CHAPTER SEVEN

SUMMARY, LIMITATIONS AND SUGGESTIONS

7.1 SUMMARY

This study makes an attempt to identify the determinants of HR responses to merger. The review of studies points towards the need to examine the modalities of HR response and also to identify the determinants of HR responses in the merger context. The dependent variables, HR responses, as a construct on the basis of prior research, have been operationalised in terms of merger induced stress, uncertainty as a response to merger, interorganizational degree of distrust between merging organizations, job satisfaction variation in the merged entity and commitment to the merged entity. Existing literature in the area of study indicates that the following are the likely determinants of HR responses - cultural differences between merged entities, tolerance for multiculturism of the associating organizations, extent of integration between the organizations, changes in HR systems in the merged entities and degree of HRM interventions.

The main objectives of this study, therefore, was to identify the determinants of HR responses in the merger context and to examine the effects of determinants of HR responses. Based on the main research objective, specific hypotheses were developed to examine the relationships for each dependent variable. Measurements developed for each variable were pretested and were checked for validity and
reliability (using Item-index Correlation analysis, Cornbach alpha and Split-half reliability).

A multi method approach was adopted for data collection. Respondents for the study were drawn from firms that have undergone mergers and acquisition during the period 1992-2002. The methods employed to generate data towards the purposes of the study were:

a) **Exploratory interviews** conducted with key players in order get a perspective on the merger process.

b) A **Questionnaire Survey** of executives who were part of the firms at the time of the merger – either actively involved or participant observers or affected by the merger process.

c) An intensive **Case Study** of an organization involved in a merger.

This was done in order to enhance the interpretation of the process and dynamics of HR response in the merger process.

Regression analysis indicates that of the five independent variables, two variables- changes in HR systems in the merged entity and degree of HR management interventions in the merged entity, have a significant effect on the human resources responses in the merger.

Case data also supports the regression analysis.

### 7.2 LIMITATIONS OF STUDY

This section draws attention to the limitations of the study. Like in all doctoral studies, there is wide scope for investigation even in chosen
area of study and there is inevitable need for limitations of scope given the numerous constraints built into the process.

7.2.1 Literature Search

There exists a vast amount of literature which describes HR responses in the context of strategic change processes like diversification, divestiture etc. A study of this literature could have thrown up insights for operationalising the concept of HR responses. It could also have reinforced the identification of the determinants of these responses, which would have been relevant in the context of merger. However, given the constraints of time and access imposed by the efforts involved in the field work based primary data collection process, it was decided at the initial stage itself to limit the literature review to gaining conceptual and methodological insights to HR responses in the merger context only. However, the merger context itself has sufficient previous work. And, since the merger context was ideally suited for examining HR responses, the limitations imposed by the several constraints detailed above do not in any way compromise on the potency of the current study in generating valuable insights into dependent and independent variables. This premise, of course, needs to be and could be tested empirically in subsequent studies in other restructuring contexts referred in the previous studies.

7.2.2 Methodology

Perceptual measures employed in this study can be criticized as less objective but this is done because the perceptions are better indicators
of attitudes and behavior (Hillriegel & Slocum, 1974; Chatterjee et al, 1992). There could be some criticism that the data would be less accurate with the passage of time but evidence indicates that if information is collected within a couple of years of the event, there does not appear to be an accuracy or bias problem (Gutek, 1978).

7.2.3 Conceptual Framework

In this study, the focus is on the organizational factors on the HR responses. The role of the individual factors on the HR responses has not been studied. This is because the review of literature, in the context of merger thrown up in this study, did not appear to focus on what are generally known as "ascriptive" demographic variables – gender, ethnicity, experience or other variables. The focus appears to be more on interventionist variables – those variables that are externalizable, measurable, modifiable and actionable. This is because most of key studies are in the "applied and action research" genre, where the focus is on gaining insights which would facilitate managerial interventions to enhance the value of merger. But one could examine the factors related to the individual demography in order to explain in greater depth "specific" HR responses like merger induced stress in the context of merger.

7.2.4 Scope of Research

The researcher examined merger as a post-merger phenomenon. Even though attempts were made to study merger through the merger
process, these attempts were confronted by extreme reluctance on the part especially of the acquiring organizations in the merger process. Hence, the HR responses could not be studied during the merger.

The other limitation relates to the respondents profile. The respondents in this study were executives who were part of one of the organizations at merger. The unionized workers were not part of the study. Attempts were made in the initial period to reach out to workers. The data "gate keepers" of the organizations were reluctant to give permission. Therefore, a decision was taken to confine the study to executives. But, in the context of mergers, since the workers are also affected greatly, further studies should examine responses of workers in the context of mergers, organizations permitting!

7.2.5 Analysis

The simultaneous effect of independent variables and other dependent variables on the dependent variable being examined was not considered, since this being a exploratory study, the purpose was to identify, clarify and operationalize the concept of human resources responses and also to determine the determinants of the dependent variable.

7.3 RELEVANCE OF STUDY

The insights, which emerge from this study, have implications for the scholastic world as well as for the corporate world. From the
practitioner’s point of view the research brings out the importance of HRM processes in the context of merger.

7.3.1 Academic

A fruitful line of research as a sequel to this study would be to examine the relationships between planned pre-merger HR interventions and the sustainability and success of merger.

