

## PODCAST: HR Operations and Technology

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<p><b>Jeff Cox:</b></p>	<p>I want to first thank our listeners for joining our podcast series on “<b>M&amp;A Readiness</b>”. My name is Jeff Cox and I'm the Global Leader for Mercer's M&amp;A Transaction Services business. I am joined today by my colleague Elizabeth Bryant, our subject matter expert in HR Operations and Technology. Elizabeth, we appreciate you taking the time to share your thoughts today, why don't we get started?</p> <p>Consistent with our experiences, working on over 1,000 transactions globally a year, and, our recent research report (<b>People Risks in Transactions</b>), strategic and financial buyers are paying more attention to HR operations and technology to build differentiating people capabilities. In your experience, what are the key aspects of HR operations and technology readiness that are critical to drive transaction value?</p>
<p><b>Elizabeth Bryant:</b></p>	<p>You're right, HR operations and technology is getting more attention as a critical enabler. Both for deal success and future capabilities.</p> <p>There are three key areas, the first of which is <b>HR function strategy and operating model</b>. This is fundamentally about understanding and defining what your HR function is going to do and how it's going to do it.</p> <p><b>The second area is HR technology</b>. Depending on the nature of the transaction, meaning - is it a merger or a spin-off, there may be a clear need for new technology, or a clear need for an integration technology strategy and plan.</p> <p>Many folks make the mistake of thinking of it as payroll only. And while payroll is typically the most urgent, there are additional technology requirements around recruiting and on-boarding for example, or employee self-service, that can have a significant impact on NewCo's ability to achieve objectives from Day One as well as beyond.</p> <p><b>The third area is re HR talent</b>. There's almost always a big impact here. Meaning, the people in HR who are going to lead and run the HR function for NewCo. The issues can be fairly complex, such as a merger of equals needing to rethink the HR capabilities required to lead, serve and support the newly combined organization. Never mind the more tactical issues of designing and staffing the HR function. Or it can be fairly urgent, such as a spin-off or stand-up with no HR leader or staff coming over to Newco.</p> <p>So, again, it's really three things:</p> <ul style="list-style-type: none"> <li>• <b>HR function operating model and strategy,</b></li> <li>• <b>HR technology; and</b></li> <li>• <b>HR talent.</b></li> </ul>

<p><b>Jeff Cox:</b></p>	<p>Elizabeth, let's focus on technology for now. The time between sign and close can be incredibly compressed, as we all know we're in a seller's market. How does time affect options with respect to procuring HR technology?</p>
<p><b>Elizabeth Bryant:</b></p>	<p>Compressed time frames can really limit options for technology if not addressed proactively. It causes many organizations to make sub-optimal direct technology decisions that can have negative downstream consequences.</p> <p>It is unfortunate because many times starting the discussions about HR technology requirements, even just a few weeks earlier, would allow a technology assessment and decision that <b>better supports</b> the future business strategy and objectives.</p>
<p><b>Jeff Cox:</b></p>	<p>All right. So here's the million-dollar question, how much time is really needed to select and implement a new HR technology vendor?</p>
<p><b>Elizabeth Bryant:</b></p>	<p>And here's the million-dollar answer, it depends!</p> <p>In a non-M&amp;A environment, a traditional vendor assessment selection may take three to six months or even more. But with the compressed timeframes of today's market, we utilize a rapid methodology approach with subject matter experts to quickly identify the essential requirements and options. We are able to guide many of our clients to good decisions in a compressed timeframe of around four to five weeks. However, it's important to recognize that after that decision, vendor negotiations and contracting can take another two to three weeks depending on the vendor. Although some vendors will work with a letter of intent to get you started sooner. And then, implementation of basic HR and payroll can take another four to six months.</p> <p>We've done it in as little as 60 days, but that's certainly not ideal. But let me emphasize, regardless of how much time you have to work with, the time to start looking at HR technology requirements is <b>now</b>.</p> <p>Some of our clients from the sell side start looking at it pre-deal so they can optimize the transaction value and speed from the seller's perspective.</p>
<p><b>Jeff Cox:</b></p>	<p>What are some of the options for organizations that frankly don't have much time?</p>

<p><b>Elizabeth Bryant:</b></p>	<p>It's a good question. There are a few options all with pros and cons.</p> <p>The first option is a TSA (Transition Services Agreement). While TSAs are ideal for the buyer, many sellers are reluctant to provide them because it adds complexity and extends the deal time frames. We work with many of our clients to help review and structure these agreements so that both parties get what they need to make the transaction successful.</p> <p>Another option is to co-source or fully outsource for a bridge period of time, although this solution requires implementation time as well.</p> <p>For smaller companies, leveraging a PEO (Professional Employer Organization) is a good option sometimes.</p> <p>And for some organizations, an employee leaseback can be a good option.</p>
<p><b>Jeff Cox:</b></p>	<p>All right. Well, we both know the impact of HR technology has really changed the past few years. Can you share with our listeners what's driving this?</p>
<p><b>Elizabeth Bryant:</b></p>	<p>Sure. It's really coming from the increase in awareness, and market growth of cloud-based vendors. While on-site client/server applications such as SAP, PeopleSoft, and Oracle are still a large part of the installed market, the newer SaaS (Software as a service) vendors are attractive because of quicker time to implement, and the outsourced maintenance model that is a key characteristic of SaaS offerings and cost.</p> <p>Frankly, these applications are just more assessable. The result is that many organizations, especially those that are able to plan and prepare even a small bit, are able to leverage the transaction environment as an opportunity to improve and right size their HR technology platform, most times selecting a cloud-based application.</p>
<p><b>Jeff Cox:</b></p>	<p>All right. We focused the conversation thus far in technology, but before we close can you talk a little bit about your thoughts around the linkages between people and business strategy, the HR operating model and functional competencies. How do these all tie together?</p>
<p><b>Elizabeth Bryant:</b></p>	<p>Great question. <b>The three areas really dovetail together.</b> It's hard to talk about one dimension in isolation of the others. <u>There are so many interdependencies.</u></p> <p>For example, an HR functions strategy focused on high utilization of employee and manager self-service, data-driven decisions and HR leaders with a seat at the business table truly requires a different technology capability as well as a different HR talent capability than an organization that, for example, is primarily focused on getting paychecks out the door. You need to look at all three aspects at the same time in relation to your business strategy.</p>

**Jeff Cox:**

Elizabeth, let's take those comments as the opportunity to close out this recording. I really want to thank you and our listeners for joining Mercer's continuing series on **M&A Readiness**. Have a great day. Thank you.