HR Mergers & Acquisitions Roundtable

2020 VIRTUAL CONFERENCE

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Working with – and Managing an IMO

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Most Deals Have 3 Layers of Governance

Steering Committee	• Connect Integration with business strategy • Provide resources & remove roadblocks • Final approvals & executive-level decisions
Integration Management Office (IMO)	• Drive schedules, reporting cadence and review outcomes • Oversee all the cross-functional workstreams (e.g. synergy, org redesign) • Align deliverables and support workstreams
Functional Workstreams	• Drive integration between corresponding functions of both companies • Capture deal objectives in and through their own function • Create the Day 1 and end-state Operating Model

Typical Integration Structure

Steering Committee

- CEO
- CFO
- CHRO
- COO/ Product & Ops Leader
- BU Leader(s)
- CIO
- General Counsel
- CSO/ CMO
- CAO
- Integration (IMO) Leader

Integration Management Office (IMO)

Merger Actions

Synergy

Organization & Leadership

Culture, Change & Communications

- IMO Lead
- Functional Leads (Product, Ops, Sales & Marketing, Finance, IT, Facilities & Admin, Legal, HR)
- Merger Actions (Legal & Finance)
- Synergy Tracking (Finance)
- Organization (HR)
- Culture, Change & Communications (HR)

Product & Operations

- Product Design/ Engineering
- Supply Chain/ Procurement
- Manufacturing
- Facilities
- Quality & Process

Sales & Marketing

- Sales
- Marketing
- Customer Success
- Channels
- Contracting
- CPQ

Finance

- Accounting
- FP&A
- Tax
- Treasury
- Tech & Reporting
- Audit

IT

- Applications
- Infrastructure
- Data
- Security
- Digital
- User Support

Facilities & Admin

- Facilities & Office
- Space Management
- Administrative & Productivity
- Physical Security
- Vendors

Legal

- Legal
- Commercial contracting
- Employment
- Risk Mgmt

HR

- Benefits
- Compensation
- HR Policies
- HR Technology
- Payroll*
- Talent Acquisition
- Talent Management

**May sit in Finance*

Integration Timeline

IMO is created for a finite period of time, aligned with key milestones

Due Diligence → **Deal signed & announced** → **Pre-Close Day 1 Prep** → **Deal Close** → **Post-merger integration** → **BAU**

Due Diligence

- IMO gets created prior to deal announcement
- Core members identified
- Receives detailed handoff from the DD team
- Creates initial scope and objectives of integration

Pre-Close Day 1 Prep

- IMO starts to mobilize functional workstreams
- Establishes functional workstreams
- Works with Legal to establish boundaries around “gun jumping”
- Focus is on Integration Preparation/ Planning versus Integration per se

Post-merger integration

- IMO and workstreams are fully mobilized
- Multiple layers of functional/ sub-functional workstreams may be established
- Drives rapid decision making, alignment and cross-functional workstreams

BAU

- IMO gives way to more decentralized approaches, with each function taking responsibility for their remaining integration elements
- There may be an enduring tracking/ reporting process, e.g. CFO Commitment

Making the Case for Speed & Rigor

- **Many** fundamental decisions with long-term impact on company and employees – within very compressed time schedules
- IMO quality is varied – and even the best IMOs aren't designed with HR decisions in mind
- Need for very deliberate stakeholder identification and management
- Conversations must lead to quick but thoughtful decisions
- Bigger deals = greater need for rigor, but even the smaller deals can use a similar but scaled down approach
- Critical to structure teams and set objectives quickly and effectively

Structuring the HR Integration Team

Steering Committee

CHRO

Integration Management Office (IMO)

- **Merger Actions**
- **Synergy**
- **Organization & Leadership**
- **Culture, Change & Communications**

HR Programs, Policies & Processes

- Benefits
  - Health
  - Retirement/ Financial
- Compensation
  - Broad-Based
  - Executive
  - Sales Compensation (may sit in Sales)
- HR Policies & Perks
- HR Technology
- Payroll (may sit in finance)
- Talent Acquisition
- Talent Management

- Team structure and staffing is a critical first step in a successful HR integration
- Teams should be small, nimble and efficient, leveraging team members from both companies whenever possible
- HR's role in IMO (specifically on Org and Synergy) varies considerably
- Typically one overall HR Integration Leader, with sub-workstream leads for each of the HR Programs, Policies & Processes

