

THE MANAGEMENT FILE

MANAGING EMPLOYEES DURING A MERGER OR ACQUISITION

Insight for business owners and risk managers provided by Brier Grieves Agency



During a merger or acquisition, employees may understandably feel wary about the security of their jobs, new supervisory positions they need to report to, changes in management style and cultural differences between the two merged companies. If business owners do not keep these things in mind while preparing for the merger or acquisition, and continue to neglect them during the entire process, employee productivity and morale could decrease drastically.

However, if business owners remain sensitive and committed to employees' wants and needs during the process, they can ensure the merger or acquisition process is a positive one.

BEFORE THE MERGER

Open and honest communication during a merger or acquisition is crucial to maintaining the happiness of your employees. As soon as the merger or acquisition deal is finalized, business owners may struggle to find a good balance between communicating openly with employees about the changes to come and only sharing appropriate information on a need-to-know basis.

After the initial announcement, you should come up with a communication plan for any questions your employees may have. You want to put employees at ease, but if you share information too soon and later have to retract it, you will cause further anxiety and concern. Information should only be shared when it's set in stone. If employees ask about a certain change that isn't finalized, tell your employees that you are still in the process of figuring out the details of the change—if you remain vague and refuse to answer any questions, they could assume you are withholding information on purpose, for any number of reasons.

Also, keep in mind that just sharing information about upcoming changes is only one part of the process—you should have a timeline for rolling out the tangible parts of the plan and putting them into action, as well.

Alert employees immediately if you plan to restructure your organization chart—it will be best if employees hear directly from upper management about any changes in supervisory lines instead of allowing potentially altered information to trickle down and cause confusion. Also, if employees are told early on in the merger or acquisition process, they have ample time to get used to the possible changes in their roles and duties.

Another way to limit the stress that falls on employees' shoulders is to refrain from making any unnecessary changes to workflows and processes. If a method or technique has been working successfully up to that point, try not to burden employees with another change. If the process needs to be improved after the fact, do so then, but don't assume that it won't work post-merger.

Remember that every company is unique, even those in the same industry, and this is true of company culture, as well. Conflict could arise between employees as they adapt to the cultural changes, so it is imperative to prepare employees early on for a culture shift and change in management style. Address the differences and your plan for merging them together. Employees should have a clear idea of your goal for the company culture post-merger; this will help alleviate their worries.

Employees might also be wondering about the differences in benefits and compensation between the acquired company and the acquiring company. If either of the companies involved has a reputation that precedes it, employees may have unrealistic expectations for benefits and compensation. It is vital to be clear about new or changing employee contracts before the transfer occurs. Keep in mind that legal issues could arise if newly acquired employees are allowed to keep compensation and benefits under their original terms and conditions, which are different from the terms and conditions for existing employees.

DURING THE MERGER

You must know and understand all provincial and federal laws regarding employee rights during a merger or acquisition, because certain laws in your province may require you to take specific actions. For instance, in almost all provinces, if employees are going to be terminated, advance notice must be given a set number of weeks ahead of time, depending on how long each employee has been employed and the number of employees being terminated at one time.

In addition to considering your employees' legal rights, it's also important to monitor their emotional needs. Don't be afraid to involve employees in the merger and acquisition process. Ask for their insight on changes and whether the changes are working for them or not. Many business owners are leery of encouraging employees to be involved in the process, but this constructive information often produces innovative ideas that could be implemented in the future. However, keep in mind that if you decide to ask for feedback during the merger or acquisition, don't ignore your employees' advice. If a suggestion makes sense and is feasible, use it.

Another way to keep employees' needs in mind during the merger process is to update them frequently on the status of the merger or acquisition. If a certain change being implemented is going to be altered, let them know. If a timeline is going to run longer than projected, inform everyone. Keeping your employees in the loop will make them feel involved and trusted as a valuable part of the company. This also means you must be very transparent about positions that will be opening up or others that are going to be eliminated. It would be helpful if this information was decided and relayed before the actual merger begins, but sometimes decisions are unforeseen or have to be made along the way. These should be handled with tact and honesty.

Additionally, if employees are taking on extra work during the merger, or have moved to a position that drastically alters their current roles and duties, make sure they are compensated fairly for the change. If employees must take on extra tasks and their increased efforts aren't recognized, it could cause resentment.

Don't forget to set aside time to reward and recognize employees for successfully handling changes, adapting quickly to new methods or processes and managing new roles or duties well. Employee recognition is a great way to keep everyone encouraged and moving forward.

Stay positive and keep employees motivated when working through the merger or acquisition. There may be changes in the plan that are not ideal for your company or for the employees, but that are necessary to facilitate the merger. You should encourage employees along the way and keep reminding them of the end goal.

AFTER THE MERGER

After the merger is complete, your most important focus will be training employees on changes to policies, processes and new systems or programs. Coordinate small group training where employees can work hands-on and receive guidance regarding any changes in workflows and processes. Employees may feel more comfortable asking questions in a smaller group setting, and any employees who need assistance above and beyond the scope of normal training can be helped on the spot. It's also a good idea to set benchmarks to measure where you want employees to be with the training and by when. Setting goals will help employees who are struggling with or resisting the changes to stay on track.

new employees to get to know each other outside of the office, or during the day away from work responsibilities for a period of time—this could accelerate the time it takes for everyone to feel more comfortable around each other.

A successful merger or acquisition requires planning beyond contracts and finances—business owners must remember to address the needs of their most important resource: employees. Refer to the following checklists for a quick guide to help you go over pre- and post-merger items, and contact Brier Grieves Agency for more resources on communicating effectively with employees during times of change.

PRE-M&A CHECKLIST:

- Review employment law in any new jurisdictions.
- Put together all pertinent HR, payroll and benefits information.
- Have a plan in place to protect employee data during data transfers.
- Combine employee terms & conditions from both companies.
- Review any collective bargaining agreements that apply to employees.
- Set out enough time to inform employees of the merger or acquisition and to help them prepare for the changes.
- Terminations might be necessary during the M&A; be sure to follow all provincial and federal employment laws regarding this.
- Review severance packages for relevant employees and take this information into consideration during decision-making.
- Consult with employee representatives to better communicate with employees.

An Employee's View on a Corporate Merger

Sometimes it can be difficult for a business owner who is contemplating a merger or acquisition to put him- or herself into an employee's shoes. However, being able to do so will give you an in-depth look at what your employees may be thinking and feeling. There is a danger in neglecting employees' wants and needs during this tumultuous time—you could vastly misjudge the climate of your workplace.

Here is a glimpse of one employee's thoughts on her company acquisition.

"When our company announced we were about to be going through an acquisition a few months ago, another employee turned to me and asked, 'What does this mean? What should we do?'

It worried me that our company was calling it a 'joint venture,' almost as a way of making it sound more positive. I felt like this was insincere—why couldn't they just call it what it was? I felt that they were trying to trick us into feeling better about it. Was there a reason we should be feeling bad that we just didn't know about yet?

*We asked our managers multiple times if we had anything to stress about, but we weren't given any information. They told us to continue with business as usual until **they** knew more information.*

*I immediately thought about getting terminated. I felt so scared and out of the loop. If they were so far into the process as to already begin announcing the acquisition, then they **must** know already who is staying and who is being let go.*

Why couldn't they be clearer with us on what was changing?"

POST-M&A CHECKLIST:

- Record all employee changes.
- Encourage feedback from employees post-merger or -acquisition to address any concerns.
- Finalize payroll, time off and pension changes.
- Update employee policies and procedures.