

MERGERS AND ACQUISITIONS FROM HUMAN RESOURCE PERSPECTIVE: A REVIEW

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ABSTRACT

This article is focused on an extensive review of literature to get well equipped with the human aspects of mergers and acquisitions. It is a fact that whenever, a news of merger or acquisition is announced either globally or domestically, everyone, the industrialist, stock traders, economist talk about its success in terms of financial gains while the human resource aspects are generally found to be neglected. Therefore this review article highlights the proactive management of human resource issues at the time of mergers and acquisitions. The work done by the researchers is the descriptive and analytical in nature to gain insight about the impact of mergers and acquisitions on human resource and its performance. For this purpose a review of ten articles including thesis and research papers is being carried out. The article concludes that employee's issues must be taken seriously by the top management to make mergers and acquisition deals unbeatable and a substantial role of human resource manager is found necessary in managing human resource issues intellectually in such deals.

KEYWORDS: *Mergers, Acquisitions, Human Resource Issues, Cultural Integration, Leadership.*

Introduction

Mergers and acquisitions are increasingly being used by the firm to strengthen and maintain their position in the market place. The present scenario has created big challenges for business enterprise to grow and survive. Mergers and Acquisitions are among one of the important aspect of corporate strategy which deals with buying, selling, dividing and combining different organization and similar entities. The mergers and acquisitions are deliberately used by the firms to increase market share, accelerate growth opportunities, enhance financial profitability and diversifying risk, lowering financial cost etc. the contemporary scenario has transformed business unit from mere selling of product to building brand and creating customer value the rapid changes in business environment due to globalization, technological advancement and liberalization, the role of human resources manager has been significantly changing, the hr policies need to be strengthen for dealing with the human side of the enterprise. For deals of mergers and acquisitions, the management of human resource practices has become an essential part of such processes. Therefore the researchers have tried to accumulate a wide variety of the work done under the parameters of various issues of human resource management that arises during different stages of mergers and acquisitions.

Review of Literature

- **Muriithi. Mate. Eliud (2016)** in his doctoral thesis on "Role of human resource management in cultural integration process among selected post merged commercial banks in Kenya" deals with analyzing the

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effect of different human resource practices with special references to employee recruitment and selection, training and development, employee performance and reward and corporate leadership on cultural integration process in corporate post merger of commercial banks in Kenya.

- **Ghosh. Sohini, Dutta Sraboni (2015)**, focused on pre and post merger analysis of measuring change in performance levels of the banks through selected financial and HR parameters between 2000 to 2010 considering a sample of 16 banks . The study further explored the strategic impact of mergers and acquisition in Indian banking sector.
- **Wegener. Lupina. A. Anna (2013)** explained that mergers and acquisitions have brought tremendous changes in organizational human resource effectiveness who investigated the human resource integration in western economy subsidiaries of mergers and acquisitions using qualitative research design and semi structured formal and informal interview process and observations.
- **Bajaj. Hema (2012)** has discussed the influence of relative size and performance on integration strategy and process of HR integration of two merged banks namely Patiala Bank and millennium bank through a case study design method. The study analyzed the key financial performance indicators of the respective banks before acquisitions in terms of Capital adequacy ratio, Non-performing Assets, Earning per share, Price earning Ratio, Profit after tax, to evaluate the impact of mergers on the banks financial performance and HR integration process. The different HR process includes the study of changes in organization structure, communication, cultural integration, staffing, compensation and promotion processes.
- **Jerjawi. Al. Khalil (2011)** addressed the role of HR manager as an essential part in merger process. It aimed at understanding the contribution of HR manager in the process of merger for integrating the HR practices and to support business unit's transactions. The researcher discussed the prominent role of the HR manager as strategic partner, change agent, employee champion, Administrative expert in facilitating HR process such as staffing, dumping, Right sizing, survival syndrome, cultural integration in process of merger.
- **Aruna (2011)** disused the emerging challenges such as merger and acquisitions, changing workforce profile and newer organization design in Human Resources management in the era of technological changes, globalization and liberalization. The study is focused on the role of the HR manager in rapidly changing environment.
- **Rizvi, Yasmeen (2011)** found that the development of human capital and organizational performance is positively correlated with the success and failure of mergers and acquisition . Both quantitative and qualitative research method was used to study the human capital development role of human resource during mergers and acquisition. Many contemporary studies has found strong and direct correlation between human resource development and success of mergers and acquisition.
- **Showry. M , G. Susmita (2007)**,The article discussed the important role of human resource in resolving the obstacles to achieve success with mergers and acquisitions . The study explained pre stage, due diligence , integration planning and implementation stages in the process of merger and acquisition . He also acclaimed the crucial role of human resource in dealing with challenges to the companies involved in mergers and acquisitions. These are related with cultural shock, human resource management issues, job security, employees turnover and compensation and productivity ..
- **Ranjan. S. N (2007)** The author acclaimed that most of the organization ignored the management of talent in early deal process of Merger &Acquisition, therefore according to him assessing the strength of the talent retention must be paid attention . The assessment of risk is involved in the area of HR philosophy, compensation, rewards, skills employees attitude organization culture etc. The researcher has also taken assistance of talent management framework during Mergers & Acquisition deal.
- **Whittle. Dale. Douglas (2002)** in his work on "Mergers and Acquisitions; the employee perspective" in an international genetic seed company AGROW examined the impact of mergers and acquisition on employee responses ,perception towards organizational cultures ,professional and personal lives of employees. He also studied merger related information's and support during post implementation periods.