Establishing Team Charter and Objectives

An efficient, bottoms-up approach can be more comprehensive, and less daunting

- Each team identifies all questions that must be answered in their area
- Decision makers, interdependencies, and sequencing proposed for each
- HR IMO team to adjust timing of decisions as needed to “cluster” into logical groupings for each stakeholder and facilitate coherent communications
- Align up front with stakeholders on proposed decisions and timing
- Establish decision cadence as quickly as possible – enabling workstreams to prioritize and manage all required work and pre-meetings

Establishing Principles to Guide Decision Making

- Alignment on principles guiding decision making with stakeholders is critical
- Best practice to review/align in first meeting
  - One set of guiding principles across all HR functional decisions (programs, processes, systems)
  - One set each for Org Design, Talent Selection, and Culture (larger deals)

Sample Guiding Principles: HR Programs, Processes, & Policies

1. Establish rewards portfolio and individual programs that are market-competitive & compelling to both current & prospective employees
2. Balance cost impact with employee impact
3. Establish a seamless one-company experience that enables free flow of talent across legacy organizations
4. Ensure HR policies, processes and systems are simple, intuitive, and enable the future scaling of the organization
5. Ensure business continuity and mitigate employee disruption
6. Take a portfolio view of rewards programs versus making decisions on each program in isolation

Structuring the Decision-Making Process

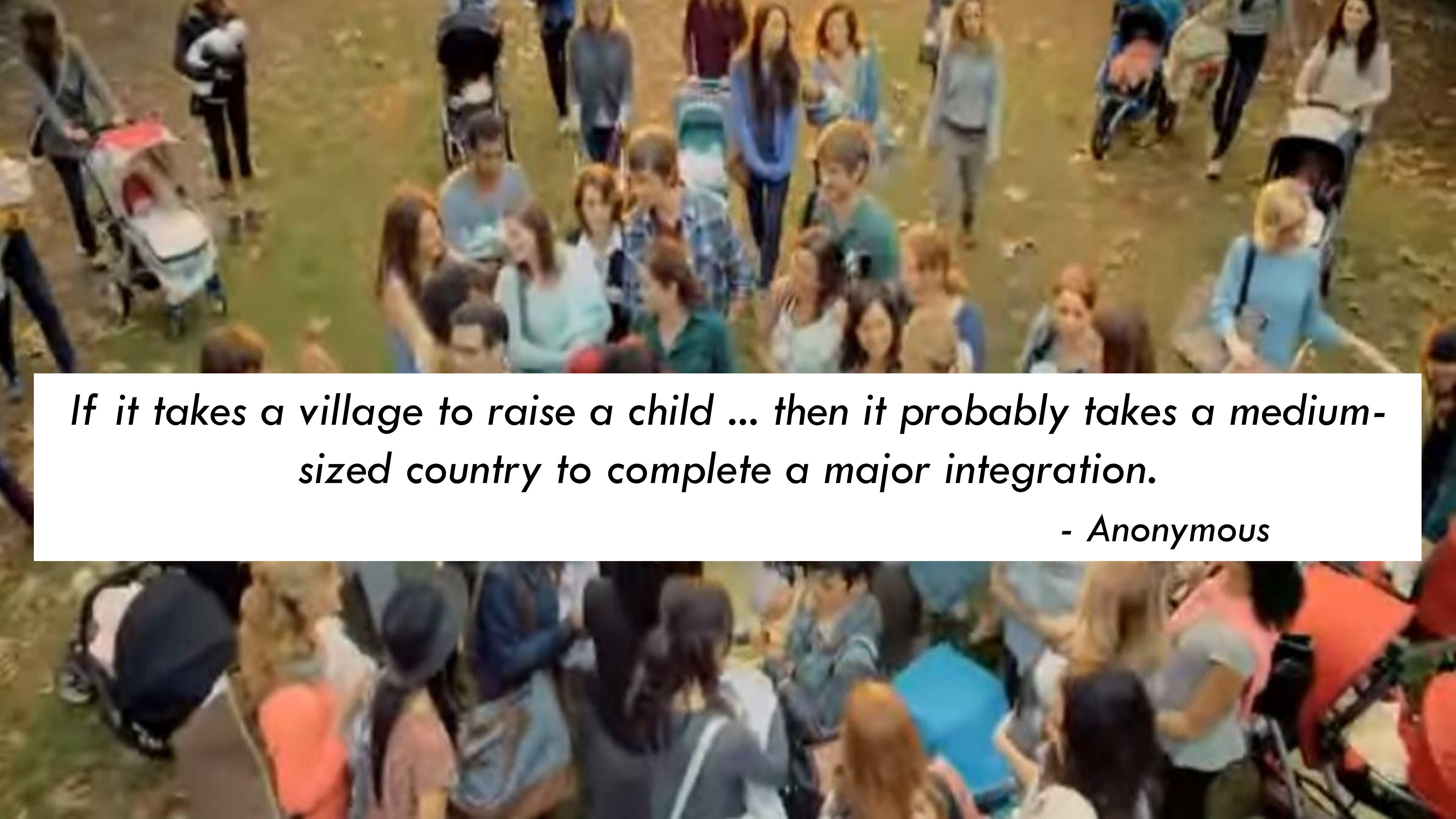
- Can't afford to have lengthy review cycles like we might see outside of a deal context
- Need to provide stakeholders with all relevant information to make decisions at once to avoid unnecessary follow-ups
- There is a high need for consistent decision proposal template to be used by all workstreams
- A consistent proposal format helps decision makers quickly get to core of proposal
- A templatized approach can ensure thoughtful discussion and decision making on org design & talent selection as well

