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A 10-STEP ROADMAP FOR
WORKFORCE INTEGRATION

Patti Hanson



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*This book is dedicated to my mother,
who gave me the tenacity to begin and finish
a project of this nature.*

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Introduction

For the person in charge of any transaction that moves employees from one company to another, *The M&A Transition Guide: A 10-Step Roadmap for Workforce Integration* provides instructions that are crucial for a successful integration. If that person is you, whether the transition is effected by a merger, acquisition, divestiture, or leveraged buy-out, you will want an orderly process to ensure that the right questions are asked and the appropriate tasks are planned. This guide walks you through the steps to ensure that all facets are considered. You will see how to develop a project plan, complete a due diligence human resources (HR) review, compare and develop benefits and compensation packages, and prepare to communicate the necessary information to transferring employees.

Step-by-step checklists are provided along with sample project plans and templates in both hard and soft copy. (Soft copy of templates are available on internet at www.hr-integration-tools.com.) As a consultant, HR generalist or project manager, you may have years of professional experience, but if this is your first employee transition, these tactical details will provide answers to questions you will need to address.

The good news is that you are not alone; nor are you the first to manage an employee transition. Rather than feel your way through the darkness, you will save time and avoid mistakes by capitalizing on prior experiences. This book is based on real-world experiences and will guide you in what to do as well as what not to do. Throughout the book, you will see questions and concerns that employees will have; I have

provided these to help you anticipate emotional reactions. Although each transaction is unique and we cannot predict every challenge, I have included numerous examples and case studies to help you understand the process.

Scar Tissue and Battle Wounds

Although I have 18 years of HR experience, the most relevant fact is that I survived and thrived in a technology environment where I assisted in coordinating numerous employee integrations. For nine years I worked for a company in the information services sector. As is common in the high-tech industry, my employer went through some turbulent times. Originally I joined a company known as Businessland, Inc.; they downsized and reorganized, and then merged with JWP, Inc. The Information Services division later spun off, and spawned the separate entity of ENTEX Information Services. After a period of stabilization, ENTEX began experiencing success and phenomenal growth; the organization enhanced its growth further by acquiring smaller companies throughout the United States. The business strategy evolved to include outsourcing services to Fortune 1,000 companies that brought client employees to work for ENTEX in groups as large as 300 individuals per engagement. In 1999 ENTEX divested the technology acquisition services division. In this transaction approximately 1,000 employees were transitioned to another company.

Through these organizational changes, I established transition plans, worked with project executives, helped create communications strategies, and coordinated hundreds of behind-the-scenes details to assist in integrating employees. The experience and knowledge that I gained from these transactions inspired this book. The experiences shared by others provided further impetus. My decision to document and share this knowledge will hopefully make life easier for those of you who have been told, “The Deal is signed, now make it happen!”

Understand the Big Picture

To begin this journey, you will first need to develop a full understanding of the two businesses being integrated—their similarities, differences, customers, business goals, and business challenges. Although your focus may be only on the employee transition, it will help to an-

Ask Questions to Understand the Why's and When's of The Deal

What are the business goals of both the sending and receiving companies in completing the transaction?

What is the primary challenge being faced by both companies?

What are the customer concerns?

What is the timing anticipated to close The Deal?

How much confidentiality is expected or required?

What is the anticipated value of the transaction?

What is the total number of employees in each company?

What is the approximate number of employees to be transitioned to the receiving company?

Where are the employees located?

What functions are included in the transition?

Will any functions overlap between the sending and receiving companies?

What is the core competency of the receiving company, and how do the skills of the transferring employees support it?

Who is my HR counterpart with the other company, and when can we communicate?

swer questions along the way if you discuss the full scope of the transaction with the deal makers. Ideally, you will gain a perspective from both sides of the transaction: the sending company (which is transferring employees off of its payroll, or the company being acquired or divesting a division) and the receiving company (which is transferring employees onto its payroll, or the company doing the acquiring).

A Special Note on Outsourcing Engagements

The term *outsourcing* often conjures up visions of mass layoffs. An entire department will be closed because its function is being sent *out* to a service provider for whatever business reason. Layoffs are not always the end result for an employee in the identified department. For example, and perhaps more so than in any other arena, outsourcing of the information technology or information services functions does not necessarily mean layoffs. Because technical talent is in high demand due to a supply that is well below the national need, employees with technical expertise are frequently transferred to the outsourced department's service provider. In any area where employees have critical functional, technical, or historical knowledge, it is beneficial to transfer the employee to the outsource service provider.

The guidelines in this book are applicable to this type of transition as well, in that the same principles must be considered—employees are being moved from one company to another, and they will have the same concerns and fears: “What will happen to my position? How will my compensation be affected? What benefits will I have? Will this be good or bad for my career?”

