

Organisational culture and human resource management essay



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Organisational Culture is ' a pattern of basic assumption- invented, discovered, or developed by a group as it learns to cope with its problems of external adaptation and internal integration- that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those processes' (Edgar Schein, 1985).

The way of managing the organization is determined by the environmental factors that exist in the organisation (Saffold, 1988) i. e., understanding the organizational culture by an employee helps the individual to choose the behavior that suits their personality with the main routines of organisation activities. Employees are dissatisfied and uncommitted with the organization if the Human Resource policies are not suitable with basic values shared by employees (Earley, 1994). Due to this employee will feel alienated as his/her values are different from company expectation which leads to low organizational commitment and low job satisfaction and in turn the company may lose well performing employees. When this condition happens for a long time, definitely organization performance will decrease. Conversely, the organizational performance will be high if the Human Resource Policy fit with the values shared by employees. Finally, many researchers concluded that it is important to create the culture where the positive managerial behaviors involving and problem-solving are actively encouraged and organization performance is better in the companies where there is state of agreement between human resource policies and national culture (Newman and Nollen, 1996).

This clearly shows that the HR policy plays the critical role in organization performance as it reflects and reinforces organisational values and culture.

Looking at the other aspect; Mergers and acquisitions have become an increasingly popular strategy for achieving corporate growth and diversification (Gunter and Mark, 2005). The worldwide value of M&A increased from US\$462 billion in 1990 to over US\$3.5 trillion in 2000 (Thompson Financial Services, 2001). Despite their popularity and strategic importance, the performance of most M&A has been disappointing (Datta and Puia, 1995; Hunt, 1990; Sirower, 1997). At the same time companies like GSK, CISCO has been very successful in managing acquisitions. Taking the poor performance of companies during M&A, there is a need to understand organisational theory which main focus is how the two companies integrate their structures, systems and culture to achieve synergies. The underlying theme involved in poor performance during M&A is that the 'human side' of mergers and acquisitions is 'frequently neglected by managers' (Buono and Bowditch, 1989). Also companies find themselves competing against foreign competition in their home markets while simultaneously looking for new markets in other countries (globalization).

The real problems during M&A and globalization often come from overestimating the benefits and underestimating the costs of an M&A and from not understanding the difficulties associated with integrating employees or merging different organisational cultures (Lane, Greenberg and Berdrow, 2004). Therefore we need to look at the terms that are affecting the organization performance during M&A and globalisation.

Initially at the selection stage of the topic the researcher concentrated on different aspects and while going through all these terms her interest raised in knowing how important is organisational culture and HRM policies for any organisation to withstand in the market coping up with their competitors.

In terms of business case; Organisational culture is important as it is the value adding aspect to be considered for organisation success. It is also important to understand how very few organisations are successful during M&A while the majority of companies are disappointed. How does the HRM practice involved in such a situation.

In terms of academic rationale, as the researcher is doing HRM module as a part of course, this research will be pretty much useful for the researcher in knowing culture of the organization and HRM practices involved and how to deal with employees in different cases like M&A and globalisation.

1. 1 Research Questions:

The research questions are formulated as below;

Why organisational culture is important when mergers and acquisitions taking place?

What impact does HRM policies have in creating organisational culture?

Why do several companies that undergo mergers and acquisitions fail to achieve initial target after the deal?

1. 2 Research Objectives:

In order to accomplish this, the research objectives are composed as follows;

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Conduct a literature review on organisational culture and HRM issues faced by organisations during M&A and globalization

Determine the HRM policies involved through qualitative research methods.

Furnish the main and most common problems arising during the integration process of two merged companies based on the culture differences in the companies.

Analyze how the issues affect the performance of the organisation taking employee performance into consideration.

Suggest HR practices and approaches in order to overcome problems arising in mergers and acquisitions and lead towards successful path.

Introductory Literature Review:

2. 1 Organisational Culture

Organisational culture is the key to organisational excellence and the function of leadership is the creation of management of culture (Edgar Schein). ' Culture is the collective programming of the human mind that distinguishes the members of one human group from those of another. Organisational Culture in this sense is a system of collectively held values, symbols that define the way which a firm conducts its business.' (Geert Hofstede, 2001) But Edgar Schein defined ' Organisational culture is the deeper level of basic assumptions and beliefs that are shared by members of an organization, that operate unconsciously and define in a basic ' taken for granted' fashion an organization's view of its self and its environment.'

Atkinson, 1990 goes further to explain organisational culture as ' reflecting

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the underlying assumptions about the way work is performed; what is acceptable and what is not acceptable; what behaviors and actions are encouraged and discouraged’.

Even though we got various definitions for organisational culture the vital role of managers is to explain and understand the culture in the organisation as it effects the development, productivity and learning that occurs at all level within the organisation. And the concept of organisational culture is very important when attempting to manage organisation wide range.