Objectives

- To understand the concept of mergers and acquisitions.
- To discuss human resource issues in mergers and acquisitions.
- To review earlier work on the impact of mergers and acquisitions on human resource.
- To provide suggestive measures for future prospects.

Research Methodology

The study is descriptive and analytical in nature. It is based on secondary data. For the purpose of discussion, ten research articles and these have been taken into consideration by the researchers.

Time Period

The period of the study is one decade (10 years), from 2007 to 2016.

Rationale of the Study

Mergers and Acquisitions are now becoming wide spread all over the world. The decision regarding such deals is generally taken in terms of financial intensity and a least or poor concern is paid on human resource aspects. Therefore the researchers have tried to evaluate the importance of human resource issues in making mergers and acquisitions successful.

Discussions and Findings

On the basis of the above review of literature, the researchers have identified the following parameters which affect the mergers and acquisition deals. They are as follows:-

- Financial performance
- Human resource integration
- Human resource practices

The following table depicts the position of the parameters found in the discussion of the above review of literature:

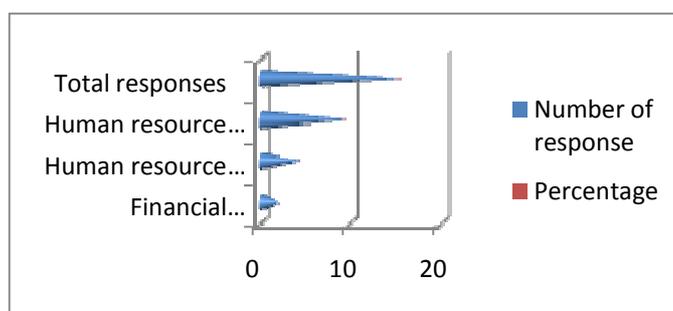
Table 1: Position of the Parameters

S. No.	A	B	C	D	E	F	G	H	I	J	Total
Financial performance					✓			✓			02
Human resource integration				✓	✓	✓			✓		04
Human resource practices	✓	✓	✓		✓	✓	✓	✓	✓	✓	09
Total	01	01	01	01	03	02	01	02	02	01	15

Table 2: Summary of Discussion Based on Review of the Articles

Review Parameters	Discussions	Percentage
Financial performance	2	13%
Human resource integration	4	27%
Human resource practices	9	60%
Total responses	15	100%

The analysis based on the summary of the discussion is done through a graphical representation of the parameters shown as below in the following figure:



