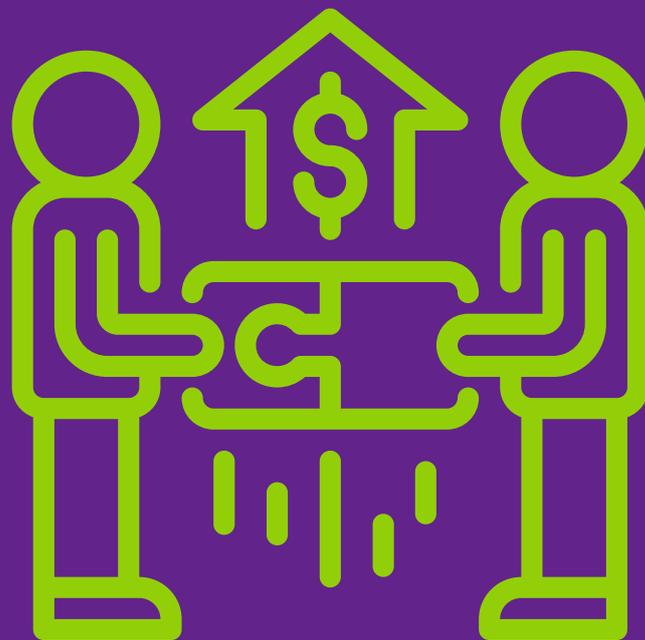




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HOW A GLOBAL PEO
CAN SIMPLIFY HUMAN RESOURCES
ADMINISTRATION DURING
MERGERS & ACQUISITIONS



Introduction

To gain a competitive edge, firms frequently merge and acquire each other, combining their activities and pooling their market shares. Mergers and acquisitions, while inherently risky, provide enormous potential for growth that can't be achieved as quickly through organic, incremental development. This practice has become so common that a recent EY survey revealed that 52% of respondents are planning to actively pursue mergers and acquisitions (M&A) in the next 12 months. When implementing an M&A, most companies focus on financials.

But success often depends on aligning the people, organizational, and cultural assets of the new entity. In the final analysis, HR can make or break an M&A. That's why a global PEO can drastically simplify HR administration during mergers and acquisitions - ultimately contributing to their success.



What Is a Global PEO?

When developing a business expansion strategy, firms often consider two solutions: a Professional Employer Organization (PEO) and a Global PEO. A PEO, as it pertains to the U.S. market, is also known as a co-employer.

PEOs manage payroll, benefits, and other HR responsibilities for the employees of a client company. When considering global expansion, companies look to global PEO's. Global PEO's offer a quick solution to get up and running overseas by becoming a company's global Employer of Record (EOR).

They enable companies to hire employees anywhere in the world quickly, compliantly, and without the burden of establishing a foreign legal entity. A global EOR gives companies freedom from the need to have any legal ties with their international employees. That means the PEO bears all employment risks— hiring employees for you in any country you're expanding into and ensuring that all statutory requirements related to employment law are taken care of.

The PEO is also responsible for best practices and compliance around hiring, managing, and firing internationally, ensuring everything is done correctly.



Benefits of a Global PEO During Mergers & Acquisitions

According to Harvard Business Review, 70-90% of all mergers and acquisitions fail—mainly due to HR issues. This is where a global PEO comes in. A PEO can help to mitigate HR risks by assisting with the identification, vetting, streamlining, and integration of the two organizations to increase employee retention.



Identification and vetting

A global PEO is an effective way to identify and vet leadership teams, compliance issues, and company cultures. These priorities often fall by the wayside, but they play a significant role in valuing a company. The PEO can also analyze other critical HR elements, including:

- Training programs
- Paid time off policies
- Payroll administration
- Job titles and reporting structure
- Employee onboarding and offboarding
- Employment contracts and agreements
- Performance evaluations and incentive programs

Simplification and streamlining

Transitional services agreements (TSAs) are common when it comes to M&As. They are used in situations where the buyer does not have the systems or management in place to absorb the acquisition, and the seller can offer them for a fee. These services can include IT, accounting, finance, and other relevant infrastructure needs.

While TSAs are common, they can present challenges for both buyers and sellers. That's where a global PEO can come in to streamline the process. PEOs enable companies to complete the transaction without a TSA and offer a low-risk alternative to using the seller's existing payroll through a TSA.

Integration and Retention

Integrating the two organizations and retaining staff during mergers and acquisitions can be challenging. A global PEO offers a turnkey solution that assists global companies in transitioning their key personnel while enabling continued productivity and growth.

The PEO switches the new employees to your existing infrastructure, leaving you free to focus on the essential things like running your business. Throughout the process, the PEO will help you inform the new employees of your existing policies, or it can help to update them if needed.

The PEO can also help you define a process for ongoing communication between the two leadership teams to build rapport and alignment.

