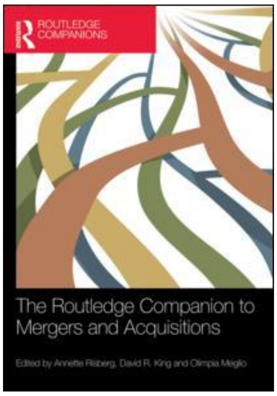

The Routledge Companion to Mergers and Acquisitions

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A framework of HR enablers for successful M&A integration

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3

A framework of HR enablers for successful M&A integration

A study of three transactions

Mahima Thakur and Anjali Bansal[1]

Introduction

Mergers and acquisitions (M&As) have become a popular strategy for companies to expand and grow, yet the success rate of M&As remains low (King *et al.* 2004). Many researches attribute the high rate of M&A failure to "employee related problems" (Davy *et al.* 1988; Dass 2008), due to insufficient pre- and post-acquisition integration strategies—especially integration of cultures, systems and technologies (Bragg 2001; Carleton and Lineberry 2004; Gallos 2006).

Most organizations jump the gun once the decision for the merger is made. They do not fully prepare during due diligence and have ill-conceived plans of action. Organizations that know how to minimize post-merger drift are the ones that succeed in integration initiatives (Giffords and Dina 2003), giving credence to the adage—the more you sweat in peace, the less you bleed in war. Still, each M&A transaction is unique, so the strategies and processes followed should be well suited to the given context. Companies need to consider multiple concerns, as outlined in Table 3.1. Research has pointed toward various enablers of integration success: human resource management (Dass 2008), training (Schweiger and Goulet 2005), leadership (Thach and Nyman 2001), communication (Seo and Hill 2005) and knowledge management (Empson 2001). This chapter builds on research and learning from practitioners, and attempts to identify and study the enablers of integration success.

The first section of this chapter discusses the conceptual framework of integration while stressing post-acquisition integration. This lays the foundation of the second section of the paper, which draws attention to various integration capability factors while providing a thorough discussion of integration models developed by different researchers, and lessons for training and communication. Section three pertains to the extensive investigation of three cases representing mergers or acquisitions in the Asian context. In this section, qualitative interviews were discussed and further content-analyzed to arrive at conclusions. Section four presents the findings of the study. The concluding section five presents an overview of the research, the inferences of the study and its implication for corporations.

Table 3.1 Questions to answer before entering into M&A deal

1. What is the purpose of this merger/ acquisition?
2. What would be the preferred roadmap to reaching the goal?
3. What is the vision for the future organization?
4. Do we intend to preserve the old culture, transfer one culture onto the other, or create a new culture by transforming the organizations?
5. What are the key processes that can help us to achieve task and cultural synergies?
6. What should be the communication strategy to the employees? Should it be limited to "spray and pray" strategy, or should it be a more detailed and customized exercise?
7. What are the anticipated potential restraining forces towards the achievement of this merger? What would be the respective strategies to be used to manage these forces?

Integration during M&As

While stressing the importance of a pre-acquisition integration plan, Tetenbaum (1999) reviews two studies conducted by Mercer Management and Boston Consulting Group. Mercer Management found that success or failure, three years after a deal, could be explained by the presence or absence of an integration plan following the merger. Companies with strong integration plans created above-average value in their industries. Mercer found that effective post-merger management policies can improve the odds of success by as much as 50 percent. Unfortunately, most companies do not effectively manage integration, so this value is lost. For example, the Boston Consulting Group found that, prior to acquisition, fewer than 20 percent of the companies had considered the steps necessary to integrate the acquired company into their own organization. While integration pertains to all aspects of an organization (i.e. technologies, policies, systems, culture), failures in consolidation are attributed primarily to the lack of an integration plan focused on people and human resource (HR) issues.

The integration of two organizations is an interactive and gradual process where individuals on both sides learn to work together and cooperate in the transfer of resources and capabilities (Haspeslagh and Jemison 1991). The success of this process depends on cooperation, and it requires the organization's ability to address conflicts and various HR challenges. Transferring and integrating resources is difficult because of cultural differences that create conflicts, communication problems, employee resistance, and the turnover of acquired talent and executives (Lubatkin *et al*. 1998;). While discussing this issue, Ashkenas *et al*. remark:

> The tendency to see integration as a unique event in an organization's life is magnified by the fact that acquisition and mergers are often painful and anxiety-producing experiences. They involve job loss, restructured responsibilities, derailed careers, diminished power and much else that is stressful. No wonder most managers think about how to get them over with—not how to do them better the next time.
>
> *(1998, p. 166)*

Post-merger integration is a complicated, touchy, and multi-faceted function that combines change management, task management, and people integration (Maire and Collerette 2011). Acquisition integration is defined by Pablo:

> Integration involves the changes in the functional activities, organizational structures, and cultures of the acquiring and acquired firm (or merging entities) that facilitates their

> consolidation into a functioning whole. Unless the acquisition is motivated by purely financial reasons—to lower the cost of capital—post-acquisition integration plays an important role in determining the acquisition results.
>
> *(Pablo 1994, p. 803)*

This definition can be broken into four separate management challenges: 1) handling organizational issues to manage change and stay on track, 2) facing administrative, technological, financial, geographical, and socio-cultural issues, 3) managing perceptions of social justice and equity, and 4) bringing together the talent of different companies to build a new and stronger entity (Maire and Collerette 2011). In handling these challenges, research has developed different suggestions that are captured in integration models.

