

People management in multinational organizations

26E03400, 6 ECTS

Role of HRM in post-acquisition integration: Case Adecco

Session 6



THE ADECCO GROUP



Mergers and Acquisitions in practice Case Adecco/Sihti integration

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Aalto University School of Business
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Agenda

- Introducing myself and The Adecco Group
 - Who's this guy?
 - Adecco globally and in Finland
 - CEO1Month
 - Global Talent Competitiveness Index
- Adecco – Sihti integration
 - Central HR-related challenges & Group work
- (M&As in theory)

Introducing the professional me

- Born in 1987 in Finland
- Professional athlete in Decathlon (-2015)
 - World top 30
- PhD in International Business
 - Aalto University School of Business
 - Visiting scholar at Stanford University
- CEO1Month at Adecco Finland in 2016
- Manager of post-merger intergation
- HR Director since 2/2017
 - In a rotation post currently, Area Director of Capital Region
- A strong passion for performance & tapping others' full potential....



THE IDEOLOGICAL EVOLUTION OF HUMAN RESOURCE MANAGEMENT

A Critical Look into HRM
Research and Practices

Sami Itani

CRITICAL MANAGEMENT STUDIES Series Editor:
Albert Mills



Sarah Soule, Professor of Organizational Behavior, Stanford University

“This book is a must read for HRM scholars, and promises to become a classic in this area.”



Hugh Willmott, Professor of Management, University of Cambridge / City University of London

“Synthesising a complex body of literature, this engaging book shows how academic discourse on HRM has developed and shifted since the 1950s, and provides an illuminating account of the normative ideals of HRM.”



Albert Mills, Professor of Management, St Mary's University

“My overall impression is that this work constitutes a first-rate book, i.e., it is a body of work in its conceptualization, discussion, and analysis that meets the standards of an intellectual contribution to the field.”



Janne Tienari, Professor of Management and Organization, Hanken School of Economics

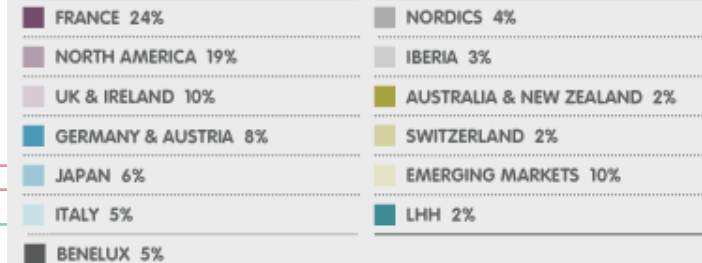
“Sami Itani’s book is in many ways exceptional. It offers useful insights for reflective practitioners in discovering what HRM has been, what it is, and what it could be.”

The Adecco Group

- Born in 1996 (Ecco + Adia)
- Revenue in 2018: ~27B€
- Fortune 500 corporation
- Top 5 Global Employer
- HQ in Zürich
- CEO Alain Dehaze



OUR BUSINESS IN NUMBERS



Adecco in Finland

Basic figures:

In Finland since 1997

Branches: 22

We employ: ~3500

Revenue in 2012: over 120 000 000€

Vision for 2021: 10 000 employees

Our services:

Staffing, Permanent Placement, Assessments, Outsourcing and HR Solutions

Our brands in Finland:

Adecco **sihti**





'CEO for One Month'

What if one you would become Adecco's next CEO?

CEO for 1 Month (apply by 19 March)

**CEO FOR
ONE
MONTH**

IS RECRUITING

Sign up now!

www.adeccowaytowork.com

The requisites to become the Adecco Group's next 'CEO FOR ONE MONTH' are the following:

- ✓ You are in the early stage of your career.
- ✓ You are willing to travel the world while having ops meetings with top executives.
- ✓ You want to know what it feels like to lead a multinational of 33,000 employees.
- ✓ You are eager for experience and learning.
- ✓ You face complex problems with conviction and composure.
- ✓ You want to test your best communication skills.
- ✓ You have what makes a great CEO, the #CEOAttitude.

BECOME YOUR COUNTRY 'CEO FOR ONE MONTH'
and get ready to be among the 10 Finalists. Only one of them
will be the Global 'CEO for One Month.'

WAY TO WORK

BY THE ADECCO GROUP



THE ADECCO GROUP

Global Talent Competitiveness Index (GTCI)

- Compares how countries and cities can attract talent
 - The Adecco Group, INSEAD, TATA Communications
- Launched annually at WEF in Davos
 - Talent diversity the current theme
- Finland and Helsinki rank high, but...
 - How could we do better?



Win4Youth

Download the app – run, swim or cycle
-employ youngsters in Finland





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Mergers and Acquisitions in practice

Case Adecco - Sihti



Adecco – Sihti integration timeline

Central HR-related challenges

- Differing corporate cultures
- Internal communication
- Doubling of middle management

Group work...

