# Relocation Best Practices for Mergers & Acquisitions

In an ever-changing global business environment, many companies are involved in mergers and acquisitions (M&A) as a means to further expand their organizations. Mergers and acquisitions often result in moving talent to a new location, and there are many critical elements involved. Considering how to handle the migration of your expatriate population is one critical piece.

While no M&A situation is exactly the same, Cartus has a wealth of experience working with organizations in handling these complex situations, and we've created best practices—pre- and post-acquisition announcement—for relocation managers to consider. A successful cultural integration is also critical to the success of an M&A and a holistic, detailed implementation plan can go a long way towards ensuring a successful cultural integration.

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## Why Can Mergers and Acquisitions Be Such a Challenge?

Mergers and acquisitions place organizations in circumstances relating to relocation that they have little experience in navigating and no time to learn. Major decisions about personnel deployment, cost take-out, and new benefit programs must be made quickly, discreetly, and in such a way as to withstand the scrutiny of both the investment community and the merging companies' employees.

Many companies entering a merger seek outside help to facilitate rapid decision making on relocation policy and to benchmark against other companies. Even companies well practiced in mergers find that proactive planning can anticipate only a certain portion of the mobility decisions needing to be made when two or more unique entities and cultures are combining.

If the frequency of mergers and acquisitions is higher than ever before, it may be puzzling that organizations find them so challenging. The main reason lies in the fact that no two mergers are alike, and the experience accumulated in the past provides little guidance, and possibly even a false sense of security, for a merger just around the corner. While the mechanics of a merger are obvious, the list of parameters at play is daunting. Looking only at the characteristics of the companies involved, and not the external influences they are subject to, the following variables must be carefully considered before any merger strategy, whether involving relocation issues or not, can be launched:

- Relative size
- Culture
- Geography
- Industry
- Dominance in the transaction (who is acquiring whom?)
- Dominance in new management (who is calling the shots?)
- Benefit levels (generosity, flexibility)
- Budget consciousness
- Tolerance of exceptions
- Empowerment/autonomy level

These elements add complexity and mystery to a merger, and only make the task of engineering a smooth transition more imposing.

## Relocation's Place in a Merger

M&A activity typically involves rapid action. Although many mergers take up to a year or longer to finalize, the task of implementing a new relocation policy may involve real obstacles, notably the lack of a mandate from upper management and the absence of benchmarks for the new policy. If the company is not successful in developing and communicating the new policy, a vacuum can result. As a result, morale suffers as employees worry about how organizational change will affect them. Employees already in the process of relocating worry even more about whether the company's plans for them, and commitment to them, will waiver. The issue is most destabilizing in a merger, where two supposed equals are joining, but it applies also to acquisitions, where the acquired company experiences a heightened sense of insecurity.

Relocation professionals play a pivotal role in managing the mobility aspects of an effective transition. Ironically, these individuals are likely to share a concern about their own livelihoods at the same time that they plan the new relocation policy landscape for the combined entity. Nevertheless, the experience of these professionals is key to crafting a policy that will work for the new organization. Equally important, their access to, and credibility with upper management can spell the difference between a proactive treatment of relocation through the transition and a continually reactive posture.

The culture of the new organization drives the relocation policy, and that culture may or may not be clear.

## Gaining Empowerment from Upper Management

Some relocation professionals who are experienced in mergers warn against making the assumption that the relocation policy for the new company will be a blending of the best points in the two companies' prior policies. The culture of the new organization is what will drive the policy, and that culture may or may not be clear. It is therefore important to elevate the issue of relocation to a level where upper management can provide the necessary guidance on such issues as benefit level, flexibility, tolerance for exceptions, etc., at the earliest possible time. The overarching new organization business objectives should be of paramount importance as a new relocation program is decided.

For the reasons cited above, this direction may be difficult to obtain, or subject to change, but it provides the necessary endorsement for taking pre-emptive action to solve merger-related issues for the organization.

Relocation policy is a balance between cost and competitiveness and the new organization may be looking to explore potential cost savings that can be generated in a new policy.

## Addressing Cultural Differences

Relocation policies often differ in ways that reflect fundamental differences between the organizations. Based on the assumption that the companies merging are in the same or related industries, and may even have been competitors, there is a natural tendency to compare the two policies and determine which is the more generous or flexible. Any policy, however, is a balance between cost and competitiveness, and the new organization may be looking to explore potential cost savings that can be generated in a new policy, consistent with the need to retain valuable employees who may be needed in new geographical locations.

