

# **Learnings on M&A Integrations**

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**Cerebrus Consultants**



# The Global Perspective: M&A Deals in 2006



■ Japan	\$64.2 billion
■ Australia	\$33.2 billion
■ India	\$25.6 billion
■ South Korea	\$25.2 billion
■ China	\$21 billion
■ Hong Kong	\$17.1 billion
■ Malaysia	\$ 9.1 billion
■ Singapore	\$ 8.2 billion
■ Thailand	\$ 6.6 billion
■ Indonesia	\$ 6.5 billion
■ Philippines	\$ 1.7 billion

# The India Perspective: M&A Deals in 2006



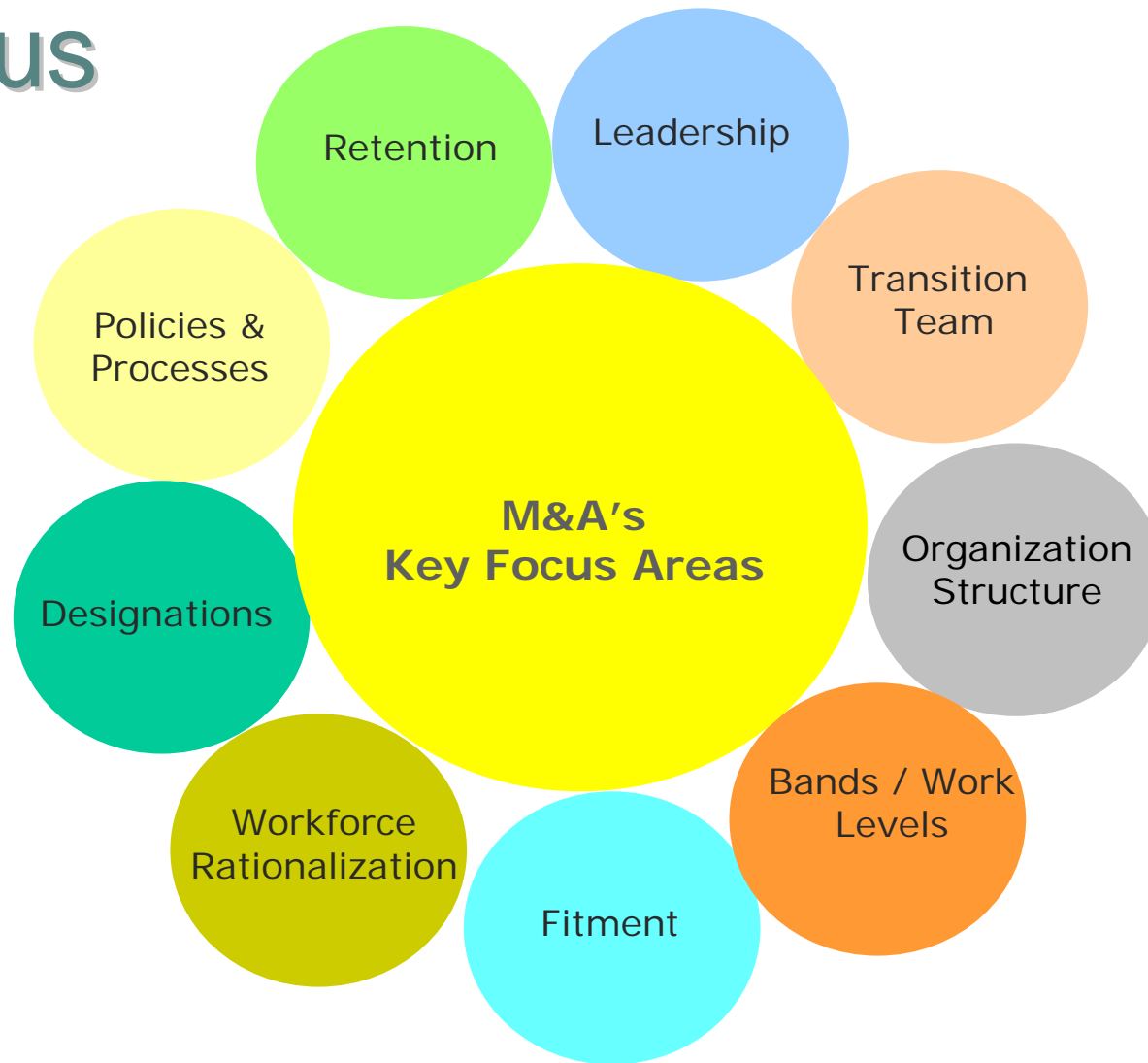
- Indian corporates spent \$28 billion in 2006 on M&A's
- 52% increase over 2005 - \$18.35 billion
- Increase in number of transactions
- IT & ITES led the way.
- Indian firms also expanded outside of the domestic market

# Our Learnings

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# Our Learnings: Key Areas of Focus



# Our Learnings: Leadership



- Identify the leaders quickly
  - To maintain a focus on the business
  - Enables a smoother transition process
  
- The leaders need not always be from the acquirer company
  - Important to recognise talent in both companies

# Our Learnings: Transition Team



- Identify a core transition team that is involved in the integration
  - Multifunctional team
  
- Role of the Transition team
  - Planning the transition
  - Suggest change initiatives
  - Provide oversight through the process

# Our Learnings: Organisation Structure



- Important to finalise the organisation structure for the merged entity in context of changed size of operation, number of products etc.
  