Models of integration

This section summarizes five different models of integration with the goal of summarizing the common elements that organizations can apply. Most of the models of integration focus on the management of different processes along different phases of a merger or acquisition.

In the Path Finder model (Ashkenas *et al.* 1998), four phases of acquisition are developed with different sets of activities. Initially this model was developed for GE Capital, a company that assimilated more than 100 acquisitions in a few years (Ashkenas *et al.* 1998). The model outlines an integration game plan for: 1) pre-acquisition, which covers due diligence through closing of the deal, when a leader and communication plan are identified, 2) foundation building, which launches integration, and assigns resources and responsibilities, 3) rapid integration, which focuses on executing developed plans, including feedback to improve organizational processes, and 4) assimilation, which crystallizes routines and culture into a new system.

A more recent model, the FIDESS model, was developed by Vester (2002) after a case study of Xerox's acquisition of Tektronix's Printer Division. FIDESS stands for: "Focus, Innovation, Discipline, Excellence, Speed, and Simplicity" (Vester 2002, p. 33). The FIDESS model includes six lessons-learned categories and 26 related integration best practices. In brief, Focus ensures the rationale, timeline, and ownership for change initiative; Innovation involves sharing best practices to enable creative destruction of existing processes; Discipline requires both planning to take stock of situation and communication to develop a sense of urgency; Excellence covers management of human capital and using both internal and external talent; Speed propels integration by appointing an integration team and top management; and Simplicity provides the corner stone of this model. It advocates keeping in touch with grassroots efforts and direct involvement of senior executives.

The human capital model (Nalbantian *et al.* 2005) proposes a framework of the degree and speed of integration. In this model, the strategic intent can span degree of integration from: 1) total absorption of the other entity's culture (e.g. Sun Microsystems and smaller entities), 2) best of both the cultures (EADS) (Barmeyer and Mayrhofer 2008), 3) no integration at all (remote subsidies of many multinational corporations—MNCs), or 4) transformation to a totally new entity (Marks and Mirvis 2001). Different strategic intent dictates different action plans. The model suggests that full integration is not always needed and may also be potentially destructive (Marlin *et al.* 2004). It also identifies the restraining barriers and the facilitative forces related to the integration process. Barriers reflect several factors, including: 1) demographics, 2) cultural dissimilarities, 3) skill variances, 4) degree of autonomy, 5) employee selection and training processes, (6) differences in governance, and 7) compensation incompatibilities, and they could be rated as high or low. The forces of integration cover strategic intent, human capital requirements, core business process requirements, or any combination that are rated as high or low.

The Merger Management Model (M3) was developed by Lynch and Lynd (2002) as a result of a study of 25 acquisitions between 1980 and 1999 that ranged in size from $5 million to multi-billion dollars in value. The resulting model is based on disparity and goodwill. Disparity refers to the degree of similarity between combining companies, while goodwill is the excess amount above book value paid for a company. Therefore, goodwill represents the expected added value of a merger or an acquisition. Crossing these two dimensions produced four acquisition types that form the core of the M3. Surrounding this core are two additional layers representing acquisition goals and key integration actions, respectively.

The 4S Integration Model was developed by Ashkenas and Francis (2000) at Harvard, and it suggests that integration managers contribute to integration success in four ways: 1) injecting "speed," 2) creating new "structures," 3) forging "social" connections, and 4) creating short-term "success" that leads to long-term goals. The specific methods and potential trade-offs in this model are less clear.

Summary of integration models

A comparison of the integration models shows a diversity of perspectives in approaching integration. While the labels of what is important differ, common elements suggest that the integration has multiple phases or levels and that integration is a process. Processes vary in their effectiveness across organizations, making it worthwhile to consider elements that comprise integration capability.

Organizational initiatives toward developing integration capability

What is amazing after nearly five decades of research into M&As and robust models of integration developed by researchers is that companies do not appear to value these models. Most of the scientific models of integration point toward a well planned, cogent approach to integration based on a strategic intent and a vision for the future entity. Whether it is the Path Finder model or the human capital model, all advocate identifying the strategic intent of degree of integration and aligning change initiatives along these strategic intents. Training, performance management, and communication play a vital role in achieving this strategic intent. The FIDESS model and the 4S model also suggest that certain key HR factors like planning, linking innovation to appraisals, and communication between the top management and grassroots should be taken into consideration for effective and fruitful integration. When these competencies and capabilities are developed along the length and breadth of the organization, it helps develop integration capability.

