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eBook

The need for speed in mergers & acquisitions

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The need for speed in mergers & acquisitions

Mergers and acquisitions are pivotal moment in any organizations journey to growth and scalability; however, together with other significant moments such as PE or VE investment, IPOs and global expansion, velocity is critical.

According to Gartner; the average time to finalize a merger or acquisition has risen to 38 days after it has been announced. Closing dates have grown even longer for mid-size deals and large deals which take an average of 106 and 279 days to close, respectively.

Gartner

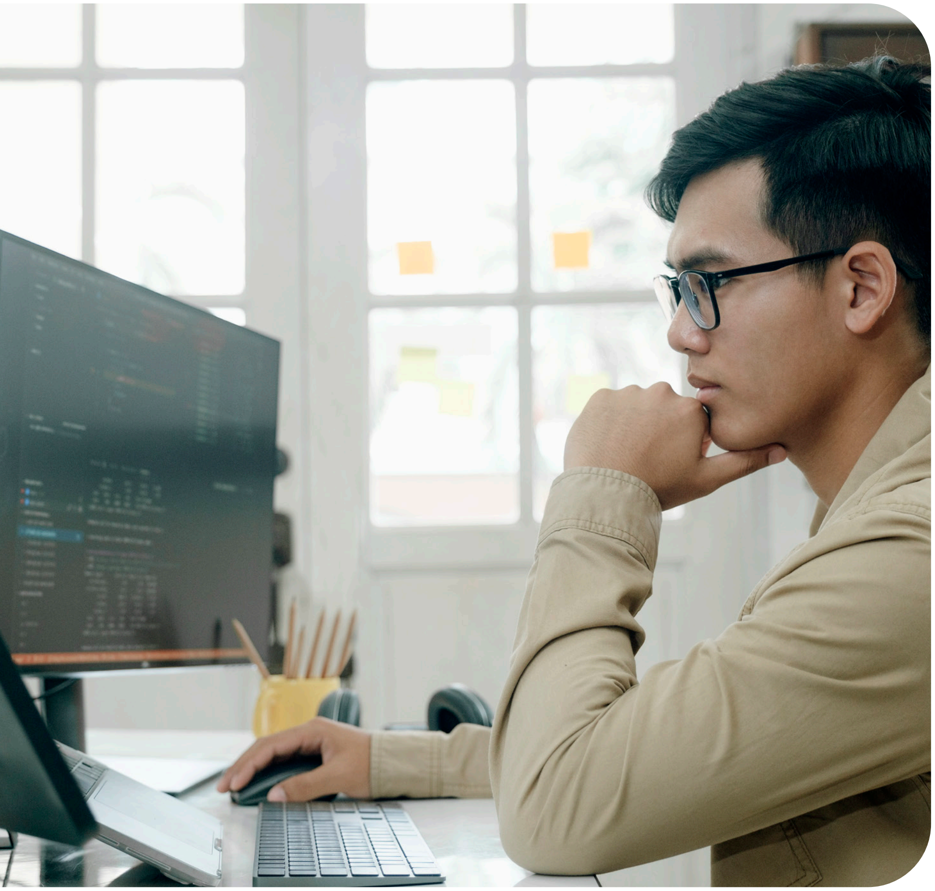
Once you have a strategic vision for the future planned, and the exciting moment of the final contracts, the logistics and administration for a successful merger begins. The merger process has multiple steps and can often take anywhere from 6 months to several years to complete depending on the size and complexity of the organization.

One of the most challenging elements of any merger for both organization is the change management that comes with it. For example, companies need to have a strategy for rapidly welcoming new employees so that they feel at home with their new employer. HR also needs to ensure that current employees within the acquirer have their hearts and minds bought into the merger.

Here's a look at the specialists on your crew:
The merger of Disney and Pixar ended up being one of the most celebrated mergers in history.

Disney · PIXAR

The tech stack crisis



Dealing with software and tech stacks is another major consideration.

Should the acquired organization use ADP, and the acquirer Workday, there will be some significant work to do. One of the critical aspects of this will be transitioning your new team over to the HR system in the most streamlined way possible.

It's all about hearts and minds, your new employees will be nervous, and the faster you can get them across to your HR Platform, the better.

