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Safeguarding Top Talent Is Key for Making Mergers Succeed

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Banks merge because of the obvious benefits—longer client lists, greater real estate holdings, stronger intellectual property, and wider market share, among others. While there is no denying the positives of a merger and acquisition (M&A), a common downside is that change can disengage and drain your talent pool if not managed correctly. It is critical through this unstable transition period that the best talent engage in the transition process, be informed about the long-term vision of the new company, and that business continuity and quality service not be compromised. Complicating matters is that while the window of time to pull off an M&A agreement often is very brief, a long period of employee uncertainty may precede regulatory approval.

Managing Change Properly Starts With Due Diligence

Procedural adjustments, such as changing lock box addresses, are very straightforward. What's trickier and needs to be a priority is helping employees adopt the associated changes. Closely learning about the culture of the other company—how it is aligned and how it is different from the acquiring company's culture—can be done by interviewing stakeholders, conducting informal or formal surveys, or even studying the look and feel of employee communications and polices in the employee handbook. These simple exercises will prevent hasty decision-making and will help structure the new company so that objectives are met without unwanted employee turnover.

Taking the time required to get a more intimate understanding of the bank being acquired also will speed things up when it's time to fit the right people into key roles. The new organization ideally will represent the best of both companies, so it's critical to identify not just where value was strongest at the former company, but why it developed and who was responsible. Getting that right early in the transition will help make it seamless. Productivity will be less likely to drop, will snap back quickly and unwanted employee turnover will be manageable.

Change Management Fails Because of Poor Communication

When employees are kept in the dark, productivity slacks and resumes start flying out the door. And your best people have the most options. Don't underestimate the impact change has on long-time employees when they are not involved in the transition as stakeholders. They want to understand where the new company is heading, if it shares the values they are accustomed to, and what role they will play in the days and years ahead. Seventy percent of change initiatives fail due to factors involving employee and cultural resistance. Timing and engagement both matter in preventing discord at the top because it always trickles down.

Unlike in other sectors, regulatory approval can slow the process of bank mergers to a halt, and time can make miscommunication fester. Often when a merger is announced, both parties have to wait five months for approval. The uncertainty of this period can turn into a harmful fog unless handled the right way.

One way to help clear things up is to have employees from both banks interact at social events or give the acquired employees opportunities to learn about the acquiring bank's culture to see what change looks like in settings that are casual. Another way to keep communication open with key employees from the bank being acquired is to involve employees from both banks in teams to help broker transition objectives. Any step to include employees from the bank being acquired is better than no communication. In the absence of a story, human nature is to make one up, and it's likely to be negative.

Identify Problems Early

The best way to identify potential issues for the merging organizations is impact analysis, a method that takes a qualitative approach to assessing the way each organization handles different aspects of its business, and then developing a quantitative solution to make both sides sync. For example, an impact analysis of the culture of a lending group—how decisions are made and by whom—would create a working hypothesis about what needs to happen in the group post-integration. Identifying strengths and weaknesses is necessary for closing the gap between the organizations and creating a cohesive roadmap to move forward.

In short, managing change successfully requires focusing on four key areas:

1. Identify the most effective leaders and transition them to roles where they can thrive. Take advantage of the merger by making needed changes to your organizational structure.
2. Get in front of the talent most likely to be a flight risk and help them see how they play an essential role in the new company.
3. Focus on leading employees into the new culture and on their individual transition through incentives, training and new opportunities. Keep communication open and clear.
4. Make sure payroll and benefits transition by day one. Mishandling paychecks or other mechanics will sabotage all of your prior efforts.

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