7.3.2 Corporate World

The study brings out the important effects the changes in HR systems and HRM process interventions have on the HR responses evoked. The key finding from this study is not the fact of differences between merging organizations that are material, nor is the quantity of HR systemic changes but the degree of HRM interventions, which plays a critical role as a determinant in facilitating the merger process. So, while there will be negative reactions when changes in systems are brought about, those can be addressed by suitable process interventions.

The process interventions pertain to four broad areas. These relate to managing the differences in culture, systems and service conditions between the organizations. In addition, they address the reactions evoked in the context of merger. The intervention strategies that emerge from the study are mechanisms for information sharing, the existence of transition teams, avenues for people to share their concerns about the effect on self and the organizations, counselling
and preparing the executives to accept changes both from the professional and personal perspectives, steps taken to align the differences in compensations, steps taken to involve all members of the organizations, and steps taken so that the actions taken are perceived to be fair.

7.4  SUGGESTED ROAD MAP FOR HR INTERVENTIONS

From the case study it is clear that the HRM interventions need to be employed at all the phases of merger. An attempt has been made to spell out a HR interventions road map for managing future mergers based on the case study findings, literature and questionnaire survey. The path that emerges has the following elements:

1. Principles guiding merger
2. Steps for building a positive HR climate

7.4.1 Principles Guiding Merger

❖ Minimize "we-they", "victor – vanquished" feeling.
❖ Make no changes in the styles of functioning in the initial period.
❖ Be Transparent in actions.

7.4.2 Steps to Build Positive HR Climate

❖ Articulate a vision for the combined organisation.
❖ Create and communicate transparency in actions.
❖ Actively build trust and confidence.
❖ Prepare employees for change.
❖ Focus on training and development for the personnel to adjust to the new job situation.
❖ Cross fertilize management teams.
❖ Focus on deliverables at each phase of integration.

7.4.3 Phase One : Pre Merger

Need for a pre merger analysis – to find the extent of difference in systems, culture & service conditions.

- To identify the problem areas and preparing a plan of action for these areas. These could include excess staff, compensation need for relocation, changes in jobs, difference in hierarchical levels.

- To make an assessment as to when the differences can be harmonized – whether some time should be allowed before changes are introduced or changes should be done immediately.

7.4.4 Phase Two : After Merger

7.4.4.1 Stage - One

At this stage, the actions are directed at addressing the concerns, fears and anxieties of the employees, especially of the acquired firm. Human issues are addressed and efforts are made to create trust and credibility. Employees are put at ease and no changes are introduced in this stage.
• Give people some time for adjustment.
• During this period take up follow-up action to:
  ➢ Address key concerns
  ➢ Initiate many goodwill measures
  ➢ Communicate well to quell rumours
  ➢ Build Trust
  ➢ Create a vision / image for the combined firm
  ➢ Maintain and improve the level of morale & motivation of the employees.

7.4.4.2 Stage - Two

In this stage, the movement to combined organization is initiated.

• Develop and Communicate the Image for the merged entity
• Define the company in terms of its values, vision, mission and communicate it across the organization
• Manage differences in culture
• Manage differences in HR Systems
• Harmonise service conditions
• Harmonise wages & salaries
• Involve employees in decision making
• Train employees to cope up with the changes
• Take steps to retain the best employees
• Recruit and select key people for key positions
7.4.4.3 Stage - Three

In this stage, attempts are made to create a homogeneous company with no trace of erstwhile companies. For this, the leadership role needs to be redefined into one with a clear vision for the future. Thus, this stage seeks to create not a union of multiple organizations but a single organization with one culture and one unique way of doing things.

7.5 SCOPE FOR FURTHER RESEARCH

This study has thrown up several areas for future research:

I. To explore the influence of the HR factors related to individual – both the demographic factors and personal traits – on specific HR responses like the commitment to merged entity in the context of mergers.

II. To examine the simultaneous effect of the dependent variables and the independent variables on the human resource variable. This could have implications from a managerial perspective, because by controlling for one, one could perhaps exercise control over the others.

III. To explore the effect of pre-merger functional and HR systems changes and process interventions in the planning on, through and post-merger HR perspectives.

IV. To determine the relative effect of HR systems and process interventions within the entire gamut of strategic, financial and operational interventions is another interesting possibility. The relationships between the types of integration strategies adopted and the HR responses evoked can also be studied.

V. Future research could be directed to find out the influence of differences in integration at different points of time – before introduction, at the time it is introduced, at some time interval (say, 8 weeks, 12 weeks, 24 weeks etc) after this is introduced. The criticality of different interventions should also be found out. This would enable managers to choose and plan the managerial interventions.
VI. To focus on the *relationships between merger phases* (pre-merger, through and post-merger) and *effectiveness of a particular managerial intervention*.

VII. One could include employees from all levels of the organization – workers, supervisory level, middle management and top management to study significant differences between the types and degree of HR responses at different levels.

Some methodological insights and questions have also emerged in the course of dealing with methodological issues in this study. The *culture of the two organizations itself can be studied* instead of using the perceptions of cultural differences as surrogate. The effect of cultural differences on the performance of the merged organization could be another fruitful line of investigation.