

THE IMPACT OF MERGER STRATEGY ON EMPLOYEE JOB SECURITY

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ABSTRACT

The present paper has focused on the corporate strategy adopted by the public sector airlines, which basically has been considered as air transport infrastructure. Air transportation plays a vital role on the development of the national economy. It provides employment generation on a large scale, contributes for national integration, development of cross culture at international level, contributes for foreign exchange reserves, and contributes for the development of the other organizations like hotel industry, car rentals, travel and tourism etc. The history of airlines has revealed that the Pre-1953 period consisted of a large number of airline operators, un- healthy competition, lack of adequate standards, compromise on safety and the other factors resulted in severe operational loss to the airline operators. In 1953, the Government enacted the Air Corporations Act by merger of the eight private airlines; and established The Indian Airlines and Air India. In the year 1981, the Vayudoot Limited was established. The Government has taken the decision to implement the economic reforms in the area of civil aviation. Consequently, many private operators have entered into the airline market. The corporate management of public sector airlines has taken the decision to merge both domestic and international airlines. The merger has taken in various forms like HR merger, Financial Merger etc. The aim of the study was to assess the impact of the merger decision on employee job security because both the airlines have different organizational cultures, different HR career development and welfare schemes. The methodology adopted was exploratory, descriptive, and diagnostic. The sample size was 100 respondents. The structured questionnaires were administered to the identified respondents. The simple statistical technique like percentage was applied to elicit the perceptions. The overall data analysis has indicated that the vast majority of the employees of the domestic airline felt unhappy because their career planning was upset. The two public sector airlines had the best social security schemes. The observations and findings have resulted that these two public sector airlines should have been given the autonomy to function independently, so that the employees at both the airlines perform well which finally resulted in overall Organizational Development.

Keywords: Corporate Strategy, Social Security, Welfare, HR Merger and Organizational Development.

Introduction

Introduction: Social security in the organizational context is the protection given by the respective employer to the employees irrespective of size, nature of activity like manufacturing, semi manufacturing, service oriented, research and development, academic / educational institutions. The organizational citizens have to face some sort of risks which are mostly unexpected e.g., retirement (normal, voluntary retirement compulsory retirement, retirement by force), retirement due to health grounds, unemployment, under employment, disguised unemployment, underpaid, sickness, old age, accidents during the course of employment within the premises, unexpected events, disability-temporary or permanent, maternity related, prolonged illness etc., which has significant financial and emotional burden on not only on the employees but also on their families. There is no universal application of social

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security measures among various states. The situation is very poor in the unorganized sector. It is a very challenging task to the Government, both centre and state to do justice by the implementation of social security measures to all. The Preamble of the Indian Constitution is the sole-repository of Social Security measures and provides for establishment of Socialist State. The Directive Principles of State Policy has provided the basis to incorporate and implement social security measures. Pradeep, M.D., & Kalicharanm, M.L., (2016) have opined that the organized social security measures in statutory form are evolved recently to protect the employees and their dependents against unexpected events when ever occurs like sickness, injury etc. The International Labour Organization has stated that there is an urgent requirement for social security and also to ensure to set up the international standards to achieve globalization to contribute for the economic development (International Labour Conference, 100th Session, 2011). The research working paper 498 of Singh, C, (2015) has attempted to evaluate the nature of social security schemes in the field of life / accident insurance and pensions, with special reference to the recently announced schemes. Primarily, it argues that an introduction of contribution elements in new schemes limits the coverage. It has suggested the need for a properly crafted universal scheme for social security to achieve wider coverage.

Social security is the security that society furnishes through appropriate organisation against certain risks to which its members are exposed. These risks are essentially contingencies against which the individual of small means and meagre resources cannot effectively provide by his own ability or foresight alone or even in private combination with his fellows. It is the characteristic of these contingencies that they impair the ability of the working man to support himself and his dependents in health and decency, (Shreyas Kumar). The security of jobs is now a major threat not only in the unorganized sector but also in the organized sector. There is no exception to the public sector. The Government has implemented the economic structural reforms in so many sectors including the civil aviation sector. The major decision adopted by the Government was to merge the two public sector airlines. The employees felt insecurity about their jobs under the impression that the new entity may retrench the existing staff. An attempt is made to examine the merger process and its impact on the employees in the post merger situation. The management of the both airlines have assured that there would be no retrenchment, and their inter seniority, pay protection, career development and promotions would be in a better way protected. The management of the two airlines have organized many consultations with all stakeholders, trade unions, employees at various levels and finally successfully completed the integrative merger process which has resulted in synergy. The new merged entity with its large human and the other resources is performing well to meet the competitive edge.

The present research paper has aimed to study the impact of the integrative merger strategy adopted by the organization selected on the employees. The organization selected for the purpose of the study is public sector airline(s) located at Hyderabad. The both public sector airline organizations i.e., The Indian Airlines Limited and Air India Limited have implemented the best social security measures, both statutory and non statutory. There are separate service regulations for flying crew, aircraft engineering department, and for the others. Raghuramaiah, M, (2005), has stated that the social security measures were provided by the organization to meet any contingencies encountered by the employees like sickness, unemployment, old age, dependency, industrial accidents, and any unexpected events. The statutory legislations implemented by the erstwhile Indian Airlines Limited were - The Workmen's Compensation Act, 1953, Provident Fund Act, 1925, Employees State Insurance Act, 1948, Maternity Benefit Act, 1961, Payment of Gratuity Act, 1972, Payment of Wages Act, 1936, Industrial Disputes Act, 1947. Factories Act, 1948, Provident Fund & Miscellaneous Provisions Act, 1952, Payment of Bonus Act. The non statutory welfare measures implemented were medical benefits, canteens, housing colonies, community centres, sports, holiday homes, grants, special advances, festival advances, educational scholarship schemes, financial assistance schemes for higher studies, long service mementos, housing loans, vehicle loans, retirement gifts, group insurance schemes, sports promotion, cooperative stores, compassionate appointments, ex-gratia payment to meet funeral expenses, airline passage facilities, medical facilities to the employees/families etc.

Need / Significance

There is significant rise in levels of income due to increase in standard of living of various individuals in the Indian community. The lifestyles of individuals have been changed from time to time which depends upon various socio economic conditions. This has facilitated the individuals to shift from other modes of transport to air transport. Air India has maintained its financial stability in a very comfortable position with some expectations which are common to any organization. There is huge potential for air travel through regional connectivity, thus balanced regional development could be

achieved. Air transport is the most modern, easy and quickest mode of transport. Because of the speed with which airplanes can fly, travel by air is becoming increasingly popular. As far as the world trade is concerned it is still dominated by sea transport because air transport is very expensive and is also unsuitable for carrying heavy and bulk and risky inflammable goods. However, air transportation plays a very important role in the economic development of the country by transportation of live and non-livestock e.g., perishable products. It also provides employment on a large scale and contributes to the development of the national economy by developing other streams of business related to Air transportation. Air transportation plays a vital role in the development of the national economy. It provides employment generation on a large scale, contributes for national integration, development of cross culture at international level, contributes for foreign exchange reserves, and contributes for the development of other organizations like hotel industry, car rentals, travel and tourism etc.

Justification for the Study

The Government of India has announced and implemented the open sky policy in the year around 1990. Many air taxi operators and also some new entrepreneurs without any experience in airline business have entered the airline industry and formulated different proactive market strategies. It is observed that over a period of time, the low cost carriers have also started. The scheduled airlines that operate in a fully fledged manner also started the low cost carriers. The Indian Airlines had lost its monopoly after the entry of private airlines in the airline market. The public sector airline has faced stiff competition from private airline operators. It is observed from the media like electronic press etc. that the entire airline industry is in financial crisis across the globe. The private airlines and also the public sector airlines have adopted different strategies like merger / consolidation of their ventures to reap out the marketing strategies to maximize their profitability. In this process many airline operators like Air Deccan were merged with KingFisher Airlines and Air Sahara merged with Jet Airways. Many airline organizations like East West Airlines, VIF airways etc., have operated for a very short period. The two public sector airlines have taken the strategic decision to combat the competition and to retain its market leader position. It is observed that even after the implementation of open sky policy, Air India has maintained its market share and managed its financial position to some extent. The announcement of merger strategy by the two public sector airline(s) has caused the employees at all levels a sense of insecurity of their career, and job security. The organizations have adopted various restructure strategies like organization restructure, financial restructure, integrative restructure of Human Resources and certain other strategies to make the combined airline entity to perform in a highly competitive way. The merger process was initiated in various stages and counseling sessions were organized from time to time, assurance given for career progression, promotions, pay protection etc. The Indian Airlines Limited has earned reasonable profits on average in a consistent way. But the post merger has resulted in losses.

Evolution

The history of civil aviation in India began in December 1912. This was with the opening of the first domestic air route between Karachi and Delhi by the Indian state air services in collaboration with the IMPERIAL WAYS, UK, though it was a mere extension of the London Karachi flight of the latter airlines. Three years later, the first Indian airline, TATA son's Ltd., started a regular airmail service between Karachi and Madras without any patronage from the government. Scheduled air services in India began in October 1932 under the Aviation Department of Tata Sons Ltd, which was succeeded by Tata Airlines. This was subsequently renamed in July 1946 as Air India Ltd., and incorporated as Air India International Ltd. in March 1948. In 1953, the Air Corporations Act was passed. Air India International Ltd., was nationalized, and two corporations came into existence – Indian Airlines Corporation (as the national domestic carrier) and Air India (as the international carrier). In 1994, the Air Corporations Act was repealed, and Air India Ltd., (AIL) and Indian Airlines Ltd., (IAL) were incorporated under the Companies Act, 1956. Government-owned airlines dominated the Indian aviation industry till the mid - 1990's, when, as part of the open sky policy, the Government of India ended the monopoly of Air India Ltd., and Indian Airlines Limited in air transport services, and allowed private operators to provide air transport services. The National Aviation Company of India Ltd., (NACIL) was incorporated in March 2007 under the scheme of amalgamation of Air India Ltd., and Indian Airlines Ltd. into NACIL was approved in August 2007, with the "appointed" date of the merger being set as 1 April 2007. Subsequently, in November 2010, NACIL was renamed as Air India Ltd. (AIL). The administrative Ministry for these Government airlines is the Ministry of Civil Aviation. First, it is the Vayudoot Limited that has been merged with the Indian Airlines Limited in the air transportation sector.

Literature Scan

The published literature from various sources like annual report of the airline, report of expert committee on HR issues of merged Air India, etc., are reviewed. The literature review is based on published articles in the reputed journals in the subject concerned. Uday, A. R., (2010) has stated that civil aviation has contributed to the economic growth by the effectiveness in connectivity, time, and projecting the image of a successful city or region. Biswajeet Patnayak, (1985) has advocated that in the changing business scenario, skilling the corporations through the development of human competencies is the only way to achieve excellence. Pradip N. Khandwalla (2001) has discussed in his study on Lufthansa, the German Airline hit a bad pitch in the early 1990s, successive losses in 1991,1992, and 1993. The intense price war in the airline industry followed by recession and the war in the Persian Gulf were some factors for loss. The management has a restructured workshop held for many of the company's managers aimed at cutting non personnel as well as personnel costs and also rising revenues. Nayar (2011) has described that most of the mergers and acquisitions do not live up to their promised potential. It is observed from the vast airline data, the airline industry is in financial crisis with very few exceptions.

Objectives of the Study

- To study the demographic profile of the respondents of the Airline(s)
- The study the perceptions of the respondents in relation to the merger process
- To recommend ways and means for the development of Air India.

The aim of the study is to assess the impact of the merger decision on the employees' job security because both the airlines have different organizational cultures, different HR career development and welfare schemes. The emphasis is laid on the erstwhile Indian Airlines Limited. The scope is confined to the airline organization located at Hyderabad. The respondents selected are from erstwhile Indian Airlines Limited which comes under the Ministry of Civil Aviation has been chosen for carrying out the study.

Methodology

The methodology adopted is exploratory, descriptive, and diagnostic. The sample size is 100 respondents. The information collected is explored as the published sources are rarely available; descriptive in the sense that the existing theoretical concepts are incorporated; and diagnostic means the data collected is analyzed.

Data Collection Process

It is from primary and secondary sources. The primary data has been collected by mode of administration of structured questionnaires / schedules, direct interaction with the employees working at various levels within the organization. The secondary data has been collected directly from different sources like annual reports, internal records, organization profitable manuals etc. The data analysis is carried out for secondary data as well as for primary data to analyze the quantitative analysis in detail form. The present study has focused on the overall analysis of the data collected and analyzed. The statistical tools / techniques employed are percentage(s) etc.

Interpretation of Data Analysis

Demographic Analysis: The demographic study has revealed that 80 percent of the respondents are in the age group of 51-60; and 15 percent are in the age group of 41-50 and the rest of 05 percent are in the age group of 31-40. The gender composition is that 68 percent constitute the male composition and remaining 32 per cent are female. All respondents are married. The literacy composition is that 55 per cent are having the graduate qualification; 30 per cent are having the technical diploma level qualification and 15 per cent are having the post graduation degrees. It is found that 82 percent of the respondents belong to the technical departments like engineering etc., and the rest of the 18 per cent belong to the other functional departments like finance, personnel, stores etc. It is found that 75 per cents are having the annual income in the range of Rs. 81,000-1,00,000; and 15 per cent are having their annual income in the range of Rs. 61,000-80,000 and 10 per cent are having the annual income in the range of above Rs.1,00,000.only. The overall inference is that the vast majority are in the age group of 51-60; male dominated gender group; the all respondents are married; majority are graduates; the vast majority of the respondents are in technical departments; the annual income of the considerable majority is reasonably good. It is observed that initially all the employees at various levels have felt discomfort about job security and the other career development, seniority, pay protection and the other welfare schemes. Finally, all the employees have expressed their satisfaction in a positive way.

