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Managing Talent in an Acquisition

Are You Retaining the Best Performers?

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With the mergers and acquisitions (M&A) market heating up and an increasing number of large dealership groups entering the marketplace, the competition for talented management is intensifying.

While it might be tempting to simply clean house during 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 financial accuracy of the target's financial results, 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.

In turnaround situations where the acquired dealership is underperforming, the talent strategy often involves significant staff turnover. Some acquisitive dealers 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. On the other hand, such an approach risks jettisoning some truly valuable employees and managers who simply were not allowed to prosper under their previous superiors.

In turnkey acquisitions where the dealership 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 is expensive, and it risks diminishing much of the value that the acquirer just purchased.

In either type of acquisition – turnaround or turnkey – buyers should begin planning early, take time to evaluate key players and departments during the run-up to day one, and establish a road map before the deal is closed.

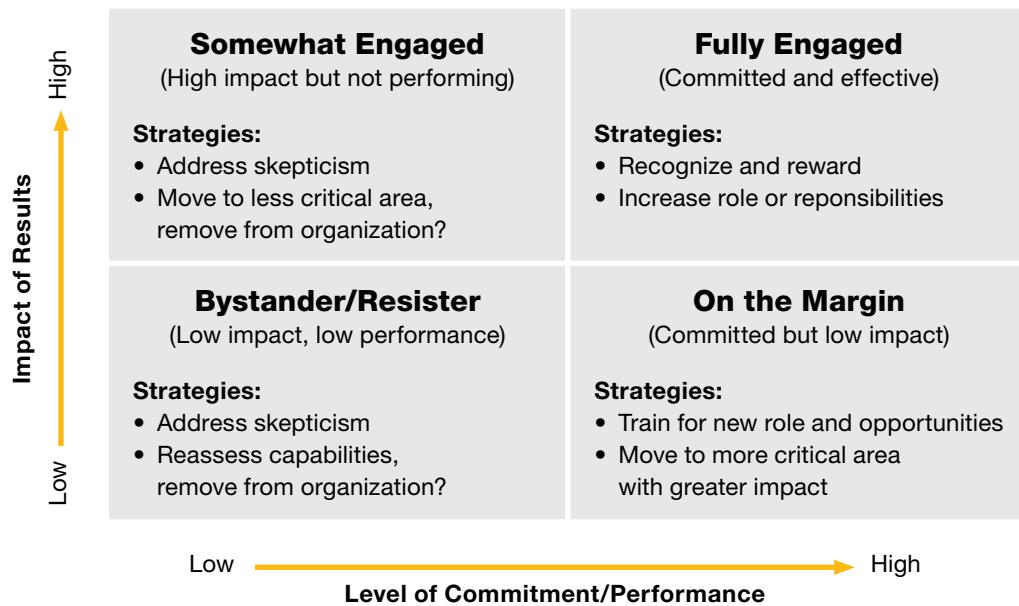
Identifying and Engaging Strong Leaders

Strong leaders play a critical role during post-acquisition integration, serving as both change managers and role models. Therefore, it is important 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 duties and meet expectations?
- 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 agents for change?

The answers to these questions inevitably involve some subjective judgment, but acquiring dealers can make the evaluation more objective – and more accurate – by employing a more structured approach. For instance, an employee support matrix, such as the simplified example shown in this exhibit, can be very helpful.

Exhibit: Sample Employee Support Matrix



Most dealers would find it desirable to develop a more detailed and customized version with specific metrics and strategies; however, this model can serve as a starting point in the evaluation process. Regardless of the complexity, the underlying principle is simple: a structured, disciplined approach can provide valuable guidance and objectivity.

Getting off to a Strong Start

In many instances, day one of the post-merger integration begins with a town hall event or a series of department meetings. The new ownership 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 popular new policy or eliminating an old, unpopular 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 in the dealership industry, the competition for successful managers and productive employees is intensifying. By getting an early start on the talent management process and approaching the challenge with a structured, disciplined approach, acquisitive dealers 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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