a strategy to ensure that these in-scope employees can either be employed by the buyer's own entity or through a third party agency under acceptable employment terms and conditions.

4.1.2 Fulfillment of the Sales and Purchase Agreement and Legal Requirement

Typically, employment matters requirements are covered either within the sales and purchase agreement or through a separate employee matters agreement. One of HR's responsibilities is to guarantee that necessary employment terms align with the specifications outlined in the sales and purchase agreement, with particular attention to the specified duration. It commonly covers compensation and benefits, as well as severance package under no less favorable terms during a certain period, usually 12 to 24 months.

4.1.3 Transition Services Agreement Continuation and Exit

In cases where an acquisition encompasses the acquisition of a specific division or segment of the business, it's common to establish a transition services agreement (TSA) between the seller and the buyer. Within this TSA, the seller provides essential HR services, particularly focusing on HR systems and operations, to the buyer. This arrangement aims to prevent any disruptions in HR operations, ensuring the seamless execution of tasks like payroll processing, the continuation of medical benefits, and employee access to HR technology and systems. HR plays a pivotal role in facilitating coordination and collaboration with the seller's TSA team to define the critical milestones and processes required during this transitional period.

4.1.4 Talent Retention

One of the foremost challenges encountered in any merger or acquisition revolves around the retention of top talent. Throughout the integration process, employees might experience uncertainty regarding their roles within the company, which can prompt them

to explore alternative job prospects. HR assumes a vital role in talent retention by identifying valuable talents and formulating a retention strategy. This strategy encompasses communication about the deal, fostering employee engagement, and implementing rewarding and recognition initiatives.

4.1.5 Employee Engagement

HR must engage employees in the integration process by involving them in decision-making, soliciting feedback, and providing opportunities for employee involvement. This can include focus groups, town hall meetings, and surveys.

4.1.6 Change Management and Communication

HR needs to ensure communication regarding merger or acquisition process to all employees, including the reasons for the merger, the expected timeline, and the potential impact on employees. The communication should be transparent, honest, and timely.

4.1.7 HR Program Harmonization

HR must develop rewards and recognition programs that align with the new company's culture and values. These programs can include bonuses, promotions, and other incentives that encourage employees to stay with the company. The merging companies may have different structures, reporting lines, and decision-making processes, which can create confusion and conflict. HR plays a important role in organizational alignment by revisiting organizational structure. HR must ensure that the company's leadership is aligned with the new culture and values through during business integration. This can include training and development programs for leaders to ensure that they understand the new culture, operational and can effectively communicate it to their teams. Culture integration is a critical success factor in post merger integration. The merging companies may have different cultures, values, and ways of doing things, which can create tension and conflict. HR plays a critical role in culture integration by developing a culture integration strategy that includes communication, employee engagement, and leadership alignment.

## 4.2 Establishing HR Post Merger Integration Guiding Principles and Strategy

Prior to initiating any integration planning and actions, it is imperative to establish guiding principles for HR integration, followed by the development of a comprehensive strategy. These guiding principles serve as foundational directives to steer integration decisions and activities, functioning as a steadfast "True North" during the formulation of the integration plan and timeline. The overarching HR integration guiding principles may be influenced by any non-negotiables set by the acquiring company, if applicable, and the stipulations outlined in the sales and purchase agreement. In addition to these overarching principles, each individual HR workstream is likely to have its own set of guiding principles.

During post merger integration, two key principles that HR needs to always keep in mind and clarify before doing any integration planning are sales and purchase agreement, and transition service agreement.

- Sales and purchase agreement ors employment matters agreement: compensation, benefits and total rewards very often is included in the sales and purchase agreement or the employment matters agreement to be no less favorable in aggregate to employees compared to former entitlement at the acquired company for certain period of time, such as 12 months or 18 months immediately post day 1. During this period, compensation, benefits or total rewards can only be adjusted with no worse off in aggregate approach if considering integration with the acquired company. Severance pay is also another often seen item in the sales and purchase agreement with no less favorable requirement within a certain period of time to prevent massive redundancy shortly after day 1.

- Transition service agreement: in the situation of acquiring a business from carve-out of the acquired company, it's often seen that a transition service agreement is arranged in place for 12 months until the acquiring company stands up its own operations. If the transition services agreement is signed, areas under transition services agreement would be operated independently with no integration during the services period. HR then should use this time to perform necessary study, assessment and design to be prepared for stand-up.

Sample practices of overall HR integration guiding principles and workstream guiding principles are summarized in Table 1. Each deal may have different considerations that may require the adjustment of guiding principles to fit the circumstances.

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Table 1 HR integration guiding principles

Topic	Sample Practice
HR integration guiding principles – overall	
• Comply with the requirement in employment matters agreement, sales and purchase agreement, and local labor laws • Leverage transition services agreement • No mass reduction in force in certain period of time • Treat people fairly • Align with market practice • Leverage the acquired business' existing vendors, providers, partners as much as possible for the first year • Maintain cost level, and avoid cost increase • Adopt the acquiring company's approval matrix • Minimum utilization of professional employment organization	
HR integration guiding principles – by sub-workstream	
Organization alignment and talent selection	• Reflect values and direction of the acquiring company • Identify qualified talent, wherever they are, and staff the new organization with the best • Ensure appropriate diverse workforce • Apply process with speed, decisiveness and simplicity Communicate the process and outcome as quickly and efficiently as possible
Compensation and benefits	• Align with the acquiring company's salary range to ensure internal equity no later than 2nd year after Day 1 • Leverage job architecture of the acquiring company • Align merit increase cycle of the acquiring company • Develop a comparable program that supports the combined business
HR operations and data management	• First payroll must be complete and accurate • Medical coverage starts from Day 1 for all employees • All employees who are impacted by a job loss will be treated with respect • Leverage the acquiring company's HR technology system as early as possible • Outsource payroll in all countries as early as possible
Change management and communication	• Minimize disruption by providing timely information across all employees and stakeholder groups • With each communication, highlight the employee value proposition for the impacted populations • Communicate consistent messages about the integration; ensure the employee communication plan is aligned with broader company messages regarding the deal • Foster engagement and a positive employee experience by communicating with candor, speed, and clarity

Source: Compiled by the author

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Next step followed by HR integration guiding principles set-up is HR integration strategy. HR integration strategy needs to consider business integration strategy per Figure 6 and people driver of the deal. People issues directly affect realization of the strategic value of the deal. Before setting the HR integration strategy, it is critical to confirm the business deal value drivers and future business strategy. Different future business strategy will lead to different HR integration strategy and different priorities. If cross-selling is one of the business strategy going forward, integrated compensation scheme to all employees is must to avoid pay inequity. If business stand-along is the ongoing business strategy, separate compensation and benefits program can still continue with no integration. Common expected deal outcomes, business strategy and people-related drivers of success of failure of a deal is listed in Figure 8 below.
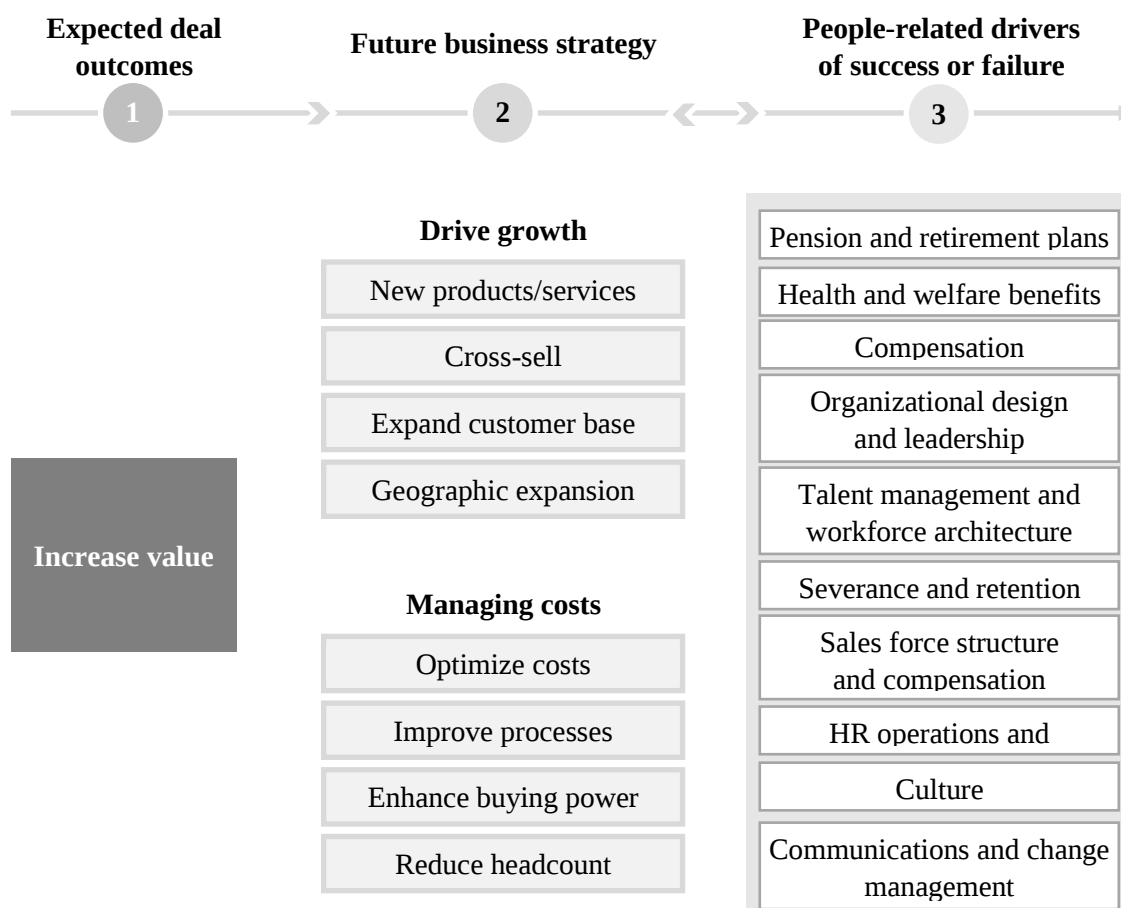

Figure 8 Business strategy and people related drivers of success of failure
Source: Willis Towers Watson intellectual capital

4.3 Appointing a HR Integration Project Manager to Perform Seamless Project Management

For every transaction, the day-to-day operational matters for a corporate transaction can be cumbersome and will need to be managed by a delegated project manager from the Project Management Office, where HR is one of the key function, see illustration in Figure 9 below.
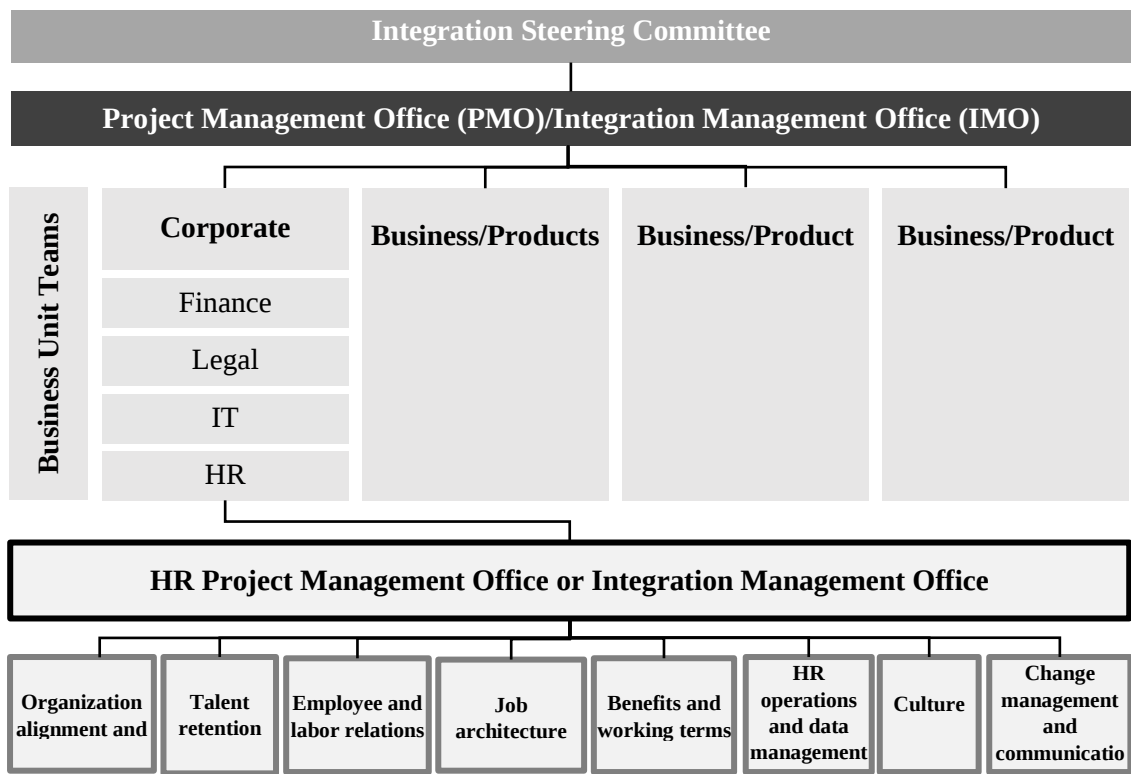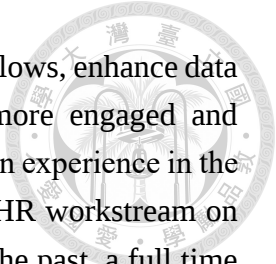

Figure 9 Merger integration project management illustration
Source: Willis Towers Watson intellectual capital

A capable HR integration project manager will drive the integration in ensuring the successful implementation of an integrated HR system. This individual will play a pivotal role in overseeing the entire integration process, bridging the gap between various functions and stakeholders, and aligning business objectives with the overall M&A goals. The appointed project manager should possess a strong background in HR operations, project management, company operations and IT systems to effectively navigate the complexities of assessing and harmonizing different HR systems and processes seamlessly. Moreover, excellent communication and leadership skills are essential, as they will be responsible for coordinating cross-functional teams, managing timelines, and resolving any challenges that may arise during the integration journey. With the right HR

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integration project manager, the organization can streamline HR workflows, enhance data accuracy, and ultimately elevate overall efficiency, leading to a more engaged and empowered workforce. If a company doesn't have too much acquisition experience in the past, the active HR personnel usually takes up the role in managing HR workstream on top of their daily jobs. For companies with more prior acquisition in the past, a full time merger and acquisition HR personnel or team may exist and plan the role of HR M&A project manager.
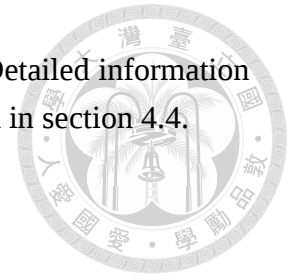
Once the HR project manager is decided, the project manager will be responsible for establishing and implementing HR integration project plan. Project management during a merger or an acquisition is more than just implementing the HR integration project plan on time. It is about implementing while managing the deal impacts on people and engaging them along the journey. It also includes support throughout the implementation, from establishing the right governance and processes, mobilizing HR teams with plans and stakeholder engagement, and driving and progressing activities to ensure an on time, to budget, and successful integration. Key activities of the HR Project Management workstream are summarized by three stages of 1) HR program management set-up, 2) HR workstream planning, 3) HR program management oversight, with details listed below.

4.3.1 HR Project Management Office Set-up

The HR Project Management Office led by HR project manager, plays a pivotal role in establishing the cadence and governance for the initial setup stage of HR project management/integration activities. This is crucial for upholding order and transparency throughout the entire transaction process. The standard governance process involves a weekly meeting schedule, regular updates on project status, and the timely updating of trackers for risks, issues, and decisions. Additionally, an escalation process is in place to address any pertinent matters efficiently.

Every corporate transaction, irrespective of its scale, should adopt a formal team structure. The size and composition of this team will be contingent upon the timing and complexity of the integration. In the context of M&A projects, the entire HR team should be mobilized to provide comprehensive support for HR integration, extending from headquarters to local offices. Typically, the HR project management team will include diverse HR subject matter experts, each with prior experience in managing transactions within their respective functions. Team members are designated based on the critical workstreams essential for achieving each transaction milestone date. The HR PMO

structure serves as the support framework for all HR workstreams. Detailed information on the key HR workstreams for post-merger integration can be found in section 4.4.

4.3.2 HR Project Management Planning

This stage involves thorough analysis HR project requirements and defining clear project scope and goals. The HR project manager collaborates with HR professionals and other relevant departments to develop a comprehensive integration project plan, project charter, roles and responsibilities, and communication channels to ensure effective teamwork and coordination. Additionally, the planning phase includes risk assessment and mitigation strategies, integration cost estimate, setting realistic milestones to monitor progress throughout the project's lifecycle and definition and tracking synergies and. HR project manager is also accountable to clarify the requirement under sales and purchase agreement, as well as scope of transition service agreement (TSA) in order to build the integration planning accordingly. By laying a solid foundation during the planning phase, HR projects can be executed with efficiency, transparency, and alignment with organizational objectives, ultimately fostering a positive impact on the workforce and the overall success of the company.

4.3.3 HR Project Management Oversight

This phase is crucial to guarantee the seamless execution of the integration plan, aiming to minimize disruptions. Given the inherent uncertainties associated with corporate transactions, the established governance model offers essential stability and predictability for the various workstreams. Maintaining the weekly rhythm is critical, as any breakdowns can adversely impact meeting key milestones; therefore, adjustments to the weekly rhythm should be kept to a minimum. Within the governance framework, the HR PMO conducts regular individual meetings with each workstream to verify the completion of milestones and deliverables against the plan, and appropriately escalates any identified risks. Acting as the driving force, the HR PMO sets the pace, addresses risks, engages and coaches stakeholders, and establishes a positive tone for the team and employee experience. Success is gauged not only by meeting deadlines but also by the coordinated and cohesive nature of the overall effort. Regular team meetings may unveil open risks, issues, and necessary decisions, as well as action items, which will be diligently tracked. Cross-workstream topics, if left unaddressed, may linger, underscoring the significance of the HR project manager's role in escalating issues within the

prescribed PMO governance structure for the transaction. In the context of M&A, both sides of the transaction rely on HR to exemplify a change management framework and lead by example. Infusing the HR program management approach with change management principles is considered a best practice to achieve both employee readiness and overarching business objectives. The HR PMO collaborates closely with each team to ensure the effective implementation of change management strategies.

4.4 Developing the HR Post Merger Integration Structure per HR Workstream Structure

HR departments play a critical role in various aspects of the employee lifecycle and contribute to the overall strategic objectives of the organization, especially during business integration. HR post merger integration covers not only the regular business-as-usual areas, but also specific workstream which plays critical role during the integration. A robust HR workstream structure is essential for successful post merger integration based on all concerned HR workstreams during a deal. The structure encompasses various strategic elements to ensure a seamless transition of human resources during and after the merger or acquisition. The HR post merger integration starts with early high level planning during due diligence stage according to the identified risks and opportunities related to talent, culture, and HR practices. It involves forming a HR project management office and integration management office led by experienced project manager who is equipped to oversee the process, monitor the timeline, coordinate across functions, identify issues and propose mitigation solutions. Establishing a dedicated HR integration team, comprising subject matters experts is crucial to lead the integration efforts for all the HR aspects that are in need of attention due to the merger or acquisition. The proposed HR post merger integration framework is structured to tackle all key areas in HR with special focus on integration due to M&A in Table 2. High level overview of each HR integration workstream is summarized in subsection below.

Table 2 The proposed HR post merger integration workstream structure

HR Project Management	Organization alignment and talent selection	Talent retention
Employees and labor relations	Job architecture and compensation	Benefits and working terms and conditions
HR operations and data management	Culture	Change management and communication

Source: Compiled by the author

4.4.1 HR Project Management

During the acquisition, a project management office, integration management office or separation management office, depending on the deal types, is set up to oversee and manage the entire project across all the functions to ensure timely delivery and mitigate risks. HR function is part of the overall project management office. HR Project Management is critical to successful integration, capturing synergies and maintaining business continuity. The main objective of the workstream is to develop and execute an integration strategy and plan for the future-state HR processes, programs, and systems that support transaction goals. It is critical that the decisions made during due diligence are understood, recognized and carried over to the post merger integration phase.

Effective project management in the context of a merger or acquisition extends beyond the timely implementation of the HR integration project plan. It encompasses the intricate task of navigating the impacts of the deal on individuals, encompassing both the workforce of the acquired company and the acquiring company. Central to this approach is the engagement of employees throughout the entire journey. This holistic perspective involves providing support across the implementation spectrum from establishing apt governance structures and processes, mobilizing HR teams with comprehensive plans and stakeholder engagement strategies, to driving and advancing activities, ensuring the integration is executed on time, within budget, and achieves success. Specifically, project managers play a critical role in facilitating a smooth hand-off from the HR Due Diligence Team, comprehending the terms and conditions outlined in the Sale and Purchase Agreement, and understanding the overarching timeline to closure, along with the identification of key milestone dates.

4.4.2 Organization Alignment and Talent Selection

The pivotal factor in achieving a successful integration that translates into deal value is the development and execution of an apt organizational alignment strategy. The chosen approach for organization alignment is contingent upon various factors such as the integration strategy, value drivers, and regulatory implications. Broadly categorized, high-level integration strategies comprise:

- Limited integration: the acquired company is designed to operate independently, maintaining a degree of autonomy within the overarching structure.

- Dominant player absorption: the acquired company is fully absorbed into the organizational structure of the acquiring company, becoming an integral part of the existing framework.

- Best of both or transformational: creation of a new organization arising from the acquisition, blending the strengths and best practices of both entities to bring about a transformative change.

The structure shown in Figure 10 provides a simplified overview of the organization alignment and talent selection process post initial stage, starting from defining organization, followed by positions review, and then talent assessment.
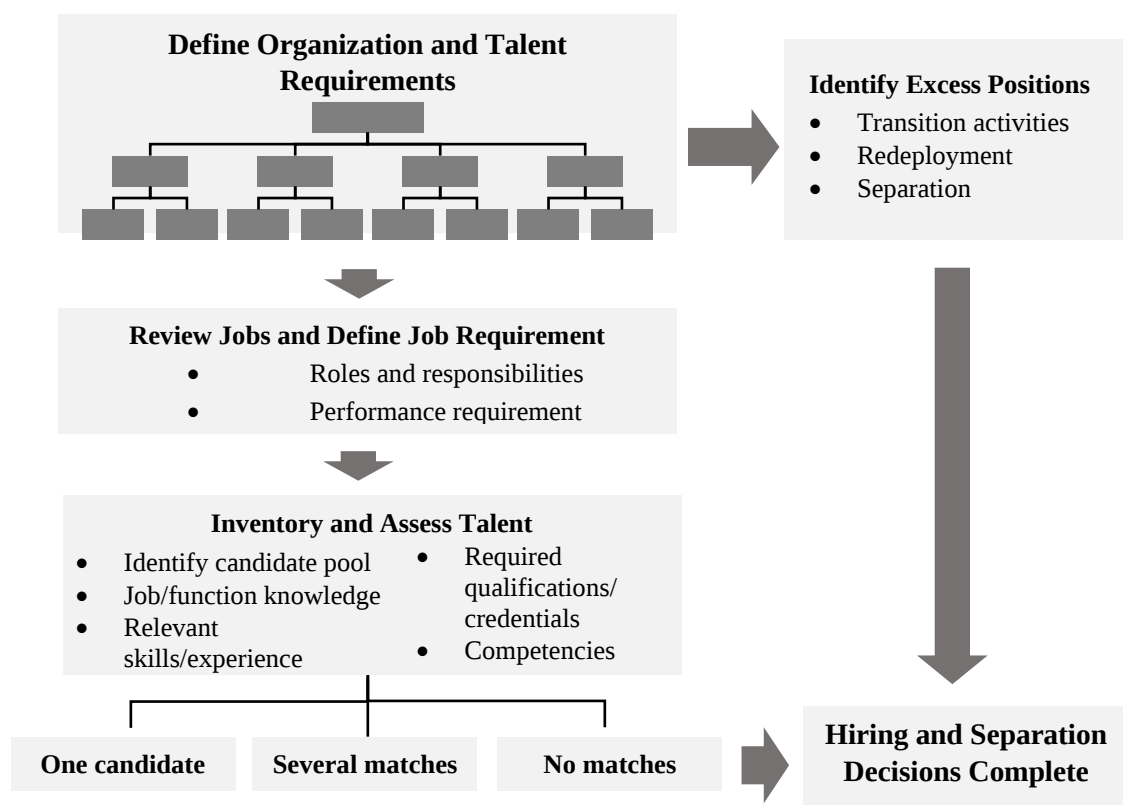

Figure 10 Organization alignment and talent selection
Source: Willis Towers Watson, intellectual capital

Numerous early milestone activities involve the validation of similarities and differences within existing organizational structures. The acquired company's operating model and agreed upon design principles set the parameters for crafting a detailed organization. The organization integration strategy may articulate its objectives across different stages. Often, it commences with a short-term organization alignment strategy during the initial transaction stage when stability is still being established. The primary goal of organization alignment in this phase is to ensure stabilization and enable ongoing

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business operations, minimizing disruptions. In-scope employees are typically offered positions in the new business with limited or selective redundancies. HR and managers invest additional time in understanding talent, assessing competencies, and making informed decisions regarding talent arrangement.

During this initial stage, especially in cross-border deals, a preference for limited integration is observed due to cultural gaps and a lack of comprehensive understanding of HR programs and talent. Talent selection at this juncture usually applies primarily to executive level and key positions. Implementing too many changes early on in the organization and leadership team may lead to in-scope employees harboring distrust, thereby posing risks to talent retention and employee engagement. Hence, a measured and strategic approach to organization alignment becomes paramount during the initial stages of integration.

The process for job review and definition is followed by organization design for that level is complete. High level job review include unaffected positions, eliminated positions, affected positions and new positions during the assessment of organization alignment as shown in Table 3. Job requirements are determined to cover job description, know-how requirement, qualification requirement, and performance expectation. Without clear definition and assessment of the jobs, it may cause resource allocation issue, task allocation issues, management issue and even pay quality and allocation issue.

Table 3 Post merger integration positions review categories and description

Positions	Description
Unaffected positions	• Position is unchanged and will continue to exist in the new organization • There is a single incumbent • Incumbent is qualified and will remain in the position
Eliminated positions	• Existing position is transitional or no longer required in the new organization • Current incumbent may become a candidate for redeployment to another role or exit the organization
Affected positions	• Existing position will continue in the new organization • Position has multiple incumbents and fewer positions exist • Candidates are typically current incumbents
New positions	• New position has been created or existing position has been substantially changed • Candidate pool must be identified • Candidates may include "near incumbents" or top talent

Source: Willis Towers Watson, intellectual capital

Most complex selection initiatives follow a wave-based approach that parses the population into categories of employees based on the reporting levels from the top line officers as shown in Figure 11. Upon completion of all organization alignment and talent selection activities for the top wave, the process is extended to the following categories. This approach allows for the organization design and selection activities to be driven by the requirements and objectives of each level and allows time to validate the process and communicate the outcomes to relevant stakeholders. Alternatively, the organization alignment and talent selection activities of a particular business unit or function may be less complex, enabling the process to be accelerated and the full organization design rolled out at once.
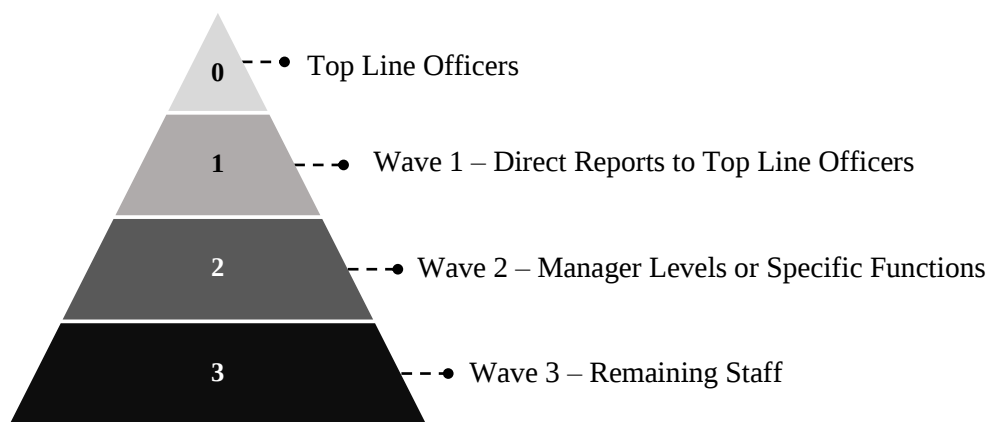

Figure 11 Post merger integration talent selection wave based approach
Source: Blac, Jeff and Murphy, Kristin (2015)

Along the way of the deal, a mid-to-long-term organization alignment strategy with talent strategy shall be developed based on assessment of organization effectiveness, employee population fit, employee competencies fit for the future company, and productivity of the team.
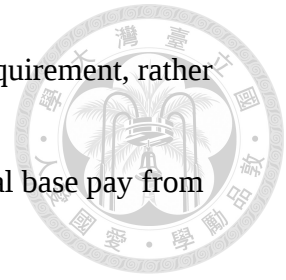
4.4.3 Talent Retention

Talent retention is a critical aspect of a successful M&A process. When two companies come together, they bring with them a pool of talented and experienced employees who are instrumental to the organizations' success. By retaining these key individuals during the M&A, companies can ensure the preservation of institutional knowledge, maintain business continuity, and protect valuable intellectual property. Additionally, talent retention helps reduce recruitment and onboarding costs, as well as

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minimizes the risk of losing essential customer relationships. Retained employees also play a significant role in accelerating post merger integration by facilitating the alignment of systems, policies, and cultures. Furthermore, keeping skilled and engaged employees fosters a positive work environment, boosts morale, and sustains a culture of innovation and creativity within the newly merged entity.

Talent retention program for post merger integration is often designed by providing monetary reward embedded with retention period mechanism to the identified talent. According to 2020 WTW M&A Retention Survey (Willis Towers Watson 2020), it is found that:

- The median retention funding pool was about 1% to 2% of the total purchase price

- The top 5 factors in setting the retention pool are:
  - Need certain employees to transition core responsibilities (86%)
  - Acquisition of new/critical skills the buyer doesn't have (75%)
  - Management and/or the other employees received significant deal proceeds or accelerated equity (61%)
  - Entering new geography or market - need the seller's local expertise (60%)
  - Management and/or employees had significant unvested equity of deferred payment (48%)

- Possession of key skills and/or critical market/industry knowledge in the context of the transaction is on the top of the list in determining employees eligibility for retention agreements.

- It's common to have leadership signed the retention agreements before or at deal signing (52%). However, for other employees, it would be more after deal signing (57%), or even after deal close (33%%)

- Retention bonus is generally awarded in cash format for both senior leadership and other employees (>80%), but leadership might receive stock options of shares also in some cases (44%).

- A percentage of base pay is the common design for the retention bonus to both senior leadership and other employees. One third provides retention bonus in a form of a fixed amount.

- Retention periods are typically at least one year after close for senior leadership with one-third at least three years; periods are somewhat shorter for other employees, with one-third for one year.

- Retention bonus is generally awarded based on time-based requirement, rather than performance metrics.
- Retention value is widespread in terms of percentage of annual base pay from 10% to more than 200%, see summary Figure 12 below.
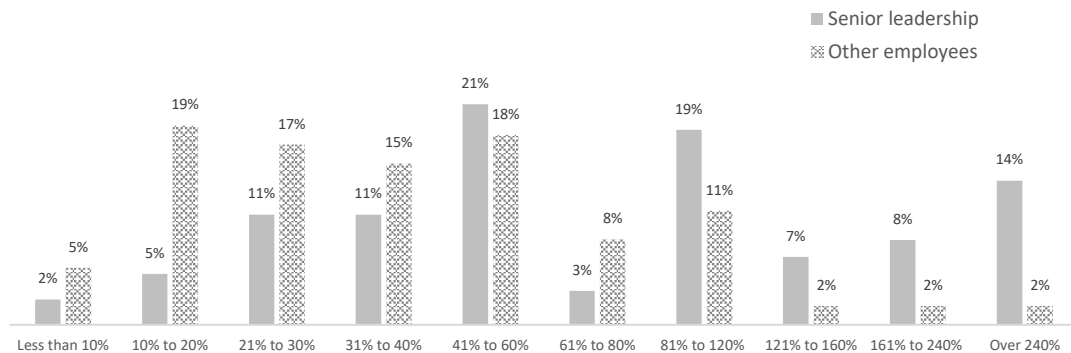

Figure 12 Analysis of total retention value and annualize retention value
Source: Borghello, Massimo, Kuk, Kenneth, Langerak, Bave, Mercereau, Jana (2021)

- Common annualized retention value as percentage of annual based pay varies by senior leadership and other employees, from 10% to more than 200%, see summary in Figure 13 below.
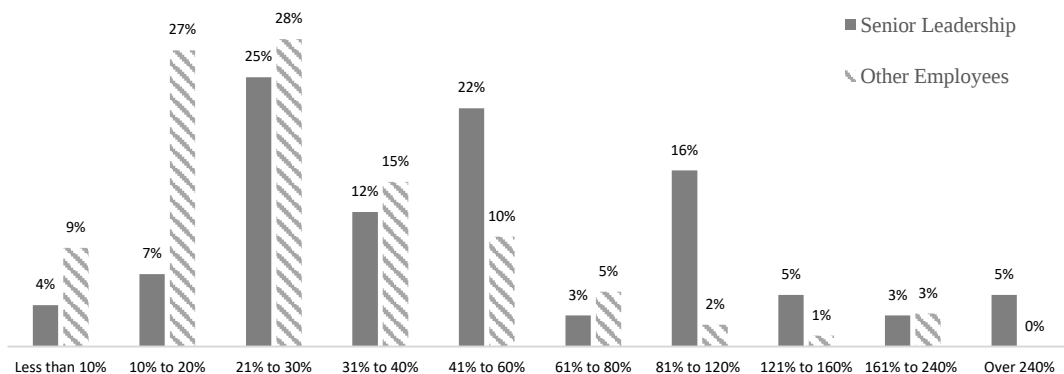

Figure 13 Annualized retention bonus value
Source: Willis Towers Watson (2020)

Cliff vesting is the common basis for retention award vesting, and one-forth takes approach of evenly prorated across the retention period.

- Other than deal retention bonus, some other financial instruments are provided for talent retention, including increases in base pay, division specific incentives,

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guaranteed payment of regular bonus, enhanced severance pay, and other method.

- Besides monetary retention award, companies use nonmonetary retention tactics for talent retention, including:
    - Personal outreach by leaders and managers
    - Participation in integration efforts
    - Making connection for them to expand professional networks
    - Enhanced career opportunities/promotion

- Around two-third believes more than 80% of talents will stay till end of retention period

- Cultural misalignment is the most commonly cited reason for employees leaving before the end of the desired retention period, followed by disagreement with company's focus or direction, dislike the new roles and aggressively recruited by competitors.

Corporate executives understand that people are crucial in M&A, and the companies that invest more time and resources on people early in the deal life cycle tend to reap the rewards. Successful M&A organizations have reported significant success at retaining key talent achieving levels more than twice as high as their counterparts (88% versus 34%) (PwC 2023). Successful M&A organization achieved superior retention outcomes through specific strategies, including (PwC 2023):

- Equity-based retention payments (81% for successful M&A Organization versus 41% for others)

- Cash-retention payments (75% versus 55%)

- Non-financial retention incentives (81% versus 34%)

Overall, talent retention serves as a crucial factor in maximizing the benefits of an M&A, driving the company's growth, and achieving long-term success in a competitive market landscape.

4.4.4 Employee and Labor Relations

When there is union, collective bargaining agreement, or work council existed in the acquired company, it adds complexity, extra efforts and challenges to make any integrations changes to employees' working terms and conditions, especially in European countries where work councils are very common. While preparing the integration strategy

and plan, negotiation or consultation with unions or work councils can not be addressed less as it would be mandatory in certain jurisdictions, or it may cause negative employee feedbacks or actions if not handling properly. Failing to follow work council or union requirements during a merger and acquisition can have serious consequences, both legally and operationally. Work councils are employee representative bodies that have specific rights and responsibilities. Ignoring or neglecting these requirements can lead to legal consequences, delay in M&A process, employee discontent and resistance, increased employee turnover, loss of employee trust and engagement, regulatory scrutiny, cultural challenges and even negative public perception. To avoid these negative consequences, it is essential for companies to plan ahead and proactively involve employee representative group early in the process. Communication, transparency, and cooperation with employee representatives can contribute to a smoother and more successful integration, ultimately benefiting the company and its workforce.

4.4.5 Job Architecture and Compensation

The key objectives of job architecture and compensation workstream is to identify integration risks, challenges, impact, including cost, and develop integration and mitigation plans to address job architecture and compensation plans and ensure comparable compensation provided according to sale and purchase agreement comparability clauses, legal requirements and collective bargaining agreement requirements. The job architecture and compensation concerned during post merger integration is suggested to cover all the items in Table 4 below.

Table 4 Job architecture and compensation items

Category	Items
Job architecture	Career ladder, leveling and grading
	Title system
Compensation	Base pay, guaranteed pay, overtime pay, allowances
	Short-term incentive (STI) plans, bonus plans, commission plans, sales incentives
	Long-term incentive (LTI) plans
	One time bonus plan
Compensation management	Pay differential by employee types (e.g., night shift bonus, on-call pay, etc.)
	Pay cycles (e.g., monthly, bi-weekly, weekly)
	Recognition programs
	Deferred compensation plan
Executive	Executive compensation plans

Source: Compiled by the author

4.4.6 Benefits and Working Terms and Conditions

Benefits is one of key item covered in HR due diligence phase so HR team of the acquired company may have a high level view on the provisions of the acquired business' benefits program in each locations. Once moving into integration planning stage, a thorough understanding of all the details in all the locations should be conducted through further data collection and verification to prepare for strategy development and implementation planning post day 1. A side by side analysis between the acquired company's benefits program vs. the acquiring company's benefits program shall follow after completing data collection and verification. Benefits included in the review scope should cover all the items, and common items are listed in Table 5.

Table 5 Common benefits items list

Category	Items
Working terms and conditions	Working hours, flexible work arrangement, public holiday, shift arrangement, office locations, etc.
Health and wellness	Healthcare program, including medical, dental, visions, prescription drug
	Medical check-up, employee assistance program, wellness program
Risk benefits	Life, accidental disability and dismemberment, short term disability, long term disability, total permanent disability
End of service benefits	Defined benefits plan, including, cash balance plan, pension allowance,
	Defined contributions plan, including savings plan, provident fund, supplemental pension plan
	Severance plan
Paid time off unpaid leave	Annual leave, sick leave, maternity leave, paternity leave, bereavement leave, parental leave
	Casual leave, personal leave, leave of absence
Perquisites	Employee loan, company car, meal benefit, mobile phone, transportation benefit, housing benefits, long service awards, company discount, festival cash, Christmas gifts
Expatriate	Mobility program
Retiree benefits	Healthcare program, including medical, dental, visions, prescription drug
	Life, disability, and accident insurance

Source: Compiled by the author

4.4.7 HR Operations and Data Management

The HR operations workstream aims to achieve the objective of evaluating the HR delivery model of the acquired company. This involves assessing the necessity and feasibility of integrating HR operations infrastructure while ensuring the continuity of day-to-day operational needs with minimal disruption. HR operations integration is a prolonged process, spanning several years, requiring collaboration with the IT function for co-evaluating and reviewing human capital management systems. Additionally, external vendors are engaged for customization and configuration purposes.

A critical aspect of this workstream is data management, which involves collecting in-scope employee data essential for onboarding acquired company employees into the acquiring company's HR systems. This meticulous process ensures a seamless transition, preventing disruptions in benefits continuation, payroll processing, employee notifications, compliance with statutory requirements, and addressing employee queries pertaining to historical HR records in the acquired company. In-scope employees encompass not only the official employees hired directly by the acquired company's legal entities but also those employed through third-party agencies, including professional employment organizations, and contingent workers. This comprehensive approach ensures a thorough and inclusive integration of HR operations.

The common HR operations integration workstream often includes the following areas and items in Table 6 and the common data management items are included in the Table 7 below.

Table 6 List of common HR Operations integration items

Category	HR Operation integration items
Hiring and onboarding	Talent acquisition system
	Recruiters
	Job board aggregator
	Background check provider
Daily operations	HRIS
	Payroll
	Time and attendance
	Employee benefits providers and brokers
	Pension administrator, actuary, investment advisor, counsel,
	Compensation and benefits market data provider
	Benefits enrollment and service desk
	Payroll provider
Learning and development	Learning and development system
	Performance management system
	External training provider
Separation	Off-boarding, absence management
	Exit interview provider
	Outplacement training provider

Source: Compiled by the author

Table 7 List of common HR data management integration items

Category	Data management integration items
Census data	Employee ID, name, date of birth, date of hire, gender, work location, remote working status, home address, leave status
Career	Entity name, cost center, title, job function, job family, people manager, performance appraisal, fulltime equivalent %, management level, number of direct reports by associates and contingent workers
Compensation	Base pay, guaranteed pay, allowances, commissions, bonus target, bonus payout, sales incentive, one time bonus, currency, grading, salary range,
Benefits	Benefits enrollment record, leave accruals, record of leave utilized

Source: Compiled by the author

Incorporating HR operations personnel into the early stages of the integration process is crucial to provide essential expertise and insights for determining the suitable HR service delivery model. The endeavors of the HR operations team are directed towards guaranteeing a seamless transition, ensuring that employees encounter no issues concerning payroll or benefits due to the integration. Significantly, the first impression acquired company employees have of the acquiring company often stems from their experiences related to the delivery of payroll and benefits. Hence, the involvement of HR operations personnel from the outset is instrumental in shaping a positive initial encounter for employees during the integration.

4.4.8 Culture

Numerous outcomes resulting from unsuccessful culture integration directly contribute to deal failure, see Figure 14. Despite the evident connection between culture and deal success, many organizations neglect to monitor culture and other people-related metrics as integral components of their overall transaction metrics. While 80% of respondents in Aon Hewitt 2011 Culture Integration in M&A survey monitor formal measures of deal success, a notably lower percentage, specifically 44%, track culture alignment (Aon Hewitt 2011). Additionally, there is a lack of tracking for some other crucial people-related metrics that the survey has highlighted as directly connected to culture alignment. Considering the substantial impact of culture on the success of a deal, it is evident that leaders cannot afford to overlook this aspect during any transaction.

|	
Organization distraction & loss of productivity	80%
Loss of key talent	78%
Failure to achieve critical milestones or synergies	77%
Decreased employee engagement	73%
Delayed integration	60%
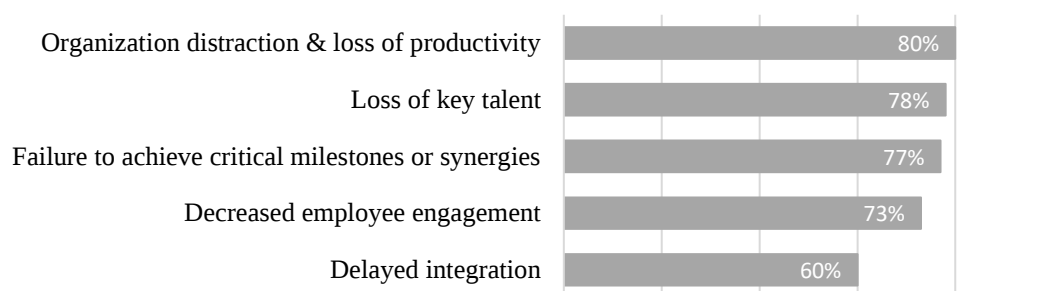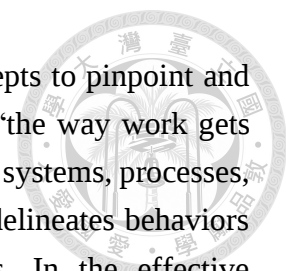
Figure 14 Consequences of unsuccessful culture integration
Source: (Aon Hewitt 2011)

Corporate culture stands as one of the most challenging concepts to pinpoint and quantify, yet its significance cannot be overstated. It encapsulates "the way work gets done", representing the organizational DNA that underlies structures, systems, processes, and actions supporting its strategy. Culture explicitly or implicitly delineates behaviors and interactions among employees, customers, and stakeholders. In the effective execution of strategic priorities, an organization must necessarily incorporate a cohesive and purposeful corporate culture to cover:

- Agreement among leaders on what the priorities are,

- A culture that supports achieving them, and

- Alignment of strategic priorities of (1) human capital strategy, (2) employee value proposition, and (3) employee total rewards

In the context of post-merger integration, cultural alignment becomes notably intricate and time-consuming, primarily owing to differences in leadership teams and human capital strategies within the acquired business. Divergent cultures, values, and operational approaches in the acquired business can give rise to tensions and conflicts. Gaining acceptance from the acquired business's leadership team to embrace a new way of operating and to share the same values can be particularly challenging, given the emotional backdrop of being perceived as secondary citizens post-acquisition.

Proactively managing organizational culture during M&A activities emerges as a pivotal success factor in optimizing both short and long-term deal value and overall business performance, as depicted in Figure 15. Notably, unsuccessful cultural alignment stands out as the most prevalent reason for deal failures. Throughout the deal lifecycle, the assessment of cultural fit between the acquired company and the acquiring company can be conducted in three distinct stages.

- In the early stages of a deal lifecycle, cultural assessments play a crucial role in facilitating a "go/no-go decision" for the overall deal and anticipating potential integration challenges.

- When formulating integration plans, cultural assessments prove valuable in identifying specific areas that require heightened emphasis, particularly in support of change management initiatives.

- Throughout the integration process, continuous cultural assessments are instrumental in assisting leaders as they monitor progress, drive revenue synergies, and mitigate disruptions to employee productivity and retention risks.

| Aligned organization | Unaligned organization |
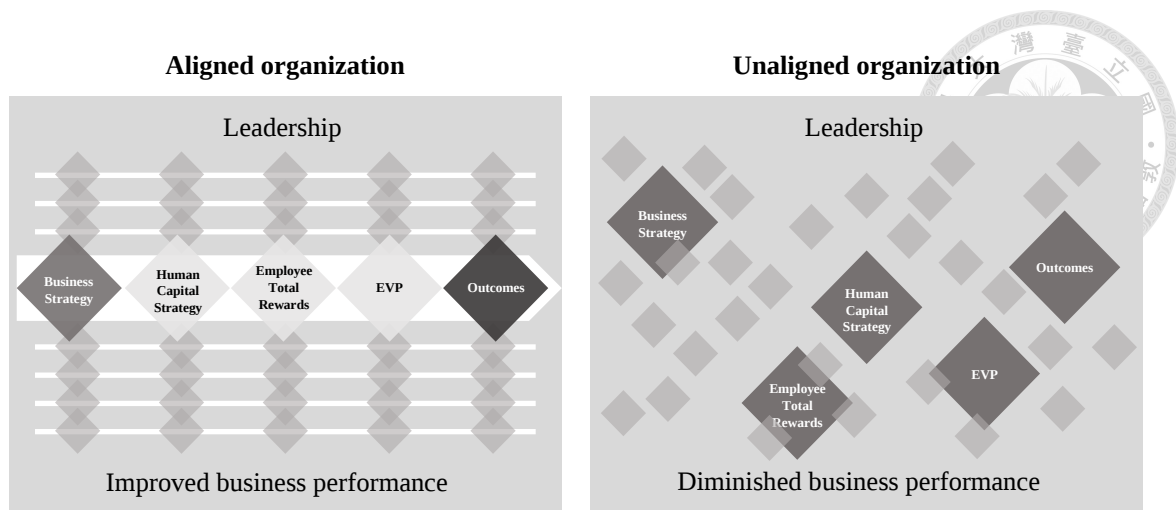
Figure 15 Organization culture alignment and business performance illustration
Source: Willis Towers Watson intellectual capital

Key objectives for culture integration workstream should cover understanding the similarities and differences in the cultures from both companies through culture assessment while being aware of sub-cultures across business units, geographies, or team, driving consensus across senior leadership team regarding the key cultural attributes needed to deliver deal value, clearly defining the culture for the future state, and message delivered to employees about the changes that impacts the future state of culture.

4.4.9 Change Management and Communication

Mergers and acquisitions often introduce uncertainty, emotional strain, and a decline in employee motivation. To mitigate these risks, it is imperative to devise a comprehensive change management and communication plan. This plan should ensure the delivery of clear, timely, and transparent information to all affected employees, spanning from due diligence through Day 1 and beyond. Key actions tailored to different phases are outlined Figure 16.

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Due Diligence	Integration planning (pre-close)	Close/Day 1	Integration (post-close)
• Actively address any internal inquiries, rumors, or media	• Distribute initial announcement and FAQs • Proactively respond to questions/concerns • Draft and distribute high level transition plan • Draft all Day 1 and transition documents • Identify, partner with and educate change	• Execute Day 1 communication strategy and plan • Identify and address communication / culture issues • Gather and distribute FAQs	• Ongoing monitoring of integration and cultural issues • Planned employee check-ins • Periodic planned employee communication • Complete HR post integration assessments and

Execution (row label)

Figure 16 Key actions of change management and communication during M&A
Source: Willis Towers Watson intellectual capital

According to PwC 2023 M&A integration survey (PwC 2023), more companies launched change management programs earlier in the deal life cycle, with 43% of respondents kicking them off before due diligence, compared to only 23% in 2019. And 71% of respondents launched change management initiatives prior to signing. It is important that the change management and communication plan covers all employees within both the acquired company and the acquiring company to ensure they have a clear and consistent understanding of the deal rationale, upcoming changes required to meet the deal goals and objectives, and the role each employee plays in helping to achieve these goals.

The majority of companies acknowledge that transactions can generate considerable uncertainty for employees of both the acquiring and target companies. An increasing number of companies are demonstrating a commitment to inclusive change management initiatives that span the entire integration process (PwC 2023). A separate team may drive activities as it relates to external communications such as Corporate Communications. It is important to clarify the roles and responsibilities of each group supporting the transaction. External and internal communication should be coordinated and in sync with a consistent strategy. Certain communication milestones, such as Day 1 launch of a transaction, may involve significant collaboration between teams responsible for external and internal communications. Also, while content may be developed by other groups and meant for other stakeholders, the messaging must be consistent and certain content may be leveraged for employee communication.

4.5 Building HR Post Merger Integration Team and Defining HR Responsibilities

HR plays a crucial role in post merger integration, as mishandling the process could lead to issues such as delayed salary payments, discontinuation of medical benefits, potential strikes by unions, talent attrition, compliance challenges, negative publicity, and operational risks. Effectively managing these HR-related challenges is essential for ensuring a smooth transition and maintaining employee engagement, which, in turn, can enhance productivity.

The HR M&A lead holds the responsibility of mobilizing the HR M&A team. This involves identifying internal subject matter areas that necessitate in-depth analysis and work throughout the integration process. These subject matter areas are structured into an HR integration framework, with designated workstream leads and team members contributing to the overall effort. Ideally, these subject matter experts should possess M&A experience or, at the very least, a profound understanding of the relevant areas within the in-scope jurisdiction.

To address capability gaps within the internal HR function, the HR M&A lead should assess the need for additional subject matter experts in specific areas. This may involve seeking external partnerships or hiring additional personnel to support the integration efforts, thereby preventing disruptions in HR operations and minimizing negative impacts on employees. The effective management of HR issues not only ensures operational continuity but also contributes to a positive employee experience during the integration process.

The typical HR M&A workstream is structured per HR integration framework in Chapter 4 Section 4.4. Once the HR M&A integration team is built, clear responsibilities should be defined to ensure seamless transition and integration after Day 1 for each workstream lead and workstream members. Key responsibilities by each HR work stream is summarized in Table 8.

Table 8 Key roles and responsibilities by HR integration workstream

Workstream	Key responsibilities
HR project management	• Manage overall HR integration project plan, lead day to day activities to ensure a successful workplan implementation • Identify HR risks, issues and required decision and coordination among HR integration team • Identify subject matter experts and workstream interdependencies to support the HR integration
Organization alignment and talent selection	• Set strategy to achieve organization alignment and talent selection objective • Identify executive leadership team, and conduct talent selection for the rest of organization
Talent retention	• Identify key talent by short term goal of transaction success and business stabilization, and longer term goal of success • Assess, design and implement the talent retention program with considerations of criticality of talent, cost affordability, compliance requirement, and local market
Employee and labor relations	• Act as internal support regarding clarification of sales and purchase agreement requirement, local labor laws, collective bargaining agreement, work council negotiation requirement, and internal policies • Lead the notification and negotiation with employee representative groups
Job architecture and compensation	• Review, compare, analyze, design and implement the job architecture and compensation harmonization plan with considerations of legal compliance requirement, internal equality, risks mitigation, financial impact, employee experience, administration efforts, market competitiveness, and external partner's collaboration
Benefits and working terms and conditions	• Review, compare, analyze, propose and implement the benefits harmonization plan with considerations of legal compliance requirement, risks mitigation, financial impact, employee experience and consent, administration efforts, market competitiveness, and external partner's collaboration
HR operations and data management	• Coordinate with other HR workstreams, e.g., compensation, benefits, to ensure full understanding of HR process and program details and to be done by HR internal support and external partners • Ensure complete employee data transfer and store in HR system
Culture	• Understand and identify culture difference and alignment risks and challenges • Develop post-close cultural approach, culture alignment plan, and deploy culture alignment plan
Change management and communication	• Develop overall employee communication approach, tools, channels, key messages, and materials with coordination with other workstream • Roll out manager training and employee communication

Source: Compiled by the author

4.6 Developing HR Integration Project Plan and Trackers

Each HR workstream is responsible for developing its own detailed workstream integration project plan aligned with their initiatives to ensure that the common goal and timeline can be shared among HR team. The integration plan should also be developed according to the differences among all jurisdiction which may result in different milestones and timeline. It typically commences with the immediate aftermath of the merger announcement, involving planning and regulatory approvals. Subsequently, it advances through critical stages such as day 1 readiness, day 1 communication, talent retention, employee employment and transfer, data migration, harmonizing processes and systems, optimizing organizational structure, and fostering seamless collaboration. This timeline is a dynamic framework that balances the urgency of rapid integration with the thoughtful execution required to ensure a smooth transition for employees, stakeholders, and operational continuity. It culminates in a comprehensive assessment of achieved objectives and a refined, synergistic organization poised for sustained growth and success. A HR integration project plan often includes key milestones, country, owner, target completion day, status, and comments and a sample of HR integration project plan can be found in Table 9.

Table 9 HR integration project plan sample

Workstream	Country	Owner	Key dates	Status	Comments	Updated
- Benefits						
- Benefit review meeting	Rest of World	Seller	31-Mar-23	**Completed**	Completed week ending 31-Mar	12-Apr-23
- Deliver benefits review report	Rest of World	Seller	5-Apr-23	**Delayed**	Partial document shared on 5-Apr, TW, JP and CA missing	12-Apr-23
- Review and approve benefits package	Rest of World	Acquired co / Buyer	22-May-23	**Not started**		3-May-23
- Draft benefits package	Rest of World	consultant	25-May-23	**Not started**	19-May for Malaysia	3-May-23

Source: Willis Towers Watson intellectual capital, compiled by the author

Besides the HR integration project plan, trackers, or sometimes logs, are also beneficial to ensure completeness of the tasks. Common trackers for HR integration can be for data collection, cross-function collaboration, budget and cost, contract status, vendor updates, issue log, decision log, talent retention status, The common trackers can be shared among all HR integration team, and even outside of HR team. It serves as the information groundwork when the team needs to do reporting with PMO, stakeholders or other functions. The decision log can be good foundation to develop standardized guiding principles for future deals reference.

4.7 Identifying Interdependencies

Interdependencies refer to mutual dependencies between workstreams, signifying a reciprocal relationship, while dependencies are unilateral, representing a one-way reliance. Both types are pivotal to identify and manage, as the actions of one group can significantly influence the outcomes of another. It is crucial to highlight both dependencies and interdependencies regularly during PMO meetings to create a platform for tracking and addressing these interconnected relationships. Regular discussions within the PMO foster effective management and alignment of activities across workstreams, ensuring a coordinated and successful integration process.

HR integration activities have multiple interdependencies with other functional teams. It is critical to connect all appropriate stakeholders and workstreams and drive the completion of project deliverables. Each interdependent functional teams plays critical role in providing certain input and takes necessary actions that impact HR integration process, milestones and plan. For example, when contracts need to be renewed or initiated with external vendors, procurement team and legal team, will need to step in for contract review and signing. When onboarding in-scope employees to new office, real estate or facilities team will need to support with badge making as part of onboarding process. The interconnected relationship and reliance between different aspects of the integration process needs to be clearly identified, communicated, and defined for their responsibilities for relevant tasks.

The common interdependent functions are finance, IT, real estate/facilities, compliance, procurement and business units. Key highlights of their responsibilities are in Table 10.

Table 10 Key responsibilities for interdependent workstreams

Workstream	Key responsibilities
Finance	• Ensure costs are incorporated into the integration budget and any new financial set up (e.g., cost centers, bank accounts) is completed • Coordinate with treasury to support changes to vendor, insurer, or service provider funding forecasts or requirements
IT	• Ensure any changes to HR systems are fully tested and implemented.
Real estate/facilities	• Ensure any real estate or facility matters that could impact employees are shared with HR PMO and relevant HR workstream leads.
Compliance	• Understand data needs to ensure adherence to compliance requirements for employee licensure and training
Procurement	• Support the identification, credentialing, set up of HR 3rd party vendors, insurers and/or service providers to be engaged as per the HR Integration Project Plan.
Business unit	• Provide business input and communicate decisions that impact the HR integration strategy and plan.

Source: Compiled by the author

4.8 Developing Side by Side Analysis and Integration Recommendation Report

An examination of people-related issues within the acquired business from an HR perspective is typically carried out during the due diligence phase to grasp all potential opportunities, risks, and liabilities. However, due to time constraints and data limitations, these due diligence activities are inherently incomplete and may not achieve 100% accuracy. Consequently, HR due diligence execution demands focused efforts and continuous reprioritization. The HR due diligence team directs its time and attention toward areas and information that have a material impact on the deal, resulting in an incomplete but pragmatic series of estimates, guesses, and judgment calls. As the process transitions into the integration planning and post-merger integration phases, a thorough review is imperative to identify gaps between the acquiring and acquired companies. This step serves not only as a gap analysis report but also as a comprehensive inventory for key HR programs, enhancing the integration process.

The side-by-side analysis typically encompasses a comprehensive examination of job architecture, compensation, benefits, retirement benefits, HR systems, and HR policies. Frequently, the compensation and benefits workstreams extend to include a market review, evaluating market positioning to ensure competitiveness post-integration. This thorough analysis addresses all the critical elements of each relevant HR aspect and can be organized based on the HR due diligence report. By scrutinizing the HR due diligence report, any missing data is easily identified, assumptions clarified, and subsequently incorporated into the data collection tracker.

Once the detailed side-by-side analysis for each item is concluded, integration direction and recommendations are formulated in alignment with integration principles and strategy. To ensure feasibility, implementability, and adherence to timelines, the integration recommendations undergo cross-review by interdependent workstreams. Stakeholder approval and budgeting by the finance team are essential steps in the process. This collaborative approach ensures a well-informed and coordinated integration plan.

Taking benefits side by side report for example, best practice is to cover the sections of executive summary, headcount and legal entities, integration principles, vendor summary, integration recommendation and detailed analysis by benefits. A benefits side by side sample report is in Figure 17.

EXECUTIVE SUMMARY

- **Benefits analysis key findings:**
- ABC risk benefit is similar to XYZ benefit except AD&D, the benefit need improvement esp. AD&D coverage and Risk Benefit by removing cap sum-insured
- ABC Medical Benefit is better than XYZ esp. OPD, Dental and Vision. XYZ also provide medical insurance benefit to dependent with premium co-payment scheme.
- Mostly ABC and XYZ benefit is quite aligned with market practice.
- XYZ and ABC's provident fund (DC) schemes are above market practice (except for the employer contribution rate offered at 5 years of service). Comparing 2 entities, the employer contribution rates are different depending on the year of service while XYZ is more generous in vesting since they provide 100% of the employer portion in most cases.

- **Integration recommendations:**
- Based on Thai labor law, benefit reduction is not allowed unless employee consent is required for XYZ entity when transfer to ABC. On the other hand, benefit improvement, there is no employee consent required.
- Some XYZ benefits need to be grandfathered for 3-4 years during the bride period because XYZ has more population in order to run business smoothly and employee feel that there is no different on their current benefit.
- For non-diminution of benefits, the Company can either harmonize the provident fund scheme to provide the top benefits currently offered or to keep separate fund rules for ABC and XYZ employees.

- **Potential pitfalls or areas for further review:**
- In order to align insured benefits to market median, it will have a very big cost impact. Our recommendation is to do a 2-step approach. Align the insurer and period of insurance first, and move benefits close to market median as much as possible in coming couple of years (likely cost increase). The next step will be to review and align benefit limits to market (another cost increase).
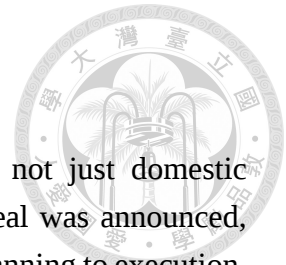
Total Headcount by Legal Entity & Location

XYZ EEs by Entity / Location (31 Oct 2022)	Headcount
XYZ – 1	19
XYZ – 2	65
Grand Total	**84**

ABC EEs by Entity / Location (as of 1 Mar 2023)	Headcount
ABC- 1	34
ABC- 2	14
ABC- 3	63
ABC- 4	4
ABC- 5	26
Grand Total	**141**

Benefits comparison

Benefits	XYZ Benefits Compared To ABC	ABC Vendor		XYZ Vendor	
		Name	Renewal Date, Notice Period	Name	Renewal Date, Notice Period
Savings/Retirement Plan	+	Central Provident Fund Board	N/A	Central Provident Fund Board 3 local bank for SRS	N/A
Life	+	Singlife / Broker: Pacific Prime CXA	1 Jul 2023	Singlife / Broker: Aon	1 Nov 2023
AD&D	+	Allied World / Broker: Pacific Prime CXA	1 Jul 2023	Chubb / Broker: Aon	1 Nov 2023
Short-term Disability	-	N/A	N/A	N/A	N/A
Long-term Disability	+	Singlife / Broker: Pacific Prime CXA	1 Jul 2023	N/A (Prolong illness leave)	N/A
Medical Plans	+	Singlife Aviva / Broker: Pacific Prime CXA	1 Jul 2023	Singlife / Broker : Aon	1 Nov 2023
Critical Illness & Business Travel Insurance	-	CI: Singlife Aviva BTA: Chubb Local BTA: Allied World	CI: 30 Jun 2023 BTA: 1 Aug 2023 Local BTA: 30 Jun 2023	CI: N/A BTA: Chubb through Mercer as broker	TBC

Detailed analysis – retirement benefits

Commentary and Recommendations		
Commentary: ➤ Only 6% of surveyed companies offer retirement benefits that are supplemental to CPF. **Recommendations and Cost Impact**: ▪ It is recommended to grandfather XYZ's Supplemental Retirement Scheme aligning with ABC, with consideration of number of visa employees.		
ABC	**XYZ**	**Observations**
Retirement	ABC does not have retirement benefits provided on top of mandatory Central Provident Fund (CPF) contributions.	Supplementary Retirement Scheme (SRS) provided Eligibility Foreign passport holders with work pass in Singapore, not contributing to CPF, and available to eligible employees from Aug 1, 2021 Contribution rate: follow CPF contribution rates Salary Base salary, annual fixed allowance, excluding overtime and overtime allowance, recognition award and other ad-hoc allowance; annual gross salary capping at SGD 96,487. Participating banks DBS, OCBC and UOB Employee self-manage contribution into SRS account	**Mandatory**: CPF applies to Singapore citizens and Singapore Permanent Residents. **Market Practice** Only 6% of surveyed companies offer retirement benefits that are supplemental to the Central Provident Fund (CPF). Cash in lieu of CPF is offered by only 18% of the surveyed companies and are offered to foreigners employed under local term (78% of cases) or local plus term (62%). 2023 CPF contribution rate

2023 CPF contribution rate

Age	Employee contribution %	Employer contribution %
<55	20%	17%
55-60	15%	14.5%
60-65	9.5%	11%
65-70	7%	8.5%
>70	5%	7.5%

Figure 17 Benefits harmonization report example
Source: Willis Towers Watson intellectual capital

4.9 Refining and Implementing HR Integration Plan

Once the integration project plan is drafted and developed, each HR workstream initiates actions aligned with the plan. These actions encompass data gathering and clarification, assessment, design of harmonization approaches, cost simulation, employee impact analysis, system configuration, data migration, vendor search, stakeholder approval, change management, employee communication, and, ultimately, the system go-live and integrated policy launch. Throughout these steps, factors such as new information, business input, shifting priorities, vendor schedules, regulatory updates, system limitations, financial constraints, resource availability, and employee feedback may impact the initial integration project plan. Adjustments become necessary along the way to incorporate these changes and considerations.

The adjusted integration project plan must be communicated not only within the HR team but also to all interdependent workstreams. This ensures that related preparations and actions are also adapted accordingly to maintain alignment and cohesion across the broader integration effort. Effective communication and flexibility are key to navigating the dynamic nature of integration projects.

Chapter 5 Case Study

In recent years Taiwanese companies have started to have not just domestic acquisitions, but also cross-boarder global acquisitions. Once the deal was announced, the real challenges began in the post merger integration phase from planning to execution. As a beginner stepping into global acquisitions, many companies in Taiwan underestimated the impact of PMI to the success of the M&A deals, and haven't built mature HR M&A integration process due to lack of experiences. This case study delves into the post merger integration process from a HR perspective, exploring the framework adopted, challenges faced, and the pivotal role played by HR professionals in fostering talent retention, employee transition, and change management and communication from integration planning before day 1 and execution after day 1 to reiterate the impact of post merger integration impact to the success of the M&A deals. Through a lens focused on HR intricacies, this case study aims to unravel the intricacies of post merger integration and provide valuable insights for similar transformative journeys.
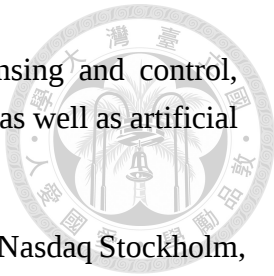
5.1 Case Background

Company background

Established in the 1980s in Taiwan, Company L, the acquiring entity, has acquired one of the top 10 global manufacturers of switch-mode power supplies. A publicly listed company on the Taiwan Stock Exchange for over two decades, it is renowned for its commitment to research, development, manufacturing, and sales of power supplies and associated solutions. With a comprehensive focus on diverse applications, ranging from personal computers, smart home appliances, smartphones, servers, to networking equipment, Company L stands as a leading power technology expert. Its influence spans power generation and energy storage, with offices and manufacturing facilities primarily situated in the Asia Pacific region, including Taiwan, China, and the Philippines. As of 2022, the company achieved USD 843 million and boasted a workforce exceeding 8,000 employees, a testament to its significant presence in the industry, especially emphasized with the announcement of a major global acquisition.

Company B, the seller, holds the prestigious status of being a global Fortune 500 company with revenue of USD 29 billions in 2022. With a legacy spanning over 130 years and headquartered in Europe, it has consistently been at the forefront of technology as a leader in electrification and automation. The company is dedicated to fostering a more sustainable and resource-efficient future through its expertise in electrification, motion, process automation, robotics, and discrete automation. Its diverse portfolio

includes offerings in distribution automation, power protection, sensing and control, electrical motors, generators, industry-specific integrated automation, as well as artificial intelligence for robotics, machine, and factory automation.

In addition to being listed on the SIX Swiss Exchange in Zurich, Nasdaq Stockholm, and ADR on the New York Stock Exchange in the United States, Company B has a global presence. Operating in nearly 500 offices across 85 countries, it has a workforce exceeding 105,000 employees, showcasing its extensive reach and influence in the industry.

Deal background

The agreement was disclosed at the start of 2022 and encompasses one of Company B's business units, comprising 1,500 employees spread across North America, Mexico, China, India, Germany, and ten other countries. Initial discussions about the deal occurred in 2019 but fell through. However, when Company B officially reintroduced the business unit for sale in 2022, the acquiring company seized the opportunity. The final deal was concluded at a price three times that of Company L's capital, and it was anticipated to contribute 50% of Company L's total revenue.

Summary of key business, client, product industry and basic information between the acquiring company and the acquired company is listed below in Figure 18.

Case Study Background

	Company B	Target business unit	Company L
Industry	Energy, electrical equipment	Power conversion	Power conversion
Main product industry	Energy, building, automotive, mining, etc.	Tele-communication	Computer, mobile devices, home devices
Headcount	105,000	~1,500	~8,000
Blueprint	~85 countries	~10 countries including US, Mexico, China, India, Germany, Canada, France, Spain, Italy, Japan, Malaysia, Taiwan	4 countries including Taiwan, China, Philippines, US
2022 revenue	USD 29 billion	USD 440 million	USD 843 million

Deal value: USD 505 million | Signing: Jan 2023 | Target closing: July 2023
HR short-term goal: HR readiness by day 1 and talent retention | 12m TSA | 18m no-less favorable bridge period per SAPA

TSA: transition services agreement, SAPA: sales and purchase agreement

Figure 18 Key information about the acquiring company and the acquired company
Source: Compiled by the author

In addition to the substantial revenue increase and heightened profitability resulting from the deal, Company L gained access to new business markets and diversified industries. The acquisition also brought in advanced technical skills and a pool of talent from various locations, areas where Company L previously lacked expertise. As a result of this deal, Company L stood to make advancements in multiple areas.

Integration strategy

Post merger integration strategy: Company L engaged an external management consulting firm to evaluate and develop a short and long-term business integration plan with the primary goal of ensuring business continuity from the outset. Taking into account diverse cultures, processes, and talent retention, the initial short-term approach to business integration involves harmonizing product cross-border, knowledge, and procurement resources, steering clear of a "make them like us" approach. The "symbiosis" post merger integration strategy also applied to the HR function, with limited oversight and control functions retained at the headquarters.

HR PMI Strategy and Transition Services Agreement: In line with the initial "symbiosis" PMI approach, Company L and Company B reached an agreement for the first 12 months. Under this agreement, specific HR and IT areas were designated to be covered and serviced by Company B through the agreed Transition Services Agreement (TSA). Company L would independently manage non-TSA items, which encompassed HR functions, such as employment arrangements for locations where Company L lacked local legal entities to accommodate certain in-scope employees. The primary focus of the HR TSA elements was on human capital management, aiming to prevent disruptions in HR processes and ensure a seamless employee experience. This included considerations for the followings in Table 11:

Table 11 Transition Services Agreement HR scope

Background check	Benefits administration	Compensation administration
Employee Assistance Program	HR self-service tool	HRIS (HR Information System)
Leave system	Onboarding and offboarding	Payroll
Pension	Time and attendance	Time keeping tool

Source: Compiled by the author

Preparation for HR workstream integration before Day 1: The sales and purchase agreement was signed six months prior to the closing, affording the acquiring company a half-year timeline to formulate the integration strategy for both Day 1 and the subsequent period. Given that this represented Company L's first substantial acquisition, the HR team faced challenges not only due to resource constraints but also a lack of experience in integration planning and execution, particularly for a cross-border deal spanning over 10 countries. While the HR team of the acquired business would transition along with the deal, regulatory approval constraints prevented them from taking a major role in integration planning at that stage.

Given the team's limited experience, Company B's HR team found it challenging to address inquiries from the in-scope HR team and employees, plan for the Day 1 transition, comment on the terms outlined in the sales and purchase agreement and Transition Services Agreement (TSA), and strategize for HR risk mitigation on Day 1. In response to the urging of the in-scope HR team, Company L ultimately agreed to hire two in-house HR project managers and to engage an external HR consulting firm to provide comprehensive assistance in preparing for a smooth Day 1 transition and the subsequent establishment of HR operations.

5.2 Case Findings
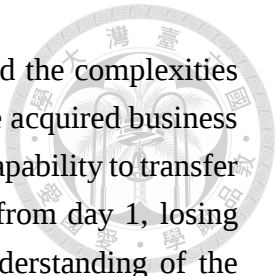
The author served as an external consultant for approximately six months, beginning 3.5 months before Day 1. During the initial stages characterized by a lack of resources and experience, the HR post merger integration planning and execution underwent substantial improvement with the involvement of HR consultants, ultimately contributing to a successful HR Day 1 transition.

The findings and observations for post merger integration from HR perspective are as below.

Before Day 1

1. HR workstream gearing up for planning and action

Following the announcement of the deal, each workstream was expected to initiate planning and undertake essential actions to ensure readiness for day 1. However, Company L's HR team, lacking substantial acquisition experience, was initially slow to grasp the requirements for day 1 readiness planning. Despite reminders from Company B and the HR team of the acquired business unit over

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a three-month period, Company L's HR team underestimated the complexities of post merger integration. It wasn't until the HR team of the acquired business unit raised sincere concerns, highlighting risks such as the incapability to transfer employees in six countries, the inability to hire employees from day 1, losing talent, low morale from employees due to lack of clear understanding of the impact to them, and the absence of a pension plan and fund for employee contributions for US employees that Company L began to acknowledge the significant impact of post merger integration on M&A success from an HR perspective. Three months prior to closing, Company L eventually engaged an external HR consulting firm to expedite the process, ensuring a smooth transition for employees and avoiding disruptions in HR operations after day 1.

2. An Experienced HR Project Manager to Drive Project for HR Day 1 Readiness

Initially, the project was predominantly led by internal counsel, who also managed legal, HR, and communication workstreams. It became evident that this person lacked the capacity, energy, and knowledge to effectively handle all the responsibilities within her purview. Consistent complaints and concerns from the Target's HR team persisted for several months post the deal signing. Approximately three months before Day 1, Company L's HR team recognized the situation and engaged an external HR consulting firm for assistance with the HR project. Upon appointment, the external project manager (PM) promptly established a work plan, organized several weekly meetings within the HR team and cross-functional teams, and diligently tracked all milestones throughout the project to ensure progress.

In addition to monitoring the project's status, the project manager assumed a pivotal role in facilitating communication between Company L and acquired business unit's HR team. This involved identifying issues, seeking mitigations, managing stakeholders, coordinating activities across interdependent workstreams and external vendors, leading HR project status update meetings, addressing queries from the HR team and other workstreams, and overseeing HR information and data from Company L.

3. HR PMI Team Set-Up

The initial HR project team comprised the HR head, HR manager, and total rewards manager, with undefined responsibilities. None of these team members possessed prior M&A experience and lacked clarity on the necessary tasks. About four months before Day 1, two HR project managers from Company L

were brought in for the deal. The HR consultants collaborated with the HR team to establish a well-defined HR project team with clear roles and responsibilities. Figure 19 below illustrates the transformation in the PMI HR team before and after the involvement of external HR consultants.

Once the team was established, there was a clearer delineation of responsibilities, leading to improved capacity management. Before the team had non-defined structure, every HR PMI team member was involved in addressing all issues and attending all HR-related meetings, irrespective of their relevance. This approach operated more like a "task" driven team, where a team member available during the issue stage would be assigned to provide solutions. This not only proved to be time-ineffective but also carried risks due to potential gaps in experience and resources.
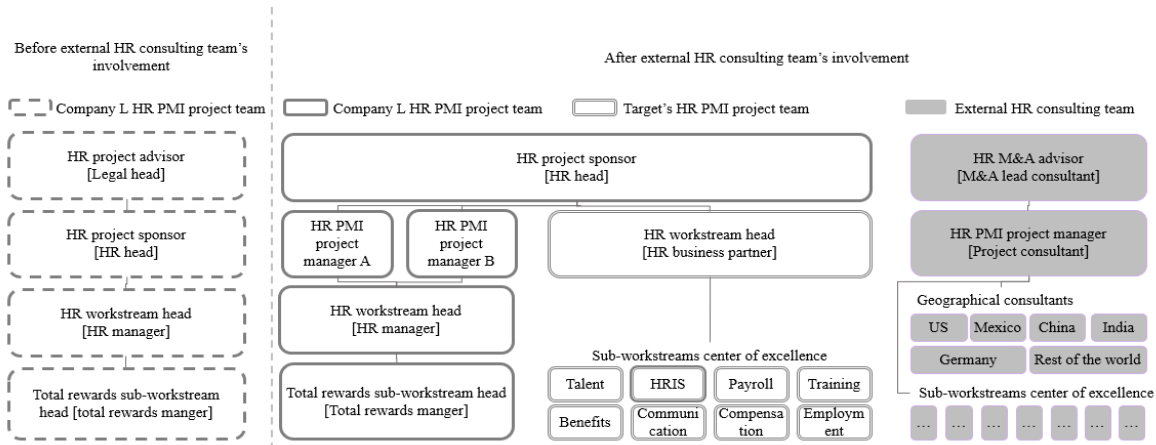
Figure 19 HR PMI team before and after external HR consultant's involvement
Source: Compiled by the author

4. Development of HR Integration Framework for Comprehensive Coverage

Initially, the HR PMI project team lacked a defined structure. As previously noted, when issues arose, any available team member would attempt to address and resolve them. Recognizing the complexity of the project, it was subsequently organized into HR functional sub-workstreams and geographical sub-workstreams. The structure was led by centers of excellence and regional experienced consultants, supported by local consultants, as illustrated in Figure 20.

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Figure 20 HR PMI sub-workstreams
Source: Compiled by the author

HR challenges were notably diverse based on the countries involved, the Sales and Purchase Agreement, and Transition Services Agreement (TSA) coverage. Country consultants played a crucial role in offering local insights and experiences to tailor solutions for Day 1 readiness, particularly in local languages. Given that Company L did not have offices or employees in most of the in-scope countries, the external consultants provided essential support, effectively acting as an extended team for local coordination and communication.

The two newly hired HR project managers from Company L collaborated closely with the external HR consulting team for knowledge transfer throughout the project. In addition to local consultants offering advisory services, the HR functional sub-workstreams' center of excellence provided functional guidance in establishing preparations for Day 1 from HR perspective. This included engaging professional employment organizations (PEO) to hire transferees in locations lacking Company L's legal entities, implementing talent acquisition platform for employee hiring since Day 1, and initiating HRIS programs for employee data management. Many of these issues were centralized and handled by the headquarters HR team.

5. HR Readiness Proposal and Approval

Local and functional sub-workstream issues all required practical and implementable solutions for Day 1. Given the limited time available for comprehensive solution design before Day 1, it was common and acceptable to adopt interim solutions that served the immediate purpose, even if they differed from longer-term strategies. Considering the example of ERP (enterprise

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resource planning): Workday, the preferred long-term solution, necessitated a minimum of 12 months for setup, design, configuration, testing, and roll-out. Given the project's time constraints, there was no opportunity to consider this long-term solution before Day 1.

Another notable example was the employment hiring issue, initially underestimated by the legal team. Company L lacked legal entities to assume responsibility for certain in-scope employees in various jurisdictions, yet those employees needed to transition out of Company B on Day 1. Several options were considered, including setting up legal entities at each jurisdictions, providing TSA coverage until legal entities were established, engaging professional employment organizations for hiring, or even releasing some employees. The legal team asserted that establishing all legal entities in a short timeframe was impossible, and Company B expressed reluctance toward trailing employees. The resolution came down to engaging professional employment organizations for hiring. Three vendors were shortlisted, considering factors such as cost, country coverage, support efficiency, and the permissible level of employment terms replication. The consultant provided a thorough assessment report for review by both Company L and Company B's HR teams. Subsequently, the proposal underwent approval by the steering committee.

The steering committee from Company L held the responsibility of making all decisions related to Day 1 readiness. The HR team, incorporating input from both the acquired business' HR team and Company L's HR team, was mandated to include the issue statement, proposed solution, cost, employee impact, and other implications in the proposal report. Steering committee meetings convened once a week to address all functional matters. Throughout the Day 1 readiness planning stage, the HR PMI project team had to proactively plan their schedules to align with the weekly approval timeline, ensuring the execution plan could be implemented according to the project plan.

6. Employee Communication

The communication workstream at Company L was initially led by internal legal counsel. However, there was a lack of an actual plan regarding channels, timing, approach, target audience, and stakeholder analysis. The HR PMI project team and the Target's HR team expressed concerns about the absence of a roadmap for employee communication, but the communication lead was not aligned for a considerable period. Similar to the hiring of new HR PMI project managers before Day 1, the communication team brought in an internal communication

project manager to address and roll out employee communications based on feedback from HR and other teams.

To ensure optimal planning for employee communication, the HR PMI team needed to provide clear status updates and all necessary details so that the communication project manager could plan and design communication materials and approaches. It is customary to observe employee communication cascading from the top of the organization to all employees, as well as separate communication focused on talent retention, which is limited to selected individuals.

Given the challenges in collaboration across the three teams — HR team from Company L, HR team from the acquired business, and communication team from Company L — an external consultant took the initiative to develop a high-level employee communication plan, highlighting key events to help the entire HR PMI team understand the big picture and potential outlook. The underlying observation was that poor employee communication might result in a negative employee experience and, at worst, poor publicity. To avoid such scenarios, employee communication should be planned and prepared well in advance, with a designated and capable employee communication project manager taking charge.

After Day 1

1. HR Team after Day 1

In the symbiotic business integration model, Company L's HR team primarily played a role in notification rather than direct oversight after Day 1. As the acquiring entity, Company L's management team and HR team had the responsibility to delineate what aspects to control and what not to control. Coming from a prior Fortune 500 company, it was observed that the acquired business unit was not inclined to be managed by a buyer from Taiwan. Consequently, the HR team's setup for the acquired business post-Day 1 aimed to foster a high degree of independence. The HR head of the acquired business assumed responsibility for its performance, aiming to meet the specific business needs of the acquired business unit with minimal influence from Company L's HR program or operations. This approach contributed to short-term stabilization from the business unit's perspective. However, in the long term, the team needed to consider factors such as operational efficiency, transparency to Company L, leveraging collective experience, system harmonization, and high-level planning for a mutually beneficial future.

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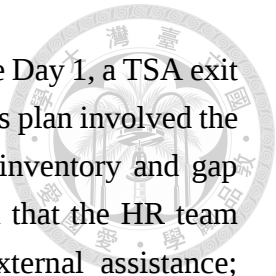
2. Stabilization

The short-term PMI strategy for the acquired business emphasized maintaining a symbiotic relationship to ease stabilization, avoiding the challenges associated with being absorbed by another company and having to adopt entirely new practices. With all Day 1 solutions designed before the actual Day 1, the HR PMI team's focus post-Day 1 shifted to stabilization and ongoing employee communication. This communication was led by the head of the acquired business and supported by both Company L and the HR PMI project team.

Employees were provided with information about what changes and remains unchanged post-Day 1, addressing both individual concerns ("me issues") and the broader impact on the business. This communication aimed to establish trust and foster a positive relationship between employees and the management team while also providing insights into the future trajectory of the business.

Furthermore, any areas of uncertainty should be clarified and documented within the HR team and communicated to employees. This includes things as pension plan rules, updates to the employee handbook, organization chart revisions, internal communications platform changes, HR system updates, payroll processes, and more. It was observed that during the initial months after Day 1, several HR operational areas were still in the development phase. This included refining the talent acquisition system, assessing and confirming vacant positions, and reviewing and refining the compensation program (in adherence to sales and purchase agreement requirements), among other tasks. Each HR sub-workstream remained committed to the ongoing stabilization of HR operations over the following couple of years.

3. TSA Exit Planning

The HR team had a 12-month timeframe to prepare for the Transition Services Agreement (TSA) exit, ensuring the complete stand-up of HR operations by the end of the TSA period. In addition to stabilizing HR operations, the HR team needed to design solutions for the full transition of HR areas covered by the TSA. It became evident that the HR team of the acquired business unit lacked sufficient capacity and experience to prepare for the TSA exit. Recognizing this capability and capacity gap, the HR head of the acquired business promptly engaged an external consultant to assist with the preparation for the TSA exit across all covered sub-workstreams.

Similar to the HR readiness project planning conducted before Day 1, a TSA exit project plan was developed before the TSA period ended. This plan involved the participation of centers of excellence, covering tasks from inventory and gap analysis to solution design and implementation. It is crucial that the HR team was proactive in identifying its limitations and sought external assistance; otherwise, HR operations could face significant challenges after the 12-month period.

5.3 Other Findings
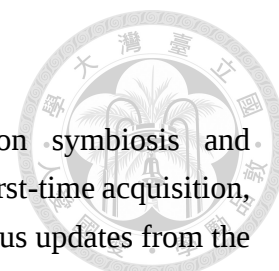
Additional findings were observed during the involvement of the project, and summarized as below.

1. Interdependencies

The Project Management Office (PMO) was tasked with overseeing the successful transition of all workstreams for Day 1, encompassing finance, IT, procurement, business, and more. The HR team had to consider both downstream and upstream activities that could impact HR design or the solutions of other functions. For instance, in the IT area, employees often sought answers from HR regarding email addresses, laptops, system access, and other post-Day 1 IT-related queries. Despite being IT-related, these inquiries were directed to HR for resolution. The HR project team fostered close collaboration with all relevant workstreams, identifying areas with interdependencies throughout the project. This collaborative approach ensured that all workstreams closely coordinated to facilitate smooth solution design and implementation for the entire company.

2. Buyer's HR Team Training

Frequently, Company L's HR team lacked foundational information to assess proposals and make informed decisions. Basic educational sessions were organized to familiarize and educate the Company L HR team on essential aspects of significant jurisdictions, including legal requirements related to social security, mandatory benefits, work council prerequisites, continuity of benefits likelihood, and more. Without these educational sessions, the HR project team would be unable to make well-informed decisions. Recognizing the importance of realizing its limitations, the team actively sought support where necessary.

3. Headquarters Insider to the Acquired Business Unit

Despite the short-term integration strategy focusing on symbiosis and considering Taiwanese culture, given the magnitude of the first-time acquisition, the headquarters desired a level of influence and regular status updates from the acquired business unit, particularly from the finance team. In response, Company L's HR team suggested hiring an external individual to be stationed within the acquired business unit's finance team. This insider role would enable Company L, as the buyer, to remotely monitor and make adjustments to its integration strategy as needed in the longer term.

4. Language Capability
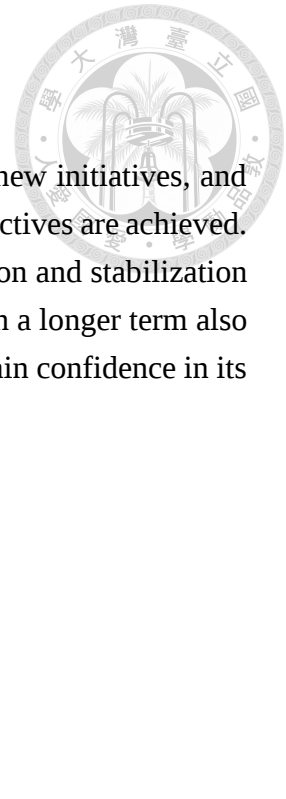
The core HR team of the acquired business was based in the US and primarily spoke English, while Company L's HR team was located in Taiwan and had less proficient English skills. The language barrier became apparent, leading to challenges in fully understanding the issues raised by the acquired business's HR team, thus causing a delay in starting Day 1 readiness planning. This communication gap was subsequently addressed by an external HR consultant proficient in both fluent English and Chinese, serving as a bridge between the two sides. This issue, though seemingly underestimated, had a significant impact on the speed and success of the project.

5. Culture Impact

The establishment of trust, effective people management, strategic planning, and creating positive impressions are all intricately tied to cultural differences. Fundamental standard operating procedures, including sales techniques, leadership styles, training methods, negotiation approaches, motivation strategies, communication styles, and advertising tactics, vary significantly across different regions. What leads to success in Asia may lead to failure in the U.S. and vice versa. Applying the Asian leadership and management style to the acquired business in the case study poses risks due to significant differences in core cultural values. The Asian management approach, often characterized by a tendency towards micromanagement, may be perceived as disrespectful by Western employees. In order to achieve the short term goal of stabilizing the acquired business post acquisition, it is a better strategy to maintain the current culture of the acquired business.

5.4 Restrictions of the Case Study

As this is an ongoing case, it anticipates continuous changes, new initiatives, and the application of longer-term strategies once short-term business objectives are achieved. The case study primarily focuses on the success of the Day 1 transition and stabilization for the first six months post Day 1. Defining the success of the deal in a longer term also requires considering different success criteria for each stage to maintain confidence in its ultimate goal.

Chapter 6 Conclusion and Recommendations

6.1 Conclusion and Recommendations
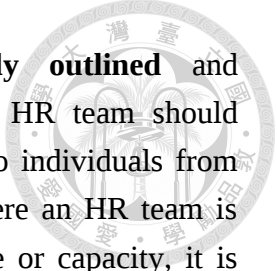
After deal is announced, the integration hard work begins from planning to implementation. Synergistic effects come into play as the company starts to initiate the execution of its integration strategy for the newly acquired business. Every corporation aims to attain its acquisition objectives in pursuit of success, but not failure. Followed by the first driver of deal failure which is integration/implementation took longer than expected are culture, communication, and people issues, see Figure 21 (Aon Hewitt 2011). It is evitable and proven that post merger integration has significant impact to the success of the M&A deals, especially from the HR perspective. However, it is often underemphasized or might be lack of experience, capabilities, or capacity.
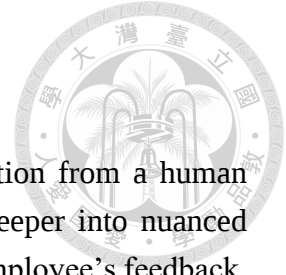

Figure 21 Top 10 drivers of deal failure (% of respondents)
Source: Aon Hewitt (2011)

After a literature review of articles on post merger integration process from HR perspective and HR M&A consulting experiences, in order to enhance the overall outcomes of M&A success, an effective human resources post merger integration framework will foster the success of the post merger integration and M&A deals as follows:

1. **HR involvement should commence during the due diligence phases** of a transaction to enable the early identification of issues and gaps. This early engagement allows for advanced integration planning.

2. **HR's roles and responsibilities should be explicitly outlined** and comprehensively communicated to all HR personnel. The HR team should encompass not only members from the headquarters but also individuals from each relevant jurisdiction or site, if applicable. In cases where an HR team is absent in these jurisdictions or lacks the necessary expertise or capacity, it is advisable to consider external support to ensure the successful execution of integration plans.

3. **A clear M&A HR framework should be established** so it can be clear to all the M&A team members regarding the HR scope. Workstream leaders should be carefully chosen and granted the authority to lead their respective workstreams. Furthermore, they should foster collaboration not only within their own workstream but also across all HR workstreams. Integration planning often involves intricate interdependencies among these HR workstreams, necessitating input from other workstreams to advance effectively.

4. **A competent and passionate HR integration manager** should be selected and involved in the early stages of the process, dedicating their full attention to the entire process. This HR integration manager plays a pivotal role in bridging the gap between the integration management office, all HR workstreams, and other cross-functional teams. Their primary responsibility is to ensure the effective communication of essential information related to the overall project timeline, key milestones, financial implications, risks, challenges, and outcomes.

5. **The formulation of HR integration guiding principles and strategy** should be developed by the alignment with the deal driver, business strategy, and objectives, all of which receive endorsement from leadership teams. It's worth noting that each deal possesses its distinct deal driver, leading to the development of unique integration guiding principles and strategies.

6. After establishing clear roles and responsibilities for each HR M&A workstream, it falls upon the HR integration manager to compile input from each HR workstream and formulate a comprehensive **integration project plan**. This plan is then executed according to the predetermined schedule.

6.2 Recommendations for Follow-up Research

In the wake of the exploratory study on post-merger integration from a human resources perspective, the follow-up research may seek to delve deeper into nuanced dimensions that impact the dynamics of organizational change and employee's feedback. Building on the insights gained from the initial investigation, the focus area may expend to the following areas:

- How to make the change management and communication effective during M&A deals?

- How to harmonize culture by short and long term during M&A deals?

- How to foster employee's engagement during M&A deals by short and long term?

- How leaders can foster the success of the M&A deals from HR perspective?

- How to manage cross-boarder post merger integration from HR perspective?

- What is the impact to employee's well-being and mental health during M&A deals, and how the organization can better manage the situation?

By exploring these facets, it is aimed to have a more comprehensive understanding of the challenges and opportunities inherent in HR integration during post merger scenarios. These research endeavors to unravel the intricate interplay between human resources strategies and the broader organizational landscape, shedding light on how these elements collectively shape the success of mergers and acquisitions.

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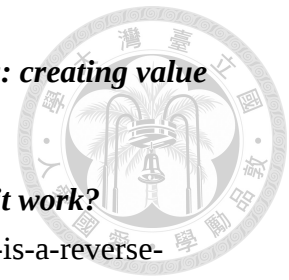
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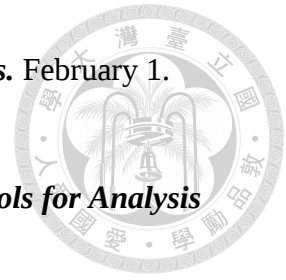
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