The merger of barclays and lehman brothers

Introduction

Barclays PLC, one of the main saving banks in the United Kingdom, agreed Sept. 16, 2008, to purchase the volume of Lehman Brothers Inc. for $1. 75 billion. It has acquired parts of Lehman's equities commerce in Europe and took on some Lehman workers in Asia. Lehman, the fourth major asset bank in the United States, is one of the newest victims of the subprime advance disaster that led to the administration stand security of Bear Stearns in March and the conquest of advance giants Fannie Mae and Freddie Mac by the U. S. Treasury in advance in September of 2007. Worth as much as $45 billion in early 2007, Lehman informed almost $4 billion in losses in the third quarter has seen its stock worth fall down and was faced with disciplinary downgrades in its credit rating, which would have made it tremendously hard to raise much-needed capital.

U. S. Treasury Secretary Henry Paulson made it obvious the administration would not give such hold up this time, however, and no involved parties – specifically Barclays and Bank of America – were enthusiastic to obtain Lehman without it. Rapidly running out of options, Fuld sought Chapter 11 bankruptcy defence for Lehman on Sept. 15 2007. Under Chapter 11, which shields a corporation from creditors' lawsuits while it reorders its finances, Lehman became more attractive to Barclays; the British bank could buy Lehman's choicest bits devoid of assuming its more than US$600 billion in liabilities.

Under the terms of the contract, which is topic to endorsement by the insolvency court, Barclays got Lehman's North American fixed-income and equities sales commerce, as well as its trading, investigation and investment-banking operations, according to a press release on Barclays's Web site? These Lehman units utilize about 10, 000 people. Barclays bought Lehman's New York head office and two data centres in New Jersey. As the Wall Street Journal put it, Barclays's acquire includes most of Lehman's " people, permission, brand name, skill and clients but (not its) dangerous trades and liabilities that had hurt Lehman in the marketplace" before it sought bankruptcy defence (Wall Street Journal, " Lehman, Workers Score Reprieve," Sept. 17, 2008).

Objective of the Paper

In this paper we are intended to discuss the merger and acquisition of the Barclays and Lehman brothers. This merger is very historic because the Lehman brother is one of the oldest banks of the United States. Initially we will discuss the challenges faced by management of the new organisation with specific reference to Human Resource Management and then on next stage we will discuss the Barclays PLC's decision in merging with Lehman Brothers. This analysis will consider issues related to Culture, Conflict and Change.

Perspectives of Barclays PLC & Lehman Brothers Mergers

Clearly, the benefits of Barclays PLC & Lehman Brothers mergers are numerous, but to examine those benefits in the context of human resource management organisational mergers are examined from three perspectives: management, the employee, and the human resource management function (Kets de et al. 2007, P: 11-50).

The Management Perspective

From the perspective of management, Barclays PLC & Lehman Brothers mergers offer a great deal. They allow management to interface with both the external and internal environment. With regard to the external environment, they allow the organization to project an image of fitness, progressiveness, and robustness. These programs can aid in attracting all manner of resources from the environment, from funding to new personnel (Kets de et al. 2006, P: 111-120).

With regard to the internal environment, wellness programs offer a way of establishing and maintaining an effective corporate culture. They offer a way of securing the loyalty and commitment of employees by showing them that the organization is concerned about their welfare. In short, organisational mergers offer a means of social control (Brewis, 2002).

Last, consider these organisational mergers management programs that offer a means of securing increased productivity for the organization. Organisational mergers are concerned with the organisational image status of the employee and its effect on productivity management. It uses worker productivity as a measure of the success of organisation, thus transforming organisational mergers from an environmental issue to a business issue (Jacobson, 2001).

The Employee Perspective

From the employee’s perspective, Barclays PLC & Lehman Brothers mergers are about keeping body and soul together. They offer the promise of keeping employees alive and healthy with regard to their personal and professional lives, even giving some people a reason to go to work. Employees may view employment as an investment in human capital and ask themselves if their organization is worth their investing time–often changing jobs if they consider their workplace a waste of their time. To the extent that employees view a worksite organisational mergers an investment in themselves, they tend to think more positively about their organization (Jacobson, 2007, P: 143-155).

