

HUMAN RESOURCE IMPLICATIONS OF MERGERS AND ACQUISITIONS

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ABSTRACT

This article focuses on doing a thorough literature analysis to better understand the human factors involved in mergers and acquisitions. It is a known truth that anytime a merger or acquisition is announced, whether locally or internationally, everyone, even businesspeople and economists, focus on the financial benefits rather than the impact on human resources. As a result, the proactive handling of human resource concerns at the time of mergers and acquisitions is highlighted in this review article. The study was descriptive and analytical in nature to learn more about how mergers and acquisitions affect the performance of human resources. Ten publications, including theses and research papers, are being reviewed for this purpose. The article's conclusion is that in order to make merger and acquisition transactions unbeatable, senior management must take employee concerns seriously, and a significant role for human resource managers is determined to be required in addressing employee concerns intellectually in such negotiations.

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

Introduction

The company is progressively using mergers and acquisitions to fortify and sustain its position in the industry. The current situation has made it very difficult for businesses to develop and endure. One of the key components of business strategy, mergers and acquisitions include the purchasing, selling, splitting, and merging of various organizations and related entities. Companies consciously employ mergers and acquisitions to boost financial performance, accelerate growth prospects, diversify risk, reduce costs, and expand market share. The current environment has changed business units from just selling products to establishing brands and adding value for customers. The human resources policies need to be strengthened for dealing with the human side of the company owing to the fast changes in the business environment brought on by globalization, technological progress, and liberalization. The management of human resource practices has become a crucial component in merger and acquisition negotiations. As a result, the researchers have made an effort to compile a broad range of the work done under the boundaries of distinct human resource management difficulties that emerge throughout various merger and acquisition phases.

Review of Literature

Muriithi. Mate. Eliud (2016) In his doctoral dissertation, "Role of Human Resource Management in Cultural Integration Process Among Selected Post Merged Commercial Banks in Kenya," the author analyzes the impact of various human resource practices, paying particular attention to employee recruitment and selection, training and development, employee performance and reward, and corporate leadership on the corporate post merger of Kenyan commercial banks' cultural integration processes.

Ghosh. Sohini, Dutta Sraboni (2015), focused on assessing change in performance levels of the banks using chosen financial and HR metrics between 2000 and 2010 while taking a

sample of 16 institutions. The research also looked at how mergers and acquisitions affected the Indian banking industry strategically.

Wegener. Lupina. A. Anna (2013) who investigated the human resource integration in Western economy subsidiaries of mergers and acquisitions using qualitative research design, semi-structured formal and informal interview process, and observations. They found that mergers and acquisitions have significantly changed organizational human resource effectiveness.

Bajaj. Hema (2012) has used a case study design technique to analyze the impact of relative size and performance on the HR integration strategy and process of two combined banks, Patiala Bank and Millennium Bank. To assess the effects of mergers on the financial performance of the banks and the HR integration process, the study analyzed the key financial performance indicators of the respective banks prior to acquisitions, including capital adequacy ratio, non-performing assets, earnings per share, price earning ratio, and profit after tax. Studying changes to organizational structure, communication, cultural sensitivity, staffing, remuneration, and promotion procedures is one of the several HR processes.

Jerjawi. Al. Khalil (2011) discussed the HR manager's vital position in the merger process. It sought to comprehend the role that the HR manager played in integrating HR procedures and supporting business unit transactions throughout the merger process. In order to facilitate HR processes including staffing, dumping, right-sizing, survival syndrome, and cultural integration in merger processes, the researcher addressed the important role of the HR manager as a strategic partner, change agent, employee advocate, and administrative expert.

Aruna (2011) In the age of technological progress, globalization, and liberalization, human resources management has neglected to address new concerns including mergers and acquisitions, changing worker profiles, and fresh organizational designs. The research focuses on the HR manager's responsibilities in a world that is changing quickly.