The initial impulse, to design a new policy calculated to blend the two relocation programs into one, may therefore be misguided. The new program may otherwise rely on assumptions based on past practices that are inappropriate for the new organization. For example, the culture of the new organization may be more cost-conscious than either of the prior companies, leading to an approach to relocation support that is anything but an averaging of the former policies.

## Coping With Delay

Implementing a single relocation policy for the new organization at the earliest possible time offers obvious advantages. The task of communicating a new policy becomes easier and employees currently, or soon to be affected by a relocation, gain the security of knowing how they will be treated. There is also the possibility that organizational issues, such as the personnel retaining responsibility for managing the relocation program, will have been settled, providing a stable platform for communicating the new policy.

Circumstances may conspire to delay the development and implementation of a new policy, however. There may simply be too little time. In addition, resolving relocation policy issues may not command upper management attention, despite the best efforts of the relocation professionals trying to resolve these matters. And there may be disagreement or indecision as to the actual design of the policy.

There may be other circumstances where delays do *not* work against the company, however. Cost takeout is an overriding priority in many mergers. If the intention of the new company is to lower benefit levels, whether for some or all employees, this fact will be read quickly and negatively by the new organization, resulting in morale and possibly retention issues. If the organization were to continue its previous practices, on the other hand, with a level of ad hoc adjustment as necessary, the potentially negative impact of a new policy would not strike the organization at its most vulnerable time.

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### Productive Planning

Once a mandate from upper management has been received, planning based on solid business principles becomes paramount. Planning clearly involves cooperation between the merging companies, but cultural differences between the companies can undermine these well-intentioned efforts at the start. Obvious issues spring up when the transaction involves companies from different countries and even continents. In fact, learning to avoid problems caused by divergent country cultures is the domain of an active consulting and training industry.

Even companies from the same country can encounter conflict as a result of their management styles. One might be strongly hierarchical, dress formally, and depend heavily on written policies; the other might feature empowerment, dress casually, and treat policies more as guidelines. These differences can be corrosive to any attempt at cooperation if not recognized, but if brought out into the open can help form a foundation for productive integration work.

### Taking Advantage of Outside Resources

The role of an outside party like Cartus can be critical in addressing three key areas that typically fall outside the experience or expertise of the parties to a merger or acquisition:

1. **Anticipating merger events and leveraging the experience of other companies that have engineered successful mergers.** Cartus can provide process mapping to define the steps required to blend policy, process, and financial elements of the transition. We can also give benchmarking assistance that first creates a "side-by-side" comparison of current policies, and then places policy choices in a context of current practices within the industry, within like-sized companies, etc. In addition, knowledge about anticipated new mobility patterns and move types (e.g., more project work resulting in shorter-term assignments) can help to fine-tune recommendations. With this kind of objective support for new policy recommendations, upper management may be more likely to grant its approval at an early stage in the merger.

2. **Establishing a realistic timetable for accomplishing relocation and related tasks specific to the merger.** Based on our experience with prior mergers, Cartus is well equipped to advise on timing. Like any project-based activity, planning of this kind takes into account the components that are required, as well as the contingencies that respond to possible changes in the assumptions guiding the plan. For example, if issues of employee retention arise, measures might be required to either bolster corporate communications on the company's efforts to meet employee needs, or possibly even to design incentives that encourage key employees to stay with the company, even if it is only for a certain amount of time.

3. **Constructing a budget for merger-related mobility issues, including management relocation, group moves, and recruiting.** Most companies entering a merger have no frame of reference for determining the cost of mobility issues that arise. For this reason, and to take into account the likelihood and cost of unanticipated events, the assistance from an outside company like Cartus can be important. Ultimately, all of the decisions made in connection with mobility carry a price tag and must be viewed together to establish not only a total exposure to the new organization, but also a set of priorities for allocating a budget.

Outsourced M&A assistance delivers experience combined with confidentiality.

The advantage of outsourced assistance in preparing for the unknown is experience combined with confidentiality. Companies often succeed in solving the problems they can anticipate, but risk failure in reacting swiftly enough and confidently to the unexpected.

### Communication is Key

Effective communication before, during, and after any significant corporate transition is widely recognized as a key factor in the success of that transition. Mergers and acquisitions are not afforded the luxury of open communication, however, either prior to a formal announcement or during the time devoted to shareholder and government approval. The inability to make positive pronouncements, even as to plans that have already been determined, creates a climate which wastes time and resources, creates frustrations in relocation departments unable to provide concrete answers to questions, and fosters skepticism among employees of both merging companies.