Graph: Analysis of Review of the Articles

Based on the individual analysis of the work done by different researchers in the field of Mergers and Acquisitions from human resource perspectives, the findings are as follows:

- Human resource practices has a significant and positive effect on cultural integration process. employees needs to be empowered to share information's related to cost, quality and financial matters further he also stressed on effective and efficient implementation of performance appraisal system which could help in bringing clarity of goals ,work procedure. Employee satisfaction practices must be adopted to function as a strategic unit (Muriithi.Mate.Eliud,2016).
- The study revealed a serious impact of merger and acquisition on employee motivation , moral and loyalty .Furthermore he also conclude that communication, leadership and organizational culture are strongly related to the responses of mergers and acquisitions (Bajaj Hema,2012).
- The overall performance of the merged banks is found better than pre merger performance (Ghosh. Sohini ,Dutta Sraboni, 2015).
- The success of human resource integration is particularly at stake in circumstances of a low human resource power in a subsidiary and a low multiculturalism of the foreign investors thus leading to the causes of mergers and acquisition failure (Wegener. Lupina. A .Anna, 2013).
- The study ascertained that the relative position viz the size and performance influence the combination process from guiding information of integration principles, inspiring the acquisition to be treated as a merger, steering various interventions made to facilitates HR integration (Bajaj Hema, 2012).
- The study has presented the forth coming new responsibilities for HR manager in today's business scenario which according to him can bring radical changes like merger in order to gain competitive advantage. The study further concluded with the opinion that the HR manager should play a more strategic role in merger process and thus can effectively contribute to the performance of the organization (Jerjawi. Al. Khalil, 2011).
- The researchers examined that the role of HR manager should focus on strategic issues, designing and taking proactive actions for the development of integrated HR system to respond to such changes relating to mergers and acquisition (Aruna, 2011).
- Human capital development plays a very important role during mergers and acquisition. It further suggested the recruitment of hr specialist to manage the transformational changes arising during mergers and acquisition (Rizvi, Yasmeen, 2011).
- The researcher strongly believed that the HR professionals can help the company to effectively negotiate , conducts training programmes and orientation programme , communication and stress reduction programme, family assistance programme and activities for the success of mergers and acquisition (Showry. M , G. Susmita ,2007).
- He found that companies can go for tracking success against selected indicators such as detailed retention data for successful integration of talent in post merger stage (Ranjan.S.N, 2007).

Conclusion

The above literature review explores the reasons of motivation for mergers and acquisitions .The study examines the performance of mergers and acquisitions in terms of both financial and human adequacy. The evidences from the study revealed that, besides making financials and legal advantages a serious concern must be given to human resource consequences arising from mergers and acquisitions. As illustrated through the examination of different review articles and thesis, human resource issues are involve at every stages of mergers and acquisitions and are generally exposed to resistance particularly at the time of implementation phase. Many previous studies conclude that firms today moves for such strategic decision to get acquainted with financial and technological benefits, yet their success is not assured. This is due to negligence of human consequences. An internal and external analysis of organization is required for the success of merger and acquisition. Thus role of human resource manager is very important in such deals. Mergers and acquisitions are significantly used as an important tool of corporate restructuring process in present scenario .It is evident from the existing literature that mergers and acquisitions deals encompasses varied advantageous in the form of increased market expansion, synergy ,technological advancement, product and service diversification. Thus the research article presumes the following:

- Involvement of human resource in mergers and acquisitions cannot be overlooked. The proactive role of human resource manager in managing organizational change arising from mergers and acquisitions must be paid due attention by the top management officials.
- The human resource department plays an active role in the deals of mergers and acquisitions. The department can help in managing employee's issues in mergers and acquisitions deal. It can assess the top management in effective implementation of such strategic decision by paying attention on ethical pitfalls, training and preparing and preparing employees etc.
- The success or failure of any merger and acquisition deal is not only related to financial sustainability but also with the human resource issues. Therefore the employees aspects must be taken seriously for making such deals successful.

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