How to Prepare if Your Company is Being Acquired

By Gail Dutton
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If the letter of intent to acquire your company has been signed and the news made public, you might be asking what happens next.

If so, you're not alone. With several acquisitions announced during JP Morgan week and the IPO window all but sealed, M&As will be a top exit strategy for 2023.

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Company executives will hustle to accumulate the relevant documents into a data room and prepare for the transition, and employees will likely wait and worry. Here's a look – for employees and the overall company – at how to not only survive, but thrive during and after an acquisition.

What Employees Can Do to Prepare

Expect the company culture, policies and procedures to change. Buyers often allow the company they acquired to operate much as it has for a period of time after the deal closes, but eventually, it will be folded into the larger organization.

When the terms of the acquisition are announced, look at the details surrounding compensation, bonuses and stock options. The provisions of the acquisition can be complicated, even for employees.

Therefore, "Make certain you understand the rules, and that you get good advice (that's pertinent to) your own tax situation," Dave Roberson, president of RoseRyan, a ZRG company, told *BioSpace*. Roberson has led 25 acquisitions as either buyer or seller throughout his career, including the April acquisition of RoseRyan by ZRG.

The objective, he said, is to make decisions intentionally. Some windows of decision may be open for only 30 days, so it behooves employees to understand their deadlines and act in their own self-interest rather than assuming someone will look out for them.

Looking Out For Your Own Best Interests

Once the acquisition is complete, employees who were acquired should make it a point to prove their value to the acquiring company.

“One of my mentees has been acquired twice in the past 18 months,” Roberson said. “I’ve advised him to really understand the universe he’s moving into. The best thing someone in that position can do is to execute each task very well, so your value is clear to the acquirer.”

That helps you create a place for yourself within the larger company over time, thus enhancing career stability. Remember, he said, “The acquired company will go away at some point.”

In practice, this means positioning yourself for your next career step. This may mean developing a special area of expertise that is likely to become valuable within your industry.

In the case of Roberson’s mentee, it meant transitioning from a generalist to a cloud computing specialist. When his second company was acquired by a cloud company, his new skill set suddenly became more valuable. “The goal is to help the company that just bought your company succeed…and to exceed the targets that were set,” Roberson said.

This entails not only adding value but expanding your network into the acquiring company.

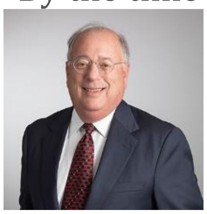
“As soon as you go to a new place, get to know your team, get to know everyone your team works with, and then get to know people who don’t work with your team. Start building a network within this new company, so people know you and what you do. That goes a long way toward helping you succeed,” Roberson said.

Ultimately, even if you leave that organization, you will have a larger network that may bring opportunities to your attention.

How Managers Should Prepare

When an acquisition is in the discussion stages, the information should be tightly controlled – not only to stem any insider trading concerns but to staunch the rumor mill and retain staff.

"By the time the deal is announced publicly, you already will have briefed



your staff and probably will have had at least one town hall meeting to let employees know what's happening and what to expect," Ira Leiderman, managing director, healthcare, Cassell Salpeter & Co., told *BioSpace*.

Retention plans and packages already should be developed, and any new roles for staff should have been identified. At this point, "Internal working groups form to plan for integration while the finance and legal teams work toward closing the transaction."

"When preparing your staff for the take-over, start (early-on) by formulating a strategy to identify and retain critical talent," Mike Knowles, a managing director specializing in HR and M&A at BDO, advised *BioSpace*. Retention bonuses, paid upon the transaction's closing, are key incentives.

"Non-financial retention strategies also can be effective," he continued. "They include providing opportunities for high performers to gain valuable transaction knowledge and experience with specific transaction project roles."

Establish Open Lines of Communication and Build Trust

What generally is more challenging is blending the cultures of the two companies. "Some of the smaller companies are a cross between corporate, family and academic culture, so there's a lot of camaraderie. That may go away in a more structured or more bureaucratic organization…yet those little cultural things could make a big difference for people," Leiderman pointed out. "People hate change."

Establishing an environment of trust is important, and that starts long before

any acquisition. “Employees need to trust not only what you’re saying now, but that the deal is good for employees as well as shareholders,” Margery Fischbein, managing director, healthcare, Cassel Salpeter & Co., told *BioSpace*.

To that point, Knowles elaborated, “Communicate regularly and as transparently as you can with employees who are not ‘inside the tent’ without disclosing sensitive information, even if it’s to say there are no new updates. It helps maintain credibility and trust among employees.

For managers, provide talking points, FAQs and coaching sessions to help them answer direct and challenging questions and concerns from employees.” Be sure to coordinate communications with the buyer’s communications team to ensure consistency in messaging and to foster cooperation.

During the transition period, Roberson said he updated his staff monthly for at least six months.

Importantly, “Make sure the employees understand what’s in it for them,” Roberson said. “They know that the shareholders, owners or founders gets lots of money when they sell the company, but what do they get? Stability? More career opportunity? A bonus?” Unless employees understand the value the acquisition brings to them, resentment can build.

Take Care of Your Employees

Reductions in Force (RIFs) are common features of acquisitions. When they happen, “People need to be treated with respect,” Roberson stressed. That means financial respect, through severance or other financial packages, as well as respect for their capabilities and careers, through references and networking connections. Also, “When you have to do a RIF, get it over with quickly…so people can move on.”

Acquisitions are a fact of life for innovative biopharma companies. When they’re executed with care, they truly can be win-win situations.