100-Day Employee-Integration Plan for Mergers and Acquisitions

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Before employees who were part of a merger or acquisition can commit to a new business organization that resulted from the transaction, they need the answer to the one question they all share: How does this affect me? A 100-day employee-integration plan and an effective communication strategy provide the best and quickest means to answer this and the many other questions that naturally arise as part of a merger. These two things will help provide a framework for all the decisions that impact the employees. After all, the established work force was a major reason for the business’s success and a major reason the business was acquired in the first place.

Due Diligence

After a merger or acquisition is complete, there are a number of critical factors pertaining to employees that need to be addressed, and it’s best if they are addressed in the first 100 days in order to help make the business investment pay off. A 100-day plan is critical to have a successful acquisition, otherwise the combined companies stand a greater likelihood of lagging profits and eroded employee confidence. It is paramount to retain the best and brightest employees from each company and to help them move quickly past the uncertainty of integration. The quicker and smoother the integration, the more readily they will commit to the new organizational structure. In addition, the integration plan will go smoother if you use the due-diligence period to form the foundation of the plan.

During the due-diligence process, there are a number of steps that can be taken to ensure that a successful 100-day employee-integration plan is developed and implemented.

First, an Employee-Integration Manager will need to be selected. This person will be responsible for establishing an Employee-Integration Team and for the successful implementation of the 100-day employee-integration plan. The Employee-Integration Manager should report to the CEO or an Executive Oversight Team, a process that will help to establish this person as being critical to the integration process. It is important that the Employee-Integration Manager have credibility with employees, be a good planner, be able to communicate with all levels of the organization and be involved in the due-diligence process from the beginning.

Second, use the due-diligence process to gather a wide range of information about the acquired company’s employee policies and procedures, payroll and employee benefits. In addition, the Employee-Integration Manager needs to learn how the acquired company’s employees work together to get work done, how the company communicates both formally and informally, and what the acquired company’s employees consider their old company’s strengths, weaknesses and values. This information will be of
great help to the Employee-Integration Team after the acquisition is finalized and the actual employee-integration process is taking place.

And finally, during due diligence, the acquiring company’s executive leadership should make decisions whenever possible that will have an impact on an employees’ jobs, compensation or benefits. This is especially important shortly after the acquisition of the business is finalized so employees can focus on their work. Examples of high-impact decisions that can be made during the due diligence process are:

- Decide how the two companies will operate after the acquisition—combined either as a fully integrated operating company or as autonomous operating companies.
- Determine the new organizational structure and identify business functions that will need to be integrated.
- Decide on the new executive leadership team and other key management positions.
- Develop the process for making employment-related decisions, such as promotions, filling positions and changes in compensation.
- Develop an approach to handle the layoff of employees resulting from the consolidation of the two companies.

**Communication is Key**

Begin building the employee-communication plan during due diligence. Employees from both companies will need a person they can depend on to answer their questions during the integration process. Always include two-way communication channels between employees and corporate management. Also, try to identify the issues that are important to employees. Setting aside time for a question-and-answer forum during any all-hands meetings and establishing an email box for employees to ask questions helps management identify these issues.

The first 100 days after the deal closes are the most critical for employees of each company and are when the number of their unanswered questions is the greatest. To give the Employee-Integration Team time to develop the answers, it is important to communicate what you do know and to keep employees engaged in their routine job functions.

Begin the employee communications by holding an all-hands meeting. Explain why the merger will be a good thing for employees and customers. Inform employees about decisions that were finalized during the due-diligence process. Announce the formation of the Employee-Integration Manager position and a team that will deal with issues that have yet to be addressed. Employees will be reassured to hear about the employee-integration approach, a timeline for the integration and the two-way communication plan.

