

BLIND SPOT IN US MERGERS & ACQUISITIONS



People Strategy Partners

There are plenty of books and studies written on the importance of employee engagement. Staff who are more engaged are happier, more productive, absent fewer days, contribute more, and are more loyal.

will be kept anonymous. Although it could also relate to employees that do not feel they have spent enough time in a new job to share their feedback. The biases and complications of how to measure employee engagement



SO WHY ARE THESE FACTS SO IGNORED DURING AN M&A?

Positive engagement can provide a positive boost in value, while negative engagement can decrease the value.

In simple terms, the engagement (relationship) between an employee and the organization is looked at in a negative, neutral, or positive way. Neutral or ambiguous engagement when explored more deeply, often relates to employees with negative engagement that do not wish to share their views and do not trust that their opinions

are often riddled with serious problems. However, these problems can be mitigated and corrected if addressed appropriately. Transparency about the process and proof that it will be anonymous are key factors. Most engagement surveys fail in this regard. The process has often become so politicized within certain organizations that the results reported are not accurate, especially when tied to financial incentives. Management should be neutral and not interfere with the process. Some organizations also make the mistake of switching to a different engagement survey and process on a yearly basis without consideration of lack of data integrity, consistency in the process, and/or a cultural fit.

If employees are only looked upon as a “number” or “expense”, then losing them is not a concern for an organization. I can say for a fact, from my experience in the corporate world and what has been written about extensively, people (employees) can make or break an or-

ganization. Organizations that have profoundly negative employee engagement can make a profit but not indefinitely and that profit could have been higher with better engagement. If the “bottom line” is the priority and employees are seen as little to no value, then the “bottom line” is actually being ignored. Both are tied together. Employees have value too! Employee engagement is something that is not assessed in an M&A.

Sometimes it has negatively impacted an organization’s reputation. This is not like a staff member who takes a company pen home to keep. It is staff who leave a firm and take clients with them. It is staff who know if wrongdoing within the organization exists and are silent about it, until a merger happens. It is staff who purposely sabotage the organization in response to change. It is relevant to note that this can happen at any level of an organization. It is crucial to remember that even



THIS IS A SERIOUS MISTAKE AND HAS COST ORGANIZATIONS TENS OF MILLIONS OF DOLLARS.

positive changes can be stressful, and perception is key. Yes, some of the aforementioned issues could be prevented through due diligence and yet it happens more often than it should. If an organization does not have a well-staffed and competent compliance department, it puts itself at substantial financial risk. If a company does not have organizational development expert(s) helping it, it also puts itself at serious risk. I have witnessed many mistakes in decision making when a balance sheet is primarily the only data used during an acquisition. There is such a thing as soft and hard data and neither one should be ignored.

NO ORGANIZATION IS PERFECT.

find another job more quickly.

If no changes occur from employee engagement surveys and/or if changes are not communicated effectively to the staff, it tends to cause disengagement. This results in less participation in the engagement surveys and/or



IMPROVEMENTS ARE ALWAYS POSSIBLE AND SHOULD BE A CONTINUAL FOCUS.

When an organization is acquired, any interventions to stop employees from looking for other jobs is almost always too late. On the rare occasion that it is addressed proactively, the focus is on upper management, not the staff at large. Of course, some goals during an M&A are for natural attrition to save money with regard to avoiding layoff expenses. However, this is often a chaotic and unstructured process that will likely result in the loss of top talent as those are the people who can

less honesty as staff feel that it is a fruitless endeavor and a waste of their time. Distrust among employees in the US has risen significantly and recent factors in the economy and massive layoffs will only exacerbate it. It also comes down to feeling disrespected and that their voice is not being heard. Furthermore, measurement of an organization's leadership view of the staff is rarely taken into account. I cannot stress enough the importance of looking at engagement from both ends. It's like trying to assess marriage problems from only the viewpoint of one spouse. How effectively can an organization make changes if viewed from a one-sided lens? I will also address some of the talk about AI replacing people as it relates to engagement as this can have a profound impact on any organization. If AI is used as a cloak to lay off staff when it is actually about other issues like financial, people know. If companies rush to replace people without the evidence that AI is able to do the job of a person, then this will cause extreme distrust among job seekers and current employees. Why

would someone want a job at a company that does not value its own employees and rushes to replace them with technology that is still in its infancy? It will certainly lead to extremely low employee engagement that will be difficult to repair.

COMPANIES THAT ARE MORE TRANSPARENT ABOUT A LAYOFF WILL POTENTIALLY HAVE A BETTER CHANCE AT NOT TARNISHING THEIR PUBLIC IMAGE.



In my opinion, it is misguided to presume that AI could at this point replace massive amounts of jobs effectively. Furthermore, I do not believe that this should be an end goal for most organizations. This issue has many people deeply concerned and corporations have generally not been good at communicating their current & future strategy with regard to employee retention as

it relates to AI. Any thoughtful and strategic usage of AI should include testing in a safe manner that minimizes the impact on employees and an organization as a whole to protect people's jobs and the health of the organization until there can be a full and objective assessment of real-life capabilities and what that means going forward.