Perception Analysis

SI No.	Statements	Response: Percentage
01.	I am fully aware about the merger process initiated.	95
02.	Boss has explained all the merger benefits at the department level.	92
03.	Management has consulted all the unions about the initiation of the merger process.	88
04.	The employees have not resisted the merger process.	94
05.	There is no retrenchment on account of merger.	98
06.	The career development and pay protection of the employees are assured.	100
07.	The need based transfers only are implemented.	96
08.	The growth opportunities are provided to all the staff at the newly merged entity.	97
09.	The policies related to the financial and non financial incentives were modified.	82
10.	The age of normal retirement is not satisfactory.	95
11.	The HR restructure strategy has benefitted all the employees at all levels.	98
12.	The merger process has been initiated after having the due consultations with all stakeholders, expert committees and also the representatives of the employees	100
13.	The social security measures as stipulated in legislation are implemented.	96
14.	I am fully satisfied with the job security and the other welfare measures provided.	94
15.	The post merger motivational process contributed to enhancement of the overall productivity.	98

The perceptual analysis has revealed that all the employees have positively responded and well satisfied for the merger process initiated and completed. The vast majority of employees have stated that the retirement age may be fixed at 60 years rather than 58 years. The overall inference is that all the employees have positively responded for the implementation of social security measures as stipulated in legislation.

Limitations

- Since the time for closing the project the project is limited, the time is hunting factor.
- The study conducted at the airline organization located at Hyderabad with an assumption that the rules are universally applicable at the other places also.
- The present study covers overall profit analysis of the organization but not to the individual segment.
- The size of the sample is small and the study is conducted at Hyderabad; the perceptions of employees at other regions may differ.

Interpretation of Data Analysis: Secondary Data

The secondary data has been analyzed for the post merger period with the profitability information collected from the annual reports of various areas of the public sector airline.

Table 1: Post Merger Operating Profitability Analysis

Rupees in millions

Post Merger Years	Total Operating Revenue	Total Operating Expenses	Operating Profit/loss
2015-16	206103.3	243613.3	(37510.0)
2016-17	221776.8	257974.6	(36197.8)
2017-18	266292.3	310752.6	(44460.30)
2018-19	298007.0	370160.40	(72153.40)

Source: Annual Reports of the organization.

Discussion

The analysis of secondary data has indicated that the post merger was reflected with loss, which was marginal only. There was an increase in operating revenue and also increase in expenses which has resulted in loss; it may be due to overheads / expenses in the merged entity. The new merged entity has

also faced some problems like competition, overheads, etc., but the airline has managed and it was observed that the profitability of the current year was positive. The up and down movements were common in any business. Air India has effectively managed its operational activities with the internal generated funds and also for adopting the consumer driven proactive strategies. The subject specialists have opined that the public sector has to conduct research activities on a continuous basis in all functional areas like HRM, Marketing, Engineering and Operations to cope up with the international standards. The professionals, experts, academicians and all stakeholders have well appreciated the merger process which has been carried out scientifically. All the employees were satisfied with the successful implementation of the merger. There was no lay off and retrenchment and also many growth opportunities have been created for further development of the employees at various levels. The 2007 merger of Air India and Indian Airlines was one of the most significant developments in the Indian aviation sector. The combined entity has huge potential as the largest airlines in India because India was one of the world's fastest growing economies. However, there are many external and internal challenges faced by Air India in Post merger. Air India benefits only if it operates on a commercial basis. The welfare of the staff has to be considered by the organization. This shows a positive sign in the recovery of Air India. Any organization in transformation stages may face some problems like integration of human resources at various levels, career development practices, and mobilization of assets and once the merger process is completed, the airline achieves many synergetic benefits. It is the final consumer who determines the fate of the airline. The airline has to focus on Total Quality Management (TQM) philosophy with focus on Consumer Satisfaction. There is no substitution for state owned airlines i.e., Air India. There is a need to adopt the market driven policies from time to time, conduct SWOT-Analysis, environmental scanning and proactive policies at all functional areas have to be formulated and implemented. It is found that the post merger motivational practices have resulted in the enhancement of the overall productivity of the organization. All employees were very happy for the successful implementation of the merger process. The statutory and non statutory social security measures are also implemented by the public sector airline. The overall result was that the impact of the merger of the two public sector airlines on the employee job security was positive. The post merger scenario has resulted in the enhancement of the employee productivity which finally contributed for the overall Organizational Development.

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