ABSTRACT

Merger is undertaking equity shares by mode of business growth. It could be a method of business combination that is undertaken on permanent basis between two companies or sometimes more than two companies.

During a merger, the acquiring company and acquired companies decide and execute a merger agreement between themselves. Post merger, acquiring company survives whereas acquired companies do not survive anymore, and they cease (stop) to exist.

A new company is not always formed as a result of merger. The merger is led by senior management of acquiring company.

This article brings about an understanding of why mergers fail and recommendations for a successful merger.

Keywords: Merger; Failure; Strategy; Recommendation; Success

INTRODUCTION

A merger arises when two companies incorporate to form a single company i.e. existing stockholders of both involved companies retain a shared interest in the new corporation.

The merger process is usually kept confidential from the public and often from majority of employees of the involved companies. Since majority of attempts fail and this is kept confidential, it is difficult to estimate how many potential mergers generally occur in a given year.

Two companies may think of merger due to a number of reasons. One reason could be increase in profit to the shareholders. For example, combine a profitable company with a loss making unit in order to set-off losses with profits which is a tax benefit while expanding the corporation as a whole.

In recent years, the number of mergers that have taken place across the world has been staggering and has affected nearly all industries, large as well as small companies. Increasing globalization has led to large number of cross-border mergers such as the Daimler-Chrysler, Exxon-Mobil and Alcoa-Reynolds. The reasons given by companies for this recent wave of consolidation include cost cutting through economies of scale, global expansion, acquire new knowledge and expertise, gain talented workforce, new customer base and pursue new technologies.

Mergers although are being aggressively pursued by companies, recent studies have indicated that 60-80% mergers are financial failures. While it is true that some of these failures can be largely attributed to financial and market factors, neglect of human resource issues is also a major reason for merger failures.
PricewaterhouseCoopers (1997) global study concluded that lack of attention to people and related organizational aspects contribute significantly to disappointing post-merger results.

Lawyers, bankers and accountants are indispensable in merger process, but they are not real elements of a successful merger. It is how effective people from two organizations are brought together that will ultimately determine the success of a merger. Employees usually are not involved in the integration process of a merger. If a merger has to succeed, employees need to be informed and involved more deeply through all stages of the merger process.

**LITERATURE REVIEW**

There is vast literature available on mergers in economics, accounting and finance (surveys by Andrade, Mitchell and Stafford 2001; Pautler 2001, 2003).

Topics researched include return to shareholders of both firms and the effects of mergers on profit, product quality, R and D intensity, market share and capacity. Recovery to shareholders tends to be positive, with major advantage to target shareholders. Many possible motives for merging has been recommended, but empirical evidence is inconclusive on which are the most common or create the most value.

Mergers tend to occur in upsurge within industries, suggesting that they are led by external shocks such as technological or regulatory change.

A large number of mergers are unsuccessful. Over the last fifteen years, 43% of all merged firms worldwide reported lower profits than comparable non-merged firms (Gugler et al. [24]).

In management literature, poor merger performance has often been connected to unsuccessful integration of different corporate cultures. Cultural differences, however, are inadequate to demonstrate failures.

During an economic boom, merger failures are more frequent (Harford and Gugler).

Prior research indicates conditions under which merger failure occurs and predictions when more failures should be expected.

There are merger failures when opportunity costs of merging are lower. Firms merge because it is cheaper and integrate less because of several complexities.

There are fewer failures if penalty arises before reaching a fully integrated company. At the post-merger stage, a higher penalty increases the incentives to integrate. It might thus well be that company differences and divergent management styles create opportunities for merger success.

Many research studies and findings have proposed a number of other explanations for merger failure. Managers can be empire-builders and merge only to belong to a larger firm (Merger Failures, Albert Banal-Estañol, Jo Seldeslachts, April 2005). Managers do not necessarily maximize shareholder’s utility, but their own, which is associated with the capacity of their firm. Managers may elaborate the future output of the merged entity because they are over-optimistic about the synergy gains or because they do not foresee any post-merger difficulties.