- Incorporate learning's from different structures and approaches
  
- Focus first on the broad top line structure, e.g.
  - Centralisation and decentralisation
  - Configuration of broad functions – with sub-functions
  
- Detailed structures can evolve subsequently
  - Detailing of roles and responsibilities

# Our Learnings: Work Levels / Bands

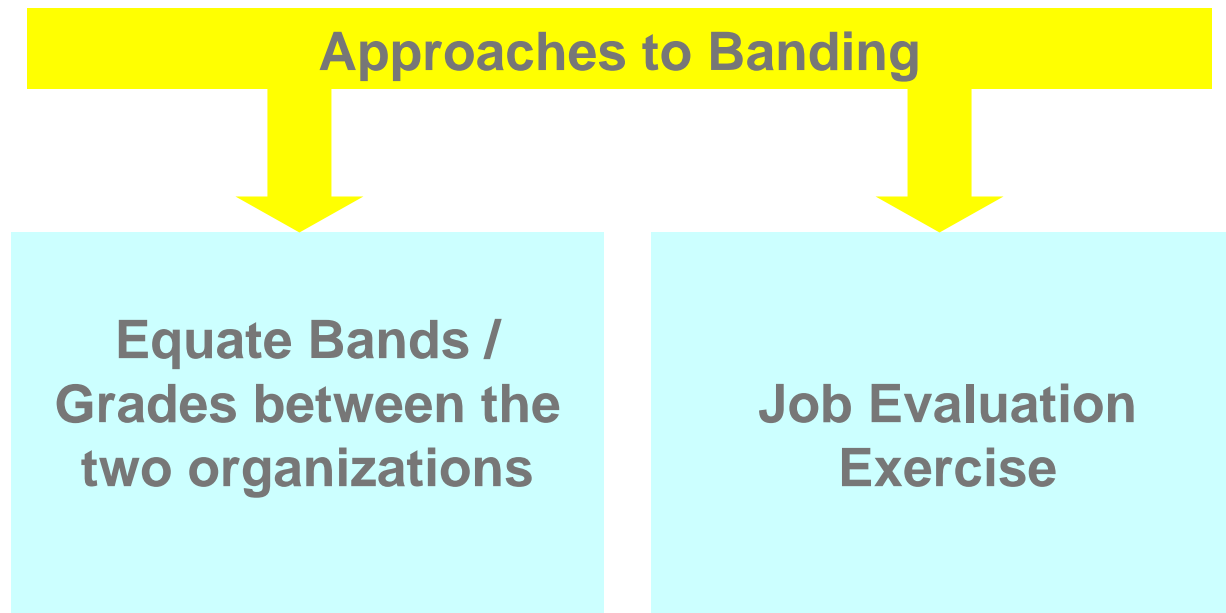


- Depending on the type of organisation and the context, different approaches to work levels / bands:
  - Transition acquired company onto global bands of acquirer
  - Transition acquired company onto local bands of acquirer
  - Evolve a completely new set of bands

# Our Learnings: Work Levels / Bands



- 2 approaches to banding possible



# Our Learnings: Work Levels / Bands



## Approach to Banding

## Advantages

## Drawbacks

### Equate Bands / Grades

- Quick approach
- Easier to get employee buy in

- Equating bands not appropriate if both organizations are not already banded based on accountability and responsibility levels. There needs to be a prior level of consistency
- The above could lead to greater degree of unevenness in placement of positions in bands

### Job Evaluation Approach

- Ensures placement of roles on basis of accountability levels
- Greater degree of evenness in cluster of positions in each band
- Helps develop a structured framework for compensation, career ladders etc.

- Time consuming
- Requires greater degree of sensitivity in implementation
- More efforts towards employee communication
- Deal with issues such as upgradations & downgradations

# Our Learnings: Work Levels / Bands



- Choice of option influenced by the
  - culture of the organisation
  - willingness of leadership to implement
  - ability of HR to drive the process
  
- Important to ensure proper communication all through the exercise
  
- Level of anxiety and apprehension among employees is usually high

# Our Learnings: Fitment



- Ideally a competency assessment exercise should be used to match roles and individuals
  - However except perhaps to do this for a few key senior roles, organisations do not have a luxury of time in a M&A situation
- The top team and key Functional heads need to be involved in assessing suitability of individuals for roles
- The role of HR or an External consultant needs to be of challenging and facilitation. It needs to be perceived as neutral.

# Our Learnings: Designations



- One of the major challenges in integrations is managing varying designations
  - From a social context, designations are very important in our country
  - Considered a form of recognition by employees
  
- The approach to designations needs to be guided by a combination:
  - The market practice
  - Company culture
  - Pressure on retention and availability of talent

# Workforce Rationalisation



- Important to handle redundancies with sensitivity
- Most times does need to be handled in a phased manner unless the issue is a large one
- Question of timing has to be balanced with issue of maintaining employee morale

# Our Learnings: Compensation



- Compensation comparisons by employees in both entities are inevitable
- Company needs to be clear in its approach and philosophy
- It is however usual to align compensation structures
- Ensure no loss to employees on account of compensation changes
- Timing of announcements of compensation changes is important

# Our Learnings: Policies & Processes



- Clarity on HR policies and processes a key area of employee concern
- Important to compare and study HR policies of both entities and identify areas of commonality and differences
- To the extent possible ensure no or minimum loss to employees on account of changes in policies
- However costs need to be considered

# Our Learnings: Retention



- The retention strategy is a key initiative
- Needs to be put in place early into the M&A
- Retention at two levels
  - For identified key senior resources in both entities
  - More mass level retention programmes to ensure there is no exodus

# Our Observations: Successful mergers



- Strong leaders who quickly take charge of the situation
- Open communication through the entire process
- Creating a sense of fairness in all actions
- Business must go on as usual!!!!!!

# Thank You!

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