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Impact of mergers and acquisitions on employees during international transfers

Any interruptions or upsets during employee transfers can lead to negative deal outcomes for companies and their investors. From loss of valuable talent and expertise, to expensive severances, to drops in employee performance, client satisfaction, or product quality. In the case of an international employee transfer, whether you choose to relocate teams to where you have an entity to hire them or start the process of creating a new entity in their country, the bills quickly add up and the red tape distracts from the point of a merger or acquisition – improving the business.

During times of change, there are higher levels of stress and uncertainty. This could cause professionals to jump ship before deal completion. Maintaining good lines of communication throughout transitions may be even harder when dealing with international employee populations.

To care for the human element in M&As is to care for the company bank account and long-term success. Smooth and fast employee transfers are a business win, but what does leadership need to focus on during international transactions to protect the company's value? From personal experience, I'd highlight three key areas.

To care for the human element in M&As is to care for the company bank account and long-term success. Click To Tweet

Employee engagement during mergers and acquisitions

Disengagement from the company's vision or their team's objectives is bad for both buyers and sellers. Buyers want to inherit connected employees with a clear business track they can stick to after deal close. Sellers want their transitioning employees to continue feeling fulfilled, even as they're being transferred to different shareholders, and for the legacy of their company to continue. But how can leadership ensure engagement is not lost before, during, or after transfers?

The best way to protect value during transactions is to transfer employees quickly in order to minimize the timeframe during which they might disengage. McKinsey reviewed major divestitures over a 25-year period and looked at total returns to shareholders after separations. On average, deals completed within 12 months of announcement delivered higher returns than those that took up to five years.

Management may want to bring in a trusted partner, such as Globalization Partners, to push transitions through in a matter of months — not years. Our global Employer of Record (EOR) model supports buyers and sellers on moving their most valuable asset quickly, even if the buyer lacks an entity in the seller's country. This removes the need for Transaction Service Agreements (TSAs) and ensures a compliant home for the transitioning teams.

Effect of mergers and acquisitions on employee morale

Morale differs from engagement at a human level. Employees might be engaged with their tasks, working overtime, and generally making the effort. However, employee morale is not being cared for if their effort is inspired by fear. When people live in fear of being let go, or of their role being drastically changed, they are less likely to suggest ways for the company to grow, serve clients effectively, or detect long-term solutions to problems.

Transparent and constant communication is key to maintaining employee motivation. Management transparency can increase employee retention by as much as 30 percent. Leaders may hire a change management consultant to help, because keeping employee morale steady without external support can be a drain on leadership and internal HR teams. Another solution is to work with a company that has local HR and legal experts around the world who are on hand to answer questions from the transitioning teams in their local language and time zone.

Globalization Partners offers hands-on service for employee management during M&As. Our in-country experts provide answers to individuals' questions, while our proprietary technology eases the burden on HR M&A teams as they manage employees across borders.

Employee benefits in mergers and acquisitions

Money isn't everything, but it is a major factor in employee retention. Similarly, benefits that may be considered immaterial to some are crucial to others. One stumbling block to retaining talent during employee transfers is that companies cannot offer the same benefits packages to international hires, or to small teams because of the loss of economies of scale.

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It is crucial that buyers match benefits from the seller, providing attractive compensation packages to the talent they want to preserve. To help employers comply with local regulations, which vary from country to country, and to tap into economies of scale even for one-person teams, Globalization Partners offers a Benefits Analysis on transferring staff. This analysis helps employers match benefit packages compliantly and cost-effectively, wherever their new hires or transfers are based.

Not only does this ensure the buyer can make accurate valuations, but it also provides peace of mind to sellers that their people will be taken care of long-term.

Why does having an Employer of Record in place make deals more attractive?

Having seen negotiations fall through or drag out, I'd always recommend sellers have an Employer of Record (EOR) in place before starting negotiations. Securing an EOR ahead of a cross-border M&A helps internal HR M&A teams and benefits stakeholders in several ways:

- Deal speed: Faster transactions increase total returns to shareholders and minimize employee disengagement.
- TSA elimination: No need to debate a temporary home for transferring employees or lease them to the buyer. Implementing carve-outs, spin-offs, or split-offs with an EOR allows you to reduce the number of TSAs during transactions.
- Compliant home: You want to ensure your people are taken care of after selling. By selecting the EOR and including this in the deal, you're not only reducing decision-fatigue in buyers, you're also making sure the transferring employees are carefully managed and attended to.
- Employee experience: In an international setting, protecting your team's experience becomes very complex. An EOR provides clarity and global support for your people.
- Benefit matching: HR specialists will always hope to keep employees' contracts intact and their teams whole. A global EOR can ensure this for you.
- Talent retention: For employees to have confidence in both parties, they need to see periodic communications, transparency, and sensitivity before and during transfers. An experienced EOR can make transfers seamless, managing them with professionalism.

If you'd like to learn more about best practices during international transactions, don't hesitate to contact me. Alternatively, take a look at my company's comprehensive M&A

Playbook for advice on managing deals that cross borders.

