

# Advantages and disadvantages of mergers and acquisitions



Mergers and Acquisitions can be described as a step taken by any two organizations to make a more valuable company rather than two separate companies.

Although the terms 'merger' and 'acquisition' are used very closely, but they are different. When one company takes over the other, the target company is taken as non-existent and the buyer company takes over the company continues to trade the stocks with its name.

Whereas, in case of mergers, two separate firms, mostly of the same size, mutually agree to go forward with an entirely single new company with respect to the operations and owning of the new firm jointly rather than two separate firms.

The case is about the merger of British Airways and Iberia making them to catch up on their rival Air Carriers and compete with the low-cost airlines, rising fuel costs, security concerns and costs for customers.

However, due to commercial purposes, both the Airways would retain their existing brands. Both the companies look forward to gain from the merger with respect to a greater access across America.

For the miracle worker, William M Walsh, who announced the planned merger, after a difficult year for British Airways, due to Icelandic Volcanic Ash Clouds and Cabin Crew strikes, situation has become even more troublesome with the kind of response British Airways has been receiving from the BASSA (British Airline Stewards and Stewardesses' Association), Unite Union, BALPA (British Airline Pilots Association) and their own staff.

Though the travel analysts believe that the merger would on a long run prove to be beneficial for travelers or customers, but the concern right now for British Airways is to re-convince the BASSA (British Airline Stewards and Stewardesses' Association), Unite Union Leadership who have changed their mind to settle for the new changes taking place. On the other hand, the media and the staff including BALPA (British Airline Pilots Association) are also at unrest due to the new proceedings taking place.

Now the problem which Tom McCarthy, the retiring HRM Director of British Airways is trying to resolve is how the British Airways can settle the industrial unrest. As clearly stated, the industrial unrest is caused due to the merger with Iberia, and also the proposed plans of pay-cuts, redundancy, job losses and retaining the best talent pool and change in working conditions.

Unite union, after the shareholders meeting, have announced to ballot the choices of cabin crew, whether to or not to take any further industrial action. However, on the other hand, BASSA (British Airline Stewards and Stewardesses' Association) is also seeking a ballot for carrying out a strike against the British Airways.

If I was asked to determine, how the British Airways could manage the rounds of Industrial Action, my first step would be to call for a meeting with the British Airways Carrier's Management, the complete management representatives, representatives from the Unite Union, from BASSA (British Airline Stewards and Stewardesses' Association), from BALPA (British Airline Pilots Association) and the staff.

Since, this merger was planned, the expected output with respect to revenue is profitable, the concerns of the manpower cannot be ignored. Thus, a consultative meeting with the purpose of Collective Bargaining could be planned and called.

Collective Bargaining can be used as a term for voluntary negotiation between the employer, employee or the trade union. The purpose of collective bargaining is to reach at a mutual agreement with respect to the work and the working conditions.

Since, the purpose would be to negotiate, the management would point out the benefits of the mergers and the reasons for the decisions that could or would be taken due to the same. The discussion, on the other hand, give a chance to the other side of the employer, to put their view-point forward and also, come up with suggestions that could ease out the unrest amongst the staff and their associations.

The steps that could facilitate a better response from the employees, other than a collective meeting for negotiation could be - holding department wise meetings, encouragement of written communication, placing of suggestion box at various areas for the employees.

As a second step, I would have to draft the expected Human Resource challenges that the British Airways would face due to the industrial unrest caused by the merger.

During a merger, the human capital, i. e., the employees are scrutinized other than financial and material assets of any company. The staff, across

levels become unsure about their job. They fear demotion, decreased salaries and even continued employment.

The main Human resource challenge faced is to decide how many employees would be affected and what would be the time line for the same. The issue of taking such decisions requires a good and clear communication that is free from any kind of rumors.

In mergers, mostly one or few among the available are taken, either the company proposes downsizing, wherein, the decision is taken to let the personnel go for improving their efficiency or lay-offs, wherein, the termination takes place, either of employees or of positions.

