Strategic human resource problems

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An evaluation of the strategic Human Resource problems and issues which arise out of take-overs and mergers. Mergers and acquisitions are a fact of life, premised on the belief that the combined company will have greater value than the two companies alone. According to Mirvis and Marks (1997), most companies that execute mergers and acquisitions do a reasonably good job sizing up the economic and financial characteristics of the deal.

Both parties will expend enormous energy contemplating how much a company is worth, what terms to negotiate and how to structure the transaction. Balance sheets will be scrutinised, goalsestablished, efficiencies projected and opportunities appraised as staff, technology, products, service and know-how are combined under one roof. However, no one has worked out with the same sharp pencil the effect of this on the workforce. The upshot? Turmoil and confusion for the workforce as HR tries to sort out pay, benefits, severance packages and cultural issues. Questions will undoubtedly arise. Will there be redundancies? If so, will it include top management? At the very least, how can the targeted organisation keep productivity and morale up while fighting off this unwanted suitor?

The framework for any merger and acquisition can be described as a cycle with four distinct stages. The cycle comprises; pre-deal stage, due diligence stage, integration planning and implementation. HR tends to be involved most intensively in the last stage of the process - the implementation stage. This is where somebody else has decided the strategy and tactics leaving HR to make it happen. The second most intensive area of HR involvement is in integration planning. However, when you

get to the more strategic stages of due diligence and the pre-deal stage, Hr's involvement is somewhat limited, making it difficult to provide strategic consulting. To reiterate this point, Towers Perrin consultancy firm conducted a survey in the spring of 2000 of three hundred senior HR executives around the world. Its title; How the Human Resource Function Adds Value During Mergers and Acquisitions, found that when companies involve their human resource departments in the early stages of an M; A, there is greater likelihood of success in achieving merger synergies and overcoming obstacles. The survey also found that there is a gap between what HR executive's view as their ideal level of involvement in the M&A process and there

actual level of involvement. The HR executives who responded to the survey, rated the following activities in terms of how valuable they were to the M&A process and how involved the HR function was in contributing to each: The table indicates that it is imperative for HR leaders to be involved from the outset when decisions are being made. It is important that HR asserts the expertise and value they can add, by becoming involved at this early and critical stage.

If this does not happen then surely the problems and issues they face are unnecessarily exacerbated. Their pivotal role is to be the people conscience of the business. Simply put, they must keep raising these questions, " how will what we do affect the people in this organisation?" " What are the people consequences of our decisions?" Human Resources are the heart and soul of the business and thus HR leaders need to be at the centre of translating strategy into humane action.

Many failed mergers aren't as a result of inept management or inadequate due diligence. More often, chronic problems occur because the two organisations fail to determine whether they have compatible cultures or how to work out differences if the cultures do not align. This was highlighted in March 1994, when Novell spent $1. 4 billion to acquire WordPerfect Corporation, historically a leader in word-processing applications. However severecultureclashes blocked the smooth integration of the acquisition. According to Schein (1985) 'cultural differences can manifest themselves in a variety of observational ways, i. e. physical layout, structure and style of work organisation, rituals and organisational folklore.'

It is also reflected attitudinally in the way in which the organisation responds to its internal and externalenvironmentin key areas of organisational activity, such as risk-taking, decision making, control and autonomy, tolerance of ambiguity and customer service.' (Cartwright and Cooper, 2000) To help minimise any problems it is vital for HR to identify potential differences in cultures and make decisions as to what values the new organisation will hold, which companies processes and systems will be implemented, and how it will all interlink. It may be considered prudent for HR to develop a cultural audit tool, along with detailed checklists to guide the organisations through the merger process.

Clemente (1999) believes that success from this type of audit usually results when HR uses 'discreet, measurable and quantifiable analysis that can be combined with the proverbial 'gut' feel.' (Greengard, 1999) This will allow the organisation to evaluate things that are most important, including what senior management's vision is for the combined organisation,

howleadershipstyles differ, how executives interpret terms such as 'customer satisfaction,' and the types of general policies each company has in place. For example, does one company train and develop its employees from within and encourage upward mobility, whereas the targeted company outsources its training and tends to " buy in" from the external labour market.

'This type of cultural audit tool was produced by a Toronto-based paper manufacturer, dubbed the Merging Cultures Evaluation Index (MCEI) where questionnaires were sent to potential suitors. The results were tabulated and rankings generated for various organisations.'(Greengard, 1999) This meant that a solid 'cultural fit' could be found. This is not always easy work for HR, but the process not only anticipates and helps to avoid clashes, resentment and unhappy employees, but allows the merging organisations to capitalise on each other's strengths to create the highest synergy for the new firm. However, it must be acknowledged that developing a cultural audit tool is only one way that an organisation may tackle cultural deficiencies and should not be categorised as a 'universal approach.' For example when BASF-Knoll acquired

Boots Pharmaceuticals (1995), instead of creating a 'cultural audit tool,' they designed and organised a series of cross-cultural seminars and workshops for senior managers to help increase their understanding of their own cultural paradigm and to raise awareness of areas susceptible to cultural differences. Whichever strategy is adopted, cultural compatibility is only usually assessed at the implementation stage. Surely this should take place at the due diligence stage?

It would be of value to the organisation if they identified cultural areas of dissonance prior to implementation. Comparisons of similarities and differences can be based on direct experience, rumour, second-hand reporting and implicit theories and inference. This will allow management to dispel misconceptions and begin creating a culture that's right for the new organisation.