Discover OSV change management in HCM services here

HR representation in the PMO

Change makes people nervous. HR is one of the most important functions in the Merger and Acquisition Program/Project Management as they sit at the core of the organization and ensure that employees on both sides of the transition – who will be wondering what the deal will mean for their respective roles and how, or if, they will have a role in the new organization - are looked after.

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.

Harvard Business Review

A quick win for organizations is enrolling employees to a new or existing HCM database for the purposes of payroll, payroll taxes, benefits, time tracking, and more. Any delays here can dramatically impact both a company's operations and employee morale.

HR plays a massive role in any M&A integration.
The Employers Council outlines some of the key initiatives as:

- Harmonized performance management, compensation and bonus programs
- Consolidation of benefits to achieve economies of scale
- Alignment of cultures
- Conversion of HRIS/payroll system
- Standardization of policies
- Succession planning & retention of key talent
- Identification/elimination of duplicate positions
- Training on Mission, Vision & Values

HR representation in the PMO (cont.)

Yet speed alone isn't a guarantee for success. Change nerves will dramatically decrease once employees have their employee login and are integrated within the greater organizations.

To avoid making costly people mistakes, organizations should ensure that HR Teams have a seat at the table from the moment an M&A is being considered to make sure that whatever is changing about their HCM processes happens smoothly.

Most mergers fail because people aren't boxes. Mergers and acquisitions fail more often than not because key people leave, teams don't get along or demotivation sets into the company being acquired.

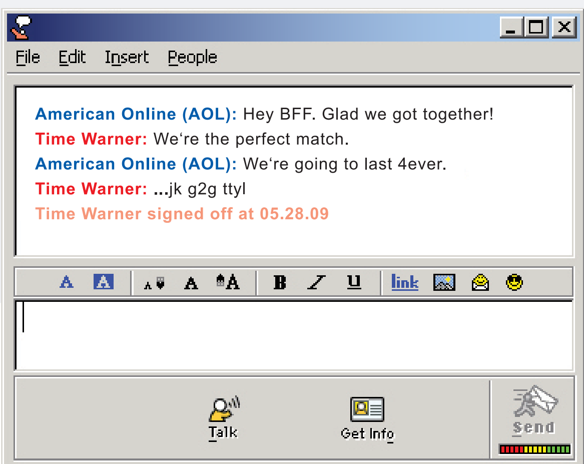
Forbes

Read more about this in a Forbes article

In this e-book, we've collected five questions your company should ask related to mergers and acquisitions, and three qualities to look for in a service partner. Together, both sections aim to provide clarity during what can be a demanding time for your organization.

Questions you need to ask during your merger or acquisition

When it all goes wrong... In 2001, old-school media giant Time Warner consolidated with American Online (AOL), the Internet and email provider of the people, for a whopping $111 billion. It was considered the combining of the best of both worlds: print and electronic, together at last. But the synergy of these two dynamically different companies never occurred. In 2009 the CEO embarrassingly announced that the marriage of AOL and Time Warner was dissolved.



Whilst velocity and momentum in a M&A are vital, many mistakes can be made if you move too quickly. If you're working with a service partner to move one or more companies to Workday, it's crucial to prepare with the entire PMO.

Interesting fact! The term Acqui-Hired is used for when an organization is acquired for their best people rather than for any real interest in their products, services, or ongoing operations.

Forbes

"Deciding who will do what in a combined organization is an art, not a science. Most data about people in the organization being acquired is a gut call based on meetings and interviews. These gut calls are always useful but never enough when it comes to fully understanding the valuable asset of people."

Questions you need to ask during your merger or acquisition (cont.)

We've created a list of questions to guide you through how to get your new employees onto your HCM system as quickly as possible, from benefits through to payroll. Getting employees on your HCM system will not only make them feel at ease; it gives your organization a fantastic insight into your new people inventory, dual/competing roles and new team structures.

