

# Nordic M&A newsletter

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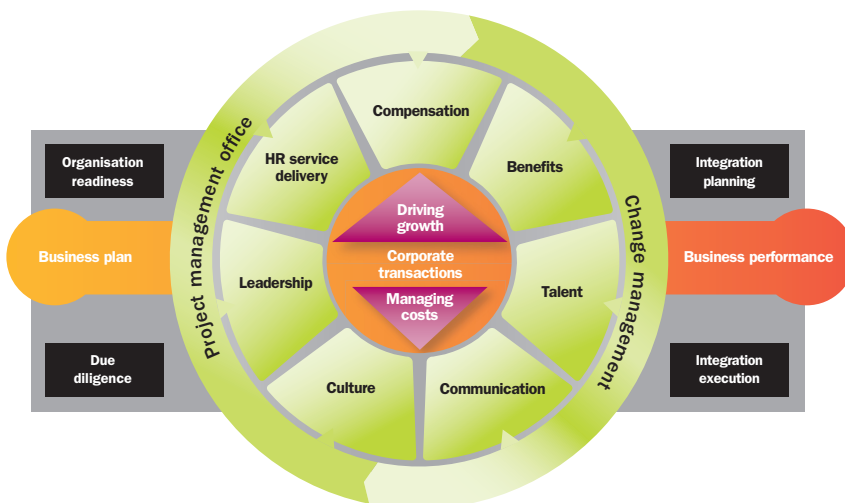
## A holistic view on human resources due diligence

In addition to serving the purpose of identifying and quantifying risks, HR due diligence can help to kick-start integration planning and execution. In order to do this it is important to make a balanced appraisal of the target's talent and reward structure and not focus only on pension liabilities, employment contracts and labour law issues (although these areas are important).

Without spending unnecessary time and money the team responsible for HR due diligence can highlight and ideally also quantify:

- Differences in compensation and benefits programmes between seller and potential buyer.
- Market competitiveness of base salaries, bonuses and benefits in the target company to determine any necessary cost increases post-closing.
- Competence distribution and staff headcount in different parts of the organisation to analyse the 'value' of employees in the target.
- Level of harmonisation of HR processes and programmes to assess the target's actual management model and governance structure.

**Figure01. Mergers and Acquisitions (M&A) framework**



Regardless of economic climate, Towers Watson recommends three critical steps for dealmakers:

- **Be diligent about due diligence.** Careful and informed analysis during the bid phase is essential to avoid making potentially significant mistakes. Successful buyers understand how to manage this process with appropriate speed in an environment of incomplete information. They also understand the nuances of conducting due diligence across borders when access to information may be more limited.
- **Engage your internal deal partners early.** Getting a head start on integration planning adds value and having 'M&A-ready' leaders and managers helps to jump-start the integration process.
- **Focus on integration execution.** Grab synergies fast and maintain momentum in key areas of value, such as leadership, communication and talent retention, all of which continue to be key differentiators between successful and unsuccessful deals.

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# The role of the manager in M&A situations

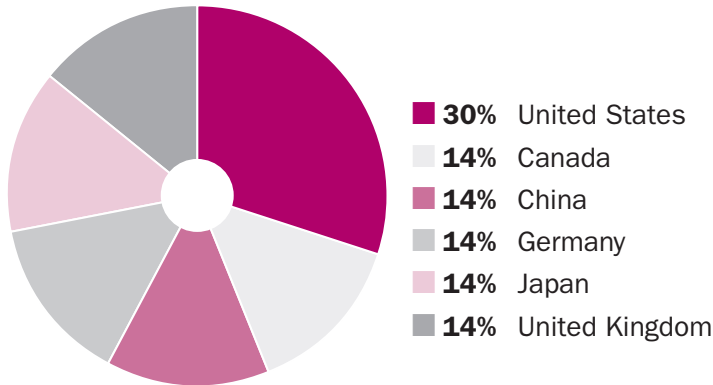
Towers Watson recently conducted a study focusing on the role of people managers during the post-closing integration phase. Our main objectives for the study was to:

- Understand how organisations undergoing mergers and/or acquisitions define expectations for people managers in the integration process.

- Learn what was done to prepare people managers to help their staff through the transaction.
- Identify best practices to help HR and people managers more effectively manage people integration.