According to prior research, failures include lack of adequate planning, an overly aggressive timetable to close the deal, lack of looking at possible post-merger integration problems and projecting synergies that turn out to be illusory (Sherman 2010).

**NEED FOR THE STUDY**

It is important to analyze a merger failure. When analyzing the failure of the merger process it is important to look at the aim, strategy and objective in the pre-merger planning and compare it with the results post-merger.
Successful mergers are a process and not an art or science. Therefore, it is crucial and essential for understanding the merger process by analyzing its outcome and result.

OBJECTIVE OF THE STUDY

Objective of this study is to explain some factors why mergers fail and steps undertaken to make them work.

RESEARCH DESIGN AND METHODOLOGY

Research Design

Research Design used is qualitative research approach.

Source and Methods of Data Collection

Collection of secondary data from a number of sources i.e. published and unpublished materials in the form of books, reports, journals and periodicals.

Literature and empirical research was the fundamental research method undertaken.

Research Process and Structure

The research method in this article could be characterized as one with high interplay between theory and empirical research.

Need for research began with an analysis of existing literature and prior research on this topic.

The study of this paper is structured in five parts i.e. introduction, literature review, research method, data presentation, analysis and interpretation and conclusion.

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

A study by Watson Wyatt based on a survey of 1,000 companies revealed that more than two-thirds of companies failed to reach their profit goals post-merger (Literature Review about Mergers & Acquisitions, Peterson, Marcus, 2007) and only 46% met their cost-cutting goals. These findings have been further supported by A.T. Kearney study which shows 58% mergers fail to achieve their stated goals, and only 42% global mergers manage to outperform their competitors after two years (Literature Review about Mergers & Acquisitions, Peterson, Marcus, 2007).

Mergers typically fail for the following human resource reasons:

Lack of Communication

- According to a survey examining the role of human resources in mergers and on responses from 413 HR directors in companies with 2000 or more employees, 70% respondents cited employee communication as an important issue during merger process (Chupp, 1993).

- One of the major reasons why mergers fail is lack of communication between the two merging organizations or between people at all levels of the organization.

- Middle management and lower level employees in particular are not shared information related to merger issues. Research shows that less than 30% companies share merger information to middle management and lower level employees. Therefore, it is not surprising that managers gain information about their organization from print media rather than from their own superiors.

- Another problem is deliberate withholding of information by senior executives who are involved in the merger process thus leading to confusion, uncertainty, loss of trust and loyalty with the employees. In some cases, companies feel the need to lie by making reassuring statements to their employees about the continuity of their roles and pay packages.
To meet regulatory requirements, safeguard proposed merger and valuation of the company on the stock exchange implies that the information sometimes must be withheld, within the organization and externally, before completion of merger. Conditions of secrecy and uncertainty hence develop throughout the company. Consequently, executives without a 'need to know' are often kept away from information they require to plan effectively and communicate with their employees about a potential merger. The fact that employees are often excluded while a merger deal is being finalized makes it all the more important to communicate and indicate to them as soon as the merger deal has been officially sealed.

Lack of Direct Involvement by HR

- Primary stages of merger which requires planning and negotiation is often carried out confidentially and does not involve human resources.
- The following table has been obtained from a presentation by Raymond Noe and illustrates various stages at which human resources become involved in the merger process in countries like the United States, Asia-Pacific and Brazil.

**Human Resource Involvement in the Merger Process**

<table>
<thead>
<tr>
<th></th>
<th>United States</th>
<th>Asia-Pacific</th>
<th>Brazil</th>
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<tbody>
<tr>
<td>Initial Planning</td>
<td>16%</td>
<td>19%</td>
<td>8%</td>
</tr>
<tr>
<td>Investigative</td>
<td>41%</td>
<td>21%</td>
<td>12%</td>
</tr>
<tr>
<td>Negotiation</td>
<td>16%</td>
<td>16%</td>
<td>24%</td>
</tr>
<tr>
<td>Integration</td>
<td>27%</td>
<td>44%</td>
<td>56%</td>
</tr>
</tbody>
</table>

**Source:** Raymond Noe, “Mergers and Acquisitions” MHR 860, Ohio State University Fisher College of Business, January 17, 2002

- According to a survey of 134 human resource executives, HR departments are not always involved in the merger process. Lack of involvement by HR can have a detrimental impact on merger since it implies neglect of issues which are directly linked to merger success or failure.
- If legal and financial experts are accountable for strategic analysis behind integration, financial success of merger such as productivity of new employees may get overlooked unless HR and corporate communications team provide their input.