The decision for such affair is taken by the dominant company and thus, the HR needs to follow a professional approach towards planning a fair method of lay-off implementation.

Another issue is to assimilate the new employee with the old after the merger. The introduction and assigning of team to facilitate team work would have to be done with great planning and care.

Also, as discussed earlier, the concern which is faced by the British Airways is the resistance to change by the employees. With a proper channel of communication, suggestion boxes etc, this problem can also be worked out and sort a solution for.

For any merger to be successful, it is imperative, that the manpower, the people involved, who drive the business and its growth are capable of creating, innovating and executing things collaboratively.

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The employees should be able to understand, why such an action is taken by the management and what benefit it would produce for them. They should be able to relate the value , the merger would bring to their daily work life. The challenge here is that the management should not act as an administrator but a coach or profit consultant.

The Human Resource department here should focus on easing the merger transition and fitting the pieces as closely as possible. It should initiate in areas other than just administration or payroll but work closely together with the management in recruitment, retention and managing the effects of cultural change.

The people may also be resistant to change because they might have to work in a different process, different department, different geographical location other than a different team, management and new members.

The HR should take up these issues seriously as it might result in walk-outs also, as in the case of British Airways where BASPA is planning for a strike ballot, where around 10, 500 workers may walkout.

The possible solutions or potential HR strategic plans should be drafted. The management could give time to the employees to build trust amongst all the new people, the environment and the changes introduced.

Both the companies should appoint an integration team, which would include the Human Resource team to meet periodically to plan the changes and execute the same at the acquired firm.

The HR team of the dominant company would have to learn about the acquired company, its business and the people working in it. The approach to be followed should be of participative nature and not dominative.

Like in British Airways, where it has been clearly agreed by Walsh, that the jobs would be lost, cost cutting would be exercised, and employees may be asked for voluntary redundancy other than pay-cuts for cabin-crew. On the other hand, Iberia also plans to freeze their hiring plans and also request for early retirement of many of its employees.

Measure should be take to be taken to address the concerns of the employees, by mean of an open communication, there could be a hot-line for the employees where they may call and and confidential seek answers to their queries , since many employees may not want to put their foot forward in public.

The purpose should be to encourage the employees to meet their new counterpart and companions. The Human Resource team should focus and aim at introducing and familiarizing the new teams and new set of people with each other, as these people are insecure and worried about their jobs and future.

With British Airways and Iberia's merger, the possible areas of conflict and resistance that may arise in the transitional period of replacing old crew with new crew. The transitional period bring with it a lot of anxiety, rejection, self-protectiveness, this was not hoped for response for the new management, defensiveness etc.

The employees may not be ready to work with people they do not think they will be able to be friendly with. Since, the feeling and anger of losing their friends, who because of the merger, might have been laid off or downsized.

The staff members may not want to work under the new policies and practices laid down by the new management. They may also be resistant to change their location or department of work.

During transition, employees may feel displaced, low on energy, may resent to learn new things, may lose focus. People during such time, want their normal days to return as quickly as possible. They at such times have an amplified need for predictability, control and protection.

An aggrieved employee would look for visible leader, accessible management

“ Whenever an organization makes a change, its people have to deal with, first an ending or letting go of what was; then a time between the old and the new when the person is a drift called the neutral zone, and then a new beginning or reintegration.” (Bridges, 1991).

When we talk about a training program, we analyse the need for such a program on the first place. Since, here it is a matter of merger of two companies, where other than many changes, one change is about the working of the new company, its management, its policies and the planned practices.



The training programme should be designed to serve the purpose of filling the gap between, what is know, may be through mouth of word, or as a rumor and to let people know the truth or the facts.

The training program should be designed to address the issues of the employees concerned. Since, the company formed is new, it would have to address the concerns relating the working style and the management, the people in the management etc.

It should focus on introducing the new formulations, rules, regulations, and people in the company.