- Let's get into groups already now
- Groups of 4-5



In-class assignment: Case Adecco



- The class will be divided into three broad perspectives: 1) Top management, 2) HR professionals 3) Adecco or Sihti employees
- Listen carefully to the acquisition story from the viewpoint of your group's viewpoint. What measures can be taken to overcome the following challenges in post-acquisition integration?

Challenge 1: Corporate culture (top management)

What measures should top management take to avoid clustering of the organization into two separate groups after the acquisition (Adecco vs Sihti)?

Challenge 2: Communication (HR management)

How should HR professionals inspire, empower and encourage the entire organization to participate in communication and take responsibility for creating the "new Adecco"?

Challenge 3: Superior-subordinate relationships (the employees)

What can Adecco employees/Sihti employees do to build and enhance mutual respect and trust in superior-subordinate relationships?

Please, list your top 3 suggestions and explicitly draw on today's readings. Kindly upload your power-point slides to MyCourses. (remember to mention also the names of the group members!).

- Spring 2016: Due diligence
- 5.7. Announcement of the acquisition (+ approval of the competition authorities)
- August: Adecco's and Sihti's top management get-togethers, situation overviews and brainstorming
- 5.9. Announcement of the new CEO and management team + video conference
 - Launching our new, shared, company vision
 - Beginning of the "100 days"
- September: Announcement of middle management and brand setting + intensifying communication
- September: Integration survey out – themes include wellbeing, communication and synergy
- September-October: Management conference + leadership day + "Weddings"
- October: September financials out – significantly profitable
- Early November: First Kick-off in Tampere
- Late November: IT News from Europe + First joint budget for 2017 as well as a 3-year strategy
- January: exceptional Q4 result
- February: 2017 Kick-off in Helsinki + Integration Project Manager not needed anymore
- March 2017: GPTW certificate

Overview:

- Global corporation / rapidly grown "start-up"
- Industry and gender differences
- Differences in sales cultures and attitudes

Central challenges:

- Introducing and implementing processes for performance management
 - Examples of matters being "processed" (sales and services descriptions, HR, colleague introduction, systems and reporting)
- Straightforward vs. undefined command chains

What has been done:

- Lining the corporate culture vision
 - Adecco Group's values and leadership principles
- Clarifying the accepted rules and norms
- Competitions



Central challenges:

- Differing ways of communicating
- Managerial communication responsibility
 - Bottom–up communication
- Incompatible IT (e.g. the intranet)
- Unclear command chains

What has been done:

- HR communication + Integration news
- “Social media” platform
- Kick-off event, before which two streams of integration-related visits
- Specified stakeholder communication (clients, associates, media, etc.)



Challenge 3: Doubling of middle management

Central challenges:

- Lack of previous management experience
- New roles, titles and responsibilities
- Foreman-subordinate communication

What has been done:

- Internal management communication
- Top management's physical presence
- Management conference + Leadership day
- Accentuated communication of special locations



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Mergers and Acquisitions in theory

What does the literature say?



”It’s a risky business with 75-90% failure rates”

- What’s the time frame in measuring failure?
- Biased evaluations and vested interests

MNC M/As follow both internal strategy and external trends

- Recession and instability create risk-aversion, and vice versa

Most senior executives are willing to increase M/As to grow business

- Faster than organic growth
- Portfolio re-shaping

Most M/As generate losses immediately (100 days) after the merger

- Lost productivity due to distractions and/or drop in employee morale
- Voluntary/involuntary departing of employees

The “synergy gridlock”

- Top management is too focused on reaching the promised savings and synergy that the track of the business gets lost

Attrition of talent and capabilities, and the loss of intangible assets

Customers and other stakeholders (unions, partners, communities) can feel disgruntled about being passed to another entity

Underestimating the high transition and coordination costs in linking the new entities due to distance between HQs

Broken culture: for many employees being acquired is a symbol of failure. Workforce can see that there are only winners and losers

Difference in vision

- Have to agree and get a solid, common goal to avoid internal politics and lack of trust

CEO's/board's desire to run a bigger firm and dismiss the risks

It's common to mimic competitor's M/A – with low success rates

Lack of cultural fit

- But it's significantly more important to manage the process of cultural integration than the cultural difference as such

Little focus on the “soft” side in general

- The “hard” side is often the main focus before and after an acquisition

“The soft side of the business defines the success of an M/A in most cases”

A determining factor is whether the top HR executive is a member of the senior management team and a full participant in the strategy planning process

- Fully involved in less than 1/3 of M/As

Most important factors in international M/A's according to McKinsey:

- Retaining and identifying the key talent (76% find most crucial)
- Effective internal communication (71%)
- Executive retention (67%)
- Cultural integration (51%)



Also compensation philosophy gets often accentuated

The acquirers should get “a quick reading of the human assets and characteristics of the organizational culture” after the merger

Key questions to address:

- What are employees' unique competences?
- How do their talents compare with ours?
 - Can we provide career paths for them?
- How important is social capital to their performance?
- What are the social relationships between people in the firm?
- What is the background of the management team?
 - What would happen if some of them leave?