- Payroll – one of the trickiest things to get right, but the most important – this must work flawlessly so that people are paid on time, and preferably, from their new employer. Have you considered how to enroll employees as quickly as possible?
- Have you prepared a seamless employee onboarding experience directly after the announcement to address the fear of change factor?
- Have you ensured that the leadership team in both organizations are accessible, visible and are seen to share the same excitement and more importantly, the same vision?
- Do you have a plan to engage with all your employees, new and old, to get them excited about the future of the organization?
- Have you provided communication, documentation and training for new systems, new policies and new processes – this can include everything from a new code of conduct, software training or even the expenses policy.
- Have you created formal offer letters to all employees?
- Have you planned for tax compliance? Work as closely as possible with the Finance and HR departments in the acquired organization so they can guide you on any specific regulation, legislation and compliance should the organization be overseas.
- Have you planned to communicate the new benefits and enrollment options and provided a deadline? Be sure to communicate this in live sessions so questions can be asked and provide enough time to process their selections. If you're acquiring a global organization, keep in mind the regional differences as well as the legislation and compliance factors.

Interesting fact! In 1968, the New York Central and Pennsylvania railroads merged to become to the sixth largest corporation (at the time) in America, Penn Central. Yet two years later, they filed for bankruptcy protection.

Read more here

Have Workday? Here are some specific questions for your M&A

1. To partner or not to partner? That is the M&A question.

Transferring across hundreds or thousands of employees from two disparate HCM systems such as Oracle and Workday requires a practiced hand. We highly recommend your find a partner that can support you in a smooth transition, especially when it comes to payroll. Service partners can support you in everything from preparing the data, setting up propriety systems and ensuring the transfer is efficient, and more importantly, effective.

2. How much support do you need?

If you have a lot of internal Workday experts on your team, you may not need a heavy lift from a partner. However, most companies don't have a deep well of Workday expertise to draw from, and that's when a partner for change management and support services can come in. A team of Workday experts can help you work more efficiently, but what's more, they can help you understand what's possible and what's not possible in the context of your timeline. An experienced partner has also likely seen it all, which means they know what risks to mitigate and can steer you in the right direction.

3. What aspects of a company's overall human resources processes will you keep?

Aside from being compliant with state, country or industry-specific rules, you should also consider what aspects of the old entity you'd like to keep going forward.

- Will the new organization participate in or align with existing benefit plans, for example?
- Will they have the same PTO plan? Or do you plan to keep the two entities distinct from one another, with just a shared HRIS platform and service partner?

Often, many aspects of culture retention are dependent on the legal terms of the merger or acquisition. The consideration of cultural alignment will bear heavily on the amount of configuration work that needs to be performed.

Have Workday? Here are some specific questions for your M&A (cont.)

4. When do you want to run your first payroll?

Some companies want to match their go-live and their first payroll with the date that their merger or acquisition is finalized. But this can be difficult for at least two reasons. First, the legal process behind mergers and acquisitions isn't always predictable, and the work involved is costly, both financially and in terms of time. If there's a risk that a merger or acquisition will be delayed or even fall through, it's better to wait until all the legal hurdles have been cleared before spending any of your resources. This holds true whether you're performing the work internally or externally with a service partner. Nevertheless, it's good to keep your partner—if you're using one—updated on the status of your merger or acquisition so that they have as much notice as possible for when their work can begin. In a successful project, customer preparedness and partner preparedness will be aligned.

Second, if the primary goal is for your first pay date to fall within the middle of a calendar year, you have to load your year-to-date (YTD) payroll tax data before you can run your first payroll within Workday. That means handing off your data immediately after your last payroll within your legacy system so your partner can begin loading it into your new system immediately.

Have Workday? Here are some specific questions for your M&A (cont.)

Since you only have until your next payroll to get this information loaded, there's a real sense of urgency here. If employees are paid monthly, then you have more time. But if they're paid semi-monthly or weekly, that window is shorter. And if that information isn't easily accessible, perhaps due to legal requirements, or if you're missing something else you need, you could end up facing a delay.