To produce a sustainable competitive advantage and a sustained integrative capability the acquirer must transfer assets, people, and knowledge between combined units. Firms that do this better than competitors will more likely gain from making acquisitions. Achieving integration is difficult without gaining cooperation from both an acquirer and target. Employees from both the organizations who are involved in the merger must learn about the other company and its assets, people, structure, culture, and HR practices, as well as understand their role in transferring and coordinating resources (Weber and Tarba 2010). If the knowledge stocks of the acquiring and the acquired firms are different, they are likely to be less duplicative and more complementary and therefore offer increased potential for synergies and knowledge transfer (Bjorkman *et al.* 2007; Larsson and Finkelstein 1999; Shenkar 2001). No matter how attractive a business opportunity, an acquisition will not create value until capabilities are transferred and collaboration begins to create the expected benefits. The need for collaboration highlights the need for HR involvement, which research has correlated with M&A success (Schmidt 2002; Dass 2008; Froese *et al*. 2008).

Organizational effectiveness, innovation, and survival require "respect for and attention to the human side of enterprise" (Gallos 2006, p. 130). The role of the HR department resembles a conductor of a large orchestra where, to achieve harmony, all the musicians need to follow the conductor's guidance. Failure to involve HR professionals especially in the initial stages of M&As (pre-deal and due-diligence) can overlook or ignore people-related issues (Schmidt, 2002) throughout the integration process. Thus, research finds that HR involvement during integration is a possible contributing factor to the success or failure of M&As. The following subsections outline specific HR considerations that facilitate the development of an integration capability.

Human resource initiatives as enablers of integration

Early involvement of HR in the integration planning can avoid overlooking people issues in an acquisition. Success stories of integrations (e.g. the deal between Arcelor and Mittal, 2006; another deal between Vodafone and Essar, 2001; and the formation of EADS group, 2005) pave the way for future M&As. In most of these cases, it has been found that HR played an extensive role. Specific issues that HR can help to address during integration planning and identified by Dass and Way (2005) include:

1 determining organizational blueprint;
2 identifying top management teams, middle-level management teams, and change agents;
3 identifying the core competence and job profile needed in the new context;
4 developing job description, job families, and new roles;
5 determining talent management and retention strategies;
6 providing relevant training at different stages;
7 determining the new organizational culture;
8 developing communications strategy and plan; and
9 reconciling disparate HR policies, compensation, and benefits programs of the two merging entities.

Training: cornerstone of a successful integration program

An element worth expanding on is HR's role in training for M&A success. Training is important throughout integration so that employees can meet the expectations of the new job as well as they adapt to the new environment. Integration needs to be done both at the task level as well as at the human level. Birkinshaw *et al*. (2000) point out that integration should start at the human level (e.g. stress training, counseling, and behavioral training) and then go on to task integration (e.g. knowledge management training and technical training). We propose a training map for the different psychological contours faced by the integration team (refer to Figure 3.1). During the initial shock and denial stage, training forms should cater to behavioral issues that may graduate to more technical forms of training once the employees accept the situation. More specifically, Birkinshaw *et al*. (2000) propose that eventual acquisition success is a function of the parallel processes of task integration and human integration. Task integration is defined as the identification and realization of operational synergies, and human integration is defined as the creation of

