Standard Life and Aberdeen Asset Management have started work on a plan to retain key people to help ensure a successful merger between the two firms.

This comes as Standard Life yesterday announced that its head of equities, David Cumming, has left his role to “pursue other interests”. Stan Pearson will assume the role of acting head.

The Scottish fund house did not comment on whether the high-profile departure was in connection to the merger. However, the loss of key people during the merger process poses a “huge risk” to its success, according to one expert.

Earlier this week Standard Life and Aberdeen announced that they had agreed to an all-share merger in a deal that will create Europe’s second-largest asset manager. The deal values Aberdeen at around £2.87 (€3.31) a share and its issued ordinary share capital at £3.8bn.

In advance of shareholders voting on the deal, both fund houses will seek to agree and implement a retention plan for employees “considered critical” to achieving the “successful closure” of the merger, it has emerged.

Standard Life and Aberdeen say in a co-operation agreement published this week that they will aim to agree a total budget for the plan.

Furthermore they have agreed to provide “sufficient information to each other” to ensure the allocation of the budget is monitored.

John Nicholson, chair of business psychologist firm Nicholson McBride, says he believes that executives at the groups could have a business plan and “names in the frame” already.

A retention plan is “certainly worth doing” as is difficult to reap the planned benefits from a merger if key people leave, Mr Nicholson says.

“[If key people] go, all the calculations on which the merger is based have to be rethought,” he says.

“There is a huge risk particularly in [losing people from] the smaller of the two [firms].”

Standard Life and Aberdeen have 6,300 and 2,700 employees respectively.

Mr Nicholson says the agreement between Standard Life and Aberdeen will help the firms identify who the key people are and work out how much it will take to keep them.

Seeking to agree amounts will be no easy task, however, he says.

Agreeing a total budget will also be “an early test” of how well the two new co-chief executive officers, Standard Life’s Keith Skeoch and Aberdeen’s Martin Gilbert, can work together.

However, Mr Nicholson believes that both firms have already made “the biggest of all [merger] mistakes” by having two CEOs.

“They are making it clear to the world that they can’t decide which of the two chief execs should be the boss,” he says.

Both Standard Life and Aberdeen have also promised not to employ or approach any executive or senior manager from each other’s firms unless certain conditions are met, such as the placing of a job advertisement.

They will undertake this action for either one year or six months, depending on how long it takes the deal to close and unless prior written consent is given.

Paul McAleavey, senior associate at employment law firm Brahams Dutt Badrick French, says non-poaching agreements between businesses before a deal is struck are “less common” than retention plans.

However, he adds: “[They] are a helpful way of ensuring a clean negotiating window between the businesses so all efforts can be focused on making the merger successful and avoiding any corporate ill will being created by an employee pre-emptively crossing the divide.”

Standard Life and Aberdeen say the detailed steps for the bringing together of the two firms are not yet known but that they will endeavour to retain the best talent across the combined group.

Although there have been no details on job cuts, big cost savings are envisaged.

Directors at Standard Life say they expect pre-tax cost synergies of around £200m a year to start flowing through three years after the deal's completion. Both firms expect that synergies will result in a one-off integration cash cost of roughly £320m.

The merged group will “in due course” be rebranded to incorporate both the Standard Life and Aberdeen names. The investment division “will lead with Aberdeen branding”, according to a merger-related document available on Aberdeen's website.