The HRM Function

The effect of Barclays PLC & Lehman Brothers mergers on workers' compensation claims is fairly straightforward, but their effect on morale and productivity is much more subtle. Most organizations either heavily discount any anticipated financial benefits that accrue from wellness activities or simply assume that the bottom line is positive. Researchers report that only about one in ten organizations with organisational mergers can measure the results in terms of cost savings. Because of the difficulty in obtaining comprehensive measures of the return on investment in wellness programs, HRM departments may view organisational mergers as simply a means of keeping medical expenses or workers compensation claims down (Herriot, &: Pemberton, 2001, P: 757-790). Worse yet, Jim Hippler, chief administrative officer of Boyd Gaming, indicates that gaming HR departments often view the programs as a benefit to the employee but not the organization. HR departments would do better to view wellness programs from a strategic human resource perspective, which seeks to align the internal and external environments with a psychological contract through which management wins employees' loyalty by assuring them that their time at work contributes to their development and well-being (Butler, 1997).

Issues that employees of the new Organisation face in mergers

In mergers of Barclays and Lehman Brothers the employees of the organisation faced several issues and challenges. The first way to broaden their understanding of the phenomena of downsizing, restructuring, and privatization is to look at these changes as part of a wider process of change. A survey of nearly 1, 400 British members of the Institute of Management (Worrall & Cooper, 1997) summarized the complex situation. Those in large firms employing more than 5, 000 or in the public sector (around 25% of the sample) believed their organization was shrinking, but around 50% of managers in other sectors or smaller firms felt that their organization was growing. Downsizing is specific to certain sectors (Herriot, et al. 1997, P: 151-162). However, cutting across expectations of change in the actual size of organizations was the experience of past restructuring. Sixty-one percent of managers had experienced some change in organizational form in the last year. Redundancy had been involved in 54% of the restructuring efforts. This is similar to findings in the United States, where the latest AMA data show that structural change is the most often cited mason for job elimination, with 64% of organizations citing restructuring and 49% citing re-engineering as the reason for job elimination. For British managers, structural change was multifaceted. In reality, restructuring involved site closures, cost reductions, outsourcing, cultural changes, delayering, mergers and demergers, expansion into new markets, changes in performance management systems, as well as redundancies. Separating out the multiple variables and their interactions is an impossible task (Brown, 2000, P: 22-43).

When two organisations form single entity then It was more fruitful to represent the various manipulations of structure mentioned above as changes to the organizational form. Organizational form refers to the combination of strategy, structure, internal control, and coordination systems that provide an organization with its operating logic, resource allocation rules, and corporate governance mechanism (Creed & Miles, 1996; Pfeffer, 1992). Downsizing, restructuring, and privatization all create changes in interfirm form-the structure and operation of business that is most visible in. the resulting institutional arrangements, joint, ventures., strategic' alliances, outsourcing arrangements, and cross-sector cooperative arrangements. New managerial, priorities become clear once the competitive arrangements of the changes in interfirm form emerge such as an out-sourced or privatized unit under new ownership. However, the greatest challenge for HR practitioners stems from changes in intrafirm form. Managers are the. Primary designers of this type of organizational form, through the choices they make about changes in organizational. Design and coordination systems; downsizing, delayering, and the design, and coordination of jobs; and the consequent level, of trust built into the organization. All serve as opportunities (intentional or not) to break up existing HRM patterns, roles, and responsibilities and to reconstitute them against a new set of priorities (Mael, & Ashforth, 2005, P: 309-333). Researchers study' of British managers identified the primary impact of changes in organizational form as being heightened productivity pressures, increased levels of accountability, accelerated decision-making, shifts in the mix of requisite skills and experience, and increased flexibility. Such changes suggest hidden threats to organizational effectiveness, about which we still know little. Organizations are unclear about the relationship between many emergent forms, what remains as a strategic human, asset in. each case, the different configurations of HRM practices, and the role that. These practices play in creating competitive advantage (Burrell, 1998, P: 14-28).