Sample Elements: HR Programs, Processes, and Policies

- Background on different company current approaches
- Market practices relative to program in question
- Alternative approaches considered (3-4)
  - Description of approach
  - Summary of market competitiveness (+/=/-)
  - Summary of impact to employees (+/=/-)
  - Summary of cost impact ($)
  - Key Risks of Approach
- Proposed Approach with brief rationale and risk mitigation highlights

Adding Value Beyond Your Immediate Role

If you are …	At least …	… And ideally also …
In an HR Functional Workstream	• Follow the IMO process, schedules, templates etc. • Create a strong partnership with the IMO assigned lead and key counterparts in the merging entity • Engage the full HR department in the integration, even those that are not on the formal integration team • Keep your key vendors/ partners very close to the integration	• Assume you know more about Change & Culture than anyone else on the team; make sure the C's are present in every major decision • Try to look around corners: What are the other workstreams missing? • Partner with Finance, Legal, Ops and other teams on Org Design and Synergy
In the IMO	• Anchor the integration timeline in key HR milestones (Payroll Cutover, Benefits Enrolment, Consultation Periods, etc.) • Devote disproportionate amount of IMO and SteerCo time for HR decisions (comp, benefits, titles, policies etc.) • Be realistic about what can be achieved during different phases of Integration	• Ensure that "softer aspects" are addressed by all workstreams • HR decisions are being made with as much data/ evidence as possible (versus executive preferences)



If it takes a village to raise a child … then it probably takes a medium-sized country to complete a major integration.

- Anonymous

Working with Outside Partners and Vendors

When do IMO/ Workstreams require more outside help?

- Larger acquisitions (Acquisition >10-25% of Acquirer)
- Materially different industry, business model or segment structure
- Different geographic footprint (employees, channels, suppliers) or employment models
- Different compensation plans, benefits plans, perks, and policies
- Different culture, talent management practices
- Different HR Infrastructure (HR delivery model, Insourced/ Outsourced models, HR technology)
- Complicated deal structure: merger (NewCo creation), simultaneous divestiture, onerous regulatory approvals/ requirements
- Aggressive Goals: Highly compressed Integration timeline, Large synergy targets, “Big Bang” Day 1

Vendor & Partner Best Practices

- In a merger context – even if you can do something yourself – doesn’t necessarily mean you should
  - Time >= Money
  - Risk mitigation (think: MEPP, 20-country payroll, 5000-employee Day 1 livecast …)
  - Don’t underestimate the value of a neutral 3rd party
  - Gun jumping laws may require a “clean team”
  - Don’t forget about you: Keep your schedule under 100 hours/ week
- Require and train your vendors to align with your merger process and timelines; not the other way around
- This is generally not a context in which you want to try new vendors
  - If you must, try to get someone who is more adaptive & can quickly become an “insider”

Questions?

