

Current situation merger and acquisition



**ASSIGN
BUSTER**

In the current situation merger and acquisition become a very useful tool for the outgrowth and maturation for any business . it act as an accelerator for the growth of any firm. According to bjorkman and soderberg (2003) merger and acquisition is the direction of people and the and the HR mangers and HR function are perpetually boosted to play a very important strategic role in the process such as International merger and acquisition. There are many studies that explores the HR issues in merger and acquisition. This study shows that the human resource management play a very important role in the beginning stages of merger and acquisition between the companies.

It is necessary to know the meaning of HRM and merger and acquisition before moving towards the role of HR function in process od international merger and acquisition.

Human resource management involves checking the firm demand for human resource which arise and deals with the human element including their knowledge , creativity, skills for adding towards firm goal.

Edward Flippo stated that “ It is the planning, organizing, directing and controlling of the procurement, development, compensation, integration, maintenance, and separation of human resources to the end that individual, organization and societal objectives are accomplished.”

Porter (1990) stated that it is the ” Factors influencing national competitiveness are skilled human resource and scientific base.”

Merger and acquisition

Merger and acquisition can be said as a corporate finance , strategy and management that covers the buying , selling and combining of firm which help the firm to grow rapidly without making any firm entity. It is classified into two categories i. e. domestic and international merger and acquisition. In domestic M & A the companies that is to be acquired or acquires companies belong to the same countries and belongs to the same culture as well as have same political and social framework. Therefore it is said that the activity of domestic merger and acquisition is very simple without any tortuousness. In international merger and acquisition the company's assets and functions belongs to different countries and they are combines together to form single entity. Due to difference in cultural, political and social framework there arises the complication between the countries.

There are many studies that shows the significance of HR issues in merger and acquisition. Galpin and Hemdon (2000) advised the guidelines for the human resource management in merger and acquisition. Schuler and Jackson (2001) added more by model of the human resource issues in various stages of international merger and acquisition. HRM have great consequence on the acquiring power to get good results of new subsidiary. Although the issues of human resource is very important and is looked all over but there are very few studies done on the roles of human resource in these process.

Human resource does not affected in initial determination of merger and acquisition, post deal HRD were sensed as the vital signal for success.

Bjorkman and soderberg have also done finding based on these. Their

<https://assignbuster.com/current-situation-merger-and-acquisition/>

research point out the problem in coordinating and managing human resource issues and exemplifies the non strategic role given by the HR function. Antila (2006)

On the other hand, the study by Antila (2006) describes how HR actually has a strong administrative and employee related role within the IM&A process and if the HR manager is involved from the beginning in pre-combination stage of the process he

or she also plays a strategic role throughout. These studies have increased the

understanding of the roles played by HR in the M&A context, but provide only a limited explanation of the reasons affecting the roles played by HR managers in IM&A processes. The present study addresses the existing research gap by investigating further the question of HR managers' roles in IM&As by exploring which factors contribute to the HR managers' involvement in the IM&A process.

Factors explaining the roles of HR in organisation

The survey brought out that many of the human resource managers believe that they don't have sufficient knowledge of the process of merger and acquisition so that they can be able to discuss more about the M&As. Due to the very less prospect of lead management in the strategic part of HR function have contributed fixed HR role in the change process that takes place after the merger. In order to manage the work of HR to fulfil the prospect of the firm, HR managers concentrate how they can coordinate their work instead of their possible contribution to HR, lead managers concentrate on the fiscal

<https://assignbuster.com/current-situation-merger-and-acquisition/>

instead of the individual management and the adviser of the outside business which exhibit a major role in the development of HR, determined the non strategic role of the function HR.

Strategies for merger and acquisition

In order to attain the competitive strategy there are many strategies for the merger and acquisition. In earlier days the typology which was used for merger and acquisition was horizontal, vertical, market extension and unrelated merger and acquisition. However there are some new strategies which were formed which were not captured in earlier strategy.

Bower (2001) stated five different strategies for the M&A strategy.

Overcapacity M&A

Geographical roll up M &A

the product or market extension M&A

M&A as R&D

the industry convergence M&A

An over capacity merger and acquisition take place when the excess capacity was removed by the adopting firm in order to create a more effective firm. So that the adopting company can gain market share by attaining economics of scale. It occurs when the firm has same size and the firm which is qualified by surplus capacity. For eg daimler's acquisition of chrysler.

A geographical M&A arises when the firm attempts to enlarge geographically, frequently the controlling unit remains at local level. Many times large firms try to enter by acquiring small firms and thus try to hold the local managers. Eg of geographical M&A are banks. There is not much difference between overcapacity and geographical merger and acquisition as they both consider the integration of firms, but the geographical roll up M&A is more useful in the initial stage of the firm. According to Bower (2001) roll ups are linked with the integration of very large firms while the overcapacity deals with decreasing the capacity.

A product extension M&A deals with the enlarging product all over the world. According to Buono and Dowditch (1989) it happens when the adopted firms are connected with each other in production but the products which they sell do not contend with each other or geographically by construct the similar product but sell the products in another market. In product extension M&A organisation tries to get a long term strategic aim by putting in a less concentrated market, they often do this to obtain an economic of scale which is essential for the global competitiveness. The experience and size of the merging firm are very important for the success of the product extension M&A. For example GE which acquired many small firms and increased their fortune for the success in merger.

The holding of human resources and knowledge is a predominant goal in a merger and acquisition for research and development. Learning capacity for this type of merger and acquisition is very important in order to achieve the success. The issue of integration is therefore industry dependent. For example in pharmaceutical firms product cycle is much larger as compared

to the IT firms . the intersection of industry M&A consider by making new industry from the existing industry whose boundaries are torn. This type of merger will boom in the future but it not clearly understood and is very difficult to analyse.

The role of HRM in cross-border M&As:

The process of Mergers and Acquisitions is classified into three main stages to understand the importance of each stage and implications for the same. These stages are pre-announcement; pre-merger; and integration. The pre-announcement stage is the first stage in M&A decisions, it involves forming the need for the merger, its financial decisions and structure of the deal. The pre-merger stage comes under the pre-announcement stage and involves planning for the merger, merger process and formulating its integration. Integration stage involves implicating the decisions taken in previous stages.

Human Resource Management has a significant role in success of each step of M&A process. Example human resource management concentrating on legal deference like everyone must get equal opportunities. HRM can also deal with the retention agreement and the differences in the compensation between merging firm. However many theoretical as well as practice suggest that the integration stage also play a important role for human resource in merger and acquisition. “ The attention to human resources is particularly important following an acquisition, the more so if cultural differences are involved” (child, Faulkner and pitkethