Chapter 7: Research model and Conclusion

The present study focussed on the variety of issues related to human resource management post mergers and acquisitions, and the integrative role of HR in that context. The HR function, through a series of carefully planned interventions, attempts to resolve these issues in order to ensure a smooth transitional and integration process of the two erstwhile entities into a new merged entity.

The previous chapter has presented an integrated picture of the issues faced by HR professionals and the interventions used in each of them, with the employee perceptions of the same. It has also proposed certain recommendations for HR professionals handling M&As in the future. The current chapter proposes a research model for further studies. It gives direction for future research and lists down few hypotheses which could be tested by researchers.

7.1 Research Model

Based on the extant literature survey and gathering insights from the HR professionals’ interviews, together with the results of the employee perception survey and recommendations forwarded in the previous chapter; I would like to propose a research model that would highlight processes and interventions involved post M&As.

The model (Fig. 12) looks at various essential ‘processes’ linked to human resource integration in a post-merger scenario which should be executed to ensure a smooth integration. Issues linked to these processes, acting as deterrents to the integration objective will have to be addressed through appropriately conceived, well designed and professionally implemented
Fig. 12 Research Model
‘interventions’ to drive the final ‘outcomes’ which would indicate a proper fit between the two entities into one post-merger.

The model advances that the HR function’s role in the post-merger integration stage is driven by core processes which are essential to any proposed integration assignment. These processes have been classified into three major categories viz. processes related to ‘organisational restructuring’, processes related to ‘aligning HR policies and processes and harmonising compensation, benefits and stock options’, and processes related to ‘employee issues’.

It is a given that during integration processes issue such as ones discussed throughout the analysis of the study, will crop up from time to time. These issues may include employee resistance in various forms, loss of talent, employee stress and low morale, cultural misfits etc. To address such possible impediments, the model proposes a set of related interventions for each of the three categories mentioned above. For example interventions into organisational restructuring may include continuous communication at all levels by top management, integration team and HR, identifying key people who could help management bring change and reduce resistance etc. Some of the interventions related to aligning HR policies and processes and harmonising compensation, benefits and stock options would be keeping the long term investments such as pension and insurance separate for a year and then consolidating, certain benefits to key employees to be retained for a year etc. Similarly, interventions related to employee issues could be conducting joint workshops with employees to bridge gaps and share best practices and counselling sessions for employees by integration team to reduce stress.

The ultimate objective is to achieve a set of desirable outcomes which would signal the successful completion of the integration process. The model predicts that through a series of properly prioritised, planned, conceived and executed processes and related interventions, extremely favourable but elusive outcomes such as managing employee resistance to change, retention of key
talent, productivity enhancement, managing employee stress, cultural integration etc. can be achieved.

It however needs to be stressed that the whole integration process should be carried out within the framework of the vision, mission and strategic alignment of the new business entity i.e. scope of all the integration processes and HR interventions must fall under the ambit of vision, mission and strategic intent of the new organisation.

7.2 Conclusion

The objective of the study was to explore the role of HR post mergers and acquisitions. For those HR professionals who have never done a merger before, this study would be insightful in terms of what typically happens during the merger integration process. For those who have gone through a merger integration process, it can benchmark their previous work with what happened at other organisations and complete their framework and knowledge for future reference.

Preliminary meetings with HR merger experts and interviews with 35 HR professionals brought out an interesting fact. HR issues that occur during a merger integration stage are not in any way new compared to what is faced by the HR team of the company on any given day. For example: without going through any kind of merger a company faces issues with attrition, talent retention, organisational efficiencies and productivity, demands of improvements on compensation and benefits, unclear career track, industrial action and so on. During the M&A, all these issues get multiplied in volume due to the general sense of insecurity of all employees, from the most senior to the lowest levels, all scrambling for attention within the short duration of the
M&A period. Further, in addition to its own organisation’s issues, the HR now has issues of the acquired company and the integration problems to manage.

With regard to activities during M&A, the proverb “it is better to have tried in vain than to have not tried at all” holds true. Interventions and different activities carried out by the HR professionals send the message to the employees that the organisation is about to change and is concerned about their well-being. These initiatives have to be well communicated, in the right amount and at the right times.

With regards to changes in compensation and benefits, there is pressure from employees and shareholders operating in opposite directions. During due diligence, depending on the quality of data available and the level of disclosure with regards to employee compensation and benefits, the amount planned for increase in compensation and benefits improvements are limited, strategic retention programs especially are most likely overlooked.

The business case would be typically creating more shareholder value through improved productivity, reduction in overlaps, buying relationship, distribution network, new geographies, etc. but never about engaging the people and retaining top talent, talent development etc. Now, during the actual integration process when all these issues arise, there is added pressure of termination, compensation increments and other employee related issues because shareholders would at this point refuse additional budgets. This creates more pressure on employee management at this point in time, mostly caused by poor planning at the beginning of the process. When this happens, some companies cannot afford alignment of benefits and chose to maintain legacy benefit levels and a lower level for new joiners. Salary levels and job grades are converted into broad bands to accommodate the employees. At this point HR is pressurised to become creative due to cost constraint but this is what creates issues down the line with regards to culture alignment. How do you plan to align the culture and vision when different people from different
entities at the same level and working in the same unit get different benefits? These often overlooked petty operational issues get projected into bigger issues of general employee engagement, mistrust, productivity, cost of managing various systems and people (inefficiencies) etc.

Thus the key to post merger success is the ability to align culture, structure, processes and strategy to the operating environment. HR has a key role to play in achieving this alignment. And finally to ensure employees have opportunities to engage with the new organisation and re-identifying with it.