

CPS' Interim HR Executive Helps Optical Fiber Solutions Transition to New Ownership

Optical Fiber Solutions (OFS), a former division of Lucent Technologies, was sold to Tokyo-based Furukawa Electric and Hickory, N.C.-based CommScope for \$2.3 billion on November 16, 2001. At the time of the sale, OFS had 4,200 employees located in 30 countries; 1,750 of those were located at its new headquarters in Norcross, Ga. Preceding the sale, OFS was operating without a vice president of human resources and was not planning to hire a replacement until the ownership transition was complete.

Given that over 50 percent of mergers and acquisitions fail mainly due to HR and non-financial issues, OFS' new owners recognized the critical need for a seasoned HR executive to navigate the company through the multitude of HR issues associated with the acquisition. Furukawa, with the approval of Lucent Technologies, hired David Brookmire, an executive HR consultant with Corporate Performance Strategies (CPS), to serve as the interim VP of HR from November 2001 through March 2002.

The Challenge: Finding An Interim HR Executive to Address The Growing List of HR Issues

In early November 2001, several outstanding issues needed to be addressed commensurate with close of the sale on the 16th of that month:

- there were many due diligence requests that required immediate responses;
- the new owners were not familiar with U.S. HR practices and needed to be educated;
- the new owners wanted to send an offer letter to all 4,200 employees spelling out the new terms and conditions;
- the divestiture from Lucent required a complete overhaul of the HR function structure, policies, procedures and programs that needed to be started on Day One of the new entity;
- a new CEO was named and needed to be acclimated; and
- a communications plan needed to be planned and implemented that would introduce the new owners and management team.

Though OFS had a small team of HR practitioners, none had the experience or leadership skills necessary to manage the transition to the company's new ownership, as well as the associated HR issues. OFS' general counsel and legal secretary had taken on the interim role of leading HR, but could no longer support the overwhelming amount of work both positions required during the company's sale.

OFS also needed a captain to steer the HR ship during the first few months of the new company's start-up. OFS management knew it would take 90-120 days to complete a national search for a permanent HR executive with labor and HR experience. Meanwhile, there was a large amount of mission-critical work that required attention during this time period including: finalizing the agreement with the union as part of the deal closing; preparing to launch the new fiscal year with executive compensation, annual management

incentive and sales commission plans; designing new health, welfare and retirement plans; managing vendors during the transition; and significantly reducing the workforce shortly after the deal concluded due to declining demand for fiber and cable.

Senior management decided to fill the position on a short-term basis with a proven, interim executive solution; a veteran HR leader who could pull everything together for the sale, seamlessly transition the company to the new ownership and help retain top talent. It didn't make sense for OFS to recruit a permanent VP of HR until the transition was complete. CPS provided OFS with the short-term fix it needed.

The Solution: CPS Bridges the Gap

David Brookmire, president and founder of CPS, began his assignment as interim VP of HR for OFS on November 7, 2001. Prior to OFS, Brookmire had been personally involved with more than 22 acquisitions and divestitures as either the lead HR or total integration executive. Within nine days of his start date, Brookmire completed the outstanding due diligence requests, distributed offer letters to all employees and implemented an employee communication plan that introduced the new owners and management team.

Once the tasks related to the sale were complete, Brookmire began working through the myriad of critical decisions associated with the start-up. He quickly identified the HR issues and tasks that needed to be addressed, organized the HR team to handle the tasks and established a post-acquisition action plan with timetables and accountabilities. In addition, he focused his efforts on key employee retention, new leadership team development, completing the national search for the permanent VP of HR and designing new compensation and benefits.

Now that OFS was a stand-alone company and no longer a division of Lucent Technologies, every HR practice, policy and program had to be reviewed and then updated or changed completely.

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During his six-month assignment, the OFS HR department under Brookmire's leadership undertook the following tasks:

- finalized and announced a new cash balance plan for management employees;
- prepared and started implementing the legal requirements for transferring the management and represented 401k and pension plans;
- started the complete review and overhaul of the health benefits;
- launched a comprehensive employee communications program;
- completed a retention study from internal focus groups and external best practices with specific financial and non-financial actions required to keep key talent;
- finalized and drafted a new long-term incentive plan designed to replace the stock option plan; and
- implemented a new strategy for executive compensation, sales compensation and annual short-term incentive plans for the 2002 fiscal year.

In addition, Brookmire's team had the foresight to renegotiate the company's long-term disability contract, which earned the company more favorable terms and a better price.

Brookmire also took on the role of "team-builder" for the senior management team and reported directly to the new CEO, Eddie Edwards. Through weekly staff meetings and an offsite meeting, Brookmire worked to assimilate Edwards with the existing management team.

Together, Brookmire and Edwards planned and organized a two-day retreat for the management team where they crafted the new OFS vision, mission and values and identified critical factors that would determine the success of the

new company. All executives left the retreat with an action plan and specific assignments to enable them to achieve their goals of top-line growth, cost reductions and employee retention.

"Dave's experience and leadership was invaluable to OFS during this transition period," said Eddie Edwards, CEO of OFS. "As a result of his efforts, especially in cross-cultural assimilation with our new owners, we were able to seamlessly integrate the management team executives with the new leadership and jump-start the HR department's initiatives to support our stand-alone company."

Brookmire also used his Atlanta connections to help Edwards find a permanent VP of HR. He engaged an executive search firm to find the new VP who started with OFS on March 25, 2002.

When the telecom market took a nosedive, the new owners and Edwards asked CPS to help them determine the most and least critical functions and skill sets, and identify where cuts could be made. Brookmire managed the restructuring and resulting layoffs of 600 employees. His network of consultants and relationships enabled OFS to quickly connect with top-notch outplacement and executive search firms and add temporary staff in the HR department during busy times.

The Results: CPS Enables Smooth, Successful Transition

Brookmire's extensive experience in acquisitions and divestitures helped OFS transition smoothly to new ownership, new leadership and a new company structure. As OFS' interim VP of HR, Brookmire was able to achieve the following results:

1) Retained key employees through transition

— Brookmire's cross-cultural knowledge was a key factor in the successful transition. He was able to diplomatically educate the new owners about U.S. customs, policies and procedures, which prevented a major corporate culture shift that could have driven out key employees. Voluntary turnover during the transition was approximately 2% compared to average post-deal turnover rates, which typically range between 10-15%.

2) Grew HR department into a more efficient and effective operating unit

— By beginning to overhaul every HR program, policy and procedure, and reassign tasks to the existing talent base, Brookmire enabled the OFS HR department to become stand-alone and set higher standards for efficiency, effectiveness and quality. For example, Brookmire's team re-negotiated the company's long-term disability contract that will save the company \$600K over three years.

3) Met aggressive deadlines

— In just 90 days, Brookmire designed and implemented a new strategy for executive compensation, sales compensation and annual short-term incentive plans. This effort enabled the company to start the 2002 fiscal year with operational compensation programs on track. This process typically takes six months to complete.

4) Provided senior leadership during critical period

— CPS parachuted into OFS providing senior leadership during a critical transition period. From day one, Brookmire hit the ground running, enabling the General Counsel to focus all her energies on pending legal issues and the CEO to focus his energies on running the new business.