Companies talk about not being able to find enough qualified applicants yet often provide zero or very limited training. That was not always the case. Training used to be an integral part of work for the Silent Generation and the Baby Boomers who came afterwards. On the job training started to decline during the X Generation as companies began to see it merely an expense without consideration of the rewards. The decline in on-the-job training has accelerated for the younger generations who statistically think training is a key factor in their willingness to stay with a company. This has led to a

variety of problems and has cost corporations probably more than it has saved. Retention loss is a major cost to an organization, yet preventative measures are often not a priority. It is a "penny wise, pound foolish" faulty strategy. An organization will look like it is saving money by underutilizing organizational development practices, but it is costing them heavily in the short-term

and long-term.

At some point in the last 50+ years, organizations in the US started focusing more on profit at the expense of the staff after significant changes were put in place in the mid-Twentieth Century. Employees felt reduced to a number. Now many employees are made to feel that they have no value and sometimes no future. Studies and surveys confirm this is a serious issue. At one point in time, many employees stayed with the same organization for the majority of their career (i.e. Baby Boomers). Generation X started to see significant shifts in retention strategy. The younger generations have been criticized for what people believe to be excessive job hopping.

LOYALTY IS A TWO-WAY STREET.



Many corporations no longer act in a way that employees feel secure in their future for many reasons. If employees constantly feel like the ground is shifting below them, they will not stay loyal. Blaming a generation for

their reaction to how they are treated is clearly not a productive way to fix problems. Action speaks much louder than a corporate vision and mission statement. Some job ads are like reading a novel that is better suited in fiction stories. This is sometimes done on purpose due to different reasons but is not a good strategy. Other times it is due to lack of understanding of a certain position by the author of the job description. In other cases, it is an unwillingness to staff a certain position or department properly. All these poor strategies will lead to problems and profit loss via work burnout, poor retention, and sometimes poor performance. Even a highly qualified employee cannot do the job of multiple people for an extended period without resulting in burnout which results in resentment, poor performance, lower attendance, and likely resulting in that person quitting.

If the markets are flooded with candidates, salaries can be lower than previously held but at what cost to employee engagement? None of this will be good for

future engagement or retention. Losing employees unintentionally costs organizations a lot of money. People remember when they feel they have been paid & compensated for less than their value and those people have very low engagement and low retention. There are

more moderate approaches to address these issues. Many companies have added AI to their job application process with no significant results in improvement to justify the cost. Many candidates have also added AI in the assistance of job hunting to help break through the filters. Companies that use AI in the recruitment process that are banning AI usage from the candidate's end are sending mixed messages. I do not promote trying to cheat the system, but job applicants feel the system is rigged against them and very frustrated. A job applicant should always read through their resume when edited by AI or a human to make sure it is accurate. Some candidates are getting hired due to utilizing AI and then losing their job quickly due to not being able to actual do the job. AI will not fix this problem. Many employers are not being mindful of their messaging when it comes to talent acquisition. The AI hype has led to AI

disappointment. The future holds great possibilities but poor utilization and/or over dependence on technology will also create distrust and increase negative engagement among applicants and employers. Talent acquisition needs a complete transformation, not simple changes or new tech.

In a M&A, an engagement audit should be treated as part of the balance sheet, because disengaged employees represent a real, quantifiable liability to future performance. An independent expert should therefore assess engagement levels prior to the deal so buyers can reflect people risk in valuation models rather than discovering it later. In addition, a detailed report on cultural and engagement weaknesses gives leadership a roadmap for postmerger integration, turning a potential hidden liability into an asset that accelerates postmerger success.



Dr. Chez Cristiano is the Global President at People Strategy Partners LLC, a consulting firm that helps organizations and individuals thrive and succeed in a dynamic and complex world. He has 18 years of expertise in spearheading international projects in Change & Transformation Management, People Development, and People Wellness since the company's founding in 2007. Dr. Cristiano is a US and Italian Citizen. He has a BA, MA, and doctorate in psychology and has studied human and organizational behavior. He has lived and worked in Asia, Europe, and the US.

He leverages his expertise to deliver customized and innovative solutions that enhance performance, collaboration, and well-being. He is passionate about applying his knowledge and skills in psychology,

assessment, and coaching to empower people and teams to achieve their goals and potential. Dr. Cristiano believes that performing cost benefit analyses to determine ROI of projects is essential to good project management. He has designed change & transformation models, talent acquisition screening tools, Work Burnout Screener, GoldenTree Employee Engagement Survey (multiple languages), and an Assessment & Development Center.

He is a savvy strategist in assessing for strengths & areas for improvement and formulating comprehensive plans. He is able to optimize global team collaboration, efficiency, and productivity. Dr. Cristiano has managed the global team delivery of international projects on a strategic, tactical, and operational level. He is always open to assimilating new information & skills and helping to mentor others. He has worked for a variety of organizations in different industries around the world; thus, bringing a diversity of knowledge and perspectives to each project.



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