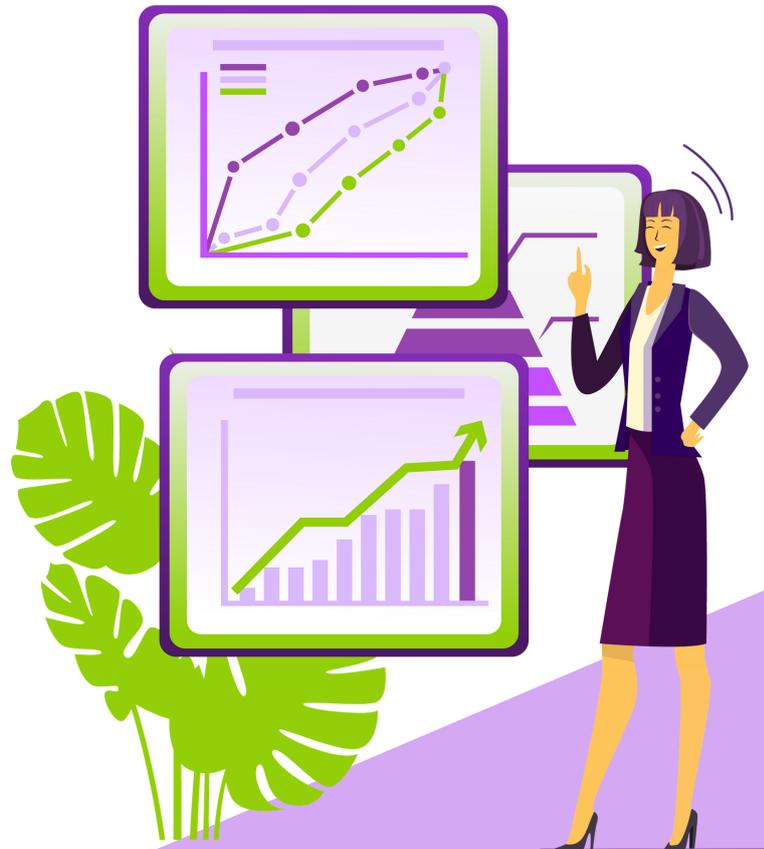
Through effective planning and clear communication, many risk factors can be mitigated to improve employee retention.

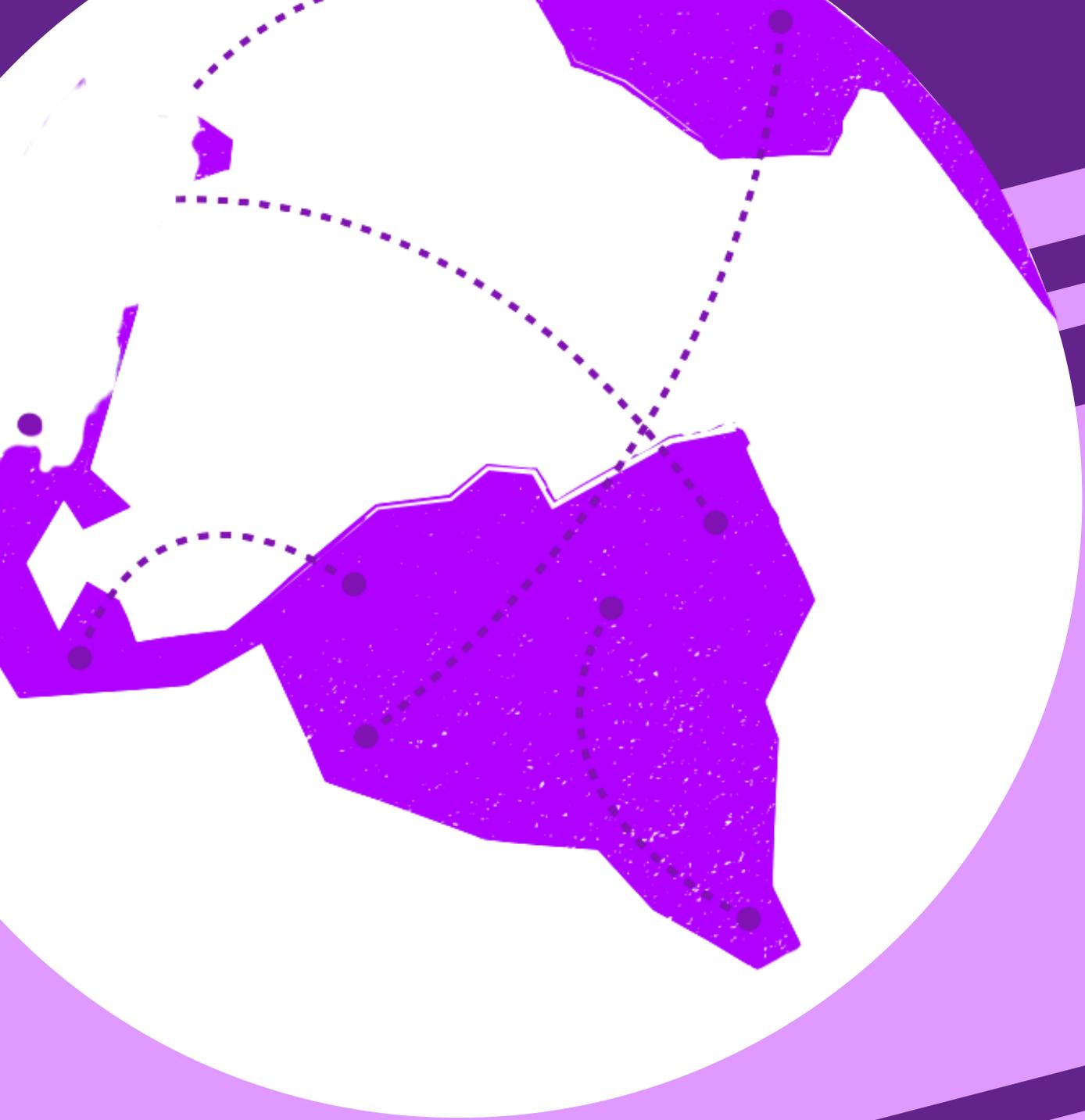


CONCLUSION

According to the National Association of Professional Employer Organizations (NAPEO), businesses that use PEOs grow 7 to 9% faster, have 10 to 14% lower employee turnover and are 50% less likely to go out of business than companies that don't.

While your focus may be on the financial and legal details of the merger or acquisition, don't forget the human side of the equation, such as payroll, benefits, risk management, and communication strategy. By spending time ensuring policies, procedures, and technology are efficiently integrated through a global PEO, you will be ahead of the game.





GLOBAL EXPANSION

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