

Cross Border Transaction Assessment for US Buyers

<p>Duncan Smithson:</p>	<p>Hello everyone. I'd like to thank our listeners for joining this podcast series on M&A Readiness. My name is Duncan Smithson and I'm a partner in Mercer's M&A Transaction Services group. I'm joined today by my colleague, David Newman. David heads up Mercer's international consulting group for North America.</p> <p>David, given the strength of the dollar and the value in overseas markets, many US based companies may be contemplating a cross border acquisition for the first time. Can you tell us some of the challenges such a company may face?</p>
<p>David Newman:</p>	<p>Thanks Duncan. The key point I would make and it's perhaps a generalization, is that the ability to affect change in the workforce and in the employment relationship itself is a very different proposition outside the US.</p> <p>A US buyer who is going into a transaction such as you've described needs to go in with their eyes wide open to the various hurdles that can arise in relation to HR, whether legislative, cultural, or in relation to the various third parties that must be taken into account, such as unions and works councils and even fiduciaries of existing retirement plans and in some cases of course hostile labor courts.</p>
<p>Duncan Smithson:</p>	<p>Tell us some more about the legislative and regulatory hurdles, from an HR perspective, in an overseas deal.</p>
<p>David Newman:</p>	<p>Well as an example, acquired rights directives may constrain a company's ability to make changes to an employee's terms and conditions, even in the future.</p> <p>In other cases, employers may be required to consult and indeed gain consent for proposed changes to terms and conditions from various representative bodies, such as works council, and finally there can be some thorny regulatory requirements in place when taking on defined benefit plans in particular.</p>
<p>Duncan Smithson:</p>	<p>So how do you suggest solving for the issues you've laid out?</p>

David Newman:	<p>First, I think buyers should develop a clear understanding of the operating environment from an HR standpoint, as they build their investment thesis and as they go through due diligence.</p> <p>Second, when performing financial projections buyers should be realistic about the extent of any changes that can be made in relation to the workforce, and where changes are contemplated they should be realistic about the cost of those changes and;</p> <p>Third, buyers should lay out a road map to identify and clear the various land mines that we think will inevitably be waiting in a deal of this nature. These issues are significant certainly, but not insurmountable with good planning.</p>
Duncan Smithson:	<p>David, now that's great. Let's take these comments as an opportunity to close this out. I truly want to thank you and our listeners for joining Mercer's continuing series on M&A Readiness.</p>