Lack of Training

- Lack of training, not only of employees of the merging company, but of senior managers and HR professionals who are supposed to overlook the merger process, is a major contributor to merger failure.
- Training is an essential ingredient in aligning post-merger processes and activities and in achieving a smooth integration process. However, in a recent survey involving HR directors in large companies, only 48% respondents reported taking part in training and development in the post-merger phase.
- In many cases, HR professionals are neglected in the merger process because they are considered ill-equipped to deal with the merger and the arising issues. The survey reveals 81% HR directors believe that most HR professionals do not have sufficient technical knowledge of mergers and other corporate growth activities to support merger strategy development.
- The irony is that lack of training creates a vicious circle i.e. senior executives do not involve HR directors in the merger process because they are not efficiently trained to deal with merger issues and activities, but in order to get that essential training, HR needs the support of senior management. In many instances, senior managers themselves lack proper training required to deal effectively with mergers, and in spite of this drawback they are the ones who are often in
charge of making human resource decisions which affect employees. Decisions could be about job losses and changes in people’s roles within the organization.

- According to a survey involving 88 senior HR executives of companies that have recently experienced merger, less than 33% respondents reported that training in merger communications was provided to top management. It has been observed that training was provided to CEO, middle managers, or frontline supervisors in just one out of five companies.

- If this situation does not change, senior managers will be unable to lead post-merger processes effectively, and will lack necessary knowledge to meet demands of newly-merged organizations. The company’s efficiency and profitability will in turn be affected.

**Loss of Talented Employees**

- Increase in productivity of employees is of great concern during corporate mergers. Mergers often lead to loss of merging companies’ greatest assets i.e. talented employees and key decision-makers. According to American Management Association, one out of four top performers leave the company within 3 months of an announcement of an event involving major change in the organization and 47% senior managers in the acquired company leave within the first year. A Wall Street Journal article estimated that 50-75% managers in companies that have merged plan to leave within three years. (Corporate Finance, FIN 622, Mergers and Acquisitions, ZeePedia.com)

- Decision to merge is often based on the desire to gain a talented workforce as well as new ability and skill force. The management needs to realize that when employees leave the company following a merger, they take with them the knowledge and expertise that was actually the reason why the merger occurred.

- Many a time employees do not leave on their own freewill following a merger transaction. Companies may reduce their headcounts and downsize in a bid to reduce costs.

- Merging companies not only suffer a fall in their productivity as a result of losing talented employees, but there is a loss of morale and insecurity on the part of employees who still remain in the newly-merged organization which leads to productivity problems.

- Employees prevalent in the system start distrust their employer and become averse to safeguard the interests of the new company. They become demotivated to work. Loss of creative power can act as a hindrance to the organization for competing in a rapidly changing industry.

**Loss of Customers**

- During mergers, loss of employees invariably leads to loss of customers.

- Some of the most talented employees, responsible for bringing in business to their organizations, are often the ones who leave, leading to loss of key customers. Organizations need to remember that it’s the people who bring in profits, represent the organization, establish a bond with customers and ultimately, are the ones that will make the combined company succeed.

- Even if merging companies succeed in retaining employees that bring in business, customers may still want to give their business to other companies if they doubt that their service level will deteriorate with the newly merged organization.

