

## Challenges in Mergers and Acquisitions

[Name of the Writer]

[Name of the Institution]

## Challenges in Mergers and Acquisitions

### **Introduction**

Since the advent of globalization and tough competitive market, there has been a drastic shift in the global business environment towards the acquisitions and mergers. The consolidation and acquisitions are undertaken for the purpose of increasing capabilities and gaining larger market share, but many high profile mergers become unsuccessful to meet the organizational objectives because of inadequate role of Human resources and the issues revolving in it (Love, 2000). The mergers and acquisition (M&A) are carried out to achieve the various corporate goals and objectives.

The objectives may include diversifying risk, reducing chances of hostile takeovers or achieving economies of scale through combining efforts and efficiencies. However, there are certain risks and challenges involved while going through the process of M&A. As the two companies with diverse cultural and social backgrounds comprising of different age, gender and ethnicity combined with each other, it is often hard for these companies and the employees working in it to adjust in the new environment and they often resist adopting this new change which results in low productivity and efficiency.

### **Discussion**

#### **Managing the Communication and Information Sharing**

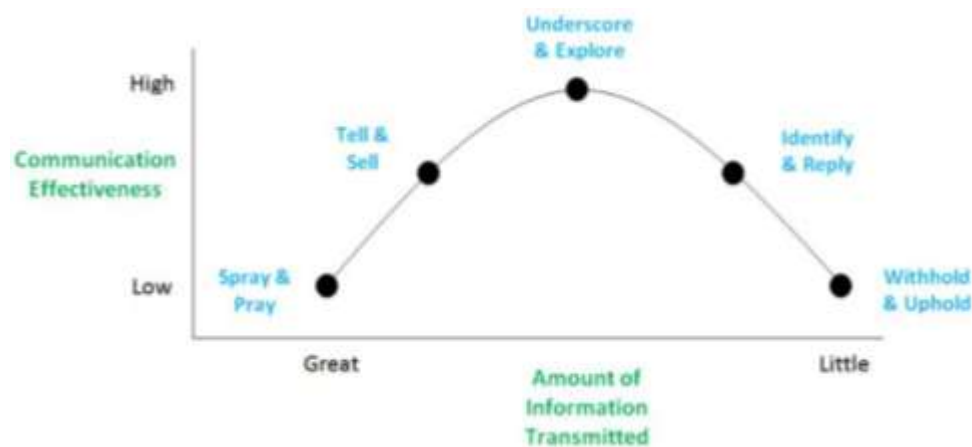
As discussed earlier that most of the M&A face the catastrophic end results, one of the reason why many M&A attempts fail is the issues arising because of weak communication. Manager's inability to manage authentic communication principles and information sharing

across the two companies is the root cause for such issues. It is because of the dilemma that managers have to deal with where they do not want confidential information to get leak out yet maintaining clear and comprehensive communication approach with their employees. Easy accessible communication and information sharing is essential to achieve a successful M&A. The role of communication plays an important role in the initial stages of the process consolidation. Employees often become aware from indirect sources that the company is going for consolidation, even before the formal M&A is underway (Risberg, 2013). It is a human nature to know everything about his surroundings and activities that is taking place around him. So if the management do not inform them or conceal the information from the employees, it will create a sense of distrust and anxiety among them.

Employees are the valuable assets for the company. They are the reason for the company's prosperity and downturn. When two organizations engage in M&A and changes their identity, it creates problems at the end of employees because the identity, loyalty and recognition that they have built up for their organization has now changed (Barrow & Davenport, 2012). It is hard for employees to grasp the fact that the company where they have served for years is merging with another company (Risberg, 2013). It is indeed turns out to be painful news for the staff and employees because they have built an emotional relationship with the organization over the passage of time that is beyond the transactional relationship. The reluctance and fear demonstrated by the employees in adopting the new change and environment also becomes the barrier in exercising effective communication. In order to cope up with uncertainty in the employees, organization should communicate change in a systematic manner and make it a high priority task. After M&A, the companies who are not flexible enough and those that lack the characteristics of continuous change, often find it hard to manage the employee's ambiguity and

their negative conception about change. One of the challenges that exist for managers to communicate change is the lack of rich and open communication. The need for managing communication derived from the viewpoint that M&A is critical process and any negativity or wrong perception between the people may seriously damage the bottom line.

**Fig.1- Communication Effectiveness**



Source: <http://amp.aom.org/content/14/4/41.full.pdf+html>

### Managing the Consolidation and Changes

In Mergers and Acquisition, layoffs are inevitable, whether it is voluntarily or involuntarily layoff (Zhai & Qi, 2014). The reason for this increasing trend in lay off is because many people find it hard to adjust with the new people coming with the new company who may have different way of thinking, working style, norms and ethical values. Also after M&A, it raises the redundancy in unnecessary jobs; the supply of employees becomes higher than the actual demand that is required. In another words, when two companies merged together, the pool of people becomes large who are doing the same job, which ultimately develops into more costly

and expensive for the company. When deciding which employees to lay-off, the employers should evaluate the performance of each employee. Employees who are top performer should be promoted and those providing least amount of value to the firm should be discharged. In a layoff situation, employer has to eradicate a certain number of positions and fill those positions with the right talent.

