



Canadian

Human Factors In Mergers &
Acquisitions

Employee Assistance Program

- Established in 1979
- Gov't returns a percentage of the Unemployment Insurance contributions to the organizations provided they implement proactive programs in consultation with the employee groups
- Unions at Canadian approached the company to use part of the UI rebate to implement EAP
- Good example of how the organization and the gov't partner to offer behavior health programs in Canada

Employee Assistance Program

EAP has been fortunate in being involved in consultation processes as the organization went through all its changes

Some of the changes:

- Mergers with other airlines (CDN is a product of CP,PWA, Nordair, EPA, Wardair)
- Downsizing
- Relocations
- Technological changes
- Being acquired by Air Canada

Employee Assistance Program

EAP highlights:

- *Workshops on coping with change/uncertainty
- Career Transition Center
- Stress management
- Team building
- Understanding group dynamics
- Conflict resolution
- Relocation counseling
 - *these workshops were given to all levels of management as well as union leaders and front line employees

Mergers & Acquisitions (M&A)

Observations:

- Volume of M&A continues to rise in every major industry
- Numerous studies indicate that historical success rates of M&A are low
- Research suggests “people issues” as the root cause of low performance following M&A
- HR departments and EAPs are becoming more progressively involved before, during , and after M&A activities

“Merger Syndrome”

Emotions

- Fear
- Uncertainty
- Euphoria
- Anxiety
- Stress
- Anger

Behaviors

- Loss of focus
- Rumors
- Conflicts
- “Us” versus “Them”
- Absenteeism
- Isolation
- Focus on self

“Merger Syndrome”

Severity will be determined by:

- History---- rivals
- Culture--- east versus west
- Technological differences
- Seniority issues
- Stereotypes each has of the other
- Amount of procedural changes involved

Processes

Informal interviews

Senior Mgmt from each organization meet their counterparts.

Advantage: Informal face to face meetings would put the face to the name, and may address initial discomfort and awkwardness

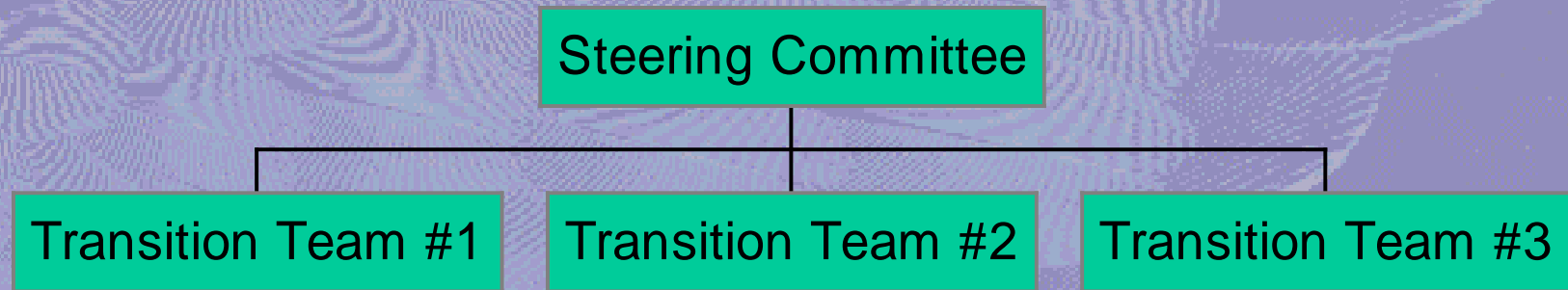
Disadvantage: Management from the acquired company may perceive it as a threat

Recommendation: It would help to prepare the management by asking them about their apprehensions regarding the meetings

Processes

Transition teams

- Critical to creation of the new organization
- Composed of management from both companies
- HR and EAP presence throughout the transition architecture is a must to address human factors of integration



Steering Committee: Senior managers including VP for HR

Transition Teams: Each function that the two companies have in common should have a transition team. Responsible for making recommendations for new, streamlined processes. Also identifies quick gains. Each team should have HR professional to facilitate its operations.

Transition Team

Challenges:

Members get into their political agendas

Members focus on “Us” versus “Them”

Group conflict which results in members talking to members of other transition teams

Members disagreeing with a decision, but not verbalizing

Leadership not respected

Lack of direction and support from Steering Committee and/or other transition teams

Transition Teams

Recommendations:

- Steering Committee should give clear directives to the transition teams, and attend some of their meetings .
- Members should spend time discussing code of conduct - confidentiality, respect, every member has ownership of the decision reached even though they may have been out voted.
- Group leader has to be neutral and have easy access to the Steering Committee
- HR/EAP can help facilitate during the early stages

Organizational

- Senior Management structure, and key reporting relationships should be announced as soon as possible
- Pay attention to not only the people who are leaving, but also those who are staying behind to avoid “Bitter Survivor Syndrome”
- Address compensation, pension, benefits, relocation issues.

Communication

The background of the slide is a blue-tinted photograph of several hands clasped together in a supportive grip. The hands are of various skin tones, and the image has a halftone or dithered texture. The hands are positioned in the center and right side of the frame, with fingers interlaced, symbolizing unity and communication.

- Identify audience
- Mode (method)
- Message
- Timing

Communication

Audience:

- Executives of acquired firm – caught in a double bind
- Middle and frontline managers – most vulnerable. They have to deal directly with the employee issues and maintain day to day productivity.
- Acquiring employees
- Acquired employees
- *Family members*
- External customers including media and community

Communication

Common questions or concerns following M &A:

- What is going to happen to me?
- How will my job change?
- Who will be making the decisions?
- What will happen to my boss?
- How will my benefits change?
- What about the project I am working on presently?
- Will I have to relocate?
- What are the new bosses like?

Communication

Method

Written:

- Newsletter, e-mail, voice-mail, video, bulletin boards, suggestion boxes, intranet
- Verbal:
- Meetings between senior management and employees
- Meetings between frontline supervisors/union executives and employees

Communication

Frontline management is the key to communication to large employee groups

Frontline management should be encouraged to:

- communicate *with* employees rather than *to* employees
- update senior management on employees reaction to transition news and activities
- involve union executive presence at information meetings to ensure consistent messaging

Opportunities:

Allows employees to get to know the new managers

Empowers frontline management which is the most vulnerable group during M&A

Communication

Message

- Communication should be brief and factual
- Communicate often
- Address rumors quickly
- Take opportunity to teach employees about both the companies
- Communicate on benefit changes, job securities, and severance packages

HR/EAP Role

- Workshops—for employees (conditions: voluntary, have requested them), for middle management, for senior management:
- Coping with change
- Leading change
- Group dynamics
- Conflict resolution

Later.....

- Mission statements
- Surveys
- Celebrations and rituals
- Lunches
- Rewards
- Uniforms
- Logo