Dissimilar Interest of Two Organisations in Mergers

There has been renewed interest in the fields of trust and the cost of trust deficits. The ability of organizations to re-establish trust has to be questioned after the merger, and it is clear that HR practitioners need better insights into the nature of trust and the role of social capital if they are to engage and re-engage sufficient people within their organizations. In a theoretical analysis of the Barclays Plc and Lehman Brothers mergers and the consequences of acquisition, researchers argued that many attempts to represent organizational acts as caused by uncontrollable factors backfire, as they are seen by employees as one more act of deception. Such perceptions undermine levels of trust. Trust and understanding among the employees is seen as a willingness to rely or depend on some externality such as an event, process, individual, group, or system and defined as the specific expectation that the actions from such externalities will be beneficial rather than detrimental. It is buttressed by the ability (rightly or wrongly) to take for granted many features of the social order. The paradox facing HRM academics is that organization merger are asking employees to trust in transition at a very time when the nature of employee trust is itself in transition. Creed and Miles (1996) distinguished, three different facets of trust (a) process-based (the personal experience of recurring exchanges that create ongoing expectations and norms of obligation about what is felt to be fair treatment); (b) characteristic-based (beliefs about another's trustworthiness that result from a perception of their expertise, intentions, actions, words, and general qualities); and (c) institutional-based (trust in the integrity and competence of informal societal structures). All three facets have been challenged recently, but the different HRM solutions to the breach and re-building of each facet is not as yet understood (Clegg, 2005, P: 28-48).

The ideas of trust and the understanding among the employees become all-encompassing themes in the examination of new managerial and merger forms, because there is a clear and forceful link between the two. Managers have either intended trust into or out of the association through the choices they have made about levels of empowerment constructed into the plan of control systems, harmonization systems, and associated business processes; and through the levels of information-sharing and the shape of recompense systems linked with new working practices. They make two understood judgments about employees' " task dependability" (i. e., do they have the capabilities and potential to use responsible self-direction and self-discipline?) and " values congruence" with the purpose of the organization (i. e., is there a leading written and spoken beliefs that will direct how employees act) (Devine, et al. 1998). There is a disagreement between the higher levels of faith that are understood in and essential to the in force logic of many new organizational forms and the levels of faith reproduced in the attitudes and psychological agreement of employees.

The process of mergers between Barclays and Lehman Brothers has challenged the psychological agreement, with the lack of sympathy breaching previous prospect and norms. It is proving hard for managers to induce staff that they can be confidential to make decisions further than short-term expedients. The behaviour of communal groups and the trusted divisions between them have been thrown into bewilderment. The new HRM philosophy of the Barclays and Lehman Brothers challenges age-old and trusted separations between employer and employee and between managers and unions. The faith that employees located in the HRM paradigm and their belief that it would bring greater advantage than a reliance on employees' voice achieve through formal union-management partnership has been queried. The chase of suppleness has challenged the patterns of worker behaviour that managers supposed characterized full-time workers or part-time workers, older employees or younger employees, men or women; and new communal groupings of " victims," " accomplices," or " conscious believers" are up-and-coming at employment (Fineman, 2000).

A Strategic HRM Model for Barclays PLC & Lehman Brothers Merger

Review of the existing merger and restructuring literature provides many potent principles applicable to the case of Barclays PLC & Lehman Brothers Merger in many aspect of human resource management. Because of market forces and strategy, the organisation clearly will, engage in merging and restructuring over the course of the next decade. The issue becomes, therefore, how it can learn from the experiences of other industries and organizations.

A proposed strategic HRM model for merger/ restructuring has been discussed in many times. It is a direct derivative of the best case practices, in merger between two organisation (Wyatt 1991; Cameron, Freeman, and Mishra 1991), as well as systems thinking applied to strategic human resource management (Anthony, Perrewe, and Kacmar 1994; Butler, Ferris, and Napier 1991). As shown, there are three major components to the model, relating to pre-restructuring, restructuring, and post restructuring activities. If hospitals and healthcare organizations engage in thoughtful strategies that involve these three components, they might capture and put into practice those activities known to be successful.

