



Mergers and Acquisitions. HR's contribution to success

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> M&A's. General overview.



- M&A – a way of growth
 - > Market share
 - > Access to new markets
 - > Economy of scale
 - > New technology\ segment
 - > Sinergy
- Record-breaking value of **\$4 trillion** worldwide in 2006
- Every 2nd company in the world has been through at least one merger or acquisition
- Russian market is attractive

> M&As. Notoriously risky.



- 60-70% of M&As fail to deliver their intended benefits*
- 1/5th of M&As add to shareholder value**
- Most merged organizations lose 1 to 10% of their market value in the first year after the merger

Why does it happen?

*Mercer Human Resource Consulting, 2006

** CIPD report, 2007

> Reported reasons of failure



- Wrong strategy for the combined business
- Market or product benefits overestimated
- Post-merger costs/ costs out of control
- Loss of investor confidence
- Loss of clients
- Unintended legal errors
- Duplication of effort
- Poorly informed management decisions
- Incompatible systems
- Performance management system does not support strategy
- High level of internal conflict
- Loss of key talent



Organizational, cultural and people issues are more likely to derail a merger than are financial factors.*

- 28 % of companies said they did a good job of assessing the culture of their merging organizations before the deal
- 26 % said they had put the right people in the right roles during the merger
- 15% said they had successfully communicated the vision and goals after the union.

* Bureau of Business Research. USA, 2005. 5

> Key HR challenges during M&As



- early involvement
- development of preliminary organizational designs and identification of the top 2-3 levels of management
- assessment of corporate cultures, identification of cultural gaps and development of the plan to bridge them
- assessment of critical players and deployment of appropriate resources in the new company
- retention of key people and separation of redundant staff
- development of a total rewards strategy for the combined companies
- communications strategy development and implementation
- integration of HR policies, practices and systems

+

an ability to do all of the above with speed

> Organizational diagnostics' framework



- HR strategy
- Organizational culture
- Organizational structure & headcount
- Key people
- Labor costs
- Compensation & Benefits system
- People Management policies, practices, processes
 - > Recruitment & staffing
 - > Career development
 - > Performance management
 - > T&D
- Labor relations



Enineftegaz LLC case



Area of audit/ diagnostics

- **Organizational structure of the company**
- **Corporate culture**
- **Personnel potential assessment**
- **Key people identification**
- **Key people assessment**
- **HR policies & practices**

Methods used

- **Hard data, documents, interviews**
- **CCQ**
- **Ability tests**
- **Orgcharts, business processes analysis, "sociometry", interviews**
- **OPQ, CBI**
- **Hard data, documents, interviews**

Corporate Culture – a system of views and practices dominating in an organization. Is based on values, beliefs, behavioral norms and traditions.



> Corporate Culture diagnostic is needed :



- If a business has gone through significant change as a result of
 - restructuring
 - merger
 - fast growth
- To contribute to assessing the viability of a new organizational strategy by identifying gaps between desired and actual corporate culture
- To highlight potential barriers to change within the organization and propose methods to overcome them

> The SHL model of corporate culture



<p>The performance domain</p>	<p>Concern for quantity Concern for quality Use of new technologies Encouragement of creativity Customer orientation</p>
<p>The human resources domain</p>	<p>Concern for employees Job involvement Concern for career development Emphasis on performance-related reward Concern for equal opportunities</p>
<p>The decision-making domain</p>	<p>Degree of formalization Employee influence on decisions Concern for longer term Decision making effectiveness Rate of change Environmental concern</p>
<p>The relationships domain</p>	<p>Vertical relations between groups Lateral relations between groups Interpersonal cooperation Communication effectiveness Awareness of organizational goals</p>

> Corporate Culture Questionnaire



- **Based on the SHL model**
- **4 domains, 21 scales**
- **Based on psychometrical principals**
- **Takes 30 minutes to fill**
- **Profiles generated**
 - **on the whole organization**
 - **by functions/ regions**
 - **by hierarchical levels**
 - **current corporate culture**
 - **desired corporate culture**
- **Analytical report**

> CCQ profile (fragment)



