

Best contribution to merger and acquisition integration

GKN Aerospace



Left to right: James Johnston, HR director; Cameron Hutchison, consultant with the Hutchison Group which played a major part in the deal

The HR team at GKN Aerospace deservedly takes this year's M&A title. The acquisition of a Boeing manufacturing business in Missouri was always going to be a huge challenge for the business, but encouraged by a display of HR excellence from start to finish, it has been a great success.

As HR director James Johnston says, 'It was openly discussed by both parties during the acquisition process that there would be no acquisition unless the GKN HR team could develop a strategy to reduce costs dramatically, increase productivity and efficiencies, and then negotiate an agreement with unions to adopt these changes.'

The acquisition was a vital part of the GKN business strategy. Following a painful year of restructuring and consolidation in 2000, the company was looking to grow. In particular, it wanted to become a strategic partner to the likes of Boeing – and to see if GKN could go some way to managing Boeing's supply chains. It says a lot for GKN that in negotiations Boeing committed itself to purchasing components from the base under the new management.

But it was a huge task for GKN. Boeing's decision to sell was undoubtedly influenced by the plant's

high labour costs, restrictive work practices, unionised environment and the plant's history of strikes. For a UK-based company to successfully integrate into this environment – with more than 1,000 employees and no dip in the annual sales of over \$300 million – is a fantastic achievement.

It certainly helped that Johnston had developed a thorough due-diligence programme just prior to the acquisition. Key issues evaluated included labour costs, employee benefit programmes, union agreements and key personnel assessments.

The judges also applauded the way communications were handled. During the six-month period to completion, GKN launched an impressive campaign. MD Kevin Smith met with a key union president, and working groups met with union representatives and floor managers. There was also contact with local community leaders to establish GKN's commitment to the community.

Working with outside consultants also paid off – the company was able to secure almost \$500,000 in training funds from the state of Missouri. And employees not offered employment with GKN remained with Boeing – so no redundancies. GKN is also the overall HR award winner (see page 5).

The criteria

It was important that 12 months had passed since the deal. The judges assessed the communication strategy, the involvement of HR in the decision-making process and the measurement and tracking of critical success factors.

Short-listed

GlaxoSmithKline UK

What a challenge to manage this latest mega-pharma-merger. And it was handled excellently, said the judges. 'The HR team should be immensely proud.' They were especially effusive about the way the potential minefield of cultural change was handled. GlaxoSmithKline won the strategy award (see page 9).

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