The most optimal action related to lay-off decision should be one where the loss of employees has the least amount of impact on the bottom line (Zhai & Qi, 2014). There is large amount of sorrow and guilt associated with people who are being sacked. To cope up with such issues, employers can offer them several options such as golden parachute, retention contract, and severance pay etc in order to compensate them for lay-off. Another issue that builds up during layoff is the feelings that develop into employees that he is being terminated because of his age or gender. Gender and age discrimination has always been hard for HR managers to tackle after implementing M&A. The equality can be maintained if management based their decision on job-relevant requirements and focusing on employee's performance and not on the basis of their age.

### **Managing the Relocations of Employees**

The first and foremost matter that the HR manager should look into after M&A is to evaluate how to deal with these abundant employees and resources, because merger often creates duplicates positions and resources. Relocating employees as part of M&A poses many challenges which employers often neglect (Grossman, 2006). Relocation within the organization is a useful alternative as it provide employees with the chance of being in employment with the business even after their position is eliminated. When transferring employees, it is important to

prevent negative outlooks that may create in an advent of relocation. In order to facilitate employees, many companies implement a program that will assist employees to find a new position within the organization. Determining the cost of relocation is most essential factor in deciding which resource will be perfect fit for relocation. Evaluating the housing situation and family of the employee prior to relocation will aid in determining what benefits they will require in order to relocate the employee successfully to new location (Grossman, 2006). One way the company can avoid such relocation costs altogether by hiring employees locally. It is up to the management to decide which employees they need to be relocated and those who will be hired locally. After calculating cost-benefit analysis, it will provide the company with a better picture to decide which employees to relocate and hire within the locality. The company can relocate those employees who are high quality workers and fill new vacant positions with local employees to reduce the costs.

### **Recommendations**

After assesing the challenges and issues associated with mergers and acquisition, the following recommendations have been proposed:

- The M&A will be more productive and profitable for the company if the HR manager ensures that the communication is clear and relevant
- The HR manager should speak with one voice from the moment the deal has been announced to avoid ambiguity
- He should disclose the central issues and facts yet maintain confidentiality of critical information
- Show care, empathy and respect towards every stakeholders while communicating

- Two way communication where the feedback is emphasized is always more effective.
- The manager should assess and lay off those employees that will have the least amount of impact on the bottom line
- In order to avoid age and gender that develops due to lay off, HR manager should based his decision by using quantifiable and objective job-related factors .
- To successful implement a relocation decion, the company should assessed the family, housing conditions, and the cost of present location of the employee in order to determine what benefits that particular employee might need.
- Evaluate and compare the potential costs and benefits of the employee who is being relocated.

### **Conclusion**

To sum it up, there has been an increased in mergers and acquisitions (M&A) after the advent of globalization in an attempt to attain competitive advantage and to lower down the intense competition that is common in almost in every industry. However, there are potential issues and challenges that HR managers have to face during both pre M&A and post M&A phases. Challenges like managing effective communication, increase in lay-offs and high expenses related to relocation are all common problems associated with M&A. This paper discussed the strategies and tools that HR managers can utilize to have a clear cut communication, avoid potential discrimination stemming from the layoffs and how one can implement the most optimal relocation strategy.

### References

- Barrow, M. S., & Davenport, M. J. (2012). *Employee Communication During Mergers and Acquisitions*. Gower Publishing, Ltd. Retrieved from:  
[http://www.gowerpublishing.com/pdf/SamplePages/Employee\\_Communication\\_Mergers\\_Intro](http://www.gowerpublishing.com/pdf/SamplePages/Employee_Communication_Mergers_Intro)
- Grossman, R. (2006). *HR Magazine: M&As Make a Move*. Society for Human Resource Management. Retrieved from:  
<http://www.shrm.org/publications/hrmagazine/editorialcontent/pages/0206spgrossman.aspx>
- Love, C. (2000). *Mergers and Acquisitions: The role of HRM in Success*. IRC Press. Retrieved from: <http://irc.queensu.ca/sites/default/files/articles/mergers-and-acquisitions-the-role-of-hrm-in-success.pdf>
- Risberg, A. (Ed.). (2013). *Mergers & Acquisitions: A Critical Reader*. Routledge. Retrieved from: <http://books.google.com/books?hl=en&lr=&id=zHzblhxTZegC&oi=fnd&pg=PP1&dq=managing+the+communication+mergers+and+acquisition&ots=U1paVEeq4u&sig=HWROkLminqiEePP2zKbp3AxvOTM>
- Zhai, M., & Qi, Y. (2014). *Research on Human Resource Matching Problems in Mergers and Acquisitions*. Atlantis Press. Retrieved from: [http://www.atlantispress.com/php/download\\_paper.php?id=11877](http://www.atlantispress.com/php/download_paper.php?id=11877)