

Impact of mergers & acquisitions on employee's effectiveness

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Abstract

The aim to reach the potential growth of the company needs certain strategies. Choosing a right business model, acquiring different technology, and manufacturing products and services that are legitimate from the other competitors are some of the common and popular strategies. Other than that, the call for a merger and acquisition activity is another strategy that can bring out the best results of a firm. With this process, the things involved in the nature of the business can be differentiated at each other, thus can be a subject for the advancement or enhancement. Above all, the key employees play the essential role and the subject for confusion and riding the bandwagon.

Keywords: Merger, Acquisition, Employees, Productivity

Introduction

To protect the business from the drastic downfall, many firms chose to take a step by making business combinations. It is advisable for a business than shutting down the other facilities or shortening the production. The turn for merger and acquisition is a kind of combination that is popular in a business. All the powers of the two companies were combined to create a business that is suitable for the needs and wants of the market.

The mergers and acquisition

In merger, the acquired company left assets and liabilities in the hands of the larger or the acquiring company. Meanwhile, the acquisition purchases the assets or shares in the process of merging. With this kind of combination, the business will survive another quarter of competition cycle. However, the idea of merger and acquisitions of the company will certainly leave a mark on the employees, it may be negative or positive. The employees will feel the off-putting impact especially when their company is the one being acquired. Because of this, many people decided to depart the company before they feel the outcome of business combination (*Chambers & Honeycutt, 2009*). On the other hand it is quite obvious for employees to be anxious and uneasy at the outset of the merger and acquisition phase.

It is important to identify the possible impacts of business combination that the employees might face. In the combination of the two firms, their respective business models are also combined.

Reasons for merger and acquisition

It is a common misconception to think that the reason for merger and acquisition is for greediness, the main idea for the business venture is eliminating the competition. With the joint powers and process, the competition in the market will lessen and the new business might make it on the top. Another factor might be in the sense of cost efficiency which is good in the business. As addition that they can even control the market behaviour because knowing what the real preferences of every individual are is the start of success.

Objectives of merger and acquisition

Understanding the objectives and nature of the business is very imperative while entering the province of merger and acquisition. It is essential to comprehend the factual requirements of the business particularly when company is the one being acquired here.

Reason for failure of merger

A business that decided to undertake the merger and acquisition has always a two options, making the business successful and run in prosperity or failing the target goals and business dissolution. Aside from the clashing of ideas between the group and not considering the valuable ideas of the others will definitely create a chaos in the management. It is obvious in a combination where the acquired business is low-profiled while the other is popular. The lack of communication between the leaders will tend to blow up the relationship.

The employees are the most important people in winning the success. It's a big problem if the transferred employee or the remained employee is making their way for integration. The merger and acquisition became unsuccessful because the decision for a combination is only appropriate for the business and the human resource is always in the end of the list. There is also a failure of merger and acquisition if the plans and strategies are not clear among the employee, especially on the part of the acquired firm. A sudden change in the business formula will induce the inefficiency and trouble in making certain adjustment when there is a directive time.

Mergers & acquisitions and employees: behind the curtain

The merger and acquisition has a great impact on the employees of the company and on their working environment. At the beginning of the business combination, the employees are the first people that will have a hard time in the new mindset of the working environment. The employees needed much time before they realize the importance of the merger and acquisition, and the goodness it will bring. There are uncertainties in the merger and acquisition phase in shifting the focus from productive work issues to other conflicts, and career growth. With the various situations which regards to change in

job portfolio of the employee may appeared in the performance of the employees.

If the two companies decided to get into merging, they might push each other idea and pull the goals into different direction - ending up done nothing. The culture in the work environment will affect on the individual or group, under the presence of merger and acquisition. Reorganization and restructuring of the company during the business operation can put more difficulty on the side of the employees. The business might experience the slow and expensive in their business operation. Conducting the transactions in much different and elaborative way might not be a good process if the employees find it not necessary. The activity of merging and acquisition without recognizing the impact might not meet the corporate objectives and result in losing more revenue, customer dissatisfaction, and employee-employer relationship.

The acquired firm might find it hard to fit inside the new organization because of their differences in terms of cultures and low compatibility. The change in the objectives is also a critical issue for which the common misunderstanding starts. The risk in making business with the other firm that already acquired wealth and reputation can be in a form of letting the acquired business dissolved its own identity. Most negative consequences were emanated from the management teams which are all extremely undesirable and conflicting situations. Employees are the main victims for they are the main cast involved in coping for the new changes. These changes can be a hindrance that might affect the productivity such as the late recognition of the employee's potential and skills that can help the future growth but instead turns into declining the business. The loss of talent of the people within the organization can eventually leave a stress in the hands of the business leaders and executives.