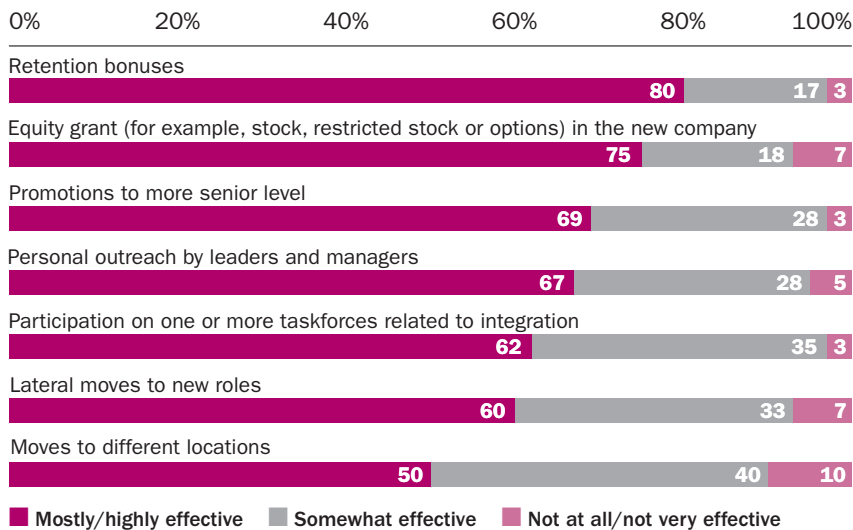
Respondents were located in six countries, as shown in **Figure 02**.

**Figure 02. Location of respondents**



The study gives interesting insights to employee retention, engagement and the importance of effective communication. **Figure 03** shows some examples:

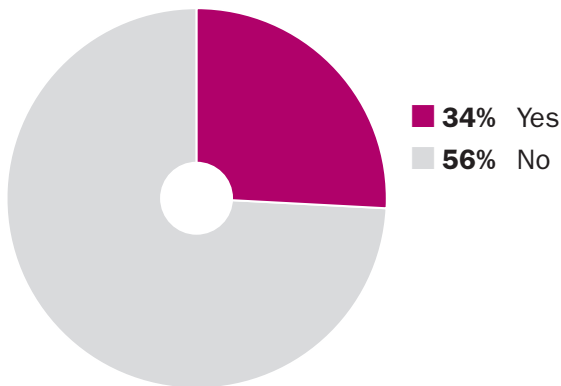
**Figure 03. Effectiveness of tactics for retaining employees**



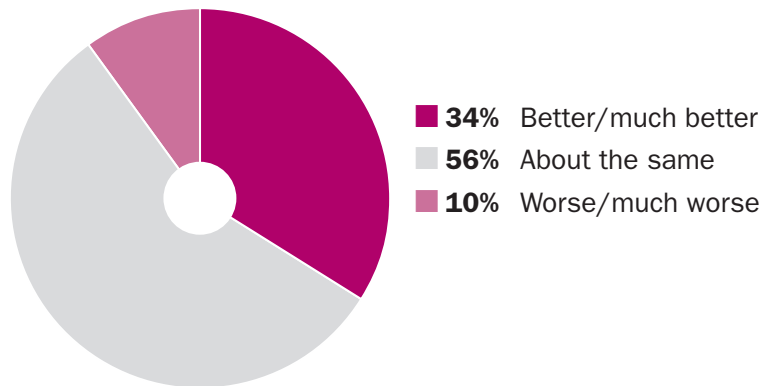
Only one manager in four had experience of measuring employees' engagement level during the M&A integration process – a surprisingly low number.

Figures 04 and 05 show if employee engagement was measured and its level throughout integration.

