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Acquiring companies tend to offer retention agreements to more C-suite executives and their direct reports compared with other salaried employees.

Isaac M. O'Bannon • Apr. 25, 2024

A majority of companies (72%) either track or set aside fixed retention payments to encourage employees to remain at the company during or after an acquisition is completed, according to a survey by advisory, broking and solutions company WTW. C-suite executives and their direct reports are more likely to be offered retention agreements than other salaried employees.

"Shoring up key executives and employees is important to a successful merger or acquisition," said Josephine Gartrell, senior director, Executive Compensation and

Board Advisory, WTW. “To that end, retention agreements play a critical role in

Most acquiring companies use cash retention bonuses for senior leaders (86%) and other salaried employees (80%). Over half of respondents (56%) use restricted stock or other “full value” equity awards for senior leaders, while 40% use these awards for other salaried employees. The retention payment value at the median is typically 75% to 100% of base salary for C-suite to CEO, 50% for other senior leaders and 30% for salaried employees, although actual values may vary significantly depending on the deal.

Moreover, retention agreements are usually time-based for senior leadership (55%) and other salaried employees (73%). A much smaller proportion of companies (36% for senior leadership and 23% for other salaried employees) indicate agreements are a mix of time and performance, with financial performance of the acquired business being the most prevalent performance metric. Fewer than one in 10 is just performance-based for either group.

The survey also found the majority of respondents are optimistic their retention strategies will be successful. Nearly six in 10 respondents (59%) believe over 80% of senior leaders will stay until the end of the retention period, while 55% are confident over 80% of salaried employees will remain through the retention period.

Aside from monetary initiatives, the research suggests companies can consider enhancing the employee experience to prevent employees from leaving. Enhanced career opportunities and promotions are the non-monetary retention tactics cited as most effective for retaining senior leaders (57%) and salaried employees (62%), followed by personal outreach from leaders and managers (57% and 43%, respectively).

Among other survey findings:

- Almost one-third of respondents (31%) ask senior leaders to sign retention

both financial and non-monetary tools at their fingertips to help achieve that goal. The key for many of them is structuring a retention agreement that will be enticing enough to keep those employees at the company," said Ratan Narayanan, director, M&A Consulting, WTW.

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