How “Clean Teams” Can Accelerate Mergers and Acquisitions

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This paper explores the growing popularity of clean teams and how HR can leverage them to accelerate integration planning and capture synergies during mergers and acquisitions.
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In large mergers or acquisitions, companies often face a vexing dilemma—how to quickly realize projected synergies soon after the transaction closes when the two organizations are prohibited from fully sharing information until then.

To address this challenge, many organizations have begun using “clean teams” to conduct integration planning during the announcement-to-close period. This paper provides a high-level overview of clean teams and how HR can leverage them to accelerate integration planning and capture synergies.

Why Clean Teams Are Growing in Popularity

Once a large transaction is announced and until it closes, regulators (the Federal Trade Commission, European Union, etc.) mandate that the two merger partners operate as independent entities while the agencies evaluate how the combination impacts the competitive market. Although integration planning is permitted, the two organizations must act as separate entities. They are prohibited from sharing competitively sensitive information such as customer lists, pricing data, and certain vendor contracts until regulatory approval is granted. This creates a challenge in that some of the information that is critical to post-close decision making is off-limits.

To enable comprehensive integration planning, many organizations have begun using clean teams to gather information, analyze scenarios, and make preliminary integration decisions prior to deal consummation. These clean teams operate under strict protocols that enable competitive or confidential information to be aggregated and summarized in a form that helps leadership review the analysis about the future combined organization without violating competition laws.

Clean team membership is typically restricted to a select few individuals within the merging companies. (This is necessary because in the event that the merger agreement collapses, people who have access to competitive information will be prohibited from returning to any part of the business that competes with the merger partner.) The rest of the clean team is comprised of outside, third-party resources such as lawyers and consultants who can view both parties’ information and conduct “what-if” scenarios for the combined organization.

This team works within a structured environment in which recommendations are developed and subsequently shared with leaders of the integration program. This gives leaders a head start on critical integration decisions that will shape the combined entity.

While clean teams are not appropriate or necessary for all acquisitions, they are becoming more common in large, complex transactions where the deal model projects significant synergies shortly after close. Clean teams also are helpful in ensuring a smooth and seamless day one experience for various stakeholders (e.g., customers, employees, communities) affected by the transaction.
How HR Is Using Clean Teams

Within HR, clean teams help to address people integration challenges. In many instances, compensation, benefit costs, and vendor contract information can be subject to clean team restrictions since that information may be deemed proprietary or competitively sensitive. In addition, staffing information about key talent (e.g., executives, those holding proprietary information, the sales force) may also be subject to clean team protocol.

The Clean Team Process

The overall clean team process is typically governed by the overall integration program office. Within HR, clean teams typically engage in the following steps:

Step 1: Interpret merger strategy within the context of HR
In most mergers, there is a stated overall strategy that cascades directly from the integration program office. HR clean teams then need to translate this strategy into specific implications for HR. For example, what implication does a “best-of-both” strategy have on people, the organization, and HR programs? How does a “clone-and-go” strategy play out on a global scale? The interpretation of the merger strategy is an important first step in clean team activity since it sets the foundation for all future integration decisions and recommendations.

Step 2: Identify and vet the integration decision criteria
It is impossible to make a quality recommendation unless there is clarity around what is most important when making integration decisions. For example, a decision to grandfather certain benefits may align with employee impact concerns but conflict with cost-saving objectives. All integration decision criteria should be explicitly communicated and understood by the clean team and signed off by the integration program management. This begins with identifying decision factors (cost, employee impact, compliance, culture, etc.) and determining the priority of each. This is particularly critical in clean team situations where senior executives are asked to review integration recommendations but have little access to the underlying data upon which the recommendations are made.

In many situations, the biggest hurdle for clean teams is gaining concurrence on the decision criteria that align with the merger strategy. Many organizations make the mistake of jumping directly into data gathering, analysis, and recommendations without fully vetting decision criteria. This can lead to an inefficient process and, worse yet, recommendations that don’t align with the strategic intent.

Step 3: Determine the data-gathering approach
One of the primary roles of clean teams is to figure out what data are needed and then determine how to effectively and efficiently obtain that data from the merging entities. For HR, this can be particularly challenging in global transactions if the data are not stored in one global HRIS, payroll, or benefits platform.

The HR clean team must determine the right process, tools, and staff required to collect and verify the data from both organizations. This is typically done through standard templates or online tools that enable rapid data capture. In situations where the data already reside in common databases at each company, the clean team can then be given access to each of the respective systems so that analysis can begin immediately.
Step 4: Analyze the data in light of the decision criteria
Since the information needs to be analyzed and presented in a manner that protects confidentiality, it is critical to tightly control and coordinate the data analysis process. Analysis and subsequent reporting need to be in a clear and consistent format that helps decision makers make apples-to-apples comparisons of HR/people issues across the combined organization.

HR analysis is multi-faceted and depends upon the HR domain in question. For example, in the area of total rewards, analysis typically includes commentary on headcount, cost, market, regulatory compliance, and employee impact. It also can provide insight into change management and transition issues. For vendor contracts, it focuses on costs, terms and conditions, service levels, out-clauses, and other related items.

Step 5: Develop recommendations and alternatives
Most clean teams are then charged with aggregating data and making preliminary integration recommendations. These need to include the integration recommendation and a clear and concise case for how it aligns with the merger strategy. When there is disagreement on the recommendation, clean teams should consider outlining a “Plan B,” with commentary on why this plan may make sense as an alternative course of action.

It is also important to address interdependencies that may impact the team’s recommendation. Doing so helps to ensure that decisions are well-informed.

Step 6: Obtain approval
Finally, approval is then sought from the overall integration program office. This process is typically managed and scheduled in a cadence that includes all functional and cross-functional integration teams.

For More Information
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