European Foundation for the Improvement of Living and Working Conditions

EMCC company network

Managing change in EU cross-border mergers and acquisitions

Case example Danske Bank and National Irish Bank: Viking raider is knight in shining armour

european monitoring centre on change

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The European Foundation for the Improvement of Living and Working Conditions organised a seminar for its company network on November 29–30, 2007, hosted by Santander at its corporate headquarters in Madrid, Spain. In intensive discussions over the two days, 32 representatives from companies, trade unions, universities, research organisations and the European Commission discussed the management of change in EU cross-border mergers and acquisitions (M & A). The Danske Bank/National Irish Bank case was presented jointly by Søren Rahbek, Senior Vice President responsible for Human Resources Development at Danske Bank, Sean McGrath, Head of Human Resources at National Irish Bank and Larry Broderick, General Secretary of Irish Bank Officials Association (IBOA).

Background to the companies

Danske Bank is a leading Danish bank. In the last 17 years, it has gone from being a regionally based, Scandinavian bank operating in Denmark, Sweden and Norway, to a northern European 'regional champion' with retail banking services and holdings in Denmark, Finland, Ireland, Sweden and the Baltic countries.

National Irish Bank was previously owned by National Australia Bank; by 2005, the bank brand and reputation had suffered from a series of financial scandals (including cases of bank staff defrauding customers), skilled personnel had left, morale across the organisation was low and – despite being at the height of the 'Celtic Tiger' economic boom – the company was failing to be as profitable as its rivals. The bank also had little in the way of modern technological infrastructure and needed a complete reorganisation to become a solvent institution in which consumers could once again trust.

Background to the merger

During 2004, Danske Bank sought to reorganise its strategies around its core competencies as a bank and to grow across different markets. The company decided to concentrate on retail banking and to develop an exportable strategy that could be implemented in the companies that it acquired. A common set of financial practices, policies and human resource strategies was developed that could travel across borders. Danske Bank has also developed a common information technology (IT) platform that all acquisitions use, together with a common set of exportable rules that are used in all the countries in which the bank has operations.

Danske Bank's involvement in National Irish Bank in 2005 thus began as a result of a move within the organisation to move to build global volume, in the awareness that, despite being a large bank within Denmark, globally the bank was still a small player. Mergers and acquisitions were seen as strategic moves to gain volume and synergies.

National Irish Bank's employees were represented by the Irish Bank Officials Association (IBOA), a group which had had a bad experience with its parent group in terms of staff morale, performance and poor investment. When National Australia Bank announced that it was putting National Irish Bank up for sale, the union voiced concerns on behalf of the employees over the potential nature of the sale. They were worried that the bank would be sold to the highest bidder regardless of any commitment to the future of staff and customers, and that collective redundancies would occur. IBOA therefore took a very proactive approach in pressuring National Australia Bank to keep the staff and customers' agenda to the fore and sought to remind the company that keeping jobs and a wide range of services was just as important as the selling price of the bank.

The lead-up process

When Danske Bank expressed interest in acquiring National Irish Bank, it was invited to participate in the due diligence process, and the human resources (HR) division was fully involved from the beginning. Central to this process was looking at how to run this particular bank in terms of its people – its current managerial practices and internal organisation, the interaction of staff with customers, and the level of technical skills available. A central element of the pre-merger process was social dialogue: Danske Bank prided itself on the good industrial relations it had always maintained in Denmark and had integrated industrial relations as a strategic focus of its HR division.

When they were notified of the sale, IBOA immediately contacted the Danish unions working with Danske Bank. The development of these relationships with colleagues on the Danish side allowed for IBOA's concerns to be proactively fed in to Danske Bank management in a positive way. In addition, IBOA found that Dankse Bank's approach was influenced by an ethos of cultural change. The company was tough and highly focused in terms of its business needs, but Danske Bank also listened to the messages coming from the union, relayed these messages as necessary to management and union colleagues and fed responses back throughout the bank. Although the bargaining process was not always easy for everyone, all sides of the table were open to negotiation and this flexibility and transparency allowed for a productive result. These early negotiations allowed National Irish Bank to form a relationship with IBOA, but also gave it time to evaluate what kind of change was needed.

The merger

On 16 August, 2005, Danske Bank signed an enabling agreement with IBOA. This made a number of commitments: no compulsory redundancies, share allocations for staff and compensation payments as necessary. The agreement also included a commitment to protecting existing salaries, pensions and terms and conditions of employment and to invest in National Irish Bank itself, rather than dismantling it and selling it off. Importantly, Danske Bank also made a commitment to purchase laptops for all staff: National Irish Bank staff were relatively unfamiliar with modern banking technology and access to a laptop made it possible to greatly speed up their learning process. This was interpreted as a symbolic investment in the employees and a commitment to their future with the company.

A strategic focus was also placed on staff development. Time was taken to establish relationships based on trust and open dialogue: when the merger started, Danske Bank began an extensive programme of investment in training and technology, which allowed staff to engage with the change in a proactive way, in the knowledge that their jobs were already secure. To date there have been 6,000 training days, supplemented by mandatory e-learning modules to be completed from home. Half the members of the new National Irish Bank management team came from outside the bank, and, with union cooperation, were able to create a climate of change and develop a performance culture. A third of National Irish Bank staff have been sent to Denmark to develop a better understanding of the operations there; in addition, feedback has been gathered on an ongoing basis from staff to understand their perceptions of the changes as they occur.

Dealing with challenges

Both National Irish Bank and IBOA faced a unique set of challenges when confronted with the need to take a bank with significant challenges, turn it around and make it a successful player in the Irish market again. National Irish Bank had to gain the trust of the staff and union representatives while making the sweeping changes required to put the bank back on track. It managed to do this by engaging with the unions both directly, through IBOA, and indirectly, through Danish trade union representatives. Meanwhile, Danske Bank signed an enabling agreement committing to no redundancies and job security and invested in the bank itself in order to put it back on its feet. Comprehensive communication plans were developed to ensure that all relevant stakeholders had access to information on the changes, in the form of newsletters and union communiqués, and staff buy-in was actively sought throughout the process of change.

IBOA needed to be involved and proactive in understanding Danske Bank's motives and plans for the bank and to use these open information channels to communicate the priorities of their union members and ensure their jobs were safe. The multi-stakeholder approach used by Danske Bank in this merger was a key factor in its success, despite the many different challenges that confronted both parties as they learned to work together. The approach could be presented to all parties as a win–win situation: this made it easier for IBOA to get its members to engage with the change process and feel genuinely involved.

Outcomes and lessons learned

Since joining Danske Bank, National Irish Bank has seen increased sales; in addition it has returned to profitability, expanded the number of branches and won awards for creativity and banking practices. The bank now has lower staff turnover than the Irish average and is attracting fresh talent. Surveys show that its employees score above average in their level of contentment with their jobs. Although performance improvements have been relatively modest to date, the bank feels confident in its investment in the long term. Both parties strongly emphasise the need for understanding that change in the current climate is a constant process, and that it is how this change is managed that can determine success. Focusing on training and communication is key to this approach, but this needs to occur at all levels of the organisation – not just the managerial level. National Irish Bank's engagement with the union, consistent strategy and win–win multi-stakeholder approach have allowed it to import successful practices into a struggling bank and bring about positive change for its employees in terms of increased satisfaction levels, job security and training investments.

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EF/08/04/EN 2