Rizvi, Yasmeen (2011) discovered that the success or failure of mergers and acquisitions is strongly connected with the growth of human capital and organizational performance. To explore the importance of human resources in the growth of human capital during mergers and acquisitions, both quantitative and qualitative research methods were employed. The success of mergers and acquisitions and the growth of human resources have been proven to be strongly and directly correlated in several recent studies.

Showry. M , G. Susmita (2007), The essay covered the crucial part that human resources play in removing barriers to successful mergers and acquisitions. The research described the preliminary, due diligence, planning, and execution phases of the merger and acquisition process. He also praised the essential part that human resources play in helping businesses engaged in mergers and acquisitions overcome obstacles. These are connected to culture shock, problems with human resource management, concerns with job security, staff turnover, and issues with remuneration and productivity.

Ranjan. S. N (2007) According to the author, analyzing the strength of talent retention must be given priority since the majority of organizations failed to consider talent management during the early stages of merger and acquisition. Risk assessment pertains to HR philosophy, pay, incentives, skills, workers' attitudes, organizational culture, etc. The talent management

paradigm has been used by the researcher as well during merger and acquisition negotiations. **Whittle. Dale. Douglas (2002)** AGROW investigated the effects of mergers and acquisitions on employee reactions, perceptions of organizational cultures, and the professional and personal lives of workers in his study on "Mergers and Acquisitions; the Employee Perspective" in a multinational genetic seed corporation. He also looked at merger-related information and assistance in the years after implementation.

Objectives

1. To comprehend the idea of mergers and acquisitions, first.
2. To talk about problems with human resources in mergers and acquisitions.
3. To go through prior research on how mergers and acquisitions affect human resources.
4. To provide potential solutions for the future.

Research Methodology

The research is analytical and descriptive in character. Its foundation is secondary data. Ten research papers and these have been taken into account by the researchers for the debate.

Time Period

The study's time frame is ten years, or from 2007 to 2016.

Rationale of the Study

Nowadays, mergers and acquisitions are taking place on a global scale. The choice about such partnerships is often made in terms of financial intensity, with human resource considerations receiving little to no attention. In order to assess the significance of human resource concerns in successful mergers and acquisitions, research has been done.

Discussions and Findings

The following factors have been identified by the researchers as having an impact on merger and acquisition negotiations based on the literature study mentioned above. These are what they are:-

- Financial performance
- Human resource integration
- Human resource practices

The location of the parameters mentioned in the preceding review of the literature are shown in the following table:

Table 1: Position of the Parameters

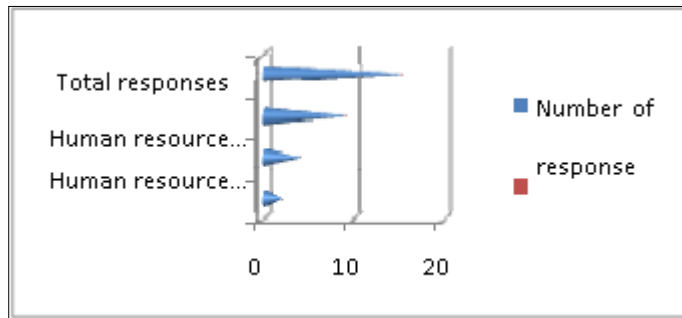
S. No.	A	B	C	D	E	F	G	H	I	J	Total
Financial performance					✓			✓			02
Human resource integration				✓	✓	✓			✓		04
Human resource practices	✓	✓	✓		✓	✓	✓	✓	✓	✓	09
Total	01	01	01	01	03	02	01	02	02	01	15

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

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

The analysis is carried out using a graphical representation of the parameters as given below in the following image, which is based on the summary of the discussion:



Graph: Analysis of Review of the Articles

The following conclusions are based on the individual analyses of the work completed by many academics in the area of mergers and acquisitions from human resource perspectives:

The process of cultural integration is significantly and favorably impacted by human resource strategies. Employees must be given the freedom to communicate information about costs, quality, and finances. He also emphasized the need of implementing performance assessment systems effectively and efficiently since they may offer clarity to objectives and work processes. To operate as a strategic unit, employee satisfaction strategies must be embraced (Muriithi.Mate.Eliud, 2016).

