

Homedco and abbey healthcare group merger management essay



The Apria merger ended up as a complete disaster mainly because the two merging entities: Homedco and Abbey Healthcare Group focused on gaining financial benefits and outcomes rather than considering the main human resource issues that could emerge from the merger. In most cases many large merging firms neglect the analysis of key human resource issues as general belief that combining resource is more important than understanding the differences in employee, organization cultures, management structures etc.

It is the responsibility of the Human Resource department to carry out a detailed evaluation of the potential human resource issues that can emerge and this in turn will aid the top management in determining the financial costs in terms of handling likely human resource issues. In nutshell the impact of poorly managed human resource issues in the case if the Apria Healthcare group merger has lead to effects of downsizing, employee stress, poor performance, difficulties in employee retention, process issues, information system issues etc which ultimately lead to merger failure. The following are reasons as to why the analysis of human resource issues would be beneficial at the pre merger phase,

Reduce conflict in job roles and responsibilities

A human resource audit should have been out carried to determine and predict the effect the merger would have on the employees of both Homedco and Abbey Healthcare Group. It is a generally accepted fact that a merger activity is likely to cause performance issues of employees during the period of transition which lead the conflicts between the executive and managers of

the Apria group. A detailed analysis would have lead to clearly defined job roles, responsibilities and duties of employee of both companies. The performance of the employees is mainly affected during the presence of role conflict and ambiguity, uncertainty of environment, cultural differences and differences in the management style.

Creation and implementation of cultural fit

The cultural fit is potentially acknowledged as the most important element of mergers and acquisitions. An organizational culture is determined and created by employees and every culture is unique and different from the other. As mentioned in the case Abbey Healthcare Group and Homedco have vastly different cultures in which one follows organic structure and the other follows a mechanistic structure. Prior to a merger is important that both companies assess their organizational cultures as organization practices, managerial and leadership styles, structure of management, work break down in order to find a balance between the cultures. The merger would result in a creation of an entire new culture. The newly emerged culture would include new values, beliefs, objectives, goals, vision etc. However and thereby the merging company should ensure that the culture is compatible and adoptable to employees in both companies. However, conducting an assessment of human resource issues would have enabled Apria to minimize the cultural clash.

Research has proved that non maintenances of a cultural fit can produce hostility, conflict, misunderstanding, lower commitment, motivation and cooperation that are negative to the outcome of a smooth transition. The

Apria groups' cultural clash resulted in the more dominant culture: that is Homedco having more power in the merger, resulting in job cuts and losses for Abbey employees.

Develop retention strategies to keep key employees

One of the vital areas of the HR department of each firm is to retain key employees as much as possible. The case illustrates that very minimum attention has been given in retaining employees and limiting the probability of turnover. After the merger, the best performing Abbey Sales representatives quit the Apria group due to issues of cultural differences, role confusion and failing employee relations. Key employees is an asset to any organization as they are responsible in running firm operations smoothly and is a key source of competitive advantage due to the skill, knowledge and expertise of individuals.

Retaining key employees would also lead to the firm needing to identify and resolve employee concerns, which would have been somewhat determined if Apria undertook a human resource analysis before the merger took place. The key employees roles and responsibilities could have been clearly defined, highlighted and communicated which would have indirectly illustrated Apria's top management commitment to retain best performing workers. Retaining such employees would assure that the company operations would be carried out smoothly after the merger.

Carrying out an analysis of HR would have enabled Apria to retain key employees by,

Identifying the key employees who hold key positions and responsibilities in both companies

Evaluating current market rates pertaining to compensation and benefits if the employee is to leave

Communicating the value of the employee during the pre-merger and post-merger

Communicating the new employees roles, responsibilities and duties within the merged company (Apria group)

Consistent communication and employee relationship building by top management

Proper management of overcapacity

Implementing a merger option would lead to an overcapacity of employees. And thus, Apria has contended in eliminating excess staff with a view of creating a more efficient corporation. This strategy is adopted in order to maintain economies of scale by reducing internal operational costs. The Apria Healthcare group should have ideally implemented a proper downsizing strategy along with propose compensation, benefits and outplacement programmes implemented during and after the merger.

A effective analysis of human resource issues might have bought in to light the proper process and method of dealing with excess staff. As in the case mentions that more of Homedco managers were not affected by the job cuts,

there by showing a certain level of discrepancy in managing downsizing which lead to even the best of employees resorting to quit the company.

