HR Delivering M&A Success: GEFCO Customer Spotlight
Taking all feasible HR challenges and opportunities into account

About GEFCO
GEFCO is a French-headquartered global logistics company, present in over 45 countries, with some 12,000 staff. In October 2015, it acquired the 500-employee strong Dutch freight forwarding company IJS Global.

Leading the way with HR
Stéphane Milhet, Executive Vice President Human Resources of GEFCO, was involved in the early stages of the acquisition of IJS Global, where he ensured that all HR aspects of the integration from strategy, feasibility, difficulties and opportunities were taken into account to ensure a successful transition for the HR systems, processes and employees. This included working with external partners to undergo a pay and benefit risk assessment to have a very clear view on headcount and all associated costs.

According to Stéphane Milhet “the retirement pension is probably going to be your most exposed risk. Especially when your demographic is trending high, meaning that quite a number of people will retire in five to 10 years from now. Then when you look at bonus and salary practices, do we see any split payroll activity? In some companies, there could be an inflationist bonus structure you have to serve even if the company is not performing.”

“In a business that has limited gross margin, you want to make sure that your cost base and people investment are very much under control. When I talked to their HR people I asked them to immediately give us their hiring plans, so that we know where they are at.”

Stéphane Milhet, Group Head of HR, GEFCO

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Knowing the HR challenges in M&A is key

The costs of getting an M&A wrong can impact a business for years, if not decades. An understanding of the culture, compliance and IT challenges are needed to ensure success. Getting these three right requires a depth of experience and expertise.

Culture

More M&A deals fail because of unresolved cultural issues than anything else. Merging two businesses comes down to culture, it’s about bringing together two different groups of people. All the strategy, consolidation and efficiency gains you hope to achieve will only work if the people voluntarily and enthusiastically become one.

Compliance

A lot of the M&A risks revolve around payroll compliance. Failing to address them can open up the organisation to fines, reputational damage and high staff turnover. Understanding the specific legal requirements, is essential for any organisation wishing to remain on the right side of the law during an M&A.

Technology

IT and HRIS is crucial in ensuring that HR is able to communicate effectively during the integration progress, and has access to the right information to manage payroll and employee benefits correctly.

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Ask the right questions
All foreseeable HR challenges and opportunities were taken into account, says Stéphane Milhet: “We want to understand with some depth and clarity: What and where are the competencies? What are the strengths? How do we make sure we retain talent? What do we have to do from a cultural merger perspective? How do we smoothly merge the cultures? How do we make sure we merge the cultures without being too brutal? Or how can we make sure that we balance an integration accelerated process versus getting employees’ buy-in? These crucial points are discussed during our M&A meetings. It’s not only about the target company, it’s also about our people, the operation, and how you can do it successfully.”

Then it’s integration. “Merging the two HR departments was a relatively simple process, as IJS Global had a very decentralised model and were more or less very self-sufficient in many areas… So from an HRIS stand point, it was easy to take the decision to migrate to the GEFCO system.”

Take time and work with a partner
From a payroll software perspective, the IJS Global staff will move over to the GEFCO system within a year. “We decided to take a year to really stabilise everything. We don’t want to initiate too many changes too quickly.” The company’s outsourced payroll provider was instrumental in preparing the integration of the HR and IT systems. “They do two things for you: (a) they standardise your approach and (b) they give you more control. They give you more standardised access to data – that’s one of the strong points of the HRIS system we use, because it’s very light it doesn’t require weeks of development and interfaces to be working. It makes it much easier to ensure that your new practices are implemented properly.”
Bringing in HR early in the process is key

The integration has been successful, Stéphane Milhet believes, because of the ease of HRIS integration and the early involvement of HR in the M&A process: “It would be interesting to understand from my colleagues from other companies what they do and how they do it. I think unfortunately it’s typical that HR is associated late in the process. That makes the risk assessment around social integration much harder. For example, if you buy a company that is based in France or Germany, you need HR to understand the implications if the company is unionised, and so on.”

Integrate systems as much as possible

Now, Stéphane Milhet is working on integrating HRIS systems globally. He is working towards his “dream” of a “stable solution for time and attendance that is interfaced with payroll and works worldwide. Basically, as much as we can, when it’s possible in the different countries, we will retire the payroll system that exists and include those payroll systems into the centralised, outsourced system.”

At a global company the size of GEFCO, future M&A activity is almost inevitable. By moving the Group onto a single centralised system, “my perspective is that an outsourced payroll solution is perfect.”
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