Considering the dimensions of culture given by Hofstede, it is better to have low power distance codes where superiors and subordinates are like colleagues and the level of inequality is reduced and the employees expect to be consulted. This obviously results in reducing threatened feeling of employee in unusual situations which is interlinked to uncertainty avoidance, where uncertainty avoidance is normal behavior people feel like working hard in stable careers and company rules are observed. In highly individualistic cultures the emphasis is more on personal initiative and achievement, where as in collectivism the focus is on good team member. The employee must be awarded on performance based rather than on gender based (Masculinity/Femininity). To understand the cultural system of an organisation it is very important to understand the reactions, interpretations and actions of organisational members, as well as how those actions are shaped by the collectivity (Neal et al; 2000). Organisational culture relates to the characteristics of the merging organisations as well.

Mergers and Acquisitions:

' A merger is a combination of two or more organisations through pooling of common stock, cash payment to the company being acquired, or a combination of the two.' (Hazel Johnson, 1999)

' A merger is called as an acquisition when one of the firms in the transaction, usually the larger, takes over the other company and consolidates the two organisations into a single entity.' (Hazel Johnson, 1999)

A merger or acquisition involves the contact between two distinct top management cultures where the set of important assumptions need to be shared in common by the community of the members (Sathe, 1985). Every group top management team has a unique culture that is shaped by its members' share history and experiences. The contact may lead to cultural changes that are usually drastic for the managers of the acquired firm, who are often expected to adapt to the culture of the acquiring firm (Schein, 1985). In this case the Human Resource Management team need to consider about strengths and weakness of the management team of a merging company, skills and capabilities of the firms' staff, employees of the merger candidate, breakdown of employees and manages by job classification and salary levels. However considering all these factors most organisations are failing due to ignorance of organisational cultural fit, where employee from different companies may find it difficult to acculturate the new company's organisation culture. This clearly shows that focus on organisational culture during the mergers and acquisitions process is very important.

HRM policies:

The effective management of people is influenced by the philosophy of top management and the attitudes they bring to bear in relationships with staff, and the problems which affect them. HRM policies should emanate from top of the organisation (Mullins 2010). The HRM people should communicate throughout the organisation passing the day-to-day decisions and choices made by management providing the high value and involvement of employees.

Kurt Lewin's three stage model provides high-level approach to change and helps managers providing with a framework to measure change when particularly dealing with mergers and acquisitions which is always a very sensitive case.

Based on the above data provided, organisational culture is an area where so much of research has been undertaken so far but that still needs more elaborated study. This research paper will examine the dimensions and factors involved in creating organisational culture and also bring HRM issues affronted by managers in mergers and acquisitions linking to important theories and concepts.

Company Background:

Polaris Associates was founded in 1995 and it remains laser focused on Oracle Applications and technologies. The company has three lines of business.

The Professional Services division specializes in full range of services to implement and upgrade Oracle Financials, Supply Chain, and HCM applications.

The Managed Services division delivers post production Applications Maintenance and Remote DBA services to customers at a reasonable cost using our resources based in the United States. Also offer competitive services from our fully staffed offshore office in India.

Reporting Workbench delivers powerful Operational, Ad-hoc, and Dashboard Analytics in one package.

Polaris Associates is merged with Oracle in 2000 and have branches in both USA and India. Later it acquired IBM Soft Solutions in India and was successful after both merging and acquisition. The company consists of 200 employees as a whole where the unique culture and policies are maintained. The research is going to take place in this organisation where the researcher is going to have interacting with the HR managers in different locations and few employees to know about the culture in this organisation.

Proposed Research Design:

4. 1 Research Philosophy:

According to Johnson, P and Clark, M, 2006, being at Business and Management researchers stage we need to be aware of the philosophical commitment involved in research strategy we follow as this has an significant impact on what we do and what we understand when we are investigating. Organisational culture is a most important problem in any

company during merging and acquisition where HR people need to be careful in taking up the steps before merging with any other company. Here we are going to deal with the people in managerial positions to collect data through interviews assuming that the information given is genuine and reflect the reality. But there is a chance where people might not reveal the company policies to the unknown person providing the superficial data. In this case the role of the researcher is to try to interpret with other people's perspective based on company background and cultural assumptions (Saunders et al; 2007). Therefore, Interpretivism is the philosophical assumption that needs to be considered in this case.

Research Approach:

This research is about evaluating the necessity of organisational culture during merging and acquiring and how it is impacting HRM policy of an organisation and performance of employees. The intention here is to understand what is exactly going on to understand the nature of the procedures being followed. Therefore, according to Saunders et al; 2007 deductive approach will not be suitable in this case as it does not allow additional explanation of what is happening in the organisations. Hence the research will use the Inductive approach whose result out of data analysis would be used to develop a theory. Inductive approach is more useful in this case as it explains the relationship between the variables of change, organisational culture and the human factor.

Also it can be categorized as an exploratory study (Saunders, et al; 2007) as the research is focused on finding out ' what is happening; to seek new

insights and establish the relationship between impact on employees during mergers and acquisitions.