Saving unnecessary costs

The objectives of merging is to combine resources in order to achieve economies of scales by minimizing costs of processors, systems, human resources etc in order to earn higher margins. The non compliance to an effective analysis of human resources has lead to Apria Healthcare Group spending an excess amount of hiring new employees, excess costs on training and development, loosing of customer base and market share due to increasing complaints and drop in service levels, loss of revenues and profits due to reduction of performance in the marketplace. Carrying out a detailed analysis of human resource issues would lead to the Human resource department being able to estimate financial costs pertaining to laying off employees and leave allowance to potential leavers. Estimated costs include costs of benefit and severance packages of terminated and other employees; cost pertaining to outplacement programs for terminated employees etc.

Identifying proper training and development programs for employees

Prior to the merger Apria should have conducted a detailed skilled analysis of employees of both companies. This analysis would have revealed the gaps in skill by comparing existing skill versus expected skills and thus would comply with the merging companies' objectives. This was further justified in the case where it was mentioned that Apria Health group used the Abbey Healthcare system billing processor which was unfamiliar to the employees of Homedco.

Ideally, before the merger if the management decided to use a particular <https://assignbuster.com/homedco-and-abbey-healthcare-group-merger-management-essay/>

system, the employees of Homedco should have initially be trained in using Abbey Healthcare system before the merger took place. The overlooking of implementing a structured and timely training and development programme caused drop in service quality and customer dissatisfaction due to errors in the billing system.

Employee morale and commitment

It is clear identifies that there was a lack employee moral and commitment during the Apria Healthcare Merger. This is better explained through the stages that the employee goes through when adopting to change.

Shock - Employees would be confused on their new job roles, need for jon security, changing lifestyle and the general fear of unknown in moving to a new culture.

Denial and confusion - Most employees would be unsure on how the merging would affect their employment status.

Anger and resistance - Anger and resistance would be portrayed by internal conflicts, sticks, turnover, ineffective job performance etc.

Reluctant acceptance - The time taken by the employees to get use to the new culture, value/belief system, management and processors.

Understanding - At this stage the employees are willing to accept the new changes resulted by the merger

It is evident that Apria group has not understood this stages and issues properly before going through with the merger. The employee motivation, morale and commitment is the key source that makes a merger successful. As motivated employees would be willing to accept change and be effective and efficient when carrying out their tasks. The conflicting relationship between the Apria group employees effected team work, interdepartmental coordination, customer orientation, distorted communication, non compliance to code of practices etc. This situation could have been completely avoided or managed if Apria gave ear to the challenges and difficulties faced by employees during the transition process and it would have been a better approach for company to encourage employee participation in designing HR strategies for the merging company on order to bypass avoidable conflicts.

4) Strategic importance of developing organizational culture

Organizational culture is a subject which has been studied and defined by numerous authors. The importance of assessing a firms organizational culture emerged due to globalization, increase in number of mergers and acquisitions, companies adopting market orientation etc.

Brown (1954), was the first to take the initiative in defining “ organization culture”. The author stated that “ The culture of an industrial group derived from many sources, origins, occupations and technical sources; the atmosphere of the factory that forms their background; and finally, from the specific experiences of the small informal group itself. Some of the important

indications of culture would be a collection of myths, beliefs, values and rituals”

However, the most accurate definition was proposed by Torrington and Hall (1995), where they defined organizational culture as “ the characteristic, spirit and belief of an organization demonstrated in terms of norms and values that are generally upheld about how people should behave and treat each other, the nature of working relationships that should be developed and attitudes to change”. The authors also critically argued that these norms are deep, taken for granted and are often known by employees without being properly understood.

Development of a sound organizational culture requires the company to align its culture with its strategies, goals and objectives. Following are some factors that illustrate the strategic importance of developing organizational culture,

Having an aligned and integrated culture is vital in achieving a high level of productivity.

An effective organization culture would include employees who have shared vision, purpose, values goals and commitment that is essential in maintaining strong culture. Dennison (1984), revealed if an organization possesses “ strong culture “ by exhibiting a well-integrated and effective set of specific values, beliefs, and behavior patterns, then it will perform at a higher level of productivity.

The performance of an employee would depend on the encouragement, support and direction and the working relationship he/she develops with colleague and peers. This in turn results in the employee being motivated and committed to contribute to the organization by being performance oriented , which leads to effectiveness and efficiency in fulfilling tasks, responsibilities and duties. Productivity would be an outcome of employee performance and could be achieved through the organizational employees working as a team to enhance productivity.

An effective method of keeping employees aligned with the values and the goals of the organization is by developing a culture which encourages employees to focus on higher purpose for their work.

For an example: Toyota has developed its organizational culture in which employees are treated as a part of one big family. Their shared values, vision, goals and objectives are reflected through their organization and have been fundamental in the success and business performance Toyota has regained during the past decade.

