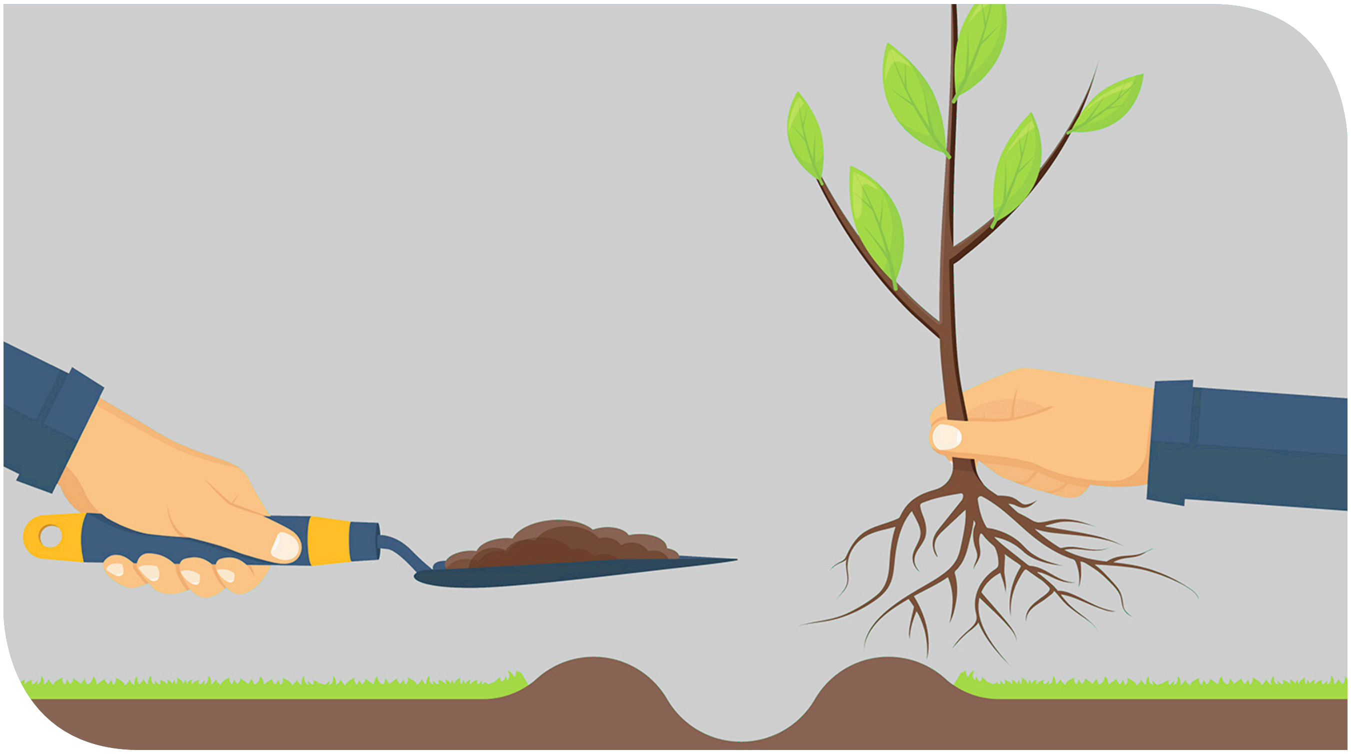
Change Management:
Tackling Talent Retention During Mergers and Acquisitions

Fifth Third Bank

The impact of a merger or acquisition is felt far and wide—but perhaps nowhere more acutely than by employees of the merging firms.



For these professionals and their families, the potential uncertainty that may accompany a change in ownership can lead to stress and anxiety. Which, in turn, can lead to low morale or even departures of key personnel at precisely the time when they are needed most. This limits the company's ability to serve existing customers in the short term and reduce its competitive advantage in many areas over the long term.

The good news? According to a Willis Towers Watson study, merging firms are able to retain 80 percent of key staff by optimizing certain processes.

The following guide can help you establish or hone your own best practices as you seek to forge a new, stronger team and business during a merger.

What Employees Want to Know

Employees' first reaction to news—or even the rumor—of a merger is often fear.

To avoid this, change management professionals must not only be proactive, but also recognize that silence and a void of information will only exacerbate the problem. Instead, the goal of using the process should be to build a positive experience for employees that leaves them feeling informed, heard, comfortable, and keen to move forward as part of the new organization.

The main employees you want to focus on are those professionals who care about their job and customers—and often have the same questions and concerns when it comes to a merger:

- Will my workload increase?
- Will I continue to be able to do my job?
- How will the company culture change?
- How long will it take for the merger to be complete?
- Will my colleagues be asked to leave?
- Will I be able to service my customers from day one?

These are admittedly questions that can't always be answered specifically during the M&A process.

Still, giving employees a sense of company direction, company culture and a prospective timeline for transition will help fill potential voids in information and build trust during the process.