Очень низкие		Низкие		Средние		Высокие		Очень высокие		Фактор	
1	2	3	4	5	6	7	8	9	10		
♦	♦	♦	♦	♦	♦	♦	♦	♦	♦		Забота о количестве
3-5	6	7	8	9	10-11	12	13	14-15			
♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	Забота о качестве	1.2
3-4	5	6	7	8-9	10	11-12	13	14	15		
♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	Использование новых технологий	1.3
3	4	5-6	7	8-9	10	11-12	13	14-15			
♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	Поощрение творчества	1.4
3	4	5	6	7-8	9	10-11	12	13	14-15		
♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	Ориентация на клиента	1.5
3-4	5	6	7-8	9	10	11	12	13-15			
♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	Коммерческая ориентация	1.6
3-4	5	6	7	8-9	10	11	12	13	14-15		

> Key people assessment



41 employee assessed

against Enineftegaz competency model

- ✓ **Adapting and responding to change**
- ✓ **Relating and networking**
- ✓ **Deciding and initiating actions**
- ✓ **Delivering results and meeting customer expectation**
- ✓ **Planning and organizing**
- ✓ **Analysing**

> Key people assessment



Methods used:

Competence based interview (CBI) - structured interview where competencies are investigated purposefully. The participant is asked to give concrete examples of real work situations related to such competencies.

Occupational Professional Questionnaire (OPQ CM 4.2)
Specifically designed to measure work place behaviour.

Output: 30 traits relevant to the world of work:

- Relationships with People
- Thinking Style
- Feelings, Energies and Drives

Which are readily mapped to competencies and there is validity data for this type of mapping

> OPQ report example (fragment)



DDD DDD

29-Sep-03

Concept 4.2 Data Entry Tool

Профиль												
ШкалаSS		1	2	3	4	5	6	7	8	9	10	ОТНОШЕНИЯ С ЛЮДЬМИ
R1	4	•	•	▬		•	•	•	•	•	•	Оказание влияния – Получает удовольствие от переговоров, продаж и одерживает верх над другими
R2	4	•	•	▬		•	•	•	•	•	•	Контроль – Берет ответственность на себя, управляет и дает указания, что и как делать
R3	5	•	•	•	▬		•	•	•	•	•	Независимость – Имеет собственные взгляды, ждет для уговора, отстаивает свою позицию
R4	5	•	•	•	▬		•	•	•	•	•	Живость – Оживлен, обладает чувством юмора, контактен, разговорчив и общителен
R5	7	•	•	•	•	•	▬		•	•	•	Принадлежность группе – Имеет много друзей, любит быть в компаниях
R6	3	•	▬		•	•	•	•	•	•	•	Уверенность в себе – Легко вступает в контакт с людьми
R7	6	•	•	•	•	▬		•	•	•	•	Скромность – Не афиширует достижения, избегает говорить о своих достижениях
R8	7	•	•	•	•	•	▬		•	•	•	Демократизм – Поощряет других вносить вклад в общее дело, готов послушать провался
R9	5	•	•	•	▬		•	•	•	•	•	Заботливость – Внимателен к окружающим, помогает тому, кто нуждается в этом

Ситуации, требующие директивного подхода, не даются ей легко, и со стороны она может выглядеть человеком, не совсем уверенным в себе. Притом, что она в целом настроена продвигать свою точку зрения, её скорее ограниченная способность оказывать влияние на других людей позволяет предположить, что её мнение не столь уж часто бывает услышано и принято во внимание. Она проявляет определенное стремление к тому, чтобы иметь возможность действовать по собственному усмотрению, но в то же время является вполне командным человеком. Она производит впечатление достаточно независимой личности, впрочем, не доходя в этом до крайностей.



Enineftegaz LLC case



Area of audit/ diagnostics

- Organizational structure of the company
- HR policies & practices
- Key people identification

- Corporate culture

- Personnel potential assessment

- Key people assessment

Output for the client

- Report on organizational diagnostics

- Report on corporate culture diagnostics

- Consolidated report on test results

- Consolidated assessment report
 - on competencies
 - on leadership styles
 - on team roles



Thank you!

Questions?

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