Improved business performance

Worker attitudes and goals

Organizational performance

Organizational climate

Task organization

Organizational values

Organization structure and purpose The development of a well structured organizational culture is of primary importance in improving overall business performance. As mentioned earlier enhanced productivity through development of organizational culture is merely one of the factors that affect business performance. Marcoulides and Heck (1993), proposed a framework which could be by organizations when determining elements of a firms culture that lead to overall business performance.

Organizational structure - Developing a strong administrative hierarchy and sound processors would reflect how a company is able to maximize effective resource utilization which impact the performance of product and service output. The Apria merger failed as the management didn't pay emphasis of having an integrated structure which in turn effected the overall performance of the company. Mergers such as Hewlett-Packard emerged as successful as the company was able to develop a common structure which clearly defined the organizational purpose.

Organizational Values - The values of a firm will determine the way in which the firm designs strategies to serve its customers and maximize customer satisfaction. The performance of the organization through understanding firms value will reflect the way in which the emphasis is placed on risk taking, productivity and efficiency and ability to improve new outputs and improving excising products and services which in turn enables them to achieve competitive positioning and market positioning. As highlighted in the framework organizational values has direct effect on climate, task

organization and employee attitudes which lead to the attainment of overall performance. The values of the organization is variable that effects managerial decisions as the structure, strategies to improve organization tasks and processors, strategies to improve work environment would be analyzed and implemented by consideration of organizational values.

Task organization - Task organization involves analyzing the types of methods used to recruit and select new employees, the quality and methods used to evaluate employee performance and the criteria to determine salaries and benefits are strongly related to organizational performance. This also illustrates the management commitment towards enhancing organizational performance by developing effective strategies to recruit, evaluate and compensate employees.

Organization climate - The organizational climate is defined by the perceptions of its employees in terms if the working conditions. The perception of quality of interactions and effectiveness of communications across organizational levels and the level of authority given to employee would be indicators that determine a firm's culture. The organization climate also acts as a source of motivation for employee performance which results in improved performance.

Worker attitudes and goals - Research carried out by Marcoulides and Heck (1993), indicated that attitudes, perceptions and individual goals would depend the values and climate of the organization. This variable will perceive the way in which employees perform at an individual level which contributes to overall organizational performance.

The Merger between the Time-Warner companies can be taken as a real life scenario in which employees took up on a large protesting campaign with objective of stopping the merger. This was reflected by the revenues and performance.

Ability to maintain sustainable competitive advantage

The culture of a firm is considered the most critical component of a companies transition from good to great. Mergers are formed between similar industrial players with an objective of being more competitive in a global scale to reduce the impact of threat created by competitors. Various strategies and tactics are taken to develop competitive advantage and positioning of the market place. However, research has indicated that cultural development and nurturing is the primary strategy that could ensure sustainable results in the long run.

Barney (1986), cited that a firms culture can be a source of sustainable competitive advantage if that culture is valuable, rare and imperfectly imitable". The author proposed the following factors that need be considered when developing culture under these three criteria's,

Culture must be valuable and it should assist the firm in developing strategies and forming behaviors that improve employee productivity, resulting in superior financial performance. Organization culture must enable companies to develop strategies that add economic and monetary firm

Culture must be created as rare and distinctive by having attributes and characteristics that are not common to the cultures of large number of other

firms. A firm's culture is one of the several attributes that differentiate firms from one another.

Culture must be imperfectly imitable and without this the firm cannot gain competitive advantage as positioning them as unique.

Firms are able to maintain a high degree of adaptability

In order to survive firms need to be flexible in adopting and responsive to the environmental changes which could create opportunities and threats for the company. Dennison and Mishra (1995) argue that a successful firm must be able to detect and predict environmental changes in order to maximize benefits occurring as a result of a highly volatile environment.

However, the degree of adaptability would depend on how the employees of a particular firm are able to change their behavior in order to respond and take proactive action when going head on with these changes.

By developing a culture which includes knowledge and information sharing, participative management

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companies are therefore more willing to try innovative approaches in better meeting

their employees' needs. HR practices that emphasize company information sharing,

participative management and formal grievance procedures will help to facilitate the

needed internal change initiatives (French and Bell, 1990; Robbins, 1998).

Furthermore, to be really adaptive, skill development becomes critical to adjust to

changing business demand. While appraisal systems have to be applied consistently

to attain effective business performance, the context of appraisal needs to be

adaptive. Appraisal systems that impose rigid performance expectations can turn into

a barrier to aligned expectation and delivery of performance. Perceived flexibility and

fairness in performance management systems will result in better-motivated employees and improved business outcomes.