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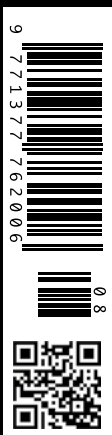
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Early Human Resources Involvement in M&A Essential for Success

With Mergers and Acquisitions (M&A) activity at a high in healthcare how can HR contribute to deals that work?

Human Resources (HR) needs to be involved in M&A deals to increase deal success. Research shows early HR involvement is a critical success factor. Which role HR needs to play in M&A will be described around four critical responsibilities.

M&A deal activity reached an all-time high in 2015. Going forward Deloitte expects: "Deal activity continues to be strong" (Deloitte 2016). Early research showed the deal failure rate was around 70 to 90%. More recent research shows a 40 to 50% success rate.

In the research of M&A deal success, the reasons for failure vary, but often you will find culture, leadership, talent and communication in the top ten ranking. So, in addition to the more strategic and economic aspects, people-related issues also prove to be critical for deal success.

Research published by the M&A research centre of the London's Cass Business School (Cass Business School 2017) found 60 percent of executives agreed post-M&A deal issues could be better resolved if HR teams were involved earlier. The report also highlights three main areas to focus on to be successful. The number two area mentioned, based on their study, is early involvement of HR, and retention of key operational personnel. The research also shows that only 10% of the researched companies included HR at the targeting stage of a deal, while 81% involved them at the integration stage. So there is ample room for improvement for many companies and HR professionals to play a critical role. What does this role for HR entail?

4 Critical Roles for HR in M&A

Based on my involvement in many M&A deals, I would describe the role of HR around the following four critical areas of responsibility:

1. Organise

Set up a staff deal team during the different stages; support design of the deal and the integration process; help design the new organisation and lead the change process.

2. Research

Investigate material and immaterial people-related deal issues;

create a focus for the HR team on top critical issues per deal stage;

ensure expertise and capabilities in the HR team.

3. Advice

Advise involved leaders and the deal team on all HR-related issues;

be the HR subject matter expert;

deal change, culture and organisational design.

4. Communicate

Design the employee and labour-relations communication process;

take full ownership of employee communication during all stages;

act as the linchpin between the different involved groups to ensure good flow of information.

There is a huge opportunity for HR to step up and claim this role which has proven to be so critical for deal success. ■



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KEY POINTS

- ✓ HR needs to be involved in M&A deals to increase deal success
- ✓ Compared to 2015, M&A success rate rose in 2016
- ✓ Culture, leadership, talent and communication are in top ten reasons for failure
- ✓ Research shows that HR involvement in M&A deals could help them succeed
- ✓ Four action points can help HR managers deal with M&A deals effectively



REFERENCE

Deloitte (2016) M&A Trends Report, Mid-year 2016. [Accessed June 29, 2017]. Available at: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/mergers-acquisitions/us-deloitte-mergers-acquisitions-report-trends-2016.pdf>

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