Caveats

In this book I cover numerous subjects, some of which you may think deserve more in-depth study. Perhaps they do; they are complex topics—compensation, benefits, leadership, communication, reductions

in force. In the real world of M&A transactions, however, there is a strong sense of urgency, and absolute deadlines must be met. Therefore, my goal is to provide guidance in the many areas that are affected by such a transaction—enough guidance to help you navigate the unknown waters. But there may be situations when you are walking on totally unfamiliar grounds, and you will want to seek assistance from a consultant or legal counsel. Please do so!

Certainly there may be policies and labor agreements in a union environment that must supercede generic guidelines. In the area of pension funds and medical plans, you may need legal guidance. This book is not intended to take the place of those needed experts.

How to Get the Most from This Planning Guide

A human resource transition is a process, not an event. It is a series of steps that must take place from initial planning through final implementation, and although the day of announcement may be a big event, it is only one step in a complex process. My intent for this guide is to walk you through those process steps (see Figure I.1). I have tried to present the materials as if I were there working through the transition with you.

Figure I.1 10-Step Roadmap

1. Develop workforce integration project plan.
2. Conduct HR due diligence review.
3. Compare benefits and analyze differences in value.
4. Compare compensation and analyze differences in value.
5. Develop compensation and benefit strategy for workforce integration.
6. Determine leadership assignments.
7. Address duplicate functions.
8. Prepare employee communications strategy.
9. Define transition data requirements.
10. Develop employee retention strategy.

I recommend that you read a chapter, examining the templates and examples provided. Then, work on the soft copy documents available at www.hr-integration-tools.com and customize them to your specific needs before moving on to the next chapter. Working through each chapter in this manner will allow you to complete a series of preparatory tasks as you learn. In most cases it is best to go in the order of the chapters, allowing yourself to further expand on prior steps.

For example, the first step is to begin developing the HR project plan. You will add tasks to that plan as you move through further chapters. Likewise, in Step 2, you will complete the due diligence HR review. This step will lead you through the collection of data needed in future steps where you will examine the benefits and compensation data collected in Step 2. You will repeat the process for each chapter:

Read → Examine Templates and Samples → Customize

But again, each deal is different and will assume a life of its own. The flow of steps I have outlined may not necessarily apply in the same order for every transaction. If your particular situation calls for selecting leadership prior to or simultaneously with working on compensation and benefits issues, you might jump to Chapter 6 to help you determine leadership assignments.

As with a roadmap, when we drive from where we are to where we want to be, there is usually more than one possible route. The interstate highways are often more efficient, but there are times when a detour requires us to take the back roads. When that happens to you, you will make the necessary adjustments. Continue to follow the map, but keep your eyes on the road!

Please do not mistake the order of the chapters to represent the importance of a topic. For example, I have written the communications strategy as Chapter 8. Yet, if communications are not properly planned and executed, the value of a multimillion-dollar transaction can be gravely impacted. Again and again I will refer to the critical na-

ture of communications, which became Chapter 8 because the information from earlier chapters funnels into the communication materials. Throughout all the steps, however, communication is the key to success.

Personal Commitment

My promise to you is that I will not waste your time. My personal philosophies and theories are not what you need or want right now. I appreciate that you have a big job in front of you and that your time is precious.

Step 1

Develop the Workforce Integration Project Plan

The project plan is critical throughout the entire transition process and will be a working document that is continually updated. It will guide you and your team through the days and weeks ahead, ensuring that you are on track with the requirements of the overall transaction.

Chapter Goal

The purpose of this chapter is to help you organize the actions required during the employee transition process. The tool you will use is a standard project plan; it will help you map the multiple elements of the transition project. You will identify and document the major steps and tasks associated with each step that are required to transition employees into the new organization. You will then determine the person who will own each of the tasks and the date by which each must be accomplished. The project plan is critical throughout the entire transition process and will be a working document that is continually updated. It will guide you and your team through the days and weeks

ahead, ensuring that you are on track with the requirements of the overall transaction.

Getting Started

The coordination of efforts to transfer employees from one company to another is obviously most effective and efficient when done in collaboration between human resource (HR) representatives from both the sending and receiving companies. As early in the planning process as possible, you will want to meet with your counterpart to develop mutually agreed-upon targets. However, because of the sensitive nature of many organization transactions, it is possible that the HR team on the receiving side of the transaction will be notified before the team on the sending side is, or vice versa. I have worked on transitions from both positions and will reiterate that it is ideal to work together as early as possible in the process. However, The Deal negotiators and attorneys will usually dictate when the intercompany communications can begin in the HR planning process.