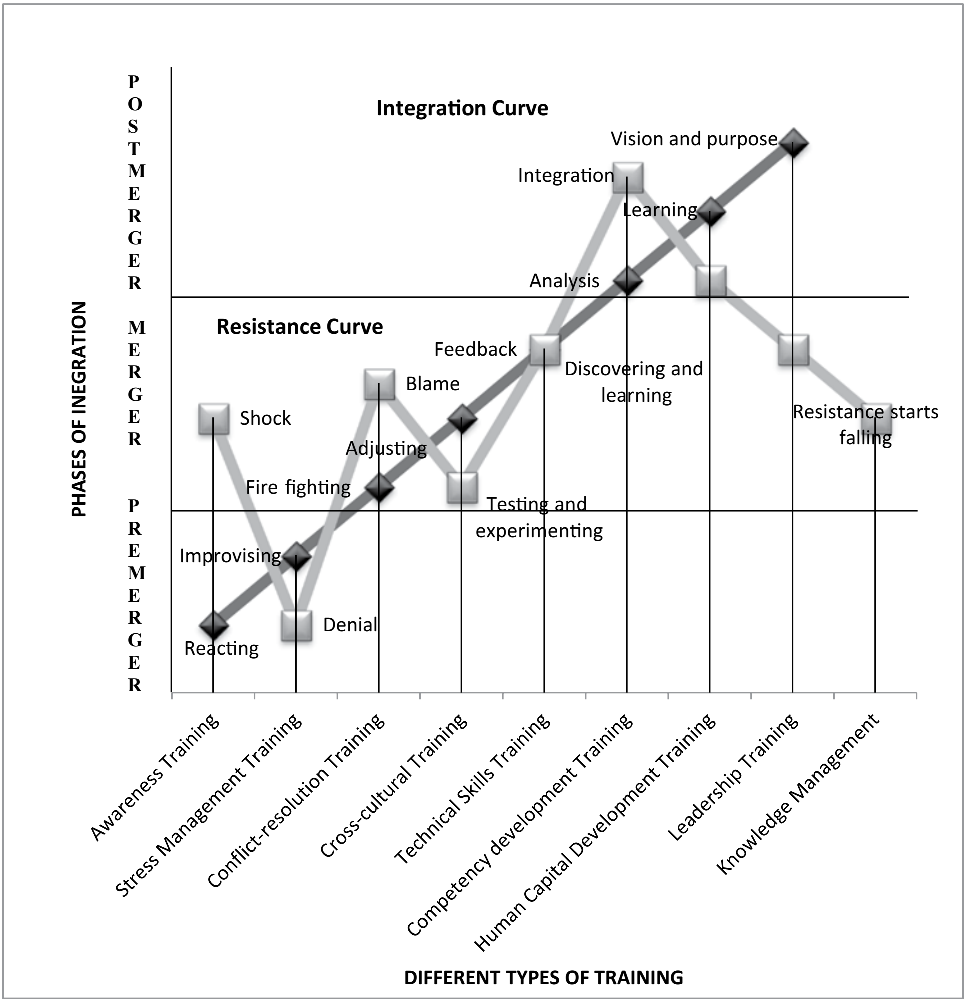

Figure 3.1 Proposed training for different stages of integration

positive attitudes toward integration among employees on both sides. Overall acquisition success is thus contingent on the effective management of both sub-processes.

Thus, integration initiatives begin with the combining organizations understanding the know-how of the other company's assets, people, structure, culture, their HR practices, and their own role in the merged entity. This can help identify specific training needs.

Different types of training for integration

To face the cross-cultural challenges during an interface of two different cultures, researchers suggest that employees need to be made aware of their own thinking processes, as well as the perspectives and perceptions of others. They should be able to identify and assuage their own emotions and others' emotions and thus be able to monitor their own behavior and understand other people's behavior. Intense psychological training has been proposed over the years to cater

Figure 3.2 Categorization of training during M&A

to the emotional, cognitive, and behavioral aspects of M&As (Landis and Bhagat 1996). Training may also differ at different levels in the organization. Marks (1997) pointed out that human resource professionals should take an active role in educating senior executives about HR issues that can interfere with the success of the merger and with meeting key business objectives, indicating that training at all levels is crucial for effective integration. Different types of training that can play a role in M&A success are discussed in the following subsections, and presented in Figure 3.2.

Competency development training

The competency approach to human resource management focuses on identifying, defining, and measuring individual differences in terms of specific work-related constructs, especially the KSA (knowledge, skills and abilities) that are critical to successful job performance. The competency approach provides a basis for integrating key HR activities such as selection and assessment, performance management, training, development, and reward management, thus developing a coherent approach to the management of people in organizations (Lucia and Lepsinger 1999). Once the merger takes place, new requirements from market expansion, product diversification, and technology upgrades drive an assessment of the training needs of all the employees to move the new merged organization with a new energy, confidence, and positivity infused in every employee. Competence-based training focuses on making employees feel more adept, secure, and motivated.

Conflict resolution training

One of the most important challenges during integration is addressing grievances, whether real or imaginary, expressed or unexpressed. It is these grievances that can pile up and snowball later until they are out of control. O'Connor (1993) categorizes various types of resisters to change, ranging from overt resistance to covert resistance, and unconscious resistance to conscious resistance. He suggests that managers of change need to identify the unconscious and conscious resistance and deal with the intra-personality and inter-personality conflict. This resulted in four categories of resistors-protestors (overt and conscious resistors), saboteurs (covert and conscious resistance), survivors (covert and unconscious resistance), and zombies (overt and unconscious resistance). Conflict resolution training would help managers to identify different types of resistors and conflicts and to use appropriate strategies to manage them. There might be other kinds of conflict (e.g. inter-departmental conflict and role conflict) that managers also need to address.