The proposed model shows that an environmental scan of Barclays PLC & Lehman Brothers Merger should be conducted prior to developing and implementing restructuring activities. Given the hyper-turbulence of the organisation, collecting, categorizing, and interpreting environmental information are essential. As noted by Ghosal and Kim (1986), building an effective intelligence system for a competitive advantage involves competitors, regulatory agencies, etc. Of particular relevance to the hospital industry is a SWOT analysis (strengths, weaknesses, opportunities, and threats) (Carson, et. al. 1994). Clearly, if the organisation is to transform itself effectively by restructuring, it must implement long-term data-based strategies, as opposed to short-term cost containment. Duncan, Ginter, and Swayne (1995) have recently proposed specific recommendations for environmental scanning and strategic planning in the management of the human resource in different type of mergers and business ventures.

Part 2

Issues Related to Culture, Conflict and Change Management

The human resources purpose of Barclays plays a precious role in causal to the merger's fragmentary trade achievement, including the extremely winning gaining and integration of Barclays and Lehman Brothers. However, the Barclays PLC group documented that their HR team required to uphold, improve and produce their trustworthiness and power and therefore they needed to provide their HR experts to be " Business people first, HR people second". The Barclays PLC group is not unaccompanied – a survey of main UK companies that had just gone through a main acquisition or merger showed that approximately half of the money directors and an even superior proportion of HR directors thought their in-house HR experts lacked enough business acumen to efficiently assist their commerce meet its goals. The Barclays PLC group object was to aid their HR professionals augment their considerate of:

* The trade drivers and issues facing the system of government

* How the HR purpose could proactively add worth to the commerce in addressing some of these challenges

The Challenges that Barclays Faced

When a Barclays PLC takes on the job of integrating with Lehman brother entity due to merger or acquisitions, there are countless choices that must be made. How many call centres or data-processing sites should the novel bank keep? Which bank's loan dispensation or cashier platform system is better? Which organization has the best recruitment model? Who has the best skill platform? Should the acquiring bank effort to house the functionality of the acquired bank's knowledge platform-saving, for instance, a single characteristic that its own system lacks? Or should the acquirer simply move all the acquired bank's customers to its various banking systems in an attempt to reduce the combined skill infrastructure as quickly as possible and cut costs? What would be the culture of the new entity? How the conflicts and change will be resolved?

These are a number of of the common issues that have to be speaking to when entering into the planning phase of the integration. Many integration projects haul on as a result of poor planning, a short of planned objectives and a method tainted by politics.

Communications Plan

When a merger taken place between Barclays and Lehman Brothers then there was good communication plan decided. Barclays PLC help with the structuring of the communications plan that will proclaim the transaction and, over time, its change details to key stakeholders, including investors, customers, suppliers, employees, the media and industry analysts. We make use of an established and effective communications method that can be tailored based on the specifics of the business.

Human Resources Plan

Barclays PLC help with planning for the preservation and integration of human resources following a merger or acquisition, including the board, senior organization, middle management, technological, secretarial and front line employees spanning all useful areas. We labour intimately with management to describe the optimal managerial design based on revised commerce objectives. We assist to make new organization charts and decrease disparate titles, reimbursement plans, and recompense schemes. When suitable, we help with " reduction in force" proposal to attain cost savings driven by post-transaction redundancies in human resources.

Management Information Systems Integration Plan

Integrating two dissimilar industrial systems, while progressing to run each organization can be a huge confront, It requires good planning for phased change, wide groundwork, concentrated testing and guidance and more training. We work with other members of the addition team to describe practical functioning plans as to what needs to be included, when it should occur, and how it can be done productively.

Product and Service Integration Plan

We work to describe the go-forward product and service mix and make sure that product teams appreciate and hold up the new plan. Barclays PLC helps put main concern for new product growth and we describe criticism device to trail development and obstructions. Barclays PLC recognize and follow product synergies.

Operations Integration Plan

Barclays PLC equipped a thorough integration plan for operations, including all practical areas, such as accounting, loan servicing, item dispensation, day 2 operations, advertising, purchase, and branches. Barclays PLC recognized a comprehensive vision of how things are going to effort in the prospect and what steps require to be taken to get there. Barclays PLC formed a meeting for subject recognition and decree (e. g. a customer say it will stop undertaking commerce with us unless we perform to sustained hold up for an old product line).

