Don’t overlook the existing staff’s needs during an M&A

Communication is vital if the employees of the company being merged into are to embrace the process, writes Caroline Allen

All too often, when a merger or acquisition takes place, the focus is on the company and staff transferring because legislation demands that certain obligations are honoured, according to Frederika Sheppard, partner, Voltridge HR, while the staff in the existing company are overlooked.

“Their needs and expectations are often forgotten about or not always addressed until problems present themselves down the line,” she said.

“Change is always difficult but if you allow a situation to arise which is driven by emotional and defensive positioning by staff, the business needs and opportunities of the merger will no longer be the focus and this will impact performance,” Sheppard said. “My main advice to managers driving the merger is to communicate effectively and often with your team; lead from the front; and bring your staff on the journey of opportunity with you. Engage the hearts and minds of your people early on and you will be rewarded with an engaged and motivated team.”

According to Sheppard, the value of effective communication cannot be underestimated. “The senior managers may assume employees understand what is going on. Don’t be afraid to repeatedly communicate. Ensure employee representatives are utilised if your company has this facility,” she said.

“Keep up communications long after the merger or acquisition to ensure employees understand and engage. Tough news is better than no news.

“Ensure you honour and fulfill all of the commitments and agreements you entered into during the consultation process of the TUPE (Transfer of Undertakings legislation governing M&As) with the transferring staff,” she said.

“Have all transfer letters or new contracts of employment signed and kept on file. In the complexity of the transfer, some of the essential paperwork may get overlooked. Make sure you have signed terms of employment for all the staff.

“Where the transferring in employees are on different terms to the existing staff, Sheppard’s advice is to ensure this does not become an employee relations issue for the existing workforce.

“If left unaddressed, it could become a demotivator or source of grievance,” she said. “TUPE regulations ensure the transferring staff receive all the essential communication as part of the consultation process as to why the transfer is happening; what it means for them; what their role will be going forward; and what happens to their terms and conditions. Sometimes the staff in the company the employees are transferring into are left in the dark and aren’t briefed on what is happening for all of the same reasons,” Sheppard said.

The issue of job security should be addressed, she said, as employees question how new people coming into the organisation will affect them. Employees will want to know whether the new employees have the same terms as them and if the terms such as the number of days holidays per year, working hours, benefits or even pay for similar job titles or roles are different.

“It is better to communicate honestly and in a timely fashion with your staff. Explain that there will be differences but develop a strategy to align the larger team into the future,” Sheppard said.

“Companies will need to address what will happen if changes are needed six or twelve months down the road when the selection for redundancy on the basis of LIFO (last in, first out) will then be different, she said.

“The transferring staff will have continuity of service protected in the TUPE and so this could impact the existing staff,” said Sheppard. “Cultural differences will have to be tackled as staff merge with staff when they come from two very different cultures,” Sheppard said.

“This can present itself as a problem very quickly and you end up with a ‘them and us’ situation. If left unaddressed, this will grow and develop and cause a great divide between the staff who are supposed to be all focused and working together for a common purpose,” she said.

“The company taking over should seriously consider what type of culture is to be put in place. Be clear and consistent in application.”