Preparing For M&A: The Critical Role Of Employee Data

Corporate transactions can be fast and furious. Often, as an HR professional, you will be asked to pull together information to provide to a potential buyer at very short notice and possibly without the full picture of scope and activity. The buyer is trying to understand your company, often in a very compressed timeframe and without full background or context. This will inevitably lead to questions as they analyse the information provided which you will also need to respond to rapidly. It can feel like a whirlwind.

There is often very little warning that this 'whirlwind' is about to arrive, which is why many global HR professionals are putting M&A playbooks in place and cleansing data when there isn't a live transaction, so that they are ready to go when it does happen. Playbooks often cover how to prepare data for a buyer during their due diligence phase, how to approach carving out a section of the business, or - from the other side - how to review and integrate a business being brought into the organisation.

In this article we will focus on the due diligence phase, when there are the shortest timeframes and thus the most benefit in preparatory work. We are also going to focus on the employee data that is provided to the buyer, as this will form the basis of a large part of their analysis. If there are discrepancies in the employee data or between question responses then this can quickly erode buyer confidence, potentially leading into a spiral of ever more detailed review. If a buyer is unconvinced that the employee population presented is accurate then this can also potentially lead to an adjustment to the purchase price of the transaction, as they contemplate the accurate population required in the future.

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Employee Census - Baseline Position

In a transaction, typically an anonymised individual employee data file will be shared to explain the employees within the perimeter. This file might include job title, location, full-time equivalent presence, years of service, grade, department/function, employing entity, salary, bonus and benefit details. This is not an exhaustive list and the data available for sharing will depend on what information is captured in the HR system and the appetite for sharing this data with a potential buyer.

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Based on this file, the buyer will be able to start understanding the company profile in more detail and analyse the make-up of employee costs that they will potentially inherit. As part of this analysis, a buyer might benchmark the size of back-office teams relative to the business as a whole, benchmark salary and bonus against the market and/or their own levels and consider real estate solutions for the future business. The buyer will ask questions to clarify points as they work through this analysis and may wish to talk directly to the HR team, including sub-functions, to understand how the data has been collected and validated.

Preparation in advance of a transaction to ensure global workforce data can be prepared quickly and accurately will help this process run smoothly. Although it may seem a simple request on the face of it, there are some common issues and questions to be aware of:

Data Quality

Employee data is useful for a wide range of situations as well as in a transaction. However, it is in a transaction that an external party will likely crawl through data and identify issues with a more forensic approach. Some common data errors that could be cleansed in advance include missing data which makes it appear that service or age are infeasibly high, incorrect dates of birth, confusion in the department/function recorded or duplicate employee IDs. Data might also be missing or held across multiple files, for example right to work information or bonus records. Naturally, when sharing data across entities local data protection legislation should always be considered and adhered to.

Stitching Data Together

Employee data may be spread across several systems and formats, particularly where there have been previous acquisitions that are not fully harmonised and where there are populations in different countries. Combining data sets to achieve a holistic, global view can be difficult as data elements are often defined in different ways and the 'unique ID' may only be unique to one system/country. A pre-agreed process can define how to assign a genuinely unique ID across the enterprise, for example, by combining country name or initials with in-country numerical IDs. The process can also agree which fields will be provided so that each country/system can work to fill in data gaps in the key fields and prepare reports which export only the required information.

It may be possible to leverage work being done, and data being gathered, for other purposes, avoiding duplication of effort. A live example is that many organisations are currently preparing for the incoming EU Pay Transparency Directive (referenced in the Deloitte article - Summer 2025 IHRA edition), with activities including developing/reviewing a globally consistent job architecture, reward structures, data gathering and rationalisation etc., all of which would be highly complementary to the production of a global workforce census.

Different Categories Of Employees/Workers

There may be many different types of worker within a business – permanent employees, independent contractors, seasonal workers, interns, employees on a retirement

part-time plan etc. In a global company there will be even more variation by country in terms of how workers are engaged and who is considered part of the worker population. This can easily lead to data being skewed by, for example, one country including their interns (often all recorded in HR) and another not including anyone except permanent employees. A full exercise to understand the different categories of workers in each country and to define global principles for who is included in the employee census and who is reported separately will help minimise future questions and confusion.

Mobility Considerations

Linked to each of the points above, the presence of globally mobile individuals within the workforce brings a further opportunity for complexity. Establishing a consistent approach to defining and capturing these individuals will ensure no duplication or omission. For example, when compiling the employee data set, where will you record individuals who are employed in one entity but seconded to another? Does the financial data set capture assignment premium elements, e.g. cost of living allowance, and non-standard benefits such as schooling, immigration costs and tax support? Providing a global workforce overview, i.e. number and location of assignees, assignment start/end dates (important to quantify ongoing costs as the 'tail' can last for a number of years post-repatriation) and immigration and tax compliance status may appear simple, but is a challenge that few organisations can easily meet on demand.

Non-Standard Mobility – Extending The Perimeter Further?

It is increasingly common that global organisations allow international remote working to varying degrees – whether within the permanent employee group, e.g. extending time spent overseas on holiday to incorporate some working time, or via permanent cross-border arrangements which allow for work to be (wholly/mainly) performed in one location whilst the individual is resident, and may perform some work, in another. Many businesses now engage with Employers of Record (EORs) for a variety of reasons, including facilitating remote working arrangements where there is no business entity in the desired work location. There is a question for businesses to answer as to whether individuals engaged via an EOR are included in the employee data set.

