Mergers, Acquisitions, & Spin offs

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When two companies merge, one is acquired, or a company spins off from a parent, HR/Payroll plays a crucial role in a smooth transition for the employees. HR/Payroll professionals ensure critical activities like paying employees on time, completing benefits enrollment, and ensuring that accrued time off balances are accurate. Integrating two disparate organizations or creating a new one is not a simple project to undertake. But a knowledgeable team with a sound strategy in place that includes fastidious planning and scheduling can meet the challenge.

1ST: ASSEMBLE A TEAM

First, you'll need a team who will evaluate the HR/Payroll systems, convert the data, and develop your integration plan. According to the website HR World, "A big job like Payroll-system integration requires a project team that can collectively analyze the situation and then assign specific tasks to subgroups and individuals. The team should be led by the person ordinarily in charge of Payroll operations, collaborating with key HR/Payroll and IT staff members."*

Your team may also benefit from hiring an outside consultant who is familiar with common Payroll integration challenges. This is particularly important if you are spinning off from another company and there are no legacy products or policies in place.

2ND: DO AN ASSESSMENT

When you are the acquiring company or a spin off, you have the advantage of deciding what system you will ultimately use: will you integrate the new company's HR and Payroll data into your current system, switch to their system, start from scratch, or agree to some kind of hybrid solution? But if you are acquiring/merging, before you can make that determination, you need to assess the new company's system and the state of their data. Some questions to ask at the outset include:

- What HR/Payroll software does the new company use?
- Are values changing for key elements such as organizational or job structure?
- Can the old system generate files in a format to allow data transformation and conversion into the new?
- Does the company have a contract in place with their software vendor? Is it cost effective to break the other company's contract?
- Does the new company use a different business model or employee type than your company (i.e.: commissioned employees, employees who work from home, or foreign employees who are subject to different labor laws)?
- What is the state of their data? Is anything missing, outdated, or incomplete?
- Is the list of employees final or are layoffs imminent?

This kind of meticulous data gathering is essential to making an informed decision about how you will integrate the new employees into the system.

3RD: FORM AN INTEGRATION PLAN

This is the time to make decisions about which system(s) you'll use, your conversion criteria, and most importantly, timing. Since many mergers and acquisitions are kept confidential, the HR and Payroll team who will be executing the plan may be unaware of the situation until very late in the game. They also might have a very brief window of time to actually complete the integration. Unfortunately, speed and accuracy often don't go hand in hand.

As Erik Sherman writes in *HR Magazine*, "It can take time to get all the HR processes to work and to resolve data mistakes and other surprises when merging two systems."** If you are fortunate and have some flexibility, Sherman recommends coordinating the integration with the end of the fiscal year or the quarter so the changes are less disruptive.

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3RD: FORM AN INTEGRATION PLAN *(CONTINUED)*

Regardless of the plan you set up, be mindful and stick to it. The consequences of missing key deadlines—late checks or checks with incorrect amounts, etc.—can be costly.

If you are concerned that you will not make a tight deadline, consider what information will allow new employees to get paid immediately after the merger, acquisition, or spin off, and then prioritize. Make sure the essential data is correct and in the system by the due date, then migrate the rest of the information soon after. Some companies may decide to set up a transition services agreement (TSA) that buys the parent or new company time to complete the integration without risking an interruption of service. This is a costly alternative, but may be worth it. At this stage you'll also want to set your conversion criteria. If the new company uses codes and fields that are different from the ones in your system, you'll need to make decisions about what you want your final fields to be and then make adjustments accordingly so the data merges correctly.

4TH: TIME TO INTEGRATE

Once you have determined what software you're using, acquired and scrubbed all your data, configured your fields, and made a backup of your current system, it's time to integrate!

You might use dummy data first to test the system, then do the rest of the data migration in batches so you can fix any problems along the way. Of course, as with any technical changes, you'll want to test the integration (when it's complete) before you go live—and make sure you have support in the wings ready to answer employees' questions.

When integrating and creating new HR and Payroll systems during a merger, acquisition, or spin off, the best strategy is to start preparing right away. Then, even if there are delays or last-minute changes (which are always a possibility!), you are in a good position to handle them.

* Edwards, John. "Mergers and Acquisitions: Integrating Payroll Systems." HR World. Retrieved from http://www.hrworld.com/features/integrating-payroll-merger-070308/ (Accessed August 30, 2015).

** http://www.shrm.org/publications/hrmagazine/editorialcontent/pages/1205agenda_technology.aspx

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