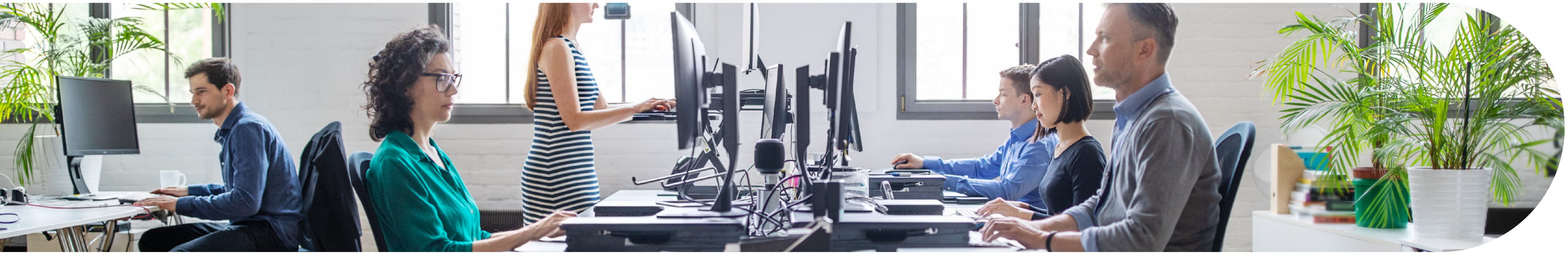
Because of all this, it's much more common for companies to go live with Workday months after a merger or acquisition has been finalized. January 1 go-lives are also smart because there's a clean cut-over from one year to the next. But if you want to go live on January 1, make sure that you're communicating with your partner. Because this is a very popular date, your partner's calendar may fill up quickly.

5. Do you have a project team on the vendor side to help you with the integrations you'll need, if any?

If your project requires integrations from Workday to a payroll vendor, then that could be the most time-consuming part of your Workday project.

To make sure your first payroll isn't delayed, you need to make sure your vendor has a project team in place to help you with integration-related testing - with enough time left over at the end of the project to assist with any troubleshooting problems. Minimize disruption with a forward-thinking plan that accounts for the full project time needed, so you can avoid issues that prevent employees from being paid, such as discovering a banking issue. This is where speed by itself can hurt, but speed powered by efficiency can help.

Discover OSV payroll services here



What does a good partner look like?

While being prepared internally is critical, finding the right partner to help you is also important, especially if your team is new to Workday.

As you evaluate potential partners, there are certain qualities you may want to prioritize, such as:

1. Expertise

The number of mergers or acquisitions your team has worked on is likely small compared to the number a service partner has helped with. In addition to knowing Workday inside and out, an experienced partner has they've honed their processes and seen what mistakes other companies have made. Using their first-hand expertise, they can help you avoid those same pitfalls so that you're in a better position to be ready when you want to be ready.

2. Operational agility

Flexibility is always important with any project, especially given the hurry-up-and-wait nature of mergers and acquisitions.

The right partner will not only leverage their expertise to help you understand what's possible and what's not possible, but they'll also have the operational agility to respond to your needs, both in terms of communicating clearly and acting quickly.

Guided by a deep knowledge of best practices, a truly experienced partner can move nimbly to help you hit your targets as efficiently as possible so that you're up and running when it matters for your company.

3. Strong commitment to partnership and collaboration

Most companies going through a merger or acquisition are looking for more than just an "order-taker." They want a collaborative partner who will work with them to troubleshoot solutions and proactively provide guidance.

The ideal partner will also provide opportunities for knowledge transfer. In practical terms, this means finding a partner who will not only do the initial research, present possible solutions, and then configure your chosen solution, but also provide documentation and knowledge transfer sessions. When companies are equipped with the right knowledge, they have what they need in the future to handle smaller projects internally so they can trust their partner with more complex requirements.

Success is speed + efficiency

When it comes to mergers and acquisitions, speed is important. But companies need to be careful about rushing to the finish line. Between the time when a merger or acquisition is announced and when the deal is done, there's a lot to do. And for HR, a lot of that work involves understanding what's changing regarding payroll, payroll taxes, time tracking, and more.

To be fully prepared, there are internal questions that must be answered, like the one we've just outlined.

Being aware of these questions and being prepared to answer them will empower HR to work more efficiently when it's time to start working.

What's more, companies should know what to prioritize when it comes to evaluating potential partners. If a company is going to be using Workday, then Workday expertise should be high on that list. And because of the hurry-up-and-wait nature of mergers and acquisitions, operational agility and a commitment to collaboration are equally important. But your company may have other qualities it's looking for as well.

Regardless of who you choose as your final partner, being prepared to operate efficiently will be the fuel that allows you to move quickly so that your team is prepared to hit the ground running and deliver on your strategic vision.

Contact us to talk about Workday support