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## SECURING EMPLOYEE RETENTION POST TRANSACTION: TACTICS FOR STRATEGIC ACQUIRERS

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Acquiring a new business can be a monumental opportunity for growth, expansion, synergy, and increased market share for strategic acquirers. A crucial aspect of any successful acquisition, however, lies in retaining the existing talent within the organization. Losing key personnel during or shortly after a transaction can result in knowledge gaps, decreased productivity, or damage to the company's reputation, among other unknown risks. To ensure a smooth integration while preserving the valuable expertise of the current employees, acquirers should thoughtfully consider their implementation strategy. In this white paper, we will explore seven strategies to help secure employee retention post transaction.

## 1) Open and Transparent Communication

One of the primary concerns for employees post transaction is uncertainty about their job and benefits security, as well as future roles within the organization. To alleviate these fears, it is essential to establish open and transparent communication channels from the outset. New leadership should provide clear and consistent updates during the integration process, including potential changes, and how employees fit into the new organizational structure. Town hall meetings, one-on-one sessions, and regular email updates can be valuable tools to foster communication and address employee concerns. This should be facilitated by the new owners as well as legacy management if they are still with the company.

## 2) Cultural Integration

A successful strategic acquisition depends on the alignment of corporate cultures. Acquirers must take the time to understand the culture of the target company to ensure it aligns with their own organizational values. If there are significant differences, efforts should be made to bridge the gap and find common ground. Cultural integration initiatives, such as cross-company workshops, team-building exercises, and social events, can help foster a sense of unity and belonging among employees from both organizations.

## 3) Recognize and Value Talent

Recognizing and valuing the skills and expertise of the acquired employee base is an important tool in retention. Acquirers should take the time to identify key talent within the target company and acknowledge their contributions to the organization's success in a monetary way. Equity incentive pools, phantom stock programs, and various other reward and recognition programs demonstrate to the key employees that their efforts are valued by the new leadership, while also aligning growth objectives.

## 4) Offer Competitive Compensation and Benefits

In most acquisition scenarios, there will be concerns among employees about changes in compensation and benefits. To alleviate such fears, acquirers should strive to offer competitive compensation packages and benefits that are in line with industry standards. Providing clarity on any potential changes and how they will be managed can help ease anxieties among employees.

## 5) Provide Growth Opportunities

Talented employees are more likely to stay if they see opportunities for personal and professional growth within the new organization. To the extent that they are not currently in place, new leadership should invest in employee development programs, mentorship initiatives, and internal advancement opportunities to demonstrate their commitment to employee growth and career progression.

## 6) Retain Key Leadership

The departure of key leadership from the newly acquired company can significantly impact employee morale and retention. During the acquisition process, acquirers should make efforts to retain key executives and managers. When possible, encourage selling ownership to loop in members of key management throughout the acquisition process, as this will help to bridge communication with the balance of the employee base post-closing. Offering competitive incentives, clearly communicating their importance in the new organization, and involving them in decision-making processes will also help contribute to a smooth transition.

## 7) Listen and Act on Feedback

During times of change, employees may have concerns and suggestions that can positively impact the integration process. New ownership should actively seek feedback from employees and be open to implementing actionable suggestions. This fosters a sense of ownership and involvement among the workforce and helps create a more engaged and committed team.

## Conclusion

Acquiring a new business is a complex endeavor that requires careful consideration of the existing workforce. By employing open communication, cultural integration, recognition, competitive compensation, growth opportunities, and retaining key leadership, acquirers can significantly increase the likelihood of retaining the valuable talent within the target company. By nurturing a positive and supportive work environment, the new organization will be better equipped to achieve long-term success and growth.



# CHARTER

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## About Charter

Founded in 1989, Charter Capital Partners is a premier investment banking firm headquartered in Grand Rapids, Michigan. We offer a comprehensive range of investment banking advisory services, including buy-side and sell-side M&A, succession planning, business valuation and capital raise.

Charter was named one of the top 100 most referred middle-market advisory firms in the US, according to a survey of 1,000 private equity firms, strategic acquirers, and family offices compiled by Axial, a network of middle market investors, advisors, and CEOs. Our mission is to deliver superior professional guidance throughout the complete business lifecycle.

## About the Author



### Elisa Berger, Vice President

Elisa has been with Charter Capital Partners for 11 years. Prior to becoming Vice President, she worked as a Senior Associate as well as a Financial Analyst within Charter's M&A practice, where she performed company and industry research, developed financial models, and analyzed financial data for sell-side, buy-side, and capital raise transactions.

Elisa has transaction experience in the energy supply, trucking parts and services, office furniture, metal fabrication, and general manufacturing industries. She is a board member of ACG West Michigan and chairs the chapter's Young Professionals committee.

Elisa holds her BBA in Finance from Grand Valley State University and brings a strong background in both engineering and math.

## Advisory Team

### John Kerschen

President and Managing Partner  
[jkerschen@chartercapitalpartners.com](mailto:jkerschen@chartercapitalpartners.com)

### Mike Brown

Partner and Managing Director  
[mbrown@chartercapitalpartners.com](mailto:mbrown@chartercapitalpartners.com)

### Mike Palm

Partner and Managing Director  
[mpalm@chartercapitalpartners.com](mailto:mpalm@chartercapitalpartners.com)

### Mark Streekstra

Partner and Managing Director  
[mstreekstra@chartercapitalpartners.com](mailto:mstreekstra@chartercapitalpartners.com)

### Hector Bultynck

Managing Director  
[hbultynck@chartercapitalpartners.com](mailto:hbultynck@chartercapitalpartners.com)

### Jenny Dakoske

Director  
[jdakoske@chartercapitalpartners.com](mailto:jdakoske@chartercapitalpartners.com)

### Elisa Berger

Vice President  
[eberger@chartercapitalpartners.com](mailto:eberger@chartercapitalpartners.com)

### AJ Ebels

Vice President  
[aebels@chartercapitalpartners.com](mailto:aebels@chartercapitalpartners.com)

### Zach Wiersma

Vice President  
[zwiersma@chartercapitalpartners.com](mailto:zwiersma@chartercapitalpartners.com)

### Justin Pinto

Senior Associate  
[jpinto@chartercapitalpartners.com](mailto:jpinto@chartercapitalpartners.com)

### Michael Pohl

Associate  
[mpohl@chartercapitalpartners.com](mailto:mpohl@chartercapitalpartners.com)

### Drew Dow

Analyst  
[ddow@chartercapitalpartners.com](mailto:ddow@chartercapitalpartners.com)

### Keegan Ensing

Analyst  
[kensing@chartercapitalpartners.com](mailto:kensing@chartercapitalpartners.com)

### Travis Read

Analyst  
[tread@chartercapitalpartners.com](mailto:tread@chartercapitalpartners.com)

### Dylan Stenzinger

Analyst  
[dstenzinger@chartercapitalpartners.com](mailto:dstenzinger@chartercapitalpartners.com)

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Charter Capital Partners • 140 Monroe Center NW • Suite 300 • Grand Rapids, MI 49503 • 616.235.3555

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