- Lack of communication from the management is therefore the culprit not only to the employees of the merging organizations, but also to their customers.
Corporate Culture Clash

- In mergers, selection of the right partner must be after an honest and meaningful courtship. There needs to be communication, flexibility and mutual respect.
- Organizational culture is a blend of an organization’s values, traditions, beliefs and priorities. Also, it helps to justify what sort of behaviour is rewarded in an organization.
- Work climate within an organization tends to change even on slight rumor of a merger. People within the organization tend to become emotionally confused and anxious. The initial feeling is of betrayal.
- Employees begin to re-think how their career will progress. Gossip within the organization competes with production and then competition begins to gain foothold.
- If two companies have all components in place for a successful merger, cultural differences can break the deal. It is not enough for two companies to appear progressive on paper. Employees need to work together for the merger to succeed.
- Poor communication and inability to manage cultural differences are the two main causes of failed mergers.
- Communication, decision-making, productivity and employee turnover at all levels of the organization gets affected if cultural differences cannot be resolved.
- Importance of cultural differences can be explained with the DaimlerChrysler merger. In this merger, Daimler-Benz and Chrysler both expressed their commitment of working together, sharing work practices and product development methods. The commitment did not materialize as Daimler’s management was unwilling to use Chrysler parts in Mercedes.
- Culture clashes being at the heart of many failed mergers, managers are not taking sufficient measures to resolve and manage critical cultural differences.

Power Politics

- Power struggles can be a major obstacle for merger success.
- Clashes between the management of two companies, as well as within a company’s own management, can lead to merger failure. Power struggles distract management from targeting business issues. Managers tend to place their own self-interests above those of business, and often end up making decisions favoring them at the expense of the rest of the organization. In Daimler-Chrysler merger, the distribution of power was not equally spread out.

Inadequate Planning

- Success or failure of a merging organization is also determined by planning. Many merging organizations have inadequate or incomplete integration and implementation plans in place.
- Major downside of planning process is that it can take focus away from daily business activities. It can also lead to failure of addressing serious HR issues and activities which can have a strong impact on the organization.
- Another flaw in many merger plans is that they include unrealistic expectations and hence lead to the merging organizations stretching beyond their capabilities.

Technology Integration

Integrating information systems is found to be one of the toughest post-deal challenges.
Regulatory Delay
Merger announcement is a disturbing event for employees of both involved organizations. Detailed plans need to be in place to deal with potential problems immediately arising post announcement. In case of regulatory delay, risk of substantial deterioration of business increases along with loss of valuable employees, customers and suppliers. This loss helps to evaluate whether a particular merger should be undertaken.

Flawed Intentions
- A merger may have more to do with earning money than serving it’s real purpose. Major force in merger is the ego of top management which is boosted by buying competition. They get carried away with influences from bankers, lawyers and other assorted advisers who earn big fees during mergers.
- Most CEOs get to where they are because they want to be the biggest and the best, and many top executives get a big bonus for merger deals, no matter what is the outcome to their share price later.
- Mergers can be driven by generalized fear. Globalization which makes the outlook uncertain can create a strong incentive for defensive mergers. The management team feels the need to acquire a rival before being acquired. The idea that is generated is only big players survive a more competitive world.

Excessive Premium or Over Paying
In a competitive bidding situation, a company may tend to pay more. The highest bidder many a times turns out to be one who overestimates the value out of ignorance. Though one emerges as the winner, it turns out to be an unfortunate winner termed as winner’s curse hypothesis. Premiums are paid based on expectations of synergies. However, if synergies are not derived, there is failure of merger process.

Poor Organization Fit
- Organization fit is match between administrative, cultural practices and personnel characteristics of the target and the acquirer. It is the bases on which two organizations can be integrated during implementation.
- Organization structure with similar management problem, cultural system and structure facilitates effectiveness of communication pattern and leads to improvement in the company’s ability to transfer its expertise. Merger failures tend to happen due to mismatch of organization fit.

Poor Strategic Fit
- Strategic fit between merging companies is essential to yield desired results.
- Mergers with strategic fit can improve profitability through cut in overhead costs, effective utilization of facilities, ability to raise funds at a lower cost, and deployment of surplus cash for expanding business with higher returns. Many of a times lack of strategic fit between the two merging companies results in merger failure.
- Strategic fit can also include business philosophies of two entities (return on investment versus market share), time frame for achieving these goals (short-term versus long-term) and the way in which assets are utilized (high capital investment). Absence of strategic fit between companies may destroy the shareholder value of both companies.

