

M&A Readiness Podcast Series: Talent Assessment for Corporate Buyers and Sellers

<p>Jeffery Cox:</p>	<p>I want to first thank our listeners for joining this podcast series on “M&A Readiness”. My name is Jeff Cox and I’m the global leader for Mercer’s M&A Transaction Services Business. I’m joined today by my colleague Dr. Pat Shannon. Pat works closely with both financial and strategic buyers assessing talent and transactions around the globe.</p> <p>Pat, we appreciate you taking the time to share your thoughts today and I do thank you for coming. Let’s get started.</p> <p>In our recently published 2016 research titled <i>People Risks in M&A Transactions</i> we identified a significant trend, and frankly it is consistent with our experience working on over a thousand transactions globally a year, that private equity and corporate buyers are both serious about investing in talent assessment to gauge fit at the leadership and senior management level as a critical component to driving transaction value.</p> <p>In your experience, what are the organizations achieving by introducing a disciplined process into assessing key talent when buying companies?</p>
<p>Patrick Shannon:</p>	<p>Jeff, thanks for the opportunity to talk about leadership assessment. What a client gets from a structured assessment process is an in-depth, objective, deep read on a leader that they are considering for a significant role in the new organization. They would get a much deeper understanding of how this leader would go about building a senior team, how they might grow innovation, how they might help build a new culture of the combined organization, attract and develop key talent; all those sorts of things may be part of the assessment process.</p> <p>In short, what are the leader’s top strengths and development areas and from our research that you pointed out -- the name of the game is “Talent”. We want to make the best decisions we can with the collective talent we are looking at.</p>
<p>Jeffery Cox:</p>	<p>Pat, because we are in a sellers’ market, the time and access to individuals pre-close is incredibly compressed. When is the assessment initiated, when does it take place? When is the ideal time? Is it pre-close? Is it post-close?</p>

<p>Patrick Shannon:</p>	<p>Well there are certainly informal assessments occurring pre-close as the parties are getting to know each other and you can begin to define the competencies or capabilities you need to see in the new organization, but since access is generally limited in pre-close, typically the assessment process will begin post-close.</p>
<p>Jeffery Cox:</p>	<p>And how deep in the organization? What are you seeing and does it vary between the financial buyer and the strategic buyer with regard to how deep in the organization they are assessing talent?</p>
<p>Patrick Shannon:</p>	<p>Good question. The acquiring organization has to make a number of talent decisions both at the top of the house and throughout the organization. So it occurs throughout, but the process would vary.</p> <p>At the top you might see more of a formal or structured process go on as they choose their leaders for the new organization and as you move deeper into the organization it may be more of a mapping process that occurs.</p> <p>We do structured assessments at the top and talent playbooks across the deeper organization.</p>
<p>Jeffery Cox:</p>	<p>What does the best practice talent assessment look like and how long does it take?</p>
<p>Patrick Shannon:</p>	<p>M&A, as you taught me, moves fast and the assessment process needs to move fast as well. The process involves three steps:</p> <p>First, defining the role and competencies that you are going to be looking at and targeting for the assessment process.</p> <p>The second step is the actual assessment. That typically involves a two hour plus “structured interview”. You want this to be comfortable process. You want to ask a leader to share their career experience, what they’ve done well, where they are still learning and growing, so that we can gather evidence that will help assess the competencies. In addition, we typically would have them take an online psychometric tool, such as the “Hogan Assessment” series.</p> <p>The third step would be to compile the data into the report and make the best recommendations regarding the capabilities of this leader and their fit in the organization.</p>

<p>Jeffery Cox:</p>	<p>Is there a benefit of having an independent third party do the talent assessment versus in-house (I know there are some organizations out there who are doing it in house)? I think we see that more In-house assessment on the corporate/strategic side, but is there a benefit to having a third party perform the assessments?</p>
<p>Patrick Shannon:</p>	<p>The benefit would be complete objectivity.</p> <p>But we certainly support organizations that want to do it themselves by defining the playbook to help them at a functional level assess what they are looking for that function to achieve, what's the mission, how should that function be structured, what are the roles in the new function, and then what is the process for making talent decisions to staff the new function.</p>
<p>Jeffery Cox:</p>	<p>If we have both HR leaders, and non-HR business leaders who are interested in introducing a formal talent assessment process into their M&A playbook what would you say to them?</p>
<p>Patrick Shannon:</p>	<p>In an M&A we certainly look very hard at the synergy targets, at the value of the deal; the deal thesis, but I love the line from Jim Collins who wrote, Good to Great, he said, "Think about 'who' before you think about 'what'. So think about who needs to be on the bus before you decide where the bus is headed."</p> <p>And that's what talent assessment would deliver here. It's going to give you better data on those important talent decisions.</p>
<p>Jeffery Cox:</p>	<p>Pat that's great. Let's take those comments as an opportunity to close out this recording. I truly want to thank you and our listeners for joining Mercer's continuing series on "M&A Readiness". Have a great day. Thank you.</p>