Stress management training

Elizabeth Kubler-Ross (1969) vividly depicted the range of emotions experienced during any kind of change in life, starting from "shock" and "denial" and finally evolving into "acceptance." Management researchers and practitioners have extensively borrowed from her model and developed transition curve/ psychological curve during M&As (Devine 2002). Confusion and uncertainty caused during the merger announcement contributes to the employee's stress levels. During the early phases of shock, denial, anger, and experimentation, organizations need to provide intense stress-handling training to managers as well as to other employees which would help them to manage their own emotions as well as others' emotions. As depicted in Figure 3.1, appropriate training along the different phases of the resistance curve would help the employees cope with the challenges of the change. Educational seminars should be developed and delivered to curtail stress and uncertainty in the organization during the change process (Seo and Hill 2005). For example, employee assistance programs and "town meetings," where employees can voice their views openly, listen to others, and take solace in the fact that others are experiencing the same emotions (Fugate *et al.* 2002) help release stress.

Job-related training

The roles and responsibilities of employees tend to change during an acquisition. This causes employees to feel less competent for their present job role. Managers need to consider job-related training, as employees' behavioral and psychological processes that are linked with different roles have a great impact on integration outcomes. A substantial effort expended in teaching, training, and communication, and effective HR processes could help in reducing ambiguity and culture clashes and to lower perceptions of inequity in the organization (King *et al.* 2004; Stahl *et al.* 2011).

Managers need to identify new roles, do a detailed job analysis of all roles, and relate job descriptions and then design training programs related to the new roles. This training also needs to consider the alignment with the new roles of others. Additional training that can be subsumed under job-related training include: 1) expert training for knowledge and information related to roles, 2) processes training related to coordinating mechanisms, and 3) knowledge management training.

Behavioral training

Training related to new expected behaviors and cultural norms assist in understanding each groups' behavior. Successful mergers have banked on intense behavioral training to mitigate the impact of wide cross-cultural gaps. The Daimler and Chrysler (DCX) merger, underestimating the potential impact of cross-cultural challenges, led to steep losses. The meticulous Germans found the attitudes of the Americans unnerving, and the Americans found the behavior of Germans to be regimented (Hollmann *et al.* 2010). Further, thousands of workers in India went on strike when a Japanese supervisor "playfully" kicked a worker and upset his sacred head gear, thus hurting relations with workers (Saini 2005). A thorough behavioral training of both entities will help them respect and accept differences.

Training summary

Effective training programs can help fight acculturation blues. Most M&As are plagued by multiple cultural clashes which snowball into huge integration challenges. One of the best examples of such a flawed M&A planning and execution was that of the Daimler-Chrysler merger. In May, 1998, Daimler-Benz and Chrysler Corporation, two of the world's leading car manufacturers, agreed to combine their businesses in what they claimed to be a "merger of equals." The merger resulted in a large automobile company, ranked third in the world in terms of revenues, market capitalization, and earnings, and fifth in the number of units (passenger-cars and commercial vehicles combined). Chrysler was the very symbol of American adaptability and resilience, valuing efficiency, empowerment, and fairly egalitarian relations among staff, whereas Daimler-Benz was the epitome of German respect for authority, bureaucratic precision, and centralized decision-making. Another key issue at DCX was the differences in pay structures between the two pre-merger entities. Germans disliked huge pay disparities and were unlikely to accept any steep revision of top management salaries. But American CEOs were rewarded handsomely, and Chrysler's CEO Eaton earned a total of $10.9 million in 1997. When faced with cultural clashes, both managements got into intense training programs, but the damage had been done. The chasm was too wide to be bridged, and the dividing lines were dug deeper over time. Had these training programs been conceived earlier, anticipating the cultural clashes, they would have been more effective. Eaton's address to Germans was not taken well, as they did not appreciate an open display of emotion (tears) by a leader. This case also throws light on the designing of communication: communicators should consider 1) the strategic goal in mind, 2) customizing the message to address the needs and fears of the various target groups, and 3) frequency to reinforce desired messages. Senior management cannot "spray and pray" and simply hope that all will end well. Instead, communication needs to be consistent to drive some important messages and create bonds; relevant observations on communication are summarized next.

Role of communication in integration success

A Wyatt company study of CEOs in 531 U.S. firms found that, if they had another chance to go through a major restructuring, they would have focused more on communication with their employees (Larkin and Larkin 1996). This is consistent with a KPMG survey of managers in 131 of Canada's top corporations, which found that managers viewed communication as the most important factor in achieving successful organizational change (Barrett and Luedecke 1996). Implementing an acquisition requires that communication be consistent, content rich, and customized.

This implies a need to consider communication early. M&As take place in an environment of uncertainty and gossip, where employees often operate in a state of bewilderment. The mere announcement of an acquisition creates a great deal of uncertainty and speculation with the "all-too-pervasive" rumor mill or proverbial office grapevine potentially sabotaging an otherwise effective corporate communication program. To address the importance of communication, the concept of "Merger Syndrome" was proposed by Marks and Mirvis (1985). This situation is characterized by increased centralization and decreased communication by management with employees. For example, one survey found that 58 percent of respondents felt that "under-communication" in acquisitions was more problematic than "financial synergy" and "not meeting promises" (Appelbaum *et al.* 2007). This has detrimental consequences for an atmosphere of trust and equity in the organizations.