New Mission, Culture, and Values of the New Organisation

Reinforcing the new mission, culture, and values of the restructured banking organization involves redefining beliefs, structures, and practices (Scott and Jaffe 1991) in a visible way. It is important that managers of a merged organisation understand that organizations engage in patterns of change that do not immediately result in increased effectiveness. As noted by Bridges (1991) and Woodward and Buckholz (1987), organizations making changes such as restructuring must acknowledge that reactions to change may take the form of disengagement, disorientation, and disenchantment. Providing assistance in the form of change workshops, stress management, and project management programs, and a general awareness of the stages of change and the psychological transition involved are critical to successful adaptation.

Also important in the post restructuring phase are human resource activities for the survivors and others who may subsequently leave. To foster commitment and career growth, it is crucial to identify new career paths, many of which may not have been open prior to the restructuring. Similarly, the organization must continue to recruit for the new culture, which may require using different selection processes or different forms of decision making. Further, appropriate behaviour and performance for the new culture must be visibly and tangibly rewarded. In some cases, survivors of the restructuring may leave the organization. Voluntary exit programs for those who wish to leave should be established. Making clear the appropriate behaviours, philosophies, and expectations, and easing the transition of employees otherwise destined to discipline, termination, or career atrophy are ethical and business imperatives.

Conclusion

In this contemporary situation where every organisation is seeking for good assistance in order to maintain its survival so in this condition the best possible approach is the merger between the organisations. It really helps the organisation to maintain their sovereignty. It is the fact that most of the organisation prefers the merger as the best solution but in this solution most of the time employees suffer and human resource management has to play very important role to protect the human rights and give them equal opportunity to perform and get the compensation what they deserve. In organisational mergers if both organisations will not give appropriate attention to the human resource then it will end up with nothing and both organisations will set up with fire. In mergers employees’ trust is the most important thing that employer has to consider because it is the only thing that can become the pillar of long term relationship between employee and employer.

Analyses of studies of organizational mergers, at a time of a veritable ' merger-mania' in both public and private sectors is perhaps homologous of management and organization studies as a discipline, for the focus is so much upon economic aspects, with the ' human effects' so little explored, that the long tradition of avoiding acknowledgement that organizations are emotional places, located within an Enlightenment tradition which emphasizes rationality, logic and the suppression of emotions, continues within research into mergers. In empirical studies however this absence, this hidden ' Other' of the emotional life of organizations, reverses itself, so that rationality and logic slip away from view, even perhaps from existence, when the researcher permits it to, i. e. when the researcher designs a study that seeks to understand how organizational members constitute and reconstitute their identities and that of the ' new' organization. When we started such a study we anticipated we would discover that the process evinced much pain, but the sheer intensity of the suffering that interviewees brought into the office with them surprised us and made us angry that organizations can do this to their staff (Lucero, & Allen, 2004, P: 425-446).

Anger is perhaps not an emotion that is openly expressed in academia, except during the aggressive debates between those from competing theoretical perspectives, but here we wish to maintain that anger, to spread it amongst our academic colleagues, to claim its legitimacy and rationality, for organizations, in inducing so much pain in employees, are acting unethically. We, as academics, are implicated in their lack of ethics if we feed it, stoke it, and provoke it, through papers which focus only upon the economic (Brady, 2000, P: 309-18).

How do we portray the reasons for this anger in the merger context of human resource management, so that we may convince colleagues that our arguments are rational, are logical, and are not to be dismissed as unsuitable for the academic environment? Portraying pain in the coolness and remoteness of academic language is difficult, for the academic format is not well suited to such an evocation (Korten, 2003). The scientific community (for which read academic community), as researchers write, ‘ is distinguished above all by the fact that “ it writes”; and that it does so according to the aesthetic canons of journals and publishing houses, and in the neutral and ascetic scientific-academic style dictated by the natural sciences and the rationalist and positivist paradigm’ – not a style conducive to our current task. However, the turn to aesthetics within organization studies, and the new emphasis it brings of the sensory as a way of knowing, provides a legitimacy for how we will present ‘ our data’, for it allows us to experiment with our dry, dusty media and to draw upon the genre of drama so as to use words to convey emotions and for emotions to be the bearers of logical arguments (Levine, 2005).