Mergers and acquisitions impact on employee effectiveness

The effectiveness of an employee can be based on the revenues that correspond to the operational or production activity. The effectiveness also based on how the sudden change appeared and the acceptance of the employee on the changes. The productivity of an employee and his contribution is acknowledged every time the business achieved their goal. The effectiveness can be seen on the employees and it can be a result of the business combination that emerged in the face of the business world.

i) Stress

M&A always brings change in the overall environment of the business, Changes are always good but at the very outset they are difficult for employees particularly when they are not directly involved in decision of such M&A, it impacts greatly on their jobs. During M&A, these changes may especially be difficult and lead to stress on employees. Stress if not handled effectively leads to a negative impact on morale of the employees.

ii) Fear of Job Loss

As a result of M&A two or more organizations join together hence culture clash is obvious, two organizations have rarely the same culture. Employees of these two groups need to be familiar with each other and of course there would be conflict resulted in losses on both sides. In the words of Pophu; Employees may fear of their job loss and losing existing

opportunities. Fear of job loss can depressingly impact productivity and usually resulted in high employees turnover ratio.

iii) Clashes of Personnel Issue

There is also a personnel issue like salaries, benefits, or insurance can be affected due to merger and acquisition. The ultimate success in dealing with the merger and acquisition is overcoming the numerous personnel conflicts. The human resource integration issues were emanated from the business combination and sudden changes. For this reason, a human resource model by making the employees more consistently rational, predictable, and reasonable. The benefits and drawbacks of the business combination can influence the reaction and behaviour of each employee.

iv) Cultural Shock

The role of the larger company can affect the work culture and the employees work in the company. At some extent this can bound some limitations and required specific instructions that might spend extra time in understanding the business objectives. Each company has its own values and identities that the employees might inherit. And the sudden change might result to the cultural shock and needs to deal with the cultural differences. The employees' inability to adapt in a new culture can definitely increase the stress and worries among the employees. In the absence of strategic plan, the firm's goals cannot be clarified, and that would be the mistake of the business. Without a good planning, a wise decision cannot be crafted for it may only lead to another kind of mistake.

v) Technological Changes

The new firm believes that the technologies are required to make the job more efficient and somehow accurate. The firm might set aside the importance of the people and throw them away because the firm relies too much on the power of technology. It is not bad in making the business more interacted with the technological tools and equipment, but without the human intervention, the necessary data cannot be uploaded. In addition, the costs of the technological acquisition might result for the loss of the company, and by avoiding it; the firm might lessen the investment for human capital. In the bright side, acquiring the technology needed may also create impact on individuals about their job tasks which is in favour on the business combination in increasing the productivity and efficiency development which can be the great advantage of the firm.

Recommendations

Mergers and acquisition appear to have many negative impacts on employee. The organization should look every issue in a special way and take an interesting care towards the employees. The management should build trust that can introduce the opportunity growth to enhance a great and suitable working environment. To provide the technical, operational, and financial support, which are the needs to achieve the full potential growth of the business, the merger and acquisition activity should be done between the compatible companies. The nature of the decision environment should be centralized on making the employees feel the security about their job and the working environment.

Merger and acquisition is the process of turnover of work. In

the investing of human capital, the right people should be fit in the specified area of their own expertise. The knowledge and experience that the old employee gained from the past can be difficult on the side of the new employee. The recruiting and training for the potential people should be discreet, for it is shown that the turnover can create conflict among the employees or the stability of the business. As mergers and acquisitions represent changes, it is expected to receive different reactions like curiosity, anxiety, uncertainties in the new work duties, and even being intimidated with their colleagues and sudden changes. The employees' tends to worry and uncertainty is the side of negativity which many people needs to understand and transform into different activity that might help securing their job and clearing their career path.

As time dictates in the effectiveness of the merger and acquisition, it gradually affects the employees toward the business combination. It is hard to prepare the employees when the business activity already started, and the people expect a solid ground for communication. The true potential of the business can only be seen in the interaction of the people within the organization. The influence of the post-merger stage of a company can help the people navigate in different issues. People can identify the changes and contribute their skills and knowledge in stabilizing the successful business.

The aim for stabilizing the business position, the level of understanding about the company's culture also involved in identifying the human workforce issues which definitely needs the development and strategies during the phases of merger and acquisition process. It will need to understand the factors that can contribute for the success of the business combination. Therefore, it is necessary to pay attention on the critical element of the company i.e. people. The ambience of low morale within the working range can destroy the employees' commitment in the manner of the work. It can be triggered on the level of dissatisfaction of the employees about the new economic activity. This kind of attitude might infect the departure until it reached the entire organization.

Summary and conclusion

The impact of the merger and acquisition on the employees reflected on how they work, and the level of their acceptance about the business combination. There are many consequences that might occur from the beginning up to the last phase of merger and acquisition activity and it will get worse if the strategic plan is not yet prepared. M&A is well-matched on two firms which having an equivalent share on the market stake or being similar in the line of their business. If there is a chance for combining a business, a good communication is all that the leaders needs because with a good communication, the word-case-scenario can be determined and had a chance to prevent it.

Aside from the goodness that it might bring to the company, the merger and acquisition activity also affects the internal part of the company. When the business combination happens fast, confusion might blur the vision of the employees. If the leaders and their ideas unsuccessfully combined, the confusion can grow strong among the employees and the chaos might get start. The stress and pressure might fill the air of the office and the employees can feel different such as fear of losing their job or interpersonal issues that are the common hindrance of employee's productivity, loss of talent, and miscommunication that entirely affects the performance of business industry. The

employee might take the courage in facing the uncertainties for that is the only way where they can prove themselves as the deserving employee.

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