Whether or not you are working in conjunction with your HR counterpart, it is critical that you establish deadlines for actions that correspond with and support the transaction date. As stated in the Introduction, you must prepare for the project plan first by seeking applicable information regarding anticipated dates discussed in negotiations. Your project plan will require you to determine intermediate short-term target dates that will culminate in HR activities that support the overall transaction.

What Is a Project Plan?

A project plan is an organizational tool used to schedule all actions that must be completed and to set deadlines that must be met in any given project. The most basic plan would have five columns of information:

Figure 1.1 Sample Section: Project Plan

Steps	Tasks	Who Owns	By Date	Status/Comments
1. Develop workforce integration project plan.	a. Customize project plan provided.	V. York	8/17	Done 8/20
	b. Assign accountabilities to individuals.	V. York	8/17	Done 8/20
	c. Assign deadline dates.	V. York	8/17	Done 8/20
	d. Obtain disclosure approvals, if necessary.	V. York	8/22	Done 8/23
	e. Communicate with integration team individuals.	V. York	8/25	Done 8/25

one for the major steps, another for the breakdown of tasks, a third for ownership of the accountabilities, a fourth with the date by which each task must be completed, and a fifth for comments or status of progress. See Figure 1.1 for a sample project plan. Enhancements with additional information can be helpful; these might include data or resources needed, start date and finish date, and predecessor tasks.

A number of software tools are available to assist with the project management process. Anything from a simple spreadsheet to more elaborate packages with built-in Gantt charts can make the job easier. One of the popular project management tools is Microsoft Project, but there are dozens of others. For those who are not professional project managers, a simple Excel spreadsheet works fine. Although it may not have all the features of true project planning software, it is accessible by the majority of computer users. As your project team expands to more individuals, each will typically have Excel software and will have a basic understanding of how to navigate through the document. Whichever method is used, the project plan will become the master document for tracking tasks to ensure that they are completed on time, so it is essential to select an application that all members of the team can use.

Overall, the project plan will provide a systematic documentation process whereby you can identify and prioritize the tasks, assign the tasks to individual owners, and monitor their progress against assigned deadlines. This documentation will also provide an excellent method for communicating expectations to team members, as well as for

reporting progress to your counterparts who are working on the other operational, legal, financial, and technical steps of the transition.

Who Should Own the Plan?

The owner of the project plan must be organized, empowered, and assertive. By *owner*, I mean the person who will manage the plan to ensure that all required actions are completed and completed on time. Depending on the size of the project and the availability of resources, you may need to own and manage the plan yourself. If the transition is large and resources allow it, you may engage the services of a project manager who will keep the document updated and will ensure that the accountability owners adhere to the deadlines required. If you have difficulty becoming organized, you will definitely need a project manager to ensure the success of the transition. Either way, you or your designated project manager will need to be tenacious in the following areas:

- Documenting necessary actions as they surface
- Assigning them to a reliable owner
- Determining appropriate deadline dates that are compatible with other deliverables
- Communicating with applicable parties
- Following up to ensure that progress is on track
- Escalating problems
- Closing actions as they are completed

Plan the Action

To develop the project plan, you must know and understand the depth and breadth of the objectives to be accomplished and be able to define

how to move from the current state to the desired state. You must list the major milestones as well as the intermediate stepping stones. The project plan template follows Chapters 1 through 10 of this book.

These steps must be broken into assignable, manageable tasks that someone can own and deliver on a specific date. To fill in the tasks, you can begin by referring to the checklist at the end of each chapter. See Template 1.1, on which the steps and associated tasks have been listed for easy reference.

Your project plan will expand as you progress; additional tasks will inevitably be identified. What I've provided is the basic shell with which to begin. As we progress in future chapters, you will fill in additional task groups in your plan as they are applicable to your situation. Each time there is a conference call or a meeting, new action items will surface. Add them to your project plan to make sure they're incorporated with the ongoing tasks.

See Appendix A for sample sections of integration project plans. These sections illustrate how specific tasks are added and maintained in a working plan. Included are examples for leadership selection and a reduction in force.

Assign Accountabilities

When assigning accountabilities, consider the scope and authority that will be required of each individual, and communicate with those people involved. Make sure they have the resources necessary for the transition project. Time is probably the most critical resource. If someone has a full plate and this project will require three quarters of his or her time, it won't get done. Find out what jobs can be reassigned to someone else, and make sure the priorities of the transition are well understood. Meeting deadlines will be absolutely critical, so it is best to know up front what other priorities will require the time of your key accountability holders.

Disclosure limitations must be considered when selecting the core transition team. Whether due to Securities and Exchange Commission

(SEC) regulations if a publicly traded company is involved in the merger or acquisition, or due to customer request for sensitivity to an outsourcing engagement, the accountability owners of the transition team will need to be discreet in handling the duties assigned. Select your team accordingly.