Understanding What Motivates Employees to Stay

Studies have found **that employees remain with organizations because of relationships**—with colleagues, with their managers, with subordinates, clients, vendors, and others. Most of these relationships will be disrupted by a merger. **Change management professionals must be sensitive to this.** Create an experience in which employees quickly come to view the new organization as an organization for which they actually want to work and you will have taken a huge step toward maintaining these relationships and establishing new ones.

Communication should begin as early as possible and must be a constant throughout the process. Of course, choosing when, where, and what to communicate is just as important. This is why one of the first deliverables should be establishing a road map of milestones that will serve to inform and calibrate expectations. **An environment of predictability and stability is key to bolstering morale** and facilitating the rest of the process.

First, identify those inflection points that need additional support. If, for example, offices change location, come up with strategies beforehand for how to mitigate or eliminate that impact on employees—whether that means providing amenities relevant to the new space, collaborating on the set up and flow of the new space, or giving out commuting options and tips.

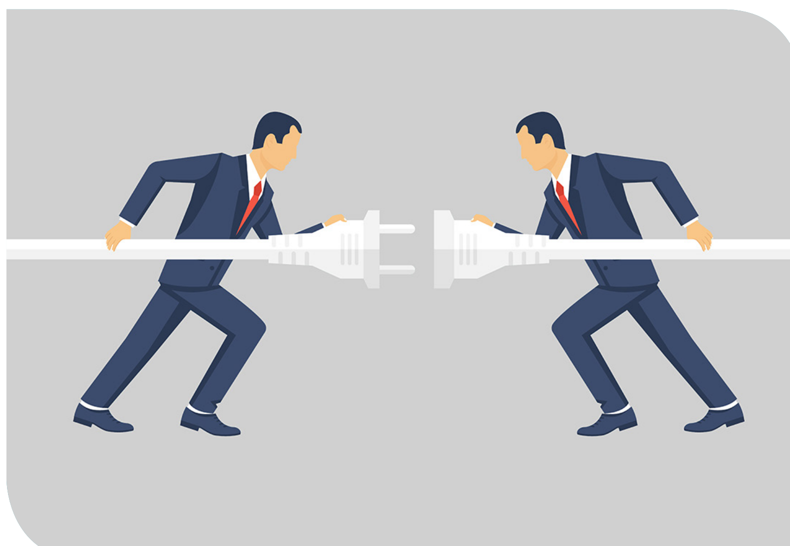
Once you've identified those points in the merger that may create uncertainty, **create a roadmap to set expectations for what will happen** and how you intend to approach the process. Main components should include:

- What the major milestones will be
- What will be expected of employee contribution
- Corporate plans for providing support
- What the end goal will be for transition

By demonstrating your ability to support employees through transition and keeping the lines of communication open, you can reinforce your position as a company that employees want to work for and build new relationships in.

Sharing Your Company Story to Build Engagement

The simple practice of engaging with employees is vital.

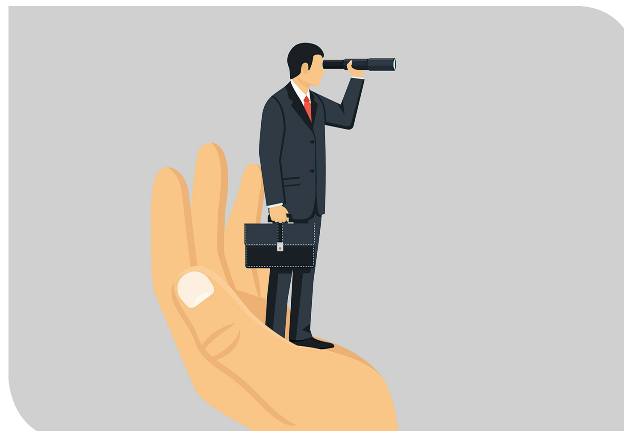


Employees from the acquired organization will often want to know more about the acquiring firm. And while they can uncover a lot of this information themselves—unlike sensitive merger-specific details, it will be available publicly to anybody with an internet connection—**why would a company let the opportunity to tell its own story slip away?** Supplying some basic facts and figures along with some of the company's core values can be surprisingly well received. What is the firm's history? How does the acquisition (in general) fit into this story? What does the future look like in the eyes of management?

People want to know there is a plan and that they are part of it. Seeing —and hopefully understanding—the holistic concept may very well make the merger process more palatable in general.

Identifying Key Personnel

Who are the leaders and what is their relationship to the change?



These are the **individuals who communicate with other staff and to whom employees often look to for guidance.** Opening a dialogue with them can increase your reach and impact throughout the company.

Query leaders about their concerns. Work arrangements, benefits, and compensation are common topics, but from a practical standpoint, many leaders simply want to know they will be able to perform their job duties during the transition and once the merger is consummated.

Common questions include:

- Will they be able to easily learn all the new systems and operational protocols?
- What resources, if any, will be at their disposal to help them with these tasks?
- Will they be able to support their customers from day one?

Efforts should be made to appeal to professionals in key roles who have realistic concerns about how they will be able to perform their duties going forward. Building an environment where these employees can be successful is a priority well beyond the merger. **Engaging them directly shows respect**, and communicates that they are more than mere names to be airlifted into a new organizational chart.