Key Takeaways

- IMO's role is to define & drive a rigorous process
  - Processes & decision-making templates may strike some as bureaucracy…it is in fact the opposite
  - A focused process accelerates decision making, ensures quality and removes the friction of differing expectations and missing information
- Whether you are managing the entire HR workstream, or one sub-workstream like compensation, this approach is relevant
  - You can also adapt this approach within any IMO
- HR tends to have the highest-visibility decisions decisions in an Integration
  - Needs to work with – and within – the IMO to make sure these decision remain aligned with the broader integration

REFERENCE SLIDES

Sample Template for Workstream Charters

Workstream Description
Name:
Function:
Lead:
Team members:

Scope
Outcomes/ deliverables and scope boundaries:

Success metrics
Performance measures that will show if the workstream succeeded

Key Assumptions / Dependencies / Risks
Key assumptions, dependencies & risks that could impact scope, schedule or budget. Include proposed risk mitigation strategies.

Key Milestones	Start Date	End Date

Sample Template for Weekly Status Updates

Status Legend
- Will not be met
- At risk
- On track
- Complete/ Closed
- Not yet started/ On Hold

WORKSTREAM NAME		DATE	
OVERALL STATUS			

RECENT KEY ACCOMPLISHMENTS	KEY UPCOMING ACTIVITIES

KEY MILESTONE	OWNER	DUE DATE	STATUS	NOTES

Sample Weekly Cadence for IMO and HR PMO

Mon — Tue — Wed — Thu — Fri

Mon–Tue: IMO and HR PMO Functional workstream check-ins
(30 min per workstream)

Description:
- Collect reports for stand up
- Discuss status, resolve issues, and identify next steps
- Review interdependencies with other workstreams

Members:
- IMO team members
- Workstream leads
- HR PMO members from HR

Wed: Cross-workstream Stand Up
(60 min)

Description:
- Communicate milestones, deliverables and announcements
- Address interdependencies and call out key risks
- Identify resource needs; make operational decisions
- Elevate decisions request for Steering Committee (as needed)

Members:
- IMO team members
- All workstream leads
- Workstream sub-leads

Wed: IMO working team meeting
(60 min)

Description:
- Review progress made by workstreams
- Prepare agenda for Steering Committee meeting

Members:
- IMO team members

Thu: Steering Committee meeting
(60 min)

Description:
- Provide regular IMO updates to Steering Committee
- Review decisions presented by workstream leads and provide guidance

Members:
- Steering Committee members

Presenter Bios

Craig Briscoe

Craig is a Business Advisor with Insightory. He has 25 years of HR and business experience including significant tenure in both corporate and consulting environments.

Craig's last corporate role was as the HR leader for integrating Dell's $60B acquisition of EMC. Before that, he spent 5 years as HR leader for Dell's Global Commercial Sales and Enterprise Solutions Organization (over 25,000 employees and $40B in annual revenues). During a 13-year career at Dell, Craig also led Compensation and Benefits, HR Mergers and Acquisitions, and HR Technology.

Prior to Dell, Craig had 12 years of experience in consulting, He worked with major firms like Hewitt Associates and Towers Perrin (now Willis Towers Watson), and also founded and ran his own firm, Motivari Consulting. Majority of the work done during this period was around total rewards and mergers and acquisition.

One of the common threads throughout Craig's career has been working with senior executives. He has worked with over 50 CEOs, over 20 Boards, as well as several dozen CHROs, CXOs and Total Rewards leaders in companies of all sizes and industries, ranging from start-ups to Fortune 50 companies.

Craig is based in Austin, Texas and holds a BA in Business Administration from Texas Christian University and an MBA from the University of Notre Dame.

Avneet Jolly

Avneet is the Founder and Chief Consultant for Insightory. His consulting focus is primarily around Business Transformation, which includes organization design & restructuring, M&A, sales effectiveness and change management. He has worked with over 200 senior HR and business executives across over 60 companies, ranging from start-ups to Fortune 100 companies.

Before starting Insightory, Avneet worked with Hewitt Associates (now AonHewitt) for over 10 years. He co-lead their Globalization Practice and managed a team of consultants advising Fortune 500 companies on all business and people-related aspects of globalization. Earlier in his career, Avneet worked as a Project Manager and Consultant in Hewitt's Talent Management, HR Effectiveness and Compensation practices.

Avneet is based in The Woodlands, Texas. He holds an MBA from Xavier School of Management, and a BA in Economics from Osmania University (both in India).

In addition to his consulting leadership role, he serves on the International Committee of the American Heart Association.

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