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# Retaining Key Talent on the Heels of a Deal

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Having strong, talented performers certainly gives any company a competitive advantage. Because they are key and valuable to a company, retaining them is essential to any M&A deal. But the disruption that a deal can cause to operations can also prompt the flight risk of key talent of the target company.

Although there is no one-size-fits-all solution to people risks in M&A, there are some best practices for key talent retention after an M&A deal. Each of these speaks for itself and can be implemented alone, but combining them as a strategy can increase deal success.

## Preparation is everything

The preparation process entails identifying top talent for both the short-term transition and long-term success of the business. This should be the first item on the to-do list when due diligence kicks off. This identification exercise can be challenging because of certain restrictions in place in the due diligence process, such as the pre-completion restrictions on who can be involved in the process, restrictions on data sharing and limited access to information a buyer needs.

Most of the hurdles to a successful deal often relate to company culture. That is why understanding the target company's culture is another pivotal element that a buyer will want to grasp early on in the due diligence process. Understanding company culture and aligning it, is a complex and lengthy process that will continue far beyond deal closing.

After a thorough understanding of company culture and top employees is achieved, integration can proceed with the actual onboarding of the target's employees on their first day. But this last step is often overlooked or minimized. The program of this onboarding should be prepared well in advance in conjunction with the due diligence.

## What makes a successful talent retention strategy

As pointed out, identifying key talent in the target company is the first step in talent retention.

Selecting the proper incentives for every top employee level, position or category is the next step. This usually consists of a mix of financial and non-financial incentives. Many believe that financial incentives are necessary but are insufficient to retain key talent. Incentive-drivers such as career (opportunities), company culture and leadership tend indeed to be decisive. A buyer usually offers cash rewards and enhanced severance packages to short-term employees while it implements long-term retention through engagement, career satisfaction, cash bonuses and equity. Obviously, the type of financial incentives offered will depend on which stage of the life cycle the buyer is at. A buyer must consider not only what should be the incentive but also when it should be granted. Regarding the temporal element, a gradual granting is generally preferred.

The retention strategy—and principles—must be perceived as fair. A buyer must be able to answer employees' questions satisfactorily. Implementing it will also have to be done discreetly, especially when it comes to granting  financial incentives.

## How to increase deal success

Retaining key talent at the heels of a deal is imperative for the success of any deal and business. Early on in the due diligence process, buyers should identify the top performers, understand them and the company culture, and prepare them for onboarding. This will indeed form the basis for an effective retention policy that will consist of the right mix of incentives. A smooth and transparent implementation and integration process should also pave the way for subsequent assessment. The combination of these best practices should enhance deal success.