Poor Cultural Fit
- Lack of cultural fit between merging firms results in misunderstanding, confusion and conflict. Therefore for success of mergers cultural due diligence is required. Steps like determining the
importance of culture and assessing the culture of both the target and acquirer should be undertaken. It is useful to know target management behaviour with respect to dimensions such as centralized versus decentralized decision making, speed in decision making, time horizon for decisions, level of teamwork, conflict management, risk orientation and openness to change. It is necessary to assess cultural fit between the two organizations. Potential sources of conflict must be managed. It is necessary to identify the impact of a cultural gap, develop and execute strategies to use this information in the cultural profile.

- Cultural issues may create major problems if kept unaddressed. If one organization is feudalistic and the other open and transparent, culture can definitely become an issue when they merger. For example: Merger of Daimler and Chrysler.

**Poor Managed Integration**

- Integration of companies requires high quality management. It is often poorly managed with lack of planning and design leading to its failure.

- Key variable for success is effective management of the company post merger. Even good deals fail if they are mis-managed post merger.

**Incomplete and Inadequate Due Diligence**

- Lack of due diligence is lack of detailed analysis of all important features like finance, management, capability as well as intangible assets.

- Lack of incomplete and inadequate due diligence many a times results in merger failure. ISPAT Steel as a corporate acquirer conducts merger activities after elaborate due diligence.

**Limited Focus**

If merging companies have entirely different product range, market structure and cultures, the merger is bound to fail. There is an effect on their core competencies which gets weakened and affects their position in the stock market. Purely financially motivated mergers such as tax driven mergers on the advice of an accountant can be affected by adverse business consequences. Conglomerates that had built unfocused business portfolios were forced to sell their non-core business as they could not withstand competitive pressures. For example, Tatas sold their soaps business to Hindustan Lever which led to merger of Tata Oil Mill company with Hindustan Lever Ltd.

**Failure to Examine Financial Position**

Examination of financial position of the target company is quite significant before takeovers are conducted. Areas that require examination is stocks, stability of finished goods, quality of receivables, details of fixed assets, unsecured loans, claims under litigation and loans from promoters. For example when ITC took over the paperboard unit of BILT near Coimbatore, it organized for a comprehensive audit of financial affairs of the unit.

**Failure to Evaluate Target Company’s Business Condition in Detail**

- Risk of failure can be reduced by detailed evaluation of the target company’s business condition by experts in the line of business.

- Pre-requisite for merger success comprises of detailed examination of manufacturing facilities, product design features, rejection rates, marketing network, details of key people and productivity of employees. Decision to acquire target company should not be influenced by state of art physical facilities such as a good headquarters building, guest house on the beach and availability of land for expansion.
Failure to take immediate management control

Control of new unit should be taken immediately after signature of agreement. ITC did so when they took over BILT unit even though the consideration was to be paid in five yearly installments. ABB put new management systems in place on day one and reporting systems in place by three weeks.

Failure to Set Pace for Integration

Important task in merger is integrating the target with the acquiring company. All major business functions such as marketing, finance, production, design and personnel should be put in place. In addition, prominent people of the acquiring company and key people from the acquired company should be retained and given sufficient prominent opportunities in the combined organization. Positive aspects of the earlier culture should be preserved while discarding those not needed. Integration delay leads to delay in product shipment, business operations and slow down in the company’s road map. Arun Thygarajan, former MD and Country Manager, ABB India Ltd., opines that once the merger announcement is made, not only should things move in a flash but decisions should also move with an utmost speed.

Failure of Follow Up by Top Management

- After signature of merger agreement, top management should be very active and make things happen. After takeover initial few months determine the speed at which the process of resolving the problem can be addressed.
- Top management follow-up is essential to set a clear road map of actions to be undertaken and set the pace for implementing them.

Partners Incompatibility

Merger between two strong companies is safer as compared to merger between two weak companies. Many strong companies seek small partners in order to gain control while weak companies look for stronger companies to bail them out. But an experience shows that the weak link becomes a hindrance and causes friction between partners. A strong company taking over a sick unit in the hope of rehabilitation may end up in liquidation.

