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Managing Talent During an Acquisition: Are You Retaining the Best Performers?

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With the mergers and acquisitions (M&A) market heating up, the competition for the best performers is intensifying.

While it might be tempting to simply clean house after an acquisition, it generally makes more sense to spend time evaluating the acquired team and focus on developing retention plans for keeping the most productive managers and employees.

Talent management as part of an acquisition strategy

Ideally, the development of a talent management strategy should begin during due diligence – long before day one of the new ownership. After all, in addition to determining the accuracy of the target's financial status, the due diligence process should also help identify the deal strategy and determine the feasibility of objectives the buyer initially wants to accomplish. These steps include assessing and locking in the talent that will be needed to achieve those goals.

For turnaround situations in which the acquired company is underperforming, the talent strategy often involves significant staff turnover. Some strategic acquirers prefer to bring in their own teams to take a completely fresh approach, operating on the assumption that this method ultimately yields greater value, more quickly. However, such an approach risks jettisoning truly valuable employees and managers who, under previous ownership, were not thriving and reaching their full potential.

For strategic acquisitions in which the target company is successful and the acquirer wants to build on that success, it can be even more important to proceed carefully and thoughtfully. Unnecessary staff turnover or lost productivity is expensive, and it risks diminishing much of the value that the acquirer just purchased.

In either type of acquisition – turnaround or growth – buyers should plan early, take time to evaluate important players and departments during the run-up to day one, and establish an integration road map before the deal is closed.

Identifying and engaging strong leaders

Strong leaders play a critical role during post-acquisition integration, serving as both change managers and role models. Therefore, it is crucial to evaluate both their innate abilities and their level of commitment during the planning stages before the deal is closed. Critical questions to ask include:

- Do leaders have the required skills, knowledge, and abilities to perform their projected roles and responsibilities?
- Do leaders have the necessary level of commitment to meet their roles and responsibilities?
- Are leaders a good cultural fit with the new organization, particularly in terms of their management style and their ability to serve as change agents?

The answers to these questions inevitably involve some subjective judgment, but acquirers can make the evaluation more objective – and more accurate – by employing a structured approach. For example, analyzing leadership team engagement using the simplified matrix shown in the exhibit is useful for integration planning, team formation, and implementation.

Exhibit: Leadership team engagement matrix

Impact of results	Low (Level of commitment or performance)	High (Level of commitment or performance)
High	**Somewhat engaged** (High impact but not performing) **Strategies:** • Address root causes • Identify a "better fit" role	**Fully engaged** (Committed and effective) **Strategies:** • Recognize and reward • Increase role and responsibilities
Low	**Bystander/resister** (Low impact, low performance) **Strategies:** • Address root causes • Remove from organization	**On the margin** (Committed but low impact) **Strategies:** • Move to new role with greater impact • Add to key project team

Low → High
Level of commitment or performance

Source: Crowe analysis

Most acquirers would find it desirable to develop a customized version with specific deal metrics and integration strategies. Regardless of the complexity, the underlying principle is simple: A structured, disciplined approach can provide valuable guidance and objectivity. A third party skilled in leadership assessment can provide an additional and unbiased perspective.

Getting off to a strong start

In many instances, the first day of the post-merger integration begins with a town hall-style event or a series of department meetings. The acquirer should let people know what to expect, as well as what will be expected from them. Such a kickoff can help establish the new culture and allow those employees who might not be a good fit to recognize this for themselves.

It is important to follow up this strong start with some early, identifiable achievements. For example, introducing a pragmatic new policy or eliminating a prior ineffective policy are two ways to build momentum and demonstrate that the culture change is real and that it is not just talk.

Another valuable tool for motivating employees during the transition is through the introduction of new training, coaching, or mentoring programs. These initiatives demonstrate that the new ownership team values high-performing employees and is willing to invest in them.

With increasingly sophisticated buyers and the continued acceleration of M&A activity, the competition for successful leaders and productive employees is intensifying. By getting an early start on the talent management process and approaching the challenge with a structured, disciplined approach, acquirers can improve their ability to evaluate, develop, and retain the talented people they will need to derive value from their acquisitions.

Learn more

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