To combat this predictable problem, two factors are critical. First, whatever mobility plans are forthcoming should be determined and dispersed as quickly as possible, even if they do not represent a re-building of the full relocation policy. Second, relocation professionals must project a positive image of trust and confidence, rather than appearing defensive about the lack of information. Thus, even if communication from the corporate level is absent or ineffective, the relocation professional can play a positive role by communicating closely with his or her counterpart in the other company. This individual can also, to the extent possible, counteract the natural tendency for rumors to grow by keeping lines of communication open with transferees, even where a complete picture of the company's future policy is not yet clear.

### Cartus Best Practices: Before Announcement of the M&A

Your company's acquisition team is encouraged to contact their global mobility, immigration, and tax teams to notify them of a pending acquisition, and create a project team.

- The acquisition team can provide Cartus with key contacts in both HR and payroll at the acquisition company.
- It is recommended to schedule time within the organization to discuss the following:
  - Global footprint of the acquisition company.
  - Known expatriate dynamics (e.g., locations, assignment types, status, etc.)
  - Rules of engagement on communication and timelines.
  - Role of vendors and vendor key requirements.
  - Global mobility policy components to be offered if new relocations/assignments are applicable.

- Partner with Cartus to:
  - Identify project owners from Cartus (e.g., implementation, account management, international assignment compensation, etc.)
  - Review details of the pending acquisition, including timing, anticipated volume, and locations.
  - If applicable, discuss group move best practices with subject matter experts
  - Review potential takeover activities (e.g., existing assignment files in progress, cost projections, red flag issues, U.S. home sale inventory, etc.)
  - Discuss the timeline for communications surrounding M&A and global mobility activities.
- The global mobility group will provide communications regarding the M&A to the new company's HR group and:
  - Provide timeline, key milestone dates, and detailed instructions for the authorization process.
  - Confirm critical data elements required (e.g., cost centers, employee IDs, other items they may be needed for internal verification).
  - Discuss potential challenges that may have been identified in prior steps.
  - Review additional corporate dynamics to confirm or uncover non-traditional expatriate situations, such as executives on assignment or stealth expats.
  - Secure copies of current expatriate documentation including:
    - Current letters of assignment
    - Certificates of Coverage, as applicable
    - Immigration documentation or pertinent expiration dates
    - Prior authorization forms

### Cartus Best Practices: After Announcement of the M&A

After the announcement of an M&A, there are many critical activities that need to be completed, including:

- Completing a side-by-side analysis of the previous employer's relocation package vs. new employer package.
- Identifying and pre-approving exceptions prior to Cartus engagement to improve the journey for the onboarding employee.
- Conducting an initial onboarding call (including the Cartus contact) to review benefits, allowing an opportunity for the employee to raise questions, concerns, unique circumstances, etc.
- Providing a clear overview of administrative differences and policy types (e.g., housing payments, allowance, payroll, corporate card, utilities, security deposit, lease signatory, etc.)
- Assigning a single point of contact to raise policy and process questions (if moves touch multiple regions, identify a global owner).
- Work with Cartus' account management team to develop an acquisition training guide to quickly educate assigned consultants to the many nuances of the acquisition files.
- Schedule ongoing calls with Cartus and key stakeholders to drive quick resolution of outstanding inquiries and escalations.
- Create an issue tracker as a resource for the team and to identify trends to request pre-approvals, ultimately reducing repeat inquiries.

## Conclusion

During a merger, relocation activity may become more frequent—and more critical—to the new organization. In the crush of activity of a merger, other strategic business concerns can obscure the constructive role that relocation plays, making the transition more difficult for relocation professionals and their departments, not to speak of transferring employees. Managing this transition effectively rests on meeting three major challenges:

- Blending multiple business processes into one seamless function
- Supporting management's decision making on ways to manage the transition, and
- Promoting communication on relocation issues throughout the organization.

The successful merger strategy is characterized by one or more of the following attributes: upper management participation, effective use of outsourced expertise, education about the separate company cultures, proactive communication with one's relocation counterparts in the other company, and knowledge of the special circumstances, and surprises, that a merger or acquisition can generate.

Cartus has partnered with many organizations on mergers & acquisitions of all sizes. Whether you are an acquiring company, acquirer, or merging into a new business, following these best practices will help guide you towards a successful outcome. The ultimate goal is to help your employees determine if the new location is a good fit for their families and to help the company meet its retention targets.

*Contact your Cartus representative, or email us at CartusSolutions@cartus.com if you would like to know more about managing an M&A.*

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