

# WORKPLACE STRATEGIES

**People.Management**

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## **Human Capital Restructuring**

“Having the company you work for acquired is probably the worst thing that can happen to somebody, other than the loss of a family member... All the things you have learnt, all the truths you have known – your boss, where you get your paycheck from, your security – change in one day.”

**Jack Welch, CEO, General Electric**

Companies undergoing a restructure traditionally consult financial advisors and corporate lawyers; invariably if the deal looks financially secure and legal arrangements can be agreed, the restructure is put into place. We believe that these traditional sources of advice ignore a factor that is crucial to the success of the restructure; the human capital element.

Workplace Strategies has set about becoming a pioneer in managing the human capital side of restructures, particularly mergers & acquisitions, and it aims to become the foremost expert of managing the people element of workplace change in South Africa.

### **People + Change: What's the issue?**

Statistically, corporate restructures are more likely to fail than succeed, particularly if measured on the basis of an increase in shareholder value. Up to 70% of mergers and acquisitions are not successful and only 17% actually add shareholder value. Whilst there can be a variety of reasons for restructures to fail in their objectives, common to most unsuccessful restructures is a failure to effectively manage the human capital side of the restructure: the people element.

We believe that a company's human capital and leadership skills are two of its most important assets and worthy of protection. Too often these 'softer issues' are ignored, to the detriment of the restructuring process. There can be little doubt that it is a human trait to be resistant to change and that times of change are often characterised by fear and suspicion. This need not be the case. If proper consideration is given to managing the people side of a restructure, an organisation can avoid the usual consequences; the loss of key personnel, dramatic falls in productivity and escalating levels of employee absenteeism.

### **What can be done?**

Our human capital program varies between clients, depending on the nature of the restructure. Common to all programs is the need to undertake two fundamental processes; consultation and communication.

If the restructure takes the form of a merger & acquisition, pre-merger the focus of our program is firmly on consultation, particularly with senior managers privy to the restructure. Consultation efforts are aimed at engaging senior managers as to how they believe the restructure can be successful, evaluating the workplace culture of the 'acquirer' and appraising the senior manager's knowledge of the acquired. An assessment of the acquired's human resource system is undertaken, as is a skills development audit. Staff retention strategies are adopted, particularly in relation to personnel who are key drivers of the restructure.

Once the restructure is announced, the focus shifts from consultation to communication. Managing the dissemination of information during a restructure is crucial to successfully implementing change. Accordingly, we develop a communication strategy that regulates what information is to be disseminated, when it is to be disseminated and in what format. Part of the communication strategy involved appointing 'Change Champions'; individuals entrusted with being key drivers of the restructuring within the workplace. Post-merger, the need for consultation remains but the focus shifts to engaging staff of the acquired company. Again there is a need to assess the human resource system and skills development requirements of the acquired company. Staff retention strategies are implemented, conflict resolution techniques are used (where necessary) and over time, the workforces become fully integrated.

### **What are the results?**

Our human capital restructuring program aims to bring about the smooth implementation of workplace change. The success of our programs is measured by a number of deliverables; productivity levels, key employee retention, workforce satisfaction and (ultimately) positive effects on shareholder value.

If you are contemplating buying a business or have identified a need to restructure your organisation, talk to us about how you can protect your human capital.