

HR Restructuring and Challenges in Mergers & Acquisition

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Abstract—In 21st Century, Human Resource (HR) is the key factor of any organization. Human Resource is the term which, in many organizations, describes the combination of traditionally administrative personnel functions with performance management, employee relations, and resource planning. In broader aspect, all decisions that affect the workforce of the organization are the concern the HRM function. Major HRM responsibilities include work design and job analysis, training and development, recruiting, compensation management, team-building, performance management and appraisal, employee/worker health and safety issues, as well as identifying valid methods for selecting staff and organizational restructuring. Mergers and Acquisitions (M & A) have become a common phenomenon in recent times and this trend is still going on. The human resource issues that become important in M&A activity are human resource planning, compensation analysis and selection and turnover, performance appraisal system, employee development and employee relations & restructuring. M&A activity presents a different set of challenge for the human resource managers in both acquiring and acquired organizations during the period of transition. The M&A leads to stress on the employees, which is caused by the differences in human resource practices, uncertainty in the environment, cultural differences, and differences in organizational structure and changes in the managerial styles. Many M & A failed due to unorganized practices, cultural differences, environmental changes and policy changes. In today's competitive market, HR restructuring is challenging for the HR department in redesigning the organization structure, giving employees same values and accordingly grading their performances. On the basis of HR restructuring and planning, organization is thinking for Mergers & Acquisitions to expand their business or to survive by minimizing loss. The present study, therefore, is an attempt to explore the engagement of Human Resources Management in restructuring the company strategies during M & A. The combined impact of M & A and human resource activities, which reinforce desirable behavior, can make a major contribution in creating long term success for organizations.

Keywords: *Human Resource, Mergers & Acquisitions, Restructuring, Performance strategies, organization environment.*

1. INTRODUCTION

In this age of globalization & today's competitive economic environment enterprises are constantly adjusting and also restructuring to sustain and grow in the market. In any other form of restructuring Mergers and Acquisitions include human

costs, which not only affects the employers & employees, but also other stakeholders. Managing an organization & employee requires some important attributes. Mergers and acquisitions have been used as an effective strategic corporate restructuring tool in the business scenario worldwide for a long time dating back to 1897. These are effective tools for the Human Resource management to achieve greater efficiency by exploiting synergies and growth opportunities. In the recent decades human resources management is more important for any organizations. In ancient India, nearly about three millennium before Christ human resources had its roots such as they codified many aspects of human resource practices in the world's first management book "Arthashastra". In early twentieth century modern concepts of human resource management found its root, when the dominant notion was of employee welfare. HR professionals have helped their organization by doing work that impacts and focuses the bottom line on organization's activities. HR professionals are the leaders of different activities that place themselves in spotlight for top management to see. Employee performance indicators are adopted by leading Mergers & Acquisitions firms. Employee benefits & engagements are ;anti-discrimination, turn over, labour-management relations, professional development, employee volunteering etc. Mergers and Acquisitions have become a common phenomenon in recent times and this trend is still going on. M&A activity presents a different set of challenge for the human resource managers in both acquiring and acquired organizations during the period of transition. Many M & A failed due to unorganized practices, cultural differences, environmental changes and policy changes. On the basis of HR restructuring and planning, organization is thinking for Mergers & Acquisitions to expand their business or to survive by minimizing the loss. The present study, therefore, is an attempt to explore the engagement of Human Resource Management in restructuring the company strategies during M & A. The combined impact of M & A and human resource activities, which reinforce desirable behavior, can make a major contribution in creating long term success for organizations.

1.1 Human Resources & Importance of Restructuring

In Early 20th century HR is the product of the human relations movement, which starts ways for creating business values through strategic management of the workforce. Human Resource is the term which, in many organizations, describes the combination of traditionally administrative personnel functions with performance management, employee relations, and resource planning. Major HRM responsibilities include work design and job analysis, training and development, recruiting, compensation management, team-building, performance management and appraisal, employee health and safety issues, as well as identifying valid methods for selecting staff and organizational restructuring. Due to globalization, Human Resource manager focuses on strategies like mergers & acquisitions, talent management, succession planning, diversity & inclusion. In this competitive market, many companies focus most on lowering employee turnover & try to retain the talented & knowledgeable employees. New hiring is not only more cost effective, but it's also increases the risk to work on the position where an experienced person had worked before. HR departments also strive to offer benefits that will appeal to workers, thus reducing the risk of losing talented & knowledgeable.