Buyers are increasingly aware of the risks (and costs) that international remote working arrangements may generate, whether in terms of overseas taxes, employer compliance obligations, and/or exposure to employment law issues, particularly relevant if it is anticipated that any transaction will include or be followed by changes to employee numbers, or the termination of any bespoke or third party arrangements.

As the composition of the global workforce, systems, HR teams and typical requests in a transaction all evolve over time, this is an ongoing required exercise in familiarity and testing of employee data rather than a one-off event. Agreed principles and processes in a handbook can provide a baseline for checking for anomalies and onboarding new teams and systems over time.

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Carve Out Of A Population

The considerations so far all apply to an entire business being analysed by a potential buyer. There is an additional level of complexity if part of your business is being carved out for sale and the buyer only needs to know about the specific population that they could be acquiring. Defining that population is in itself a difficult task, as some employees may work across both the target perimeter and other parts of your group (in particular back-office support staff), as well as the logistical and practical difficulties of gathering and presenting the correct data.

To define the in-scope population, typically the starting point will be to consider how much time each employee spends working on the target business. This might be straightforward for direct employees but require a more in-depth time analysis or estimation for support staff. Other considerations might be the identity of the likely buyer (a corporate may be better able to supplement back-office support from their existing business than say a private equity investor) and the plans and needs for the remaining business. HR professionals should consider the following complexities when defining and preparing the carve-out population data:

Legal Consultations

In many countries, work councils, unions, and employee representatives need to be consulted about any employee transfer. The initial draft of the in-scope population must not pre-judge this consultation process and any selection activities that may take place. This is especially important when there is a risk of redundancies as a result of the carve-out. The employee costs associated with the target business can be estimated on a grouped and role basis initially rather than considering individuals, for example by making an assumption that around half of the ten-person payroll team will go with the target and half will remain with the vendor so that each business has sufficient capacity to run payroll but without defining which people will be transferring.

Mobility Considerations

Global workforce mobility happens within and across group entities, therefore it is important to not only identify the in-scope population (applying the consistent set of principles for the mobile workforce already outlined above), but also to identify dependencies which may exist as a result of intra-group mobility. For example, if a business exiting the group provides visa sponsorship, payroll support or holds contracts with mobility vendors providing support to mobile employees within a remaining entity, there may be additional costs, resources and actions required to deliver services to the same standard post-transaction.

Bespoke cross-border or remote working arrangements, which may be supported by use of an EOR in some cases, are often used to engage key or senior talent. Buyers will wish to be made aware of bespoke arrangements or use of third parties in the provision of individuals they may expect to be within scope as regular employees.

Benefits Separation

The employee costs will be influenced by the benefits that are provided including pension, medical insurance, and company cars. Initial planning for the carve-out should identify if there are entangled group-wide benefits that will be difficult to separate and have a cost and timescale implication. One example of this might be identifying employees who are accruing benefits in a Defined Benefit pension plan as the inclusion of these employees in a carve out could trigger exit debt payments, the need to stand-up new future pension provision with associated cost changes, consultation requirements,

and pension trustee negotiations. If the census lists benefit enrolments, then these implications can be quickly identified and built into the planning, rather than needing to be cross-checked across multiple files.

HR Function Capacity And Alignment

The HR workstream needs to consider the employee population as a whole but also any split of the HR function. This will involve applying the same principles about allocation of time to HR function work on a sub-function basis. Global mobility teams are often found within the HR function rather than within the tax team, for example. However, the HR (and mobility) function will itself need to support the transaction and any subsequent change and transformation and so the capability and capacity to do this should be assessed. This may involve using external support to supplement the team for a short period of time through the transaction and/or it might direct more resource to one side of the business where future change is expected. This assessment and the expected costs will be important for the buyer to understand so that they can be comfortable the estimated HR function costs are sufficient but not excessive.

Once the carve-out population has been defined and well understood internally, there will still be a question of what information is shared with the potential buyer. This is often a debate during a transaction on when and how much to share. Earlier sharing of detailed plans may invite additional questions and scrutiny, and may also anchor the position too early before detailed work has been done to explore all of the implications and carry out consultations. However, sharing the detail too late in the process can mean that a buyer has low confidence in, and visibility of, the business they are acquiring, which might mean the transaction fails or is priced incorrectly. The principles for what will be shared and when, and the required caveats, assumptions and explanations that need to go alongside the data, can all be preliminarily agreed before the short timescales of a transaction itself.

Forward Planning Pays Dividends

Spending time to improve the quality and consistency of global workforce data will be beneficial in many areas of the business, but particularly when faced with the short timescales of a transaction. On an ongoing basis, the different systems used to manage data in an organisation might be harmonised or improved to help produce data more quickly and efficiently. However, even without systems change there are steps that can be taken to review and improve data quality.

An M&A playbook setting out the principles for approaching a transaction, the sharing of data and the process for separating an organisation is also a key part of preparation for a transaction. Building the playbook outside the short timescales of an M&A can allow time to discuss and debate the different approaches and obtain buy-in across the organisation. Understanding the likelihood of M&A activity, and agreeing with the wider business some core principles around approach to and timing of data sharing etc. is another argument towards the importance of strong relationships between HR, mobility and senior stakeholders from across the business.

In all areas of preparation, as well as in the heat of the transaction itself, we recommend collaborating across different functional areas within the business to determine principles and produce required data. Different key questions and concerns will emerge from people working in HR to those working in tax, legal, pensions etc. By socialising the data and plans across different areas, you are more likely to uncover the key questions and be prepared with answers by the time a buyer raises them with you.

These areas might seem like simple steps and not urgent to address. However, from experience of many transactions these areas can hide deep pitfalls. Your future self, embroiled in an M&A, will thank you for the preparation time spent now.

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