Improper Communication

The objective of proper communication is to minimize uncertainty relating to issues that directly impact people and organization. Failure to manage communication results to inaccurate consciousness, loss of trust in management, morale, productivity and safety problems, poor customer service, defection of key people and customers. It may lead to loss of support of key stakeholders at a time when the support is needed the most.

Failure of Leadership Role

Some of the roles the management should take seriously are modeling, quantifying strategic benefits, building a case for mergers, articulating and establishing a high standard for value creation. During mergers, walking the task also becomes crucial.

Boardroom Schisms

When mergers are structured with 50/50 board representations or substantial representation from the acquire, care must be taken for determining compatibility of directors following the merger. Failure to focus on this aspect can create or exacerbate a culture clash and prevent integration. The continuing directors many a time fail to meet and exchange views until after the merger is accomplished.
Recommendations for a Successful Merger

Extensive and Regular Communication

- During all stages of a merger process, communication is crucial and key to its success. To be effective communication must aim to avoid confusion and mixed messages. There is a requirement for honesty and a focus on positive messages. If not, it will encourage rumours that have a negative impact both within the organization and externally.

- It is essential for the management to communicate clearly and regularly to all employees about the implications of a merger. Planned changes in working practices as well as organizational processes should be undertaken. If the management is unable to discuss the merger while negotiations are taking place, there is a need to make up for it immediately in the post-merger phase. Communication process should include stating the merging company’s goals and objectives to all employees and keeping them informed of progress during the implementation and integration phase of the merger.

- Communication process should encourage two-way feedback between the management and employees to make them feel their contribution. Merging companies are encouraging widespread acceptance of the merger process and reducing insecurity feelings by involvement of people at all levels of the organization.

- Communication within merging organizations as well the two companies that are merging is essential in order to reduce the “us” and “them” mentality which can be destructive during the merger process.

- It is important for merging companies to communicate extensively with customers to reassure them that their level of service will not be affected. The information flow needs to be continuous and specific in order to maintain a sense of continuity and to reduce uncertainty feelings on the part of customers.

- Management would not want to complete the merger without a key customer or supplier who is no longer doing business with the company because of uncertainty resulting from lack of communication.

Effective Planning

- Success in mergers correlates directly with level of planning.

- Careful and early planning influences merger success. Plans need to include realistic goals and reasonable timeframes, and should cover all key aspects of the organization including people, systems and organizational processes. They should also focus to align systems, work structures and processes between the merging organizations, and on implementing structures and procedures that will allow the organization to handle the changes brought about by merger.

- Effective planning leads the way to a smoother implementation process and maximizes the chances of success of the merging organization.

- When a carefully laid out integration plan is implemented, companies can achieve optimal results and maximize value proposition of strategic transactions, regardless of merger objectives.

Retain Key People

- During the merger process, retention of a talented workforce, which is often a major reason behind merger, should gain priority and the management needs to take measures to improve the retention rate in their merging companies.
In the management’s retention strategy, comprehensive communication with employees play’s a significant part. If communication process is effective, it can lead to reduction of employees insecurity giving them a brighter picture of their future within the organization. If, however, managers are not honest about the true implications of the merger, they will lose trust of their employees, causing them to leave the company. As for the remaining employees, they may no longer feel motivated to produce the best results.

In the management’s retention strategy pay and reward policies can play a crucial role, but they need to be addressed early in the merger process and should not only focus on senior executive pay, but on remuneration of employees at all levels of the organization. There is also a need to reflect the newly-merged company’s goals and business needs.

Companies that are considering cutting costs by lowering headcount should think twice and must remember that quality is more important than quantity. Post-merger the best people are generally asked to go and the ones remaining are ineffective at bringing in business and clients.

Talented employees are a company’s best assets, and company leaders need to distinguish between their best people and poor performers before making decisions about job cuts.

If job reductions are to be carried out, they need to be speedily communicated within the organization, and if possible, senior management should reassure the remaining employees that there will be no more redundancies. Employees in turn will redirect their full attention to their work and keep their productivity up.

Manage Cultural Differences

Merging companies need to be aware of cultural differences between them and find practical ways of reconciling those differences.