“The organization function that focuses on the effective management, direction, and utilization of people; both the people who manage produce and market and sell the products and services of an organization and those who support organizational activities. It deals with the human element in the organization, people as individuals and groups, their recruitment, selection, assignment, motivation, empowerment, compensation, utilization, services, training, development, promotion, termination and retirement.”(Tracey, 1994)^[7].



Restructuring is a process, in which a business changes the strategy of its organization, which mostly involve downsizing. Organizations close down some of their outlets, exclude departments, give voluntary retirements & also terminate some of their employees. Sometimes they go for outsourcing, to save money & sustain in the global market. In other hand, restructuring may involve the reassignment of duties & transfer of the employees within the organization to improve

performance or incorporate new technologies. But due to restructuring of an organization, sometimes they also lose skilled and experienced workers. But the advantages of restructuring are more effective for the organization.

1.2 Mergers & Acquisitions

Mergers & Acquisitions (M&A) both are aspects of strategic management, it includes buying, selling, dividing & combing of the different and same companies, that can help in the growth of the organization and brand value to the customers.. M & A is an effective & important tool for the management to achieve goals, growth opportunities & also sustain & retain their stakeholders & customers. The reason for mergers & acquisitions is to increase economy, minimizing the risk, cost effectiveness, growth of a leader, globalization, profit maximization, flexibility & leverage, acquiring new talent and technology. Companies that follow M & A's, not only create brand value, create core competence & faith on their shareholders & as well as customers. M & A activities present a different set of challenges for the human resource management in both acquiring & acquired organizations during the period of transition. Major challenges during M& A are molding cultures, growth for the organization increase competitiveness in local and global market and also the brand value. Different types of M& A like horizontal, vertical, conglomerate help the organization to grow & sustain employees.

Most of the time Mergers & Acquisitions can't succeed, when expectations become unrealistic, untalented employees, cultural difference, unorganized practices, environmental changes & also policy changes. But the combined impact of M & A & human activities, which reinforce desirable behavior, can make a major contribution in creating a long term success for the organizations.

2. LITERATURE REVIEW

Literature review discloses that M & A impacts on consumer, shareholders, and employees. By Researching it was found that 70percent of all mergers & acquisitions fail due to lack of human integration, which wasn't beneficial for shareholders and the employees. Some researches in different time state that M & A did not succeed due to proper strategic HRM, vision of the organization and difference in work culture. Dr.Ganesh Shermom (2011) stated on his research paper that involvement of HR practices is very much essential during M & A. Isah Mohammed Abbas proposed some attributes and models for HR practitioners to implement in M & A. Bowman and Singh, 1993 said that HR practitioners must use the rightsizing tools during M & A for increasing the market value of the organization Robert T. Golembiewski(1999), stated that downsizing & layoffs are sometimes importance in HR practices during M and A.

Keeping on the mind the failure of the M & A's and the less involvement of HR Managers, the present study, therefore, is an attempt to explore the engagement of Human Resource Management in restructuring the company strategies during M & A.

3. RESEARCH METHODOLOGY

This study is fully based on the secondary sources, like conference papers, websites, articles, journals, case studies, e-books.

4. ANALYSIS & DISCUSSION

In the past twenty years, many organizations have been involved in M & A. but only less than 70 percent of the company succeed and sustained in this competitive markets. Success in M & A's HR must focus more on the employee's retention & growth of the companies. Cultural & work environment differs from company to company, as the HR managers are the heart of the companies they need to focus on the different aspects like HR policies, work culture, talent retention and corporate social responsibilities & take up challenges to keep the M & A's a success.

4.1 Case Studies:

Through methodology, research & some case study review the results & discussions comes out as follows:

✓ **Coca-cola-thumps up**

In 1999, human resources issues gained significance at the company. Two new companies, Coca-Cola India, the corporate and marketing office, and Coca-Cola Beverages were the result of the merger. The merger brought with it over 10,000 employees to Coca-Cola, doubling the number of employees it had in 1998. New organizational structure that vested profit and loss accounting at the area level, by renaming each plant-in-charge as a profit center head. Each regional have head-general manager with a team. Major change on the human resources front was inevitable & improved morale and reduced employee turnover figures, the strategic, structural and operational changes on the HR front led to an overall 'feel-good' sentiment in the companies. Later, because of huge success of Coca Cola Company it merged with Thumps-up. The merger was a success as a result it ruled the global market.

✓ **Mahindra & Mahindra-Ssangyong**

In March 2011, Mahindra acquired a 70percent stock in ailing South Korean auto maker Ssangyong Motor Company Limited (SYMC) at a total of 463 million dollars. This acquisition will see the Korean company's famous SUV models, The Rexton II & Korando C foray into the India Market.

✓ **Tata Motors & Jaguar & Land Rover**

150 years old India's largest passenger's automobile and commercial vehicle Tata Group previously known as Tata Engineering and Locomotive Company, Telco. Established on 1945 & in 2004 it's listed on the New York Stock Exchange and become 5th largest medium and heavy commercial vehicle manufacturer in the world. Tata Motors subsidiaries are

- JAGUAR CARS
- LAND ROVER
- TATA DAEWOO COMMERCIAL

Jaguar was involved in the manufacture of high end luxury cars. Initially it was the part of Ford's Premier Automotive Group (PAG). After the Second World War the name was changed, due to the unfavorable connotations of the SS initials. In 1948 British car manufacture founded the Rover Company. But in 2000 they sold it to the Ford Motors. In 2006, Jaguar was not able to provide much profit to the Company in 2006. Ford was combining both the brands since the production and manufacturing of the vehicles for the Land Rover and Jaguar was so intertwined. In 2007, Ford decided to sell Land Rover and Jaguar. Many companies given their quotation to buy the companies. But in 2008, finally Ford agreed to sell their Land Rover and Jaguar operations to Tata Group. The mergers and acquisitions final done. Tata Motors by the luxury cars operations to make global impact & brands value for their future. Opportunity to access and spread its business across the different segment customer and also in the global market and strong Research and Development culture and facilities.

Strengths:	Weakness:
Tata's strong management capability Monetary Investment is very strong	Jaguar's declining sales record inexperience of handling luxury brands
Opportunities:	Threats:
Support & adding up of luxury brands In the product line	Strong competitors like Mercedes, BMW and also new upcoming products.

Nature of present workforce in relation with changing environment- helps to cope with changes in competitive forces, markets, technology, products, & government regulations. There is a strong direct correlation between human resource involvements and 'success' in mergers and acquisitions. Today's competitive market, HR restructuring is challenging for the HR department, to redesign the organization structure, give the employees same values & accordingly the performance putting in the same grading. The M & A of the said case study stated that, well organized management and HR involvement become the success of the

organization and organizations can think for the future M & A again for the organizations growth and profit. ,

5. CONCLUSION

The main purpose of this study is that emphasis on HR needs to restructure & take more challenge to focus in M & A, also after M & A to succeed and make the market more competitive. After 2011 the M & A is very less in the Indian market for that reason many organizations cannot sustain in this competitive market in the long run. To forecast on the organization's next five to ten years goal & strategy to sustain & gain more profit in today's market after mergers & acquisitions. Companies are increasingly required to take account of the impact of their activities on society. HR is responsible for many of the key systems & processes (e.g. Recruitment, training, communications) on which effective delivery depends. Strategic Management is one of the important tools for HR in M & A. HR people has relevant knowledge & skills in relation to organizational learning & cultural change. HR is more important than other department to take initiative to focus more on during mergers & acquisitions & also after mergers & acquisitions equally to private sector, public sector & non-profit organization including large & small organization to succeed & as well as for the long run. Mergers & Acquisitions can be the important part of the organization for the organization's future business goal & strategy, employee retention & as well as for the product selling in the market. HR could use CSR as one of its tool for the employees & employers good relationship & also for the M & A time. It can help trust on the employee & also on the marketers. The combined impact of M & A and human resource activities, which reinforce desirable behavior, can make a major contribution in creating long term success for organizations.

6. FUTURE SCOPE OF THE STUDY

Focusing on the future growth of an organization & the trust on the shareholders & customers, M&A is the best for small & medium organization. The study further can be done by the primary data collection & also based on the HR practices, it can be justified that HR's are very important for the organization. HR's involvement is essential in M&A & also the present and future of the organization to succeed the post M&A.

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