

# WANT TO REACH DEAL VALUE QUICKER?

BE PREPARED AND KNOW YOUR PEOPLE.

**COVID-19. Climate change. Trade wars. Market disruption. In today's world, there is more for organizations to keep pace with than ever before. One way to stay ahead and compete with the latest trends is through acquisition. But how do you ensure you reach the deal value you seek as fast as possible?**

At Korn Ferry, we believe being prepared to act and talent evaluation are the keys — and that a truly transformative deal is only possible if you address your people matters first.

Here are four steps to being prepared and getting your people matters in order:

# 1. Create a **clear** and **focused** strategy

If your company is seeking to buy another, the temptation is to focus on what you will get. But in his Harvard Business Review article, "M&A: The one thing you need to get right," Roger Martin argues that buyers should concentrate instead on how they are going to improve the target's competitiveness, whether it's by being a smarter provider of capital, by providing better management or oversight, by transferring valuable skills to or from the target, or by sharing valuable capabilities.

For best results, you should keep these success outcomes front of mind as you work with your corporate development teams to determine cost, talent and duration strategies for your deal. These should then translate into how you negotiate your people matters.

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## Key questions **you need to ask yourself** include:

- What is our strategy and budget for integration (or non-integration)?
- How many covenants or restrictions do we want to agree to?
- Are we looking for flexibility, lower cost structure or the same?





## **WHY AREN'T ALL ORGANIZATIONS LIKE SPORTS ORGANIZATIONS?**

Many top-flight sports clubs now gather data on every action that every player takes in every game as well as off the field. This gives them in-depth understanding of their players, as individuals (mentally and physically) and as a team. When they acquire new players, they may target those with statistics that match their ideal profiles, or they may adjust their style or system to accommodate the new signing. Contrast this with a typical global organization, which evaluates its most important asset maybe once or twice a year and will sell or buy talent based on nothing more than anecdotal insight from a manager or leader.

While most organizations cannot hope to match the richness of data available to leading sports clubs, there is still an important lesson to be learnt about the value of continuous talent evaluation, and about how ongoing assessments can — and should — be used to get the best out of individuals and teams. Organizations should know their most important asset to set themselves up for success.





# 2.

## Know your costs **inside and out**

It is essential that you know the full reward cost of your various levels of employees. Only then will you be able to gauge whether the integration of your organizations' reward programs will represent a cost or a savings — and this information is critical when determining the purchase price. In addition, it will enable you to estimate and price deal terms, remembering that such agreements usually cost more than one year because of timing and transition efforts.

It is also important to understand the administrative costs of shifting HR services. There may be stranded costs when you divest large business units or savings if you buy a larger business unit. Again, being ready to estimate and evaluate these costs quickly will enable your organization to pay or accept the right price for the asset or sale.



## HOW A GLOBAL FORTUNE 100 COMPANY PREPARED DIFFERENTLY

We helped a global client transform their approach to deals, ensuring they are now much better prepared from a people perspective for the 10 to 20 transactions they perform each year.

In the past, the company was known for doing deals in one way only. We set out to learn and document their options for negotiations by helping them to know their rewards costs globally by level and understand how best to integrate into their operations. We also created a size threshold for deals to determine which would get fully integrated and which would not. These tactics were implemented immediately and documented and socialized over the organization for the next year.

Today, the organization's deal process and negotiations are much more sophisticated and coordinated, enabling it to rapidly achieve deal value and be ready to integrate, divest or keep targets standalone. Deal costs are built into the price and the budgets accordingly. Surprises and unexpected costs are limited.

“Today, the organization's deal process and negotiations are **much more sophisticated**”



# 3.

## Prepare to **be flexible**

Most companies have HR playbooks for deals. It is not always possible to follow the playbook, however, as the trades required for successful negotiation may impact the people areas of the business. Companies therefore need to remain flexible about talent throughout the process, potentially adjusting strategies, systems and policies to get the deal done. In our experience, companies that fully understand their costs, and that are clear about their strategy from the outset, find it easier to achieve the flexibility needed to make the deal work.

A good example of this is when companies have to grandfather equity rules from the target's prior owner and the current equity administration system cannot be programmed easily, which requires manual workarounds and additional resources. Although this isn't an ideal situation, it can be managed as long as the buyer is willing to do so and — crucially — has the resources costed out early on.

*“Companies therefore **need to remain flexible about talent** throughout the process...”*





# 4.

## Perform **talent work** immediately

If you want to get the maximum value out of your talent, you need to know and understand exactly what kind of talent you have. Before performing any divestitures or acquisitions, you should assess, evaluate and track your current organization's talent to ensure you do not lose or repurpose talent with each transaction. We also recommend that you seek to interview and assess the target's talent early and often — and the more preparation you can do ahead of time, the better.

Some companies will argue that data privacy issues rule this out. We argue, firstly, that personally identifiable information doesn't need to be included and, secondly, that talent reviews are a matter of due diligence, given that people assets and costs are either first or second on the balance sheet. Buyers always review manufacturing sites and equipment ahead of time. So why not talent?

## QUESTIONS TO FOCUS ON WHEN REVIEWING YOUR TARGET'S TALENT INCLUDE:



What competencies, experiences, drivers, and leadership styles do individuals have?



Who is the real talent below executive?



What talent capabilities will we need to retain, develop and attract to grow?



Will the target's talent be able to work in our company?

It is also critical that you address the issue of culture. After all, an organization isn't simply its people. It's the choices those people make, the way they deal with customers, and how they work with each other. This culture is set by the CEO and is what gives organizations their competitive advantage, so it's important to consider how well your target company's culture aligns with your business strategy.

Follow these four steps and you should be able to achieve the deal value you seek faster. Getting your people matters in order enables you to evaluate talent more effectively and ensures that your company pays the right price for the most important asset in the deal—the people.



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## GET IN TOUCH

Visit our website at [kornferry.com](https://kornferry.com) or contact:

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## ABOUT KORN FERRY

Korn Ferry is a global organizational consulting firm.

We help clients synchronize strategy and talent to drive superior performance. We work with organizations to design their structures, roles, and responsibilities. We help them hire the right people to bring their strategy to life. And we advise them on how to reward, develop, and motivate their people.

