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Jeffrey Cox:	I want to first thank our listeners for joining this podcast series on "**M&A Readiness**". My name is Jeff Cox, and I'm joined today by three of my colleagues in Mercer's Global M&A Transaction Services Business: Jennifer Jakubowski, Chuck Moritt, and Adam Rosenberg. Collectively, this group has worked on more than a thousand transactions, representing both strategic and financial buyers and sellers. Chuck, let's get started with you. Our new 2016 Research Report titled ***People Risks in M&A Transactions*** points to project management and communications as two of the most underinvested areas in transactions. Specific to project management, what are the key attributes of a successful project management office?
Chuck Moritt:	Thanks, Jeff. Appreciate the question. I would say there are three key criteria for an effective PMO, or project management office. The first one is ensuring that the PMO has a strategic view. The second one is ensuring that there is a very well-defined PMO organization model. And the third one and likely the most important is that there is a strong central leader of that PMO organization. From the strategic view perspective, a PMO isn't just about project plans and ensuring that work is done. It must be aligned to the strategic intent of the deal and take a very businesslike perspective on the work that needs to be done. So from the PMO organizational point of view, successful PMOs are very well-organized, have distinct roles and responsibilities across the organization, and have a very well-defined governance model, because it's important to

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	understand where and when decisions need to be made. That aligns to the third most critical point, which is ensuring that there's a strong leader in place to drive the PMO. That leader should have the characteristics of being fairly senior in the organization, having a very broad business and operational view, and being able to direct individuals and make decisions on a day-to-day basis.
Jeff Cox:	As a follow-up question, what are the strategic and operational differences between buyers' and sellers' PMOs, from your perspective?
Chuck Moritt:	The biggest difference is that when you're a buyer, you're looking to integrate a business and be able to ensure that you derive value from a long-term view after making that acquisition, so it's a very long-term focus. Whereas the seller has a much shorter-term focus, with two fundamental key value drivers. The first is ensuring that they disconnect the business from existing operations effectively and deliver that to the buyer. And the second one is ensuring an effective transition, and sometimes that requires setting up a transition services agreement and operating that for a short period of time to facilitate that transition.
Jeff Cox:	Thanks, Chuck. Jen, let's move to you. As the research clearly points to, communication is a critical area of investment in order to get the transaction right. In your experience, why is communication such a fundamental driver in deals?
Jen Jakubowski:	Thanks, Jeff. So transactions bring major changes to both the organization and the employees. Many employees are in new roles. They have new bosses and new expectations, which can cause distraction and lost productivity. It's important for employees to know what is changing, what the business objectives of the new organization are on a go-forward basis, and what people are supposed to do so that they can be aligned with this new business strategy. Effective and frequent communications can pave the way to deal success and help to meet objectives quicker.

	It is also important to get the message out early and often so people understand the new organization and their role in the change. In the absence of facts, people will tend to make assumptions, and those assumptions are likely to be inaccurate. A clear communication strategy can engage employees in a timely way and can help avoid issues such as unwanted turnover, reduced productivity, and low employee morale.
Jeff Cox:	Jen, how about sharing your take on culture alignment or, frankly, "misalignment"? What are the primary derailers you see that can undermine a deal vs. drive success?
Jen Jakubowski:	It's well-known that cultural misalignment has brought failure to many transactions. One of the big reasons the AOL Time Warner merger failed was due to a clash of cultures from the get-go. It's important to understand that culture is fundamental to who an organization is. It's who the employees are; what their values, beliefs, behaviors are; how the work is done every day; and ultimately how a business achieves results. And if there are gaps in any of these areas when two organizations come together, it will be very difficult for them to work effectively together, make a decision, and achieve the desired business results. During the 78 interviews that we conducted as part of the Mercer M&A Risk Survey, there were several characteristics and behaviors that defined a winning culture. One was — I'll come back to what I just talked about earlier — honest and frequent communications. This is super important at the time of the transaction and oftentimes present in a winning culture, whether it's business as usual or during the time of change. Another important characteristic is leadership alignment and behavior definition and reinforcement. Changing behaviors is extremely difficult. To get people on board and to promote participation and cultural change, leaders must "walk the talk" by modeling the behaviors aligned with the new culture.

	This will then filter down to all levels of the organization. And it's not a silver bullet. Change takes a long time. It is important to have a consistent long-term approach to culture and change management.
Jeff Cox:	Great. Adam, let's get your thoughts on best practices to retain talent. What are the key or common issues you see in retaining talent and hedging flight risk pre- and post-close?
Adam Rosenberg:	Thanks, Jeff. Our research clearly shows that employee retention was the No. 1 people issue that our clients face when working on transactions. It's really important to make sure that you choose the right employees, and that's one of the biggest challenges that people face. If we look back, traditionally the very top layer of executives were almost always targeted for some type of retention plan. But what we have seen happen in the more recent past is that a wider group of people are being looked at for retention plans and transaction bonuses — and, in deals where a particular group of people are seen as being critical for the deal's success, retention plans are rolled out to that group as well. And this is partly about the financial side of retention, but it's also about the wider employee value proposition, so people understand what their future role within the organization is and what their opportunities for growth are — these being as important as the financial side of the equation. But moving on to the financial side, when it comes to any retention plan, we need to think about the timing of any payments. Should it be a single payment made in (for example) six months' time, or a staggered series of payments over 18 months or even 24 months? Should the payments be made just for staying with the business or should it be performance indicators and/or measures that go along with those payments?

	We heard earlier how communication was one of the most underinvested items when it comes to working on transactions, and we think that's important when it comes to retention as well. If people fundamentally understand the new business and their role within it, they're far more likely to stay than not. And Jen talked about that earlier on. Our M&A research report also discusses seven value drivers on the buy side and four on the sell side that can help drive success when it comes to transactions. What I want to point out is that on both the buy side and the sell side, retention of key talent is seen as one of those top value drivers. The final point I have is that later this year, we'll be releasing the results of our global retention survey, and this will cover not only the prevalence of retention plans but also the amounts paid in particular deals. One of the questions we're often asked when it comes to transactions is how much to budget for retention plans. And the results will be split then by region and by industry. It will show buyer and seller differences — so look out for the results of that later this year. Back to you, Jeff.
Jeff Cox:	Adam, with that profound insight and the recognition that our listeners have day jobs, why don't I close this by thanking the panel and our listeners for joining Mercer's continuing series on "M&A Readiness". Have a great day. Thank you.