THE FOUNDATION FOR DEAL SUCCESS: HR DUE DILIGENCE

FINANCIAL, TALENT, CULTURE, AND HR ORGANIZATION AND OPERATIONS ANALYSIS

Mercer’s comprehensive human resources due diligence analysis identifies practical information and recommended solutions for negotiations as well as closing and integration planning.

Through rigorous analysis, we get to the critical issues quickly and efficiently, guiding clients to clarity and certainty in their pricing and helping establish a reliable groundwork for closing and integration. Our services provide you with a competitive advantage in negotiations, positioning you for transition and post-closing value creation. We assist with cross-border transactions in virtually any country in which you might do a deal. Our global network of experienced on-the-ground deal specialists advises on hundreds of deals each year across all industries.

Financial issues. Price and related purchase agreement terms and conditions are the financial foundation for value creation in acquisitions and joint ventures. Mercer’s team provides expert advice, projections and sensitivity testing for cash flows, P&L costs and liabilities across a spectrum of human capital areas. We advise on future trends and operational considerations relevant to your potential deal. Coordinating with your tax, finance and legal teams, our due diligence experts quantify liabilities, risks and opportunities in key areas including:

- Pensions, post-retirement medical plans and group benefits
- Executive and broad-based compensation, incentives, equity and other long-term plans
- Change-in-control and parachute payments
- Employee retention and severance
- Cash flow projections

HOW WE WORK WITH CLIENTS

Our flexible engagement model: Our clients engage us in the way that best meets their needs across the transaction life cycle – from strategic to technical consulting where our expertise supplements their internal capabilities.

Global team, working with your deal schedule: Marketplace conditions and financial considerations drive deal schedules. Our resources are organized to work with and meet the demands of your deal.

Transaction expertise: We provide strategic, high-quality, anticipatory and responsive M&A consulting advice for the planning, process, analytics and decision making that contribute to the success of business transactions.

TRANSITION RISKS AND OPPORTUNITIES FOR VALUE CREATION

- Organization and Workforce
- Culture
- Talent Management
- Employee Retention and Transaction Bonuses
- Severance
- Executive Programs and Agreements
- Broad-Based Compensation
- Sales Force
- Retirement and Other Post-Employment Benefits
- Health and Welfare Benefits
- Labor and Employee Relations
- Employment Policies and Practices
- Communications and Managing the Employee Experience
- HR Organization and Operations
**Talent management.** Equally as important as the financials to value creation is the talent available at both the acquirer’s and the deal partner’s companies. We provide expert analysis of leadership capabilities and retention risks, executive compensation transition and workforce characteristics. We help clients mitigate the impact of change and uncertainty on the workforce through deal-related communication.

**Culture.** There is mounting evidence from real-world deal experience that organizational culture – the patterns of behavior among employees that influence business outcomes – is a significant overall influence on how much value a deal creates and how fast. The most precise financial modeling of what a deal could produce cannot be realized if employees from both sides of the deal do not behave in the ways required to achieve what the pro forma statement predicts.

Mercer’s team provides practical – not academic – insight into the patterns of behavior of your deal partner. We begin early in the deal process, even before initial discussions, and continue through to detailed diligence to help you define how you will integrate the key drivers of the right employee behaviors. Executives often express the concern that they are “unable to do anything about culture”; our approach will give you information and insights to take control of this issue.

**HR organization and operations.** Although not typically an influence on price or whether to do a deal, the HR operations of your deal partner is an important influence on closing and integration. In addition to the issues of how and when to integrate HR operations, the effectiveness of the people, data and systems of your deal partner can directly affect the speed and thoroughness of integration. We analyze the governance, staffing, structure, technology, work processes and sourcing activities of your deal partner to give you a comprehensive picture of HR operations.

**PRACTICAL VALUE OF OUR DUE DILIGENCE SERVICES**
Our work identifies practical information and recommended solutions for negotiations as well as closing and integration planning.

- Relevant compensation and benefit commitments, and balance sheet and/or cash flow adjustments to be reflected in the financial model and bid price
- Country-specific labor and benefits obligations
- Practical explanation of issues and practices in the HR environment in countries in which you may not have deal experience
- Adjustments, terms and conditions to be reflected in the purchase and sale agreement
- Change-in-control provisions or clauses that may appear in executive contracts and/or incentive plans
- Comprehensive global data for benchmarking compensation and benefits by industry, geography and job type to firm up financial forecasts as well as help ensure effective post-close integration of these programs
- Guidance on post-closing HR plan and program design as well as design of the HR organization service delivery model
- Opportunities for consolidation, harmonization, operational efficiencies and cost savings