Trust is an important behavioral aspect in the integration process. Sorting out grievances at the incipient stage would help arrest the development of feelings of inequity, injustice, and lack of managerial empathy. Most M&As do not give due consideration to the issue of conflict resolution and grievance handling. When the organization institutionalizes a proper grievance handling mechanism, such as suggestion boxes, it can help manage integration.

In considering how to overcome perceived communication shortfalls and their implications, Daly (1995) identifies that employees are more likely to be successfully integrated when: 1) they are provided with accurate information and feedback, 2) changes are explained adequately to frame decisions, and 3) communication enables an exchange of ideas. These factors highlight the importance of not just the content of information but also its tone, frequency, and timeliness. Thus, timing is significant, and a good communication plan should be developed before an acquisition is finalized (Balmer and Dinnie 1999). In developing a communication plan, Davy *et al.* (1988) propose some guidelines to increase the effectiveness of communication:

1 timely distribution of information;
2 comprehensiveness of information;
3 frequency of distribution of information through different media;
4 communications that are perceived as credible by employees;
5 communication of the rationale for organizational changes; and
6 effective planning of the communication program across the stages of transition.

Consistent with these ideas, Ashkenas *et al.* (1998) suggest four considerations in any communication plan—audience, timing, mode, and message. For example, GE Capital's Private Label Credit Cards business identified several distinct audiences, including the senior management of both the companies, the integration team, the employees of both organizations, the customers, clients, and vendors of the combined unit, the affected communities, and the media. Before the deal was closed, the details were conveyed to each audience through the appropriate mode of communication to facilitate success. Next, we examine how developed ideas apply in three relevant cases.

Exploration of three M&As

A case study using a qualitative design attempted to study the correlates of successful integration from three mergers (Yin 1994). The three M&As chosen were selected using convenience sampling to examine organizations ranging from the public sector, to the private sector, to multinationals in Asia. Organizations selected were in their post-merger period (six months to two years). Transaction 1 chosen was the acquisition of a "government-owned IT service firm" (entity B) by another "government-owned electrical equipment industry firm" (entity A). Transaction 2 was the merger of a "government-owned aviation sector firm" (entity C) with another "government-owned aviation sector firm" (entity D), while Transaction 3 involved a merger of a private telecom giant of India (entity E) with another Indian "private telecom sector firm" (entity F).

Research methodology

This scientific investigation adopted a dual approach of studying qualitative data from interviews and developing cases. The sample size was of 117 engineering managers from the three organizations. The sampling was multi-stage, with organizations chosen on a purposive basis, but the respondents were chosen randomly. All the respondents were engineers from the lower and middle rung in the organization. It was imperative to study the perception of the middle and lower rung because most of the resistance comes from these levels and they are separate from the decision-making process.

An interview schedule was prepared with open-ended questions related to proposed enablers of integration (independent variables) and the dependent variables of satisfaction with the integration process, integration outcomes, and organizational commitment. A pilot study of 49 managers helped in identifying questions on role ambiguity and role isolation that related to the dimension of role stress. The independent variable of training had nine questions about their perception of training initiatives related to the dimensions of awareness training, cross-cultural training, and human capital development (competency) training. HR conducted training programs, as most of the people in the IT department were from a different cultural background with varying competencies. Additional measures included:

1 Communication: measured along three dimensions—relevance of information provided, frequency of communication to employees, and customized communication to target groups, keeping in mind their apprehensions and fears. Questions were also asked about communication in case of grievances or queries of employees.
2 HR initiatives: questions were related to the various areas like training, talent management, work force planning and distribution, role stress, career growth planning, performance appraisal systems (structure and objectivity), and reward structure.
3 Cultural convergence: measured by asking questions related to three dimensions of culture—style of decision making, routine institutionalization, and value institutionalization practices.
4 Task integration initiatives: these include the placement of resources required for successful task outcomes (e.g. alignment of task routines, resource sharing, clarification of role identities, and identification of job descriptions).
5 Perception of integration process: determined by measuring the level of satisfaction of employees with the integration process.

Results

The results indicated a high correlation between HR initiatives and perception of integration success. In both Transactions 1 and 2, HR planning for integration was limited, and employees reported role isolation and role ambiguity. The employees of the acquired organization felt that the new roles given to them were less important and clear. In Transaction 3, the organizations were trying to preserve the work routines as the two entities were managing their own spheres of work. Table 3.2 summarizes the transactions and integration intentions.

Transaction 1 depicts the impact of poor cultural integration on M&A outcomes despite thorough HR planning, training initiatives, and resources for both the entities. In Transaction 1, the acquiring organization, a public sector company (entity A) let the acquired IT organization (entity B) continue operations as an extension of the company. The major conflict which emerged was related more to the human/ cultural integration than the task integration. Entity B was primarily made up of young engineers from the IT sector with international exposure, while entity A was a typical monolithic bureaucratic government sector organization doing fairly well. Though the qualitative data revealed that the member of the IT group (entity B) felt that the government organization conducted extensive training programs for them, the main source of dissatisfaction was the cultural difference. The employees of entity B felt that it was

Table 3.2 Summary of initiatives to achieve integration

Transactions	*Organizations*	*HR initiatives*	*Training*	*Communication*	*Cultural integration*	*Task integration*
Transaction 1	**Entity A** (government-owned company) **Entity B** (government-owned IT service firm)	Career growth plans were determined; performance appraisal procedures of only entity A were followed; no recognition system	Task integration training; competency development training	Nothing was communicated before deal took place; work norms were communicated once merger was done	No participation of workers in decision-making; entity A routines and practices were circulated; (absorption)	Preservation of routines; clearly stated job description and task distribution
Transaction 2	**Entity C** (government-owned aviation sector firm) **Entity D** (government-owned aviation sector firm)	No career growth plans were determined; old performance appraisal procedures were followed	Cross-cultural training; behavioral training	No clarity of processes; minimal efforts were put into communicating about the processes; no communication with the unions; unions went on strike	Integration of values; cross-cultural training; procedures integration; (midway of absorption and preservation)	Duplication of tasks; parallel development of processes
Transaction 3	**Entity E** (private telecom sector giant) **Entity F** (private telecom sector organization)	HR processes were integrated to set harmony	Human capital training; job role training; knowledge management training	Communication was done before, during, and after the acquisition; communication by leader; customized according to various target groups; suggestion boxes and gripe boxes	Preservation of cultures; communicated leadership vision; interaction with targets; inter-organizational cross postings (preservation)	Clear-cut processes; joint committees; conflict resolution committees; integration managers

like going "back to school" as they (entity A) issued a list of do's and don'ts—for their younger counterparts. For example, having coffee in the winter sun in the parking lot with friends was considered inappropriate and disallowed. When interviewed, the members of entity A felt that the members of entity B were "immature" and needed to be trained into senior management's values and credo. When asked if this was dissatisfying, the younger employees reported that, though it was irritating, the learning was worthwhile. What was most irking for these IT engineers of entity B was the fact that they had separate canteens for the two organizations. "Needless to say that the canteen of the government organization (mostly senior officials) was better in service quality and in product range than that of the employees of the IT firm (mostly young and junior IT engineers). It is a reflection of their mindsets, remarked one of the younger engineers who were experiencing a high level of power distance. A senior HR executive who was involved in Transaction 1 stated: "We established our basic rules. We would provide them career growth opportunities but we will not compromise on discipline and performance." This was in sharp contrast with the open working style of the young engineers.

The responses for Transaction 1 clearly show that a "them and us" divide served as the main reason of dissatisfaction. They also said that their communication was neither clear nor frequent. We conclude that cultural alignment is even more crucial than task alignment as it involves human issues such as satisfaction, anger, frustration, and belongingness. The findings of this research are in tandem with the conclusions posited by Birkinshaw *et al.* (2000) that cultural alignment (human integration) is of vital significance and should precede task alignment (task integration) as it involves human issues like satisfaction, anger, frustration, and belongingness.

Transaction 2 depicts the impact of poor HR planning initiatives on M&A outcomes. Transaction 2 was a merger of a government-owned aviation sector organization with another smaller organization in the same sector. The major issue was related to task integration as there was reported role duplication, role ambiguity, and perceived injustice. Culturally the two organizations were similar, but HR did not seem to have done its work. One of the respondents pointed out in an exasperated tone: "they give all the plum tasks to their 'own' people and soon they would promote them on that basis. I am planning to quit and open my own courier business." HR had failed to do workforce planning, and role descriptions were not charted out for various job families. As a result, people felt lost and wasted. Thus, as pointed out in the human capital management model, the managers in Transaction 2 could not address the issues related to human capital management for redefining the role, clarity of career pathway, and inter-departmental conflicts which resulted in entropy and overwhelming feelings of alienation and dejection. People were ready to leave their lucrative government jobs in a developing economy.