**Figure 04. Was measurement of employee engagement part of integration process?**

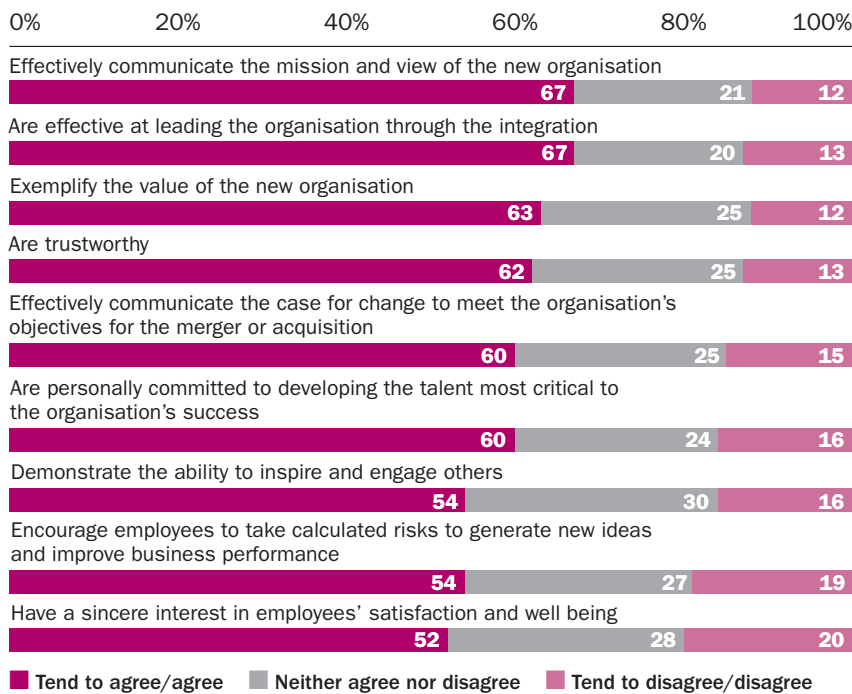


**Figure 05. Employee engagement compared to prior integration**



Effective communication is key throughout the integration process. **Figure 06** presents how managers judged senior management's ability to communicate.

**Figure 06. Perception of senior leadership**

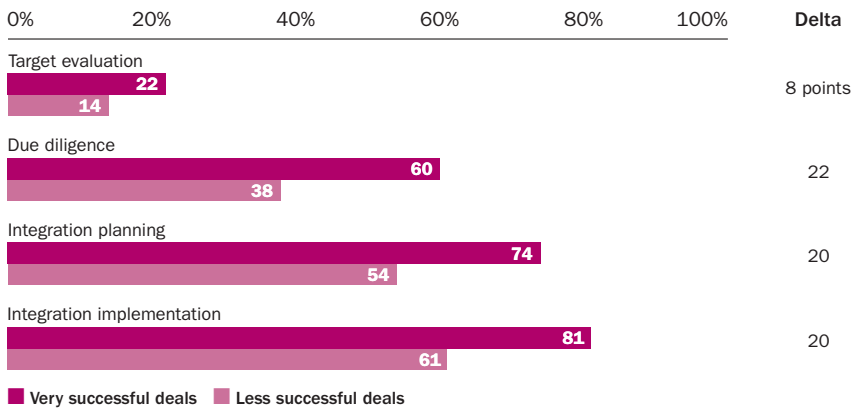


## M&A training for HR executives

Traditionally HR professionals in Nordic companies became involved in M&A projects at a late stage – typically during integration/implementation. This was even more evident when companies acted as buyer.

We now see increased HR function involvement when Nordic companies seek M&A opportunities. This trend is supported by findings in a Towers Watson *Global Pulse Survey*.

**Figure 07. Early involvement by HR leads to more successful deals**



As a result of requests from clients, Towers Watson has designed a M&A training programme for Human Resources. Participants are HR professionals and M&A generalists seeking a better understanding of HR in an M&A context.

Our M&A training programme is structured so that HR can play a more critical and impactful role in the support of future transactions. Groups that participate in M&A training are in a better position to add the most value in future deals

The training can focus on the following elements:

- **Understanding** different types of transactions – mergers, acquisitions, divestures, joint ventures – definitions and descriptions of each phase of a transaction, best practices and HR's role in the critical areas of a transaction.

- **Mapping** of individual's current capabilities and identification of desired skills to be added in order to be part of a M&A team.
- **Application** of learnings and practices to be used during integration planning and implementation.
- **Appreciation** of the nuances of cross-border deals including regulatory and cultural dimensions.

### Further information

For further information about Towers Watson's M&A capabilities in the Nordic region please contact

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