The research found that merger and acquisition has a significant influence on staff morale, loyalty, and motivation. Additionally, he came to the conclusion that organizational culture, leadership, and communication are all closely tied to how mergers and acquisitions are handled (Bajaj Hema, 2012).

According to research by Ghosh, Sohini, and Dutta Sraboni (2015), the combined banks' overall performance is superior than their pre-merger performance.

Because poor human resource power in a subsidiary and low levels of multiculturalism among foreign investors are common reasons for merger and acquisition failure, the effectiveness of human resource integration is especially vulnerable in these situations (Wegener, Lupina, A. Anna, 2013).

According to the study's findings, the relative positions of size and performance affect the merger process by inspiring the acquisition to be treated as a merger and directing various interventions made to ease HR integration (Bajaj Hema, 2012).

The research has outlined the upcoming new duties for HR managers in the current corporate environment, which, in his opinion, might result in dramatic changes like mergers in order to achieve a competitive edge. The research also came to the conclusion that the HR manager should take on a more strategic role throughout the merger process in order to positively impact the operation of the company (Jerjawi. Al. Khalil, 2011).

In order to adapt to changes related to mergers and acquisitions, the researchers looked at

how the job of the HR manager should concentrate on strategic concerns, creating and taking proactive steps for the development of an integrated HR system (Aruna, 2011).

The development of human capital is crucial during mergers and acquisitions. To handle the transformative changes brought on by mergers and acquisitions, it was further recommended that HR specialists be hired (Rizvi, Yasmeen, 2011).

The researcher firmly believed that HR professionals can assist businesses in successfully negotiating, conducting training and orientation programs, programs for stress management and communication, programs for family assistance, and activities for merger and acquisition success (Showry. M., G. Susmita, 2007).

According to his research (Ranjan.S.N, 2007), businesses may choose to measure their performance using a few key metrics, such as thorough retention data for the effective integration of personnel during the post-merger period.

Conclusion

The aforementioned literature analysis examines the drivers behind mergers and acquisitions. The research looks at how well mergers and acquisitions performed in terms of their suitability on a human and financial level. According to the study's research, the effects of mergers and acquisitions on human resources must also be taken seriously in addition to their financial and legal benefits. Human resource concerns are involved at all phases of mergers and acquisitions and are often met with opposition, especially during the implementation phase, as shown by the analysis of many review articles and theses. Numerous earlier research have come to the conclusion that although businesses now make such strategic decisions to learn about the financial and technical advantages, their success is not guaranteed. This is the result of disregard for human implications. The effectiveness of a merger and acquisition depends on both an internal and external study of the firm. Therefore, in such agreements, the human resource manager's involvement is crucial. In the current environment, mergers and acquisitions play a crucial role as a tool for corporate reorganization. The available literature makes it clear that merger and acquisition agreements include a variety of benefits, including enhanced market development, technical improvement via synergy, and product and service diversity. The following is thus assumed in the study article:

It is impossible to ignore the role that human resources play in mergers and acquisitions. The senior management authorities must give the proactive role of human resource managers in managing organizational change resulting from mergers and acquisitions considerable consideration.

The department of human resources actively participates in merger and acquisition transactions. The department may assist in handling employee concerns about merger and acquisition agreements. It may evaluate the effectiveness of senior management in carrying out such strategic decisions by focusing on moral traps, training, and preparing staff members, among other things.

Any merger and acquisition deal's success or failure depends on many factors, including the human resources involved. In order to make such partnerships effective, it is necessary to thoroughly consider the employee factors.

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