Research Strategy:

The research strategy will be combination of inductive approach and a case study. The case study is used to illustrate human resource related problems that might arise in M&As and suggest Human Resource practices to overcome the problems. According to Robson, 2002; case study is ' a strategy which involves an empirical investigation of a particular problem using multiple sources of evidence'. It furthermore, has an ability to emerge the answer of ' why?' as well as ' what?' and ' how?' questions (Saunders et al; 2007). Here we are going to see the single case study of Polaris Associates which involves the HRM policies during mergers and acquisitions and how the organisation is maintaining its culture in globalization as well.

Data collection Methods:

Primary Data:

The main purpose of this research is to cover the issues such as organisational culture and its effect on performance of employees in particular organisation. So the reliable method to gather valid information would be qualitative approach using data collection methods such as interviews. To meet the objectives of this research, a semi-structured interview has been chosen. According to Saunders et al; 2007, this type of interview favors wide discussion and understanding the various aspects of situation enabling the researcher to identify the flow of conversation providing them good level of comfort to absorb. Most of the interviews are

planned to be conducted face to face to establish a personal contact because the HR policies are quite sensitive and managers may not be comfortable giving out such information to someone over phone. However, few interviews are expected to be done over telephone or internet to overcome the issue of distance or location. The interview would contain standard open questions and few probing questions based on the response avoiding the non-directive interview as organisational culture is a complex topic. (Saunders et al; 2007)

Secondary Data:

Secondary data gives a brief idea about the past and present situation of the company case study and provides the literature review needed for the research. The available secondary literature sources for this research are Academic Journals, Electronic Journals, Text Books, and Newspapers (Saunders et al; 2007). The most significant advantages of using secondary sources are saving on time and cost (Steward and Kamins, 1993).

Time Horizon:

However the time horizon need to be considered in this case is longitudinal studies as there is an analysis of organisational culture and HRM policy involvement which varies time to time based on the situation, but for this research we are considering the time horizon as cross-sectional as we are analyzing the situation of Polaris Associates taking particular phenomenon into consideration and due to time constraint as this dissertation has to be handed by the end of December 2011.

Data Analysis:

Data analysis in this research is done through Narrative analysis and structured documentation. This type of strategy commences inductively and needs to remain sensitive and is mainly based on individuals experience to the social constructions and meanings of those who participate in the research (Saunders et al; 2007).

Access:

Already permission to interview has been gained for this research through the help of initial contacts. However, finding the right people and getting access from them is the hardest and the most exciting part of research. At this point of research the sample size of 4 is furnished for face to face interview which might not be accurate due to some more addition of the set.

Research Quality:

Reliability is concerned with whether similar information would be revealed with alternative researchers and also relating to issues of bias (Saunders et al; 2007). To overcome these issues careful preparation is required. Here the researcher is involved in taking suggestions from experts in this area which will be very helpful and get some tips during interview such as interviewer knowledge, level of information supplied to the interviewee and about appearance of researcher during the interview.

Validity is the extent to which interviewer can access the interviewees knowledge and experience during the process of interview (Saunders et al; 2007). This research involves sensitive issues such as organisational culture and revealing HRM policies where the people might not be interested in

sharing with an unknown person. Hence there is a need to ensure a causal relationship between interviewee and interviewer to attract valid outputs.

Generalisability is the way of establishing the relationship between the research projects to the existing theory in order to be able to demonstrate the broader significance of your particular findings (Marshall and Rossman, 1999). This is why the research cannot be declared generalisable as it involves only the HRM policies which vary from organisation to organisation.

Methodological Limitations:

As not many are willing to participate in this research due to work pressure and research involving HRM policies, the sample size could not be extended where it would have been better if it is increased. The research belongs to particular role of people in organisation where the study cannot be generalized. Various education and personality background from the research participants that might influence the way in which the research conducted. Lack of experience from the researcher in this field, which forcing researcher to be open minded to discuss and listen any critics during this research. Secondary data are by old by definition, hence the researcher have to be assured that the information used is timely for the purposes of her research.

Ethical Considerations:

As promised the data gathered would be confidential and sincere measures would be taken see that information is not leaked out without company's permission. The name of the participants would not be revealed without their permission. No discomfort will be caused to any of the participants and right

to withdraw consent at any stage of the interview will be offered (Saunders et al; 2007).

Time Scale:

Proper process will be followed time to time to complete the research within allotted time frame.

Time Slot

Task

April-May 2011

Literature Search

May 2011

Review of literature

June 2011

Document detailed Literature Review

July 2011

Prepare Standard Questions

August- September 2011

Conduct Interviews

September 2011

Analyze and document the findings and interpretations

October 2011

Document recommendations based on interpretations

October- November 2011

Write up dissertation Report using previous documentation

December 2011

Finalize all changes, format and bind

December 2011

Submit Dissertation to University

Resources:

Researcher has access to all sort of secondary data. Access to Polaris

Associates has been confirmed and expenditure has been planned and is available for a successful completion of the research.