Organizations often go into a heightened drive of cultural integration, as seen by the cultural convergence institutionalization practices in Transaction 2. Training budgets were allocated and the organizations went into a thorough training program related to culture and competence. What was interesting is that, despite such thorough HR involvement, HR planning was not perceived favorably by the employees. The HR initiatives were seen as "half-baked" policies. One of the managers reported that the presence of unions was a major obstacle to HR planning. The unions were resisting major reshuffles and job cuts and often threatened an organization-wide strike if even one job was touched. The HR department worked extensively around cultural integration, but it did not touch task integration. HR conducted an orientation program for the employees of entity D, the smaller of two merging entities, wherein entity C's vision and HR processes were communicated to them. The HR managers failed to address the key concerns of a typical M&A employee experiencing merger syndrome, with feelings of uncertainty, loss of power, fear of the unknown, and survivors' anxiety rampant. Most of the employees feared losing their current roles and lacked meaning to associate with their roles in the new scenario.

Transaction 3 is a depiction of a well planned M&A process with a proper focus on task integration, cultural integration, and communication. Transaction 3 was a merger of a private telecom giant in India (entity E) with a mid-sized private telecom firm (entity F). Job-related training was provided to employees to make them better understand the expectations of their new job roles. One of the participants in Transaction 3 said: "training helped in clear understanding of procedures and processes that helped employees to acclimatize during integration." The results support the contention of Weber and Tarba (2010), who state that the training for a specific situation such as a merger is perceived by managers and employees as a good development and career opportunity that helps them both on the job and in future hiring and retention. Inputs from qualitative interviews in Transaction 3 also corroborated this conclusion. For example, respondent comments indicated: "the good part about this merger is that we got to learn new skills and competencies," and "I was not very happy in the beginning but now I feel good about it as we have been given training on many new technologies."

In Transaction 3, the emphasis on communication was given at all the stages of the M&A where mid-level managers communicated about the processes and organizational structure. The acquiring organization held frequent meetings to answer questions and help allay fears of the acquired company employees by communicating that every employee would be retained on their current positions and no lay-offs or retrenchment would be done. This transaction shows that, though the previous two entities had different organizational cultures, mutual respect between the strategies, cultures, structures, participative leadership style, and HR processes can lead to success.

Discussion

This investigation makes a contribution to the existing literatures of both human resource management (HRM) and M&A. The results suggest a significant role for HR in the M&A process. It is clear from the evidence that HR plays a variety of roles during the M&A process depending on the phase. In the pre-deal phase, HR professionals are researchers, analyzers, planners, and negotiators. They collect data of the partner organization and examine HR implications from the information they gather. Later in the post-merger phase, HR professionals identify integration levels and reconcile compensation and job descriptions. This is then used in the training of employees to facilitate integration and cultural convergence in this phase. Our findings are strengthened from using multiple sources of data that increase the confidence of our results. Additional implications for management research and practice are discussed below.

Research implications

The results of this study corroborate findings of previous research stressing the role of hard enablers (e.g. task integration practices) and soft enablers (e.g. cultural convergence institutionalization practices, communication, and HR practices) (Birkinshaw *et al.* 2000; Schuler and Jackson 2001). Specifically, Birkinshaw *et al.* (2000) divide integration into two equally important processes, task integration and human integration. Our results support their contention that M&A success depends on both processes being effective. For example, an emphasis on human integration may result in satisfied and committed employees without operational synergies, while an emphasis on task integration can lead to the achievement of synergies without employee commitment and satisfaction.

Our research also has implications for research on trust. Perceptions of fairness and honesty are dependent upon the relationship between the trustor and trustee (Bhattacharya *et al.* 1998;

Butler 1991; Jones and George 1998). Unless employees feel that the newly merged organization is working for their well-being, they won't trust it. We find that training helps to alleviate feelings of distrust and ambiguity. The use of training for supervisors, shop floor training, and training on appraisal systems provides clarity and sends important signals to employees. As a result, training leads to the metamorphosis of feelings from apprehension, to excitement, and acceptance. This suggests that training may provide an important foundation for trust.

Managerial implications

M&As involve labor pains, but well planned and chalked out integration strategies can help ease that pain. The results of the study identify enablers associated with integration capability that managers can strengthen. Continuous and customized communication, grievance resolution, and multifaceted training programs hold center stage positions in the road map to integration. Still, they tend to be ignored the most. Once distrust is established, it will be difficult to recapture employee commitment and satisfaction. For example, the study also highlights the importance of managing unions, which may be overlooked in M&A research.

Limitations and future research

Performing our study involved trade-offs and areas that we incompletely explore and require additional research. For example, the examination of the cases highlighted the importance of managing unions, which we do not examine in depth. Future research can attend to this issue, as it is a key reason for the failure of a merger involving two major airlines in India. The use of surveys has its own limitations such as social desirability factors and issues related to self-report surveys and interviews. The addition of archival data to validate our findings is needed. Additionally, it would have been ideal to have observed the organizations in a longitudinal design over the integration period. Nevertheless, the study points to unique socio-cultural issues and offers solutions and suggestions for future research.

Note

1 Anjali Bansal is the corresponding author for the chapter.

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