That should not be the only lines of communication you open, however. You'll also want to focus on the teams that most direct impact lines of business. For example, your operations and retail teams are very different from one another, but both are essential and will require specific preparation and information for a transition.

Regarding the operations side, **be prepared to discuss tasks and challenges that are too often underappreciated in the lead up to a merger**. On a practical level this may mean harmonizing real estate and vendor contracts or ordering new stationary, business cards, and marketing materials in a timely fashion so newly integrated employees can hit the ground running. On the reflective level, it could include efforts to ensure the expanded company's branding is revamped appropriately to encompass the skills and mission of the acquired entity's employees and intellectual/mechanical assets.

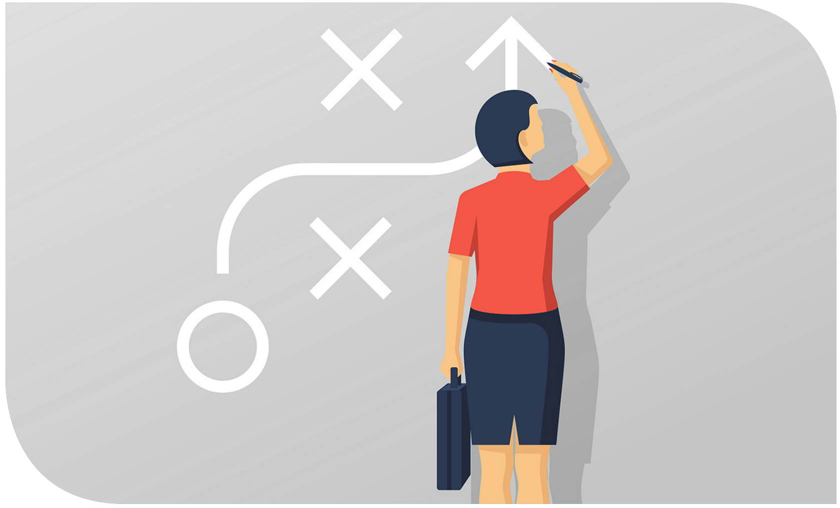
For the retail side—that is, employees who interact regularly with customers—**customer retention should be one of the overriding priorities of any reorganization.**

If those in customer support roles are confused or unconvinced about the company's future direction and their place in it, that will likely translate into how they interact with customers. If, on the other hand, you **infuse their positions with clarity, optimism, and openness**, the likelihood of these employees buying in to your efforts—and seeking to get customers new and old to do the same—will be considerably higher. Remember, these relationships between your retail employees and customers are often complex and personal—and need to be nurtured and maintained if you want to be able to serve customers from day one as a combined entity.

On a related note, **some of your most important partners will be the teams that develop the marketing materials** your employees use to communicate with customers. You'll want these teams to provide collateral that is mindful of the transition and supports client-facing employees as they interact with customers during this period.

In short, place yourself in the shoes of these departments to anticipate what they will need to support their work through the transition and your enterprise will be that much more likely to hit the ground running.

Sharing Information Responsibly



Communication is highly regulated through the merger. Ideally a firm's legal or compliance department will establish clear boundaries from the outset and will monitor and review all merger-related communication throughout the process, ensuring material non-public information will be only shared with appropriate individuals. Sometimes, depending on the situation, these individuals will include change management personnel. Many firms will only update change management when the information is about to become public. This enables these professionals to share their knowledge freely with employees, in the interest of transparency.

Change management professionals also monitor external environments where information may be shared. The **goal should be for information to reach employees before they hear it from external sources**. There are situations, however, where this is simply not possible. Establishing policies prohibiting or attempting to prohibit sharing of external information are not always effective. It is better to carefully choose —with guidance from compliance and legal counsel—what is to be communicated and when, then craft the message very carefully to allow for the least amount of innuendo or misinterpretation.

A good first step? **Establish a general outline for a schedule**, allowing for specific dates to be filled in later. **Communicating when information will be forthcoming**—and delivering on these promises—**helps build a pattern of trust with employees** and can be just as important as the message itself.

Asking for Insights

This bears repeating: Communication is a two-way street. The acquired firm's employees should be asked what is important to them so you can gain more insight and identify areas of commonality.

What you want to tap into is what employees relate to and the points where your culture as an acquirer intersect. For instance, there may be social purposes that your company supports that align with employee interests. Or there may be community service initiatives that current employees are best suited to spearhead for the new company.

Seeking out these connection points and insights can help the process immeasurably and create more solidly invested employees.

Keeping Company and Transition Objectives in the Forefront

Complex, multibillion-dollar M&A deals are part of the reality of today's global corporate landscape, creating value for employees and customers. **The process, however, must be managed carefully**—particularly where the disruption of personnel is concerned.

To obtain and preserve value from the IP, institutional knowledge, talent and reach of your acquisition **it's essential to cultivate a positive, effective atmosphere and experience** throughout the merger.

Yes, problems are bound to arise. But it's also true that many can be headed off or minimized with the proper preparation, a team of experienced professionals, and a real understanding of the future you are striving to steer your newly integrated company towards.