The Employee-Integration Manager should assemble a team of employees from each company. Choosing employees from both companies increases the acquiring company’s credibility by sending a signal to the employees from the acquired company that their voices will be heard during the integration process. The Employee-Integration Team should include a range of functional areas such as human resources, payroll and legal. The executive management of the companies should consider retaining a consultant who has experience with employee integrations that result from mergers or acquisitions. The consultant, even one
hired on a short-term basis, can provide advice and guidance to the team on employee selection, layoff and communications best practice.

The Employee-Integration Team will use information gathered during due diligence, the executive management’s integration objectives and the decisions already agreed upon as the foundation of the integration plan. Differences in employee benefits, policies, job duties and time-off plans will need to be analyzed, and their impact on employees understood. The team also will need to develop a transition plan for each area or item. Depending on the depth and scope of the employee integration, the team may be able to finish all its planning work, and make a complete set of recommendations to management for approval quickly. Alternatively, planning and implementing the integration may happen in steps and over a longer period of time.

By Order of Importance

Employees will have a wide range of questions about the integration and specifically how the combination of the two companies will affect them personally. Start by answering the most important question on the mind of each employee: Am I going to have a job? The employee base will find it difficult to be productive until this question is answered. Follow with answers to other questions such as, Will my benefits change? Will my family have to switch doctors? Will I have a new boss? What will it be like working for a new company?

To bring stability to day-to-day operations, make it a priority to define the new organizational structure, and determine the levels of management, reporting relationships and the number of employee positions that will be needed to run the combined company. Engage the new executive- and middle-management teams in organizational decisions. This approach not only makes use of their firsthand knowledge of employee capabilities, but also earns their buy-in to the new organization.

As with most business consolidations, it is inevitable that there will be some number of employee layoffs. The approach to selecting employees for layoff should reflect past business practices, company values and the future needs of the combined businesses. The employee-selection process must be transparent, fair and work to place the best-qualified individuals in available positions. It should also be documented.

If layoffs are a necessity, always treat employees with respect and dignity, and deliver this difficult message with candor and empathy. Once employees have been told of their termination, it is generally best to have a short transition period to transfer their job functions. If the company is able, provide outplacement help for those employees leaving the company, as this is considered a premium benefit.

Throughout the integration process, employees will watch how decisions are made, changes are implemented and employees are treated. They will use the employee-integration process to form their opinion of what it will be like to work at the new company and, ultimately, if they want to stay with and commit to the new company.

The New Business as Usual

A goal of the 100-day employee-integration plan is to move the new company beyond the integration and into the new business model as usual as quickly as possible. The employee-integration plan may take more or less than 100 days, depending upon the complexity of the two businesses being integrated. During the integration period, there is an unavoidable level of organizational uncertainty and anxiety.
Productivity will reach or exceed pre-integration levels only after the employees have had all their questions answered and they have committed to the vision and goals of the new company.

There are numerous steps that can be taken to minimize employee uncertainty and to speed the integration process. For example, covering all employees under common policies, payroll, benefits and pay practices should be done quickly. Employee-integration status updates should be frequent throughout all levels of the company. Communications about the new company’s policies or benefits should be made well in advance, thus giving employees ample time to adjust to the changes that will affect them personally. And before any changes are implemented, managers should be trained to answer any questions about changes that will directly affect the employees who report to them.

After all the employee-integration items are complete or announced, the Employee-Integration Team should be disbanded—an act that will formally signal the end of the process of the two companies being combined, though activities in the integration process may be completed in the future. It will take employees time to leave the past behind, stop referring to prior department names and fully embrace the new business as “business as usual.”

In order for companies to realize the benefits of a merger or acquisition, it is critical to address the employee side of the deal. The best way to get this done is to use an 100-Day Employee-Integration Plan and employ effective communications to answer questions about how the integration affects each employee. An employee-integration plan will greatly improve the success of integrating the two businesses and retaining the human capital from the acquisition.

The Siburg Company, LLC, is a boutique consulting firm specializing in the areas of financial and operational consulting with a specialty practice focus on business valuations, mergers and acquisitions.

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