It's crucial to measure and find a way to *reward* retention



What is important to map out from the acquired firm's culture?

- What are the core beliefs about what it takes to win?
- What drives their business strategy? Tradition, innovation, chance...
- Are they long-term or short-term oriented? Result or process oriented?
- How much risk are they prepared to accept?
- Who are the important stakeholders in the company?

- Is the power concentrated at the top, in certain functions, or diffused?
- Are decisions made by consensus, consultation, or authority?
- What makes an employee valuable? Values, skills, results...
- Is their culture oriented towards teamwork or individual performance?
- How do they manage information? Is there a lot of it?

Main point is to be as open and honest as possible

The first 100 days focus on the four I's:

Insight

- Change is stressful and real, no need to deny that

Involvement

- A lot face-to-face to break down “we vs. them”, “winners vs. losers”

Inspiration

- Building positive expectations about the future a.s.a.p.

Information

- Road show by executives, e-mail bulletins, calling, careful press releases..

Complementary functions

Post-acquisition integration

- Combat the winner vs. loser syndrome
- Transition organization: new practices, systems, structure put timely in place

Experience in M/As and change management

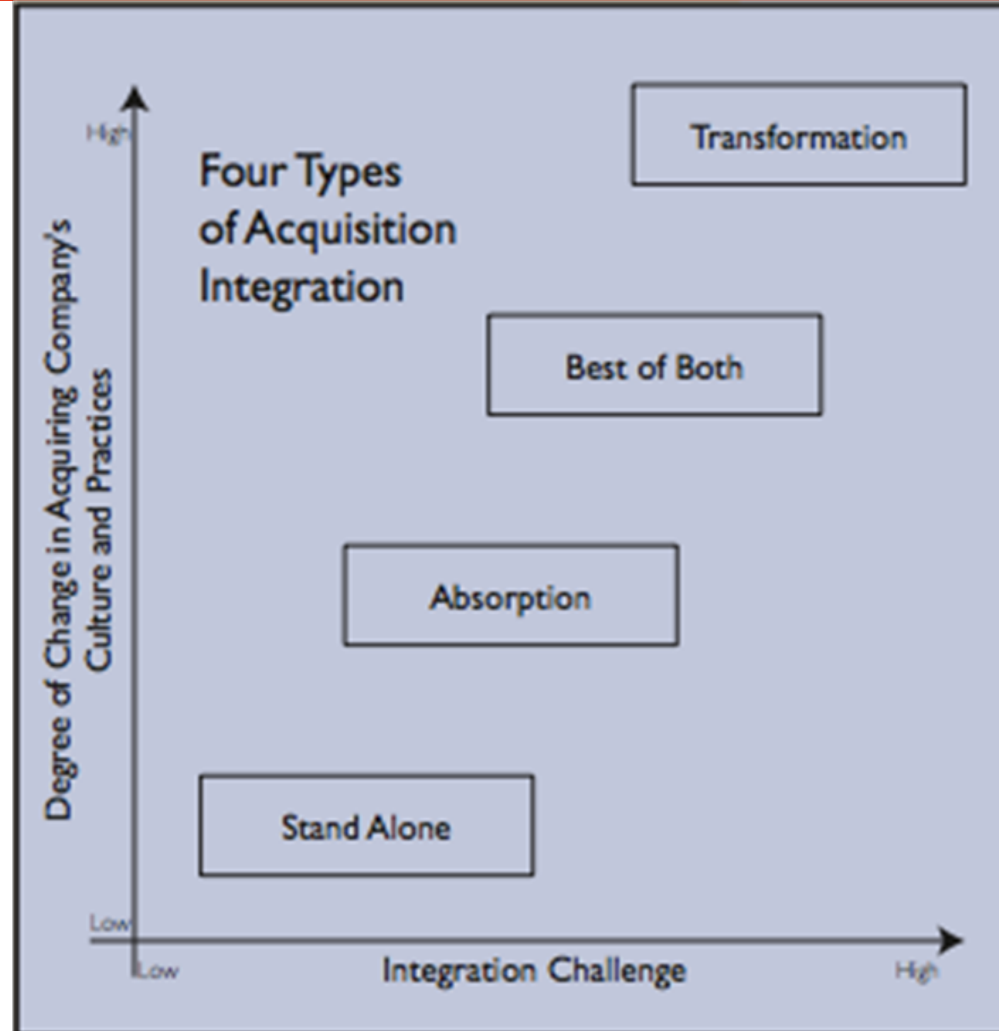
No history of fierce rivalry

Success rate of cross-border acquisitions is higher than purely domestic ones

- Greater complementarities
- Firms are in familiar industries

MNCs with solid foundations (e.g. sales, reporting, HR, communication) have always an advantage in implementing M/As

- Large firms have more clarity around systems and processes which improves locally responsive firms' performance
- Competitive size, and added capacity, brands, distribution channels...





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So the question I'm leaving you with is....

Does practice and theory fit together?

