Not a very common activity in the pre-liberalization era, newspapers still sporadically featured reports of mergers and acquisition and the Monopolistic and Restrictive Trade Practices act that regulated them. The most noticeable acquisitions were carried by the likes of RPG group, Hindustan Lever Limited (now known as Hindustan Unilever Limited) and Piramal group. It was also seen that mergers and acquisitions were consummated by Indian firms and more transactions were witnessed in manufacturing sector as compared to the services industry. In addition, mergers during this period took place between companies belonging to the same group or were executed between those that had a similar product portfolio (horizontal mergers).

In post-liberalization era, there was an increase in the frequency of mergers and acquisitions with many business houses consolidating their presence by buying firms in the areas they wanted to expand in and selling those units that did not form a part of their core business. Mergers and acquisition activity also received impetus from the disinvestment program of India and as many multinational companies invested in or bought Indian firms to gain immediate access to manufacturing, marketing and distribution setups. The government of India formed the Securities and Exchange Board of India (SEBI) which had the power to regulate takeovers.

All along these years, it was mostly the business related and economic news (pertaining to mergers and acquisitions) that were reported in the popular media or financial newspapers and intrigued management students like me (books like Barbarians at the Gate: The Fall of RJR Nabisco by Burrough Bryan and John Helyar also added to my interest in the subject). This looked like an interesting phenomenon: one simple appearing business transaction fraught with so much risk. Few times, instances of employee resistance to merger or disquiet came to fore like TOMCO’s union’s resisting merger with HLL or its fifty odd employees quitting the company within a year or so and Tata Tea sacking employees of Hyderabad-based Asian Coffee Limited that it acquired in 1994. However, it was only in 1999, after HLL takeover Modern Foods Limited that people related issues started getting highlighted in a major way and one read frequently about employee reactions to mergers and acquisitions. These events in the industrial sector and news about them coincided with
acquisition of the organization that I was working for and my first hand experience of employee related concerns in mergers and acquisitions.

It was March, 2000 and I was working with a leading firm in the hospitality industry (hereafter called XYZ Travels). XYZ Travels was the market leader in inbound and corporate travel and was positioned at a healthy number three in outbound travel, when one fine day we read in the newspaper that it had been acquired by ABC Travels (pseudonym), a subsidiary of ABC International, the leading tour operators in Europe. ABC had wanted to establish itself in the field of inbound travel and XYZ provided the right kind of product portfolio and geographical spread. The day of the merger announcement all the employees were in a state of shock. Throughout the day people hypothesized about the reason for the sell off and the ABC culture. As there was no official communication regarding the merger, branch managers faced a barrage of questions, to which they had no answers, as they themselves were clueless. Calls were made by almost everybody to their respective friends and acquaintances in the head office to confirm the news. Initial few days were spent in speculating about the pros and cons of the deal. Tension was pervasive, but as no further news came, people started insinuating that the deal had fallen through. There was no communication and no other symptom of the merger having taken place, except that the accounts department had to send the balance sheet of the branch to the ABC office on a monthly basis. After a few days, news of resignation of the chairman, vice chairman and managing director came in. The cycle of change had begun. Soon thereafter, a few senior managers realizing that power equations had changed and loyalty to the promoter family would no longer be a source of comfort, started contacting the senior ABC management. Some informal organization structure was proposed to them, which suggested a break down of the chain of hierarchy, as it existed in XYZ. Sensing trouble, a few senior managers resigned and joined rival travel firms. They took with them their entire teams. Within three to four months some of the best performers had left. For around one year of the merger announcement no changes had been introduced in the structure, compensation and other HR policies. Changes were introduced later: organization structure was changed, compensation was made more performance based, a few businesses were merged together, new people were recruited and many transfers took place. But, by this time enormous amount of time was wasted in rumor mongering and the best of
talent was lost to competitors. Well, from an HR perspective, it was a poorly managed merger- loss of productivity and human resources could have been avoided if there had been a systematic effort to integrate the organizations.

All these events and my interest in academics rekindled my fascination for mergers and acquisitions and inspired my M.Phil in the same subject. During this previous research, as various people related issues had already been captured by various researchers and I was looking at contributions made by HR department to improve or simplify the process and reduce the trauma faced by employees, I decided to explore the process of HR integration. I studied the case of an acquisition of an old private sector bank by a new private sector bank. All along, during the course of analysis and writing the chapters, I noticed that over a period of time the integration process took a particular kind of a shape and after almost two years of merger announcement there was a sudden change in the philosophy of integration. Integration in this particular case had started with an over the board hike in compensation and promotions (based on test and/or interviews) for acquired bank employees. In the beginning, the new management (from acquiring company) and the union and federation representatives shared a good rapport with each other and the process of HR integration proceeded with mutual understanding. Later, relations between the two soured, and the management came out with a VRS (voluntary retirement option) scheme, which the acquired bank’s employees alleged was targeted at them. This change in relations and the way integration proceeded, perplexed me. merger of the bank with its parent financial institution. So, could this event have influenced the nature of integration process? It did not seem likely as the leaders of the financial institution were always present on the board of the acquiring bank and would have impacted the integration process from the beginning. Questions related to this aspect also fetched very ambivalent answers.

It was only much later, when I shared my findings with the senior functionary who had spearheaded the integration process initially and by the time I met him again, had retired from the organization, that he told me about how after the reverse merger the entire integration strategy had changed. After the reverse merger, leaders from the parent organization had a higher say in the acquiring bank (though, it was a reverse merger) and framed policies as per their own growth strategies which demanded
people with focus more on sales than on banking knowledge. This reduced the need to retain many old private sector bank employees and so a VRS scheme was announced. Many of the old private sector bank employees were convinced to opt for it and leave the organization. Thus, the integration strategy adopted by parent organization’s leaders varied tremendously from that of the original acquirer bank.

Leadership, thus, emerged as one of the factors influencing the integration strategy and the HR integration process. There had to be other determinants as well. Review of existing work showed that factors like type of merger/acquisition, relative size of both organizations and culture of acquirer and acquired also influence the integration strategy. But, as process of integration for no two mergers or acquisitions is similar, there is a probability of certain mergers or acquisition specific factors to be present. Further, studies mentioned above are also silent on the impact of these factors on the HR integration process. All these were interesting insights and helped me in identifying my research problem/objectives of the study.

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