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The People Side of M&A

Why trust and retention define success

Rey Ramirez



Rey Ramirez
Cofounder, Thrive HR Consulting

Mergers and acquisitions are often viewed through the lens of financials, market expansion, and synergies. However, the harsh reality is that most acquisitions fail—not due to miscalculations in spreadsheets but because of the inability to effectively integrate people, culture, and trust.

THE HIDDEN COST OF CULTURE CLASH

Studies consistently show that cultural misalignment is one of the top reasons M&A deals fail to deliver expected value. When employees from two distinct organizations come together, they bring deeply ingrained values, behaviors, and ways of working. If leadership ignores these differences, productivity drops, key talent leaves, and instead of a stronger, unified entity, the newly merged company becomes fractured.

Trust is the cornerstone of successful integration. Employees often fear the unknown—whether their roles will be eliminated, if leadership will change, or if their contributions will still matter. Poor communication exacerbates tł fears, leading to disengagement and resistance. Leaders must proactively build trust by being transparent about changes, listening to employees' concerns, and demonstrating consistency in their actions.

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BUILDING TRUST THROUGH EFFECTIVE COMMUNICATION

Transparent and consistent communication is essential to alleviate uncertainties among employees during M&A transitions. A study by WTW highlights that enhanced career opportunities and promotions are among the most effective non-monetary retention tactics, emphasizing the role of clear communication in retaining key talent.

A notable example of an acquisition that struggled due to cultural integration issues is the 2014 purchase of Nokia's mobile devices division by Microsoft. Microsoft, known for its software-centric and corporate culture, faced significant challenges integrating Nokia's hardware-focused and engineering-driven environment. This cultural mismatch led to internal conflicts, a decline in employee morale, and ultimately, Microsoft writing off the majority of the acquisition cost.

Examples of this can be found readily on M&A sites. If you don't know the answer to an employee's question, simply admit it and let them know when you will have an answer for them. This simple gesture will win over your new employees and build trust. Walking the walk and being transparent with newly acquired employees is critical to a successful integration.

RETAINING KEY TALENT: THE MAKE-OR-BREAK FACTOR

The departure of key employees post-acquisition can significantly impact business continuity and performance. Retention isn't just about financial incentives; it's about making people feel valued. Organizations that succeed in M&A prioritize employee engagement through:

Early and Frequent Communication - Silence breeds speculation. Employees need clarity on their future in the organization. Leaders should over-communicate rather than under-communicate during integration. Spending time at the acquired company and building relationships will improve communication and employee feedback.

Cultural Due Diligence - Just as financials undergo due diligence, so should company culture. Understanding what drives employee motivation in both companies allows for a smoother transition and targeted retention strategies. This can be very detailed or simple—review artifacts, how people are rewarded, how work gets done, and the decision-making approach. Answering these questions for the acquired company and comparing them to your company is key. The gaps are where you should focus to ensure a successful cultural integration.

Empowering Middle Management - Middle managers are the bridge between leadership and employees. They need to be equipped with the right messaging and tools to guide their teams through uncertainty. They need answers to their own questions, as well as answers for employee inquiries. Supporting this group of acquired employees is critical.

Aligning Values and Mission - Employees are more likely to stay engaged if they believe in the company's direction. Reinforcing a shared purpose and demonstrating commitment to core values can unify the workforce. Before acquired employees get engaged, we must answer the WIFM (What's In It for Me?) questions. Will I have a job? What is my pay? What about benefits, job titles, managers, bonuses, and stock? Answering these questions is crucial.

M&A SUCCESS STARTS WITH PEOPLE

While financial projections and operational efficiencies matter, no M&A deal can reach its full potential without addressing the human element. A people-centric approach—one that fosters trust, retention, and cultural integration—ensures that an acquisition is not just a transaction, but a transformation.

Companies that invest in their people post-M&A don't just survive—they thrive.

Rey Ramirez is cofounder at Thrive HR Consulting, a minority-owned HR advisory that provides value-based HR support for mergers and acquisitions, C-Suite executive coaching, employee relations, DEI and belonging, performance management, employee

engagement, and talent acquisition.

Microsoft, Nokia, Reynaldo Ramirez

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