

MAKING OPERATIONAL CHANGES? DON'T OVERLOOK HUMAN CAPITAL ISSUES

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Every day businesses make changes to their traditional operations: expansions, reductions, mergers, partnerships, joint ventures, or acquisitions, which can create new opportunities to improve, refine, or streamline business operations to enhance their competitive edge in the marketplace.

While these changes may look great on paper, overlooking critical benefits and related human capital issues can weaken any gains and even kill potential deals.

Human capital concerns and employee benefits are often not accounted for when researching the viability of an expansion, partnership, merger or acquisition decision. However, these issues can be stumbling blocks for companies wanting to complete a successful business deal.

The following checklist will help you identify human capital and benefits issues and plan for a seamless transition of operations:

1. Develop a detailed list of all benefits. Review the details and list assets and liabilities for every benefit plan written in the past six years. Examine every benefit option, including the older, defined plans with tenured workers. Thoroughly analyze every perk and agreement, from insurance plans and vacation days to stock options, travel allowances, and expenses. Understand how they have been implemented. Assess whether there is consistency in the application/approval of benefits, or are modifications made in special circumstances or to individuals classified in specific employment levels.
2. Review labor contracts to understand written agreements, especially as related to changes in benefits due to mergers or acquisitions. Review employee complaints and any litigation concerns.
3. Review contracts with benefits partners and third-party administrators. Examine the agreements to understand operational and payment policies. You may need the assistance of labor professionals to ensure all government regulations are being followed. Assess the costs of continuing these plans versus terminating the contracts and renegotiating them for lower rates for a larger group size.
4. Develop a composite list of your research. For partnerships, mergers or acquisitions, list plans and agreements of all companies involved. Compare the lists for significant variations in benefits, eligibility differences or benefit contribution packages. Identify and address discrepancies, and prepare a plan for integrating the benefits. If employees lose benefits or perks through a deal, low morale may become an issue and some employees may opt to leave rather than lose benefits they value.

5. Design an employee communication plan to announce operational changes. Poorly communicated plans can cause decreased employee productivity and higher levels of turnover or absenteeism, and inhibit employee recruitment efforts. Explain expectations for growth and how the change fits the corporate culture. Address employees' fears and concerns.
6. Develop a master benefits "to do" list of the due dates for filing forms, making contributions to benefits premiums or investment plans, paying taxes, or negotiating labor agreements. Regularly review this list to ensure these important activities are not overlooked.

Expansion, partnerships, mergers and acquisitions can provide exciting opportunities for companies. However, potentially huge liabilities await companies that fail to do their HR homework before an agreement is complete. A thorough understanding of each company's benefits and human capital issues, as well as an effective plan to communicate changes to employees, will maximize the advantages of consolidation and growth.

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For assistance in understanding insurance plans and carrier choices, or comparing coverage options, contact the Ameritas Group marketing department at 800-776-9446.