TRANSFORMATION INSIGHT: INTERNATIONAL HR DUE DILIGENCE – MORE THAN JUST PAPERWORK

FROM LOCAL HR DATA TO BETTER INVESTMENT DECISIONS

THE CHALLENGE WAS NOT GATHERING HR DATA, IT WAS TURNING TEN DIFFERENT EMPLOYEMENT SYSTEMS INTO ONE COHERENT COMMERCIAL PICTURE

International HR due diligence is often perceived as a document collection or compliance exercise. In reality, it's a critical value creation lever in complex cross-border acquisitions. It lies in translating local organisational realities into commercially meaningful and actionable insights that support better investment decisions. During the acquisition of a global aviation services business, a PROTEA PARTNERS co-founder led the international HR due diligence across ten major jurisdictions. This helped the buyer to identify integration risks, leadership opportunities and value creation levers that went far beyond the documents provided.

WHY IT MATTERED

The due diligence provided:

- clearer leadership decisions
- fewer integration surprises
- better-informed SPA negotiations
- more realistic people cost assumptions
- higher confidence in execution

Source: Unspash+ & AI

THE BUSINESS CONTEXT OF AN INTERNATIONAL ACQUISITION

Cross-border acquisitions are typically analysed through financial, commercial and legal lenses. Increasingly, however, investors recognise that leadership, people and organisational factors can be equally decisive for successful integration and value creation.

During the acquisition of a global aviation services company by a major player in the industry, one of the co-founders of PROTEA PARTNERS led the international HR due diligence workstream. This covered approximately 20,000 employees across ten key jurisdictions. The acquiring organisation itself at that time employed around 40,000 people in almost 40 countries, which significantly increased organisational scale and integration complexity.

The objective was never simply to collect HR data and review employment contracts. It was to create a commercially comparable picture of people-related opportunities and risks across fundamentally different legal, organisational and cultural environments.

WHY DUE DILIGENCE BECOMES COMPLEX ACROSS BORDERS

International HR due diligence extends well beyond employment law. Reward structures, pension systems, industrial relations, organisational history and leadership practices can differ significantly from one jurisdiction to another.

Most local HR teams had never participated in an international due diligence before. While their responses were technically correct, they were not always commercially comparable.

A simple example illustrates the challenge: Initially, productivity and labour costs per FTE (full-time equivalents) varied considerably across countries. The reason was not poor data quality or significantly differing productivity, but rather different local methodologies for

calculating FTEs based on local employment practices and contractual arrangements. **The numbers were correct. The comparison was not.**

International HR due diligence therefore becomes an exercise in translation, turning local complexity into commercial clarity.

TURNING LOCAL HR DATA INTO COMMERCIAL INSIGHT

It is impossible for one person to be an expert in the employment law and pension system of every country.

The real value lies in having the international experience required to know which questions to ask, to recognise when local practices require deeper investigation, and to understand when specialist legal expertise should be involved. By working closely with local HR teams, legal counsel and subject matter experts, the workstream translated findings specific to each jurisdiction into one coherent commercial picture. This process revealed a range of issues that, while seemingly manageable individually, collectively influenced transaction negotiations, informed SPA provisions and shaped integration planning. Updated executive contracts introducing transaction-related obligations, legacy defined benefit pension commitments and fragmented employment terms following multiple TUPE transfers, complex industrial relations environments and evolving expatriate set-ups required careful interpretation, rather than just documentation.

While none of these findings were a deal-breaker individually, together, they provided a more complete picture of execution risk, informed commercial negotiations and enabled better investment decisions.

HOW HR DUE DILIGENCE INFLUENCED THE TRANSACTION

The value of the due diligence process extended far beyond the identification of HR risks. The findings informed SPA negotiations, retention programmes and integration priorities. They also influenced leadership decisions:

In one country, for example, the target business significantly outperformed the buyer's existing operation. Rather than defaulting to the incumbent management team, leaders from both organisations were assessed against predefined criteria covering leadership capability, performance, organisational knowledge and future potential.

This process identified the team best positioned to create value after closing – based on objective evidence rather than organisational legacy.

BUSINESS IMPACT BEFORE INTEGRATION BEGAN

The outcome went far beyond a due diligence report. The transaction entered integration with far greater clarity regarding leadership capability, organisational risks and people-related value creation opportunities.

Commercial assumption became significantly better informed. Integration priorities became more focused and realistic. Potential execution risks were identified and addressed before they became operational issues. Leadership decisions were made based on a structured and robust review rather than organisational history.

Most importantly, local realities were not only collected but also interpreted in a way that enabled better commercial decisions.

> *The value was not in identifying individual people-related risks. It was in understanding how they would impact value creation, transaction outcomes and future organisational performance*
>
> *Natacha Schauenburg, Co-Founder PROTEA PARTNERS*

Source: Unsplash+ & AI

KEY INSIGHT

International HR due diligence is not just about collecting more information. Rather, it is about asking better questions, challenging assumptions and translating local complexity into commercially meaningful insights supporting investment decisions.

Documents provide information. Experience provides judgement.

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