Making mergers work - the strategic importance of people - the GlaxoWellcome experience

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About me

- B.Sc. Biochemistry; MBA
- First career as a brewer
- Organisation development and HR consulting experience since 1984
- Started at Wellcome, R&D, Beckenham site in 1990
- HR Integration team member for GW and GSK mergers
- Left GlaxoSmithKline in Aug 2001
- Xerion Consulting entering its 4th year
Major Roadblocks to Achieving Merger Objectives

- Inability to sustain financial performance
- Loss of productivity
- Incompatible cultures
- Loss of key talent
- Clash of management styles
- 3 of these are HR issues / last two stages
HR has a significant role to play - pre merger and more importantly during integration

- “...the deals with the most successful business outcomes are those where people issues have been identified early and then appropriately addressed” Marc Hommel, PWC

- “Management and HR need to focus on the people dimension at the earliest stage to ensure that workers do not become alienated by the cultural divide that can exist between organisations." CIPD International Manager Frances Wilson, Nov 2003

- "In a newly-merged organisation, the priority should be to identify and retain those individuals and teams with the right skills, and establish clear roles and objectives for them. ...the most successful mergers are those where companies devote significant time and attention to the people issues – financial results will then follow." Richard Coates, Mercer
HR must earn its place at the top table

- “...To make a meaningful contribution, the challenge for HR professionals is to be able to demonstrate that they have the skills and expertise to work credibly with business leaders in deal situations.” Hommel PWC

- Key capabilities in
  - due diligence from an HR perspective
  - stabilising the organisation and addressing key employee issues
  - selecting & retaining the best skills from each organisation
  - rationalising employment/HR processes
  - M&A (and general business) literacy and integration know-how
The Glaxo Wellcome Merger

- Jan 95           Glaxo announced bid for Wellcome
- March 95        Bid accepted by Wellcome
- April 95        R&D director appointed
- Dec 95          Bulk of redundancies left organisation (1,700)
- Jan 96          New GW R&D company started
                    New employment terms and conditions.
                    Launch of people /culture initiatives
Presentation focuses on

- Leadership
- Communication
- Retention of key skills
- Dealing with survivors / redundancies
- Employee integration
- Culture
Leadership and Teamwork
Managers as leaders

- Equip managers with change management skills
- Coach through difficult decisions and breaking of bad news
- Risk assess impact of bad news on staff
- Maintain visibility of leadership
- Face to face communication where possible
- Provide dedicated HR support to Senior Executives/line managers in the lonely, early days
Communication is key
- Communicate clear evident business case
  - Up front honesty about implications
  - cost savings, headcount/sites
- Build communications & morale pre-integration
  - commitment to fair processes/value diversity
  - common communications
  - two way communication channels
- Clear statement of vision for the new company
  - competencies required in the future
Retention of key skills – involvement & support

- Retention strategies for key talent
  - Know who your best people are – the red book
  - Involve in the integration process
  - Keep informed of progress, seek their views
  - Deal with them honestly
  - Employee support workshops
ENDINGS

Denial
Anxiety
Shock
Resignation
Anger

NEUTRAL

REFOCUS

Realization of Loss
Acceptance
Impatience
Relief/Anxiety

BEGINNINGS

Enthusiasm

ACCEPT

ENGAGE

Accept
Moving survivors through the change curve

- “Close down” events for heritage teams
  - celebrate past
  - identify the good, the bad and the ugly!
  - treat leavers with dignity
  - provide external support for those who might need it

- Integration
  - New team start up meetings - Accelerate integration through structured new team events
  - Multiple avenues for feedback

- Pay attention to hygiene factors and fix the infrastructure

- Set short term goals
And...

- Avoid unnecessary complexity
  - save business redesign for later
  - understandable organisational structures
  - build on combined strength
  - pragmatic selection processes
  - pace the change – e.g. leave culture changes till later
Finally

- Much of the research suggests that focus on the “people issues” is critical to success of mergers

- A sustained involvement of HR in the M&A process, increases the likelihood of success.

- HR does need to earn its place at the table
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