Corporate mergers where the acquiring company is aware that cultural differences exist, produce considerably higher shareholder value than those where the acquiring company believes there are no such differences.

Two determinants of success are a measured and selective approach to post-merger integration, coupled with recognition that different companies have different cultures no matter how similar the businesses appear.

Cultural audit is an effective way to obtain information about differing cultures of two companies and helps to evaluate differences and similarities in their work standards and practices. Awareness of potential difficulties and issues arise in the merging process which allows the merging company to take steps to minimize culture clashes.

Part of the communication process should involve bringing together people in both organizations and encouraging them to take part in both social and professional activities together. The two companies should be encouraged to build on their common ground.

The most effective way to avoid destructive conquerer versus conqueror mindset is to ensure that majority of people in both organizations get to know each other early in the process.

With the increasing trend towards global mergers, language barriers need to be taken into account, and companies should consider providing language training to their employees if this can benefit the integration process.

A fundamental step towards achieving successful partnership is integrating the two cultures of the merging companies. In order to do this, cultural awareness and sensitivity are crucial to avoid potential clashes and misunderstandings between the people in the two companies.
Training and Development

- Training and Development should be provided to senior and middle management and their focus should be on all aspects of merger process. Employees will gain better understanding of key issues that arise during the course of a merger.

- Training should focus on merger implications for the company in terms of effects on employees at all levels and its impact on working practices and organizational structures.

- Training should also educate managers on each stage of the merger process

- Providing training to managers for communicating merger implications and issues to the rest of the organization is also required. Managers need to engage employees at all levels of the organization to involve them in the decision-making process and to cultivate their support.

Governance

- Governance of the new organization must be openly discussed and negotiated in the same way as financial issues.

- Before agreeing to a deal, it is essential to decide which board of directors will survive the transaction. The issue of governance is of critical importance in case of merger of religious-sponsored and community institutions.

Leadership

- Leadership of the new organization must be determined before completion of merger, failure of which will result in power struggles among executives and management.

- Before a merger it is difficult to address leadership questions since it is impossible for the two negotiating parties to be present at the same time.

- Boards of the two parties have to provide strong leadership. It may even be helpful to bring in an outside consultant to aid in this process.

Post-Merger Integration Teams

- One way to ensure smooth post-merger integration is to set up an integration team dealing with all critical areas of the organization, including finance, sales and marketing, human resources and operations.

- “Over integration” of the merger target can also harm shareholder value because it can destroy the essential value of the target company. The most successful mergers were those that aimed for a medium level of integration.

- There can be dangers in moving too fast in an attempt to realize all its synergies at once. It’s a question of identifying where value is being created, and then making sure one can protect it during the integration process. One needs to be selective when deciding exactly what to integrate and how quickly.

CONCLUSION

In many companies on one hand as senior executives recognize the importance of human resource issues in determining whether a merger is going to succeed or fail, on the other hand those executives are not doing enough to encourage the involvement of HR teams and employees in the merger process. This clear contradiction between what executives know to be true and their reluctance to do anything about it is baffling.

Though companies continue to neglect HR-related issues in mergers, there is some evidence which suggests that companies are recognizing the importance of having people in place with necessary skills and experience to lead effective mergers.
In the merger process, importance of financial, market and legal factors must not be downplayed. However, human resource issues, such as merger effects on workforce, must not be neglected since they are important in determining the success of a merger. They can greatly maximize the chances that a merger will succeed if they are dealt with promptly and effectively. Business situations may be complex and unique, but people situations are predictable and addressable.

Most mergers are one time events that companies manage with heroic effort; few companies go through the process often enough to develop a pattern. Thus, it tends to be seen not as a process but as something replicable to get done with and get back to business.

Ideally, merging organizations should take into account the following steps for the merger to be successful:

- Merger should be in the best interests of the merging companies beneficiaries
- Organizations involved must be compatible in objects, culture and values
- Effective communication with all stakeholders from the outset is vital i.e. processes and outcomes should be clear to all involved
- Merging organizations should be united in believing that the merger is the best way forward
- Identify key roles and responsibilities in the merger process

Communicate and negotiate in a way that reflects the interests of all parties.

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