

Mergers and Acquisitions - Some Hints and Tips

How many of us know what the main challenges are facing our Merger and Acquisition (M&A) teams when they undertake the due diligence process? In my experience there are seven core challenges:

Co-operation and Agreement

The due diligence process relies heavily on co-operation and agreement by all parties involved. The process aims to study historic performance; future expectations; consideration of the underlying processes and controls; together with identification and evaluation of the factors that will impact on the business being acquired. Without co-operation and agreement, the due diligence process will feel like trudging through treacle.

Confidentiality

The principle of ensuring confidentiality whilst limiting or avoiding undue pressure on both the acquirer and the target business, whilst maintaining the expectations of the parties involved, is always a challenge. There are a number of parties involved for whom information is required in a timely manner to meet schedules and avoid potential problems during the due diligence process. Holding teams accountable for maintaining confidentiality is critical. It is commonplace to get all involved to sign a Non-Disclosure Agreement (NDA)

Obtaining Information

Companies will often find that they encounter difficulties in obtaining information from the target during the diligence process. The level of information required to achieve comfort, can be considerable and those collating the information are typically doing so in addition to their day job. Structure your questions to high, medium and low status, where high status questions must be answered before proceeding to the medium and low status questions. Low status questions can be answered later in the diligence process. This approach will avoid overwhelming and possibly alienating the target with numerous questions from day one.

Available Data

A significant proportion of due diligence work involves establishing what data is available (and getting your head round all the acronyms!), how you go about obtaining it and then the analysing of the data. This can only be achieved by establishing sound relationships with those providing the data. A due diligence team has to be dynamic and flexible in their approach. Regular communication between all parties is critical and helps all parties understand what is required and what expectations are to be met.

Sensitive Legal Records

When conducting due diligence, one of the biggest challenges I have faced is managing the huge increase in litigious and disparaging records that are provided. This is becoming more routine across data rooms and through the face-to-face interviews held with companies. Whether this is attributable to a more litigious society or as a result of more employees heading to court to fight for every last pound, it is more of a challenge than it once was. I would go as far as to say, a “clean” report is rare these days.

Multiple Work Stream Activity

M&A team decision makers need input across multiple functional areas such as (but limited to) marketing, finance, legal, regulatory, tax, operations, technology, human resources and property teams. A siloed approach to working on due diligence simply does not work. The project leader needs to be versed in keeping everyone rowing in the same direction. The need for face-to-face work stream meetings is critical - which can be challenging when teams are located globally. To ensure a smoother due diligence process it is essential to: get the team agenda and focus right; get everyone talking to one another; get them sharing information with one another; get them thinking broader than just their patch of work - there are after all many crossovers between the likes of finance, tax and HR.

Harmonisation post deal

Once the deal has been done and the lawyers have left the building, you might allow yourself a moment to breathe a sigh of relief. The agreement has been signed. The deal has happened. Now all you need to focus on is the future. But stop for a second and look at the team around you. Is there harmonisation and are you sure they are all going to be able to work together happily? As many dealmakers will tell you, some of the toughest challenges arise when the newly merged (or newly diverged) workforce gets back up and running. Sometimes because of exhaustion, personalities clash, approaches differ, staff members jostle for new positions and grievances can emerge.

It is at this point you need to get in touch with experts like me and my team. We will be your 'clean team'. We operate under strict impartiality and confidentiality protocols and will help navigate you through the next critical stage of the deal.

For further information and assistance on updating your HR documentation or GDPR queries, please contact me at kwatkins@ihrsolutions.co.uk or call me direct on 07566 766954 or call our helpline on 01604 709509.

[Connect with me on LinkedIn](#) or visit our [website](#).

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About the Author

KATHERINE WATKINS

Katherine has over 20 years' international experience working in HR, across various sectors, including financial services, insurance and regulated environments. Over the years, she has collaborated with some exceptionally talented HR professionals, with whom she has joined forces on special projects. Her network of HR professionals provides advice and training to companies and other HR teams.



In her role with UKGI Group, Katherine heads up the Human Resources Consultancy and provides objective support to firms on employment law and HR issues. She uses her extensive skills and knowledge to work with firms to help them develop strong and resilient HR strategies and establish healthy organisational cultures.

Katherine holds a degree in Business Administration and Management from the University of Northampton and a Postgraduate Diploma in Human Resource Strategies from London Metropolitan University. She is a Fellow of the Chartered Institute of Personnel and Development (FCIPD).