

**Topic: Human Side of Mergers and Acquisitions (Dr. Nitesh Bhatia, Asst. Professor, Dept. of Business Administration, Central University of Jharkhand)**

**Introduction:**

One of the most common reasons for failure of mergers and acquisitions has been the human side of people change. However, organizations have been found to restrict their focus to financial projections and emotional dimensions of people take a back seat.

All organizations desire for a seamless merger or acquisition with no or least disruptions to the operations and people both.

***Understanding Mergers and Acquisitions:***

Objective of mergers are often reaching economies of scale, cost cutting, survival, global reach and economic & efficient operations of business.

Objective of acquisitions is growth and expansion of the organization acquiring in form of its sales, market share and asset.

Mergers can be of equals: (Staffing implications shared equally)

Or

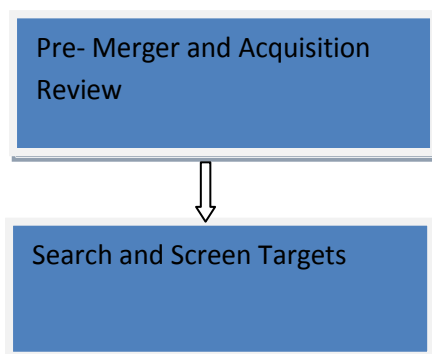
Mergers can be of Unequal's: (Staffing implications shared unequally)

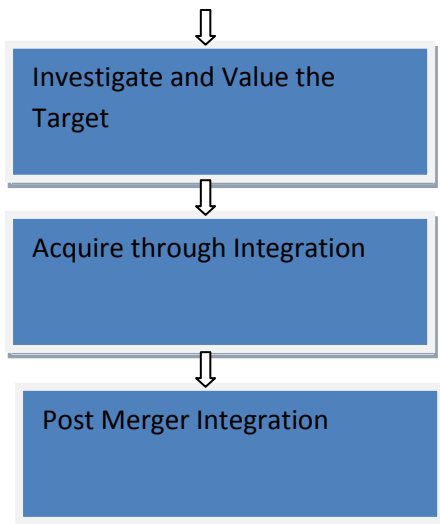
Acquisitions can be with integration: (With greater staffing implications)

Or

Acquisition can be with separation: (With less staffing implications in comparison to above)

***Merger and Acquisition Process:***





***Restraining Forces for Successful Mergers and Acquisitions:***

1. Unrealistic expectations
2. Strategies developed in haste
3. Power and politics
4. Lack of synergy
5. Unchecked cultural clashes
6. Underestimating transaction cost and time
7. Lack of motivation

***Driving Forces for Successful Mergers and Acquisitions:***

1. Strong Leadership
2. Retaining key talents
3. Meticulously identifying and understanding Hard and Soft issues
4. Dedicated & Well managed Merger and Acquisition team
5. Learning's from Industry and past
6. Effective Strategy and pre-requisites steps completed early
7. Effective and timely Communication

***There are several aspects that can't be ignored and need to be addressed by HR:***

1. Reason for Mergers and Acquisition (Background story)

Don't leave your people in a state of dilemma and confusion. Negative news and gossip can ruin your way forward to smooth implementation of merger and acquisition.

*HR's Approach:*

- Having Q & A workshops to shed light behind the reason for merger and question. This can allow people to have better understanding about the situation , so that they can anticipate changes and move forward

## *2. Emotional State of people of Organizations involved:*

We can't just ignore the array of feelings being experienced by employees at different levels. Their normal orientation is no longer normal. They will have lot questions to ask and addressed:

- "Am I Still in?"
- "Who's / who all are leaving?"
- "Who is going to be my new Boss?"
- "Any Change in my role?"
- "What about my current Compensation Package and Benefits?"

HR's approach:

- Making small groups of may be 15 to 20 to be addressed
- Allow groups to meet to ask their questions from the concerned(in specific partners)
- Partners providing clarity and bringing in calmness
- It's better to Over communicate rather than under communicating
- Document the list of questions and if possible provide written answers to them (if possible, to bring in more faith and confidence)

## *3. Timing of Mergers and Acquisitions (Peak Business Season, Tax Season etc.)*

Integration of systems, cultures and work pattern of both companies can't be done overnight. There is a lot to be done in pre and post merger and acquisition stage by both companies.

HR's approach:

- Special sessions like "An hour towards amalgamation" to be facilitated
- Addressing concerns in mind about future of business challenges by HR or COO
- Issues like Business season, Tax Season to be addressed amongst Senior Management

## **Human Side of Mergers and Acquisitions in a Go:**

1. Lack of understanding and awareness about developments to undergo
2. No call for consensuses
3. No Spokesperson to seek and deliver clarifications
4. Lack of a framework for systematic understanding of Merger and acquisition process

5. Majorly focuses on Finance and ignore on People side at various stages and levels
6. Retention of key talents
7. Compensation and Benefits Issues
8. Role and structure Clarity
9. Communication either limited or One-Way
10. Hierarchy to be undertaken in the new set up
11. Visionary leaders who are sensitive towards cultural differences, open-minded, committed to employee retaining, active listener and required

**Nutshell:**

**Human Aspect of Mergers and Acquisitions**

- Prepare for a flood of Emotions
- Have frequent and free flow Communication
- Early planning of integration process
- Leverage the best Practices
- Don't just hurry into it
- Strong leadership is essential
- Employee Involvement and team approach

Examples of Mergers are Acquisition in recent past:

1. Mittal steel and Arcelor steel
2. Zomato and Uber Eats India
3. Walmart took over Flipkart
4. Hindustan Unilever Limited Acquired GSK consumer Healthcare
5. Vodafone Idea (Mergers of equals)

**Assignments and Caselets:**

**Assignment 1:**

“Mergers of equals are more challenging for HR rather than Unequal's”. Comment along with specific reasons. (10 marks)

**Caselet 1:**

You are the HR of a top notch FMCG company named 'Jai India Limited' in India. Your Board have decided to take over your rival FMCG brand 'Shubh Samagri Limited' in India. You as the HR head are required to prepare the list of HR aspects in details you want to propose for the employees and authorities of the Shubh Samagri Limited.

Initially you planned for similar rules for compensation and benefits but later on going through the profile and recruitment criteria for Shubh Samagri Limited, which is comparatively less stringent and professional than Jai India limited, you have changed your mind. Kindly prepare a proposal for the tentative compensation and benefit policy for post acquisition scenario along with the laying down proposals for inculcating senior officials of Shubh Samagri Limited in the new Hierarchical set up.

(20 marks)