Talent Intuition

When a people business is acquired and the people leave, what's left?

FOR IMMEDIATE RELEASE

23 MAY 2017 - Aberdeen Asset Management and Standard Life are to merge and become Standard Life Aberdeen, the UK's biggest stand alone asset manager with £670bn in funds under administration.

In March investors make recommendations to not put money in funds run by these two organisations for fear that a number of key people may leave. Indeed, the exit of David Cumming, one of the most influential fund managers at Standard Life Investments, heightened concerns that the Edinburgh-based asset manager will struggle to retain staff as its parent company merges with Aberdeen. Last week the detailed prospectus on the deal showed that some 800 jobs could be shed to generate the cost savings required (https://www.ft.com/content/b32568da-3656-11e7-99bd-13beb0903fa3)

This brings to mind the question – if you are buying a people based business and the people leave – what's left?

According to surveys conducted by Deloitte 47% of key executives will leave in the first year of integration and 75% will leave within three years. And so to answer my question, what's left? Advisers recommend identifying key talent in the early stages of M&A process, preferably during due diligence. We believe this is too late. Identifying key people and understanding their motivators pre acquisition is possible.

Due diligence is defined as the care a reasonable person should take before entering into an agreement or a transaction with another party. Normally done by advisors, bankers or lawyers who often don't understand what they are looking for. Certainly they aren't, and have usually never been, operators, so critical people dependencies in a business operation can elude them.

It is possible to identify the key talent in a business before due diligence, and to use the due diligence process to focus on the cultural aspects that will help to retain top talent. It is also possible to take a proactive approach to building succession pipelines of external talent to mitigate against the risk of people leaving. A focus on people and people risk helps to stabilise the business during integration to keep business growth in mind.

According to the FT, Rory Maguire, managing director of Fundhouse, the UK-based rating agency, said his company will review the scores given to Aberdeen and Standard Life's products. "Mergers are massively disruptive and uncertainty for investment staff is not good for clients. We have to wait and see what the fallout is, so we are telling clients to sit back and wait with new capital," he said. Whether the investors' fears are right or wrong only time will tell. Standard Life said at the time "We are rolling out retention packages for key staff and will communicate the combined management structure and additional detail surrounding the proposed merger in due course." Hardly reassuring. Imagine how the investors would feel if the response went along the lines of…'we understand our people risk, have identified key players and their motivators, have succession pools in place in case of departure and will continue to communicate effectively with all to reduce any perceived risk' Feels different? Yes! If you are going to buy a people based business go in with your eyes open and your options in place so you have something left three years down the line.

It is well documented that productivity post integration falls, by as much as 50%. Our next blog will show how to mitigate the integration risk.

The chances of an acquisition going well needs insight – real insight from people who understand people and talent. Talent Intuition focuses on reducing people risk and maximising investment in three key areas:
•Identifying key people and understanding their motivators pre acquisition
•Identifying cultural risk and supporting the integration

•Building talent and diversity strategies to increase EBITDA growth rate

For more information on people due diligence to mitigate your risk visit www.talentintuition.com