For each designated task, select subject-matter experts who can be trusted both to know the best practices of that particular topic and to have the decision-making capabilities to provide recommendations that may have long-lasting effects on a large number of employees. When, for example, you select someone to create the benefits strategy, you can't afford to have a person who doesn't understand the requirements of the vendors, the regulations of the federal government, the financial implications to the company, and the preferences of the employee population.

And, finally, the obvious requirement: Those people selected should respect deadlines and require little or no hand-holding. Remember that your success—the success of the transition—will rely on the people you select to join the transition team.

Prioritize the Actions and Set Deadlines

I have provided an orderly process flow with 10 major steps and have defined manageable tasks in the Workforce Integration Project Plan (Template 1.1). Ideally, you will have time to follow these steps as outlined, in sequential order from beginning to end, or you may rearrange some steps based on the situational needs. In reality, you may have very little time to complete all the steps, and you will require more resources to work on steps simultaneously. Unanticipated events and problems will occur; emergencies will arise. Expect the unexpected.

So, how can you properly prioritize the actions without knowing what crises will befall the project? Allow time for emergencies, and be flexible in seeking solutions. When Plan A won't work, know when to move to Plan B. And sometimes Plan C. If the benefits booklets won't arrive in time, what summary information can be provided? If the re-

ceiving company can't provide health care coverage on the first day after the transaction, will the sending company extend coverage? If neither appears possible, then consider Consolidated Omnibus Reconciliation Act (COBRA) extensions. One of your most important responsibilities will be to find solutions when things don't go as planned.

Given the above precautions, you will want to pad in extra time wherever possible. If something takes a day and half, allow two. Ideally, from a project manager's perspective, you will step through each action, assigning dates based on how many days each task requires. But let me bring reality back into the picture again. You'll be given a deadline and told to meet it, no matter what. You will then back into the date, working from final deliverables to predecessor tasks. You may end up squeezing things into a time frame that is less than ideal.

In an outsourcing engagement I once developed an initial integration plan resulting in an eight-week deliverable. Others on the team said it looked good—the plan would work well. The customer, however, came back and said, “We need it done in five weeks.” So, as you would imagine, we reworked the plan, added more resources, and got it done in five weeks.

Just keep in mind that those who are negotiating The Deal will most likely drive the deliverable dates. You may be able to influence them, and occasionally you may have to demand more time because of legal or federal compliance issues, but more often you will need to figure out how to get everything done in the required time frame.

Communicate Constantly and Manage to the Plan

Nothing can defeat a project more quickly than miscommunication or lack of communication. Starting with the task assignments, you will want to discuss deliverables with selected team members individually to make sure that expectations can be met, that time and resources are available as required, and that all tasks are understood. Ongoing

communication meetings will be needed to ensure that everyone is on track. Depending on the sense of urgency in completing the transition, daily meetings or conference calls or both may be required. Establish a specific time for meetings when all team members know their presence is required.

Identify who the main liaisons between companies will be. Rather than having numerous HR contacts, it is better to funnel communications through one person to ensure full knowledge of what's been communicated and delivered. Having one gatekeeper on each side will eliminate confusion and finger pointing. It is critical to select a person who will be able to remain assigned to the transition throughout the length of the project.

The project plan is only a tool. It's not a miracle. Creating it and distributing it won't make things happen. Managing to the plan is what makes it all come together. Check progress, or the lack thereof, and check frequently. If a deadline date is missed, find out why, what barriers got in the way, and how they can be removed. Then set a new deadline date. Setting new deadlines without removing the barriers will only result in another missed deadline.

The entire transition project will consist of a series of communications and checkpoints working from the project plan. By maintaining a closed-loop process of checking deadlines, communicating progress, and documenting upcoming tasks and completed actions, you will be able to achieve each of the transition deliverables in the time frame required.

Summary

Formally establishing a project plan for the integration steps on which you are about to embark is not just a *good* thing to do; it is an *essential* thing to do. As you progress through this process, you will address literally hundreds of tasks that need to be accomplished and decisions that must be made. To attempt such a feat without a project plan would

be to set yourself and your team up for failure. The time to initiate a plan is now. If resources are available, assign a project manager immediately. Begin your plan with Template 1.1. (See www.hr-integration-tools.com for access to soft copy template.)

Step 1: Develop Workforce Integration Project Plan

Task Checklist

- _____ Customize project plan provided.
- _____ Assign accountabilities to individuals.
- _____ Assign deadline dates.
- _____ Obtain disclosure approvals, if necessary.
- _____ Communicate with integration team individuals.