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The future of transactions

Retaining talent in the course of a merger or acquisition is a well-known management challenge. The difficulties experienced by executives in this key area is an important reason many M&A deals fall short of expectations. Although a deal can be a great opportunity to acquire and improve talent in organizations by gaining access to highly skilled employees, poor talent management during the M&A process can impact the success of even a relatively simple transaction.

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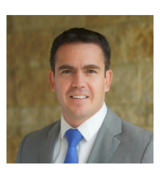

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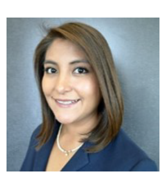

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Talent retention during an M&A Process

Trending strategies for talent retention during M&A

ADVANCED ANALYTICS & AI

Advanced Analytics and AI use historical data to understand patterns, detect job satisfaction, absenteeism or behavioral patterns to determine which employees are most likely to leave or who to retain. For example, external data like social media can provide insights if employees are looking for jobs. Also, AI can replace or aid in human-managed assessments, reducing error, assumptions and bias, in order to select the best talent to retain. In this way, companies can create better retention plans.

INCENTIVES

In recent years, more companies tend to extend short-term and long-term retention bonuses to non-executive levels. Companies can also define incentives such as stock options or other financial rewards for employees who exceed performance goals during the M&A process. Non-monetary incentives are more relevant now that remote work has become the new normal. Companies motivate their employees further by implementing initiatives such as meeting-free Fridays, additional PTO to prevent burnout and home office supplies.

COMMUNICATION

Creating transparent and open communication channels between employees and management is the key to a successful transition. Employees need to feel secure and lose their fear of change. For this purpose, companies need to focus on a robust communication strategy that align key messages for the different audiences to reduce uncertainty. Additionally, initiatives to promote interaction during remote work can help keep morale up and achieve long-term talent retention.

Why is a talent retention strategy necessary during M&A deals?

CULTURE	Cultural differences between target and acquirer can create uncertainty at all levels. Executives need to analyze culture, identify problems and create a new, combined culture, drawing on the attributes of both the target company and the acquirer. This may ease the transitional period and ensure that employees from both companies do not suffer from a loss of identity as a result of the merger.
STRATEGY	Misalignment between the people strategy and the business strategy can also represent a risk in retaining key talent. These risks can take the form of unclear employees' individual and team objectives that could prevent to successfully support the new business.
FINANCE	During due diligence, financial risks associated with employee compensation and benefit compliance issues should be identified to avoid losing key employees or generating unexpected costs. Once the transaction is completed, the new organization could face other financial risks derived from staff turnover, decreased productivity and engagement. A finance strategy that includes human resources spending is key in order to mitigate risks and maintain the value of the transaction.
OPERATIONS	There may be some employees with skills that are critical for the operation of the business and highly required by the market. Retention and engagement efforts should target those employees and executives. This can help sustain a high performance in operations and drive the value expected from a transaction.

Value of talent retention in M&A

As talent becomes increasingly important as a competitive advantage, organizations face the challenge of retaining and selecting the critical talent during the M&A process. Companies should consider not only executives, but also essential employees who are key to business continuity and stability of operations. Strategies based on behavioral analytics, transparent communication and specific incentives can help reduce uncertainty, provide flexibility and enhance motivation, specially in our current environment where remote work is a necessity. With all this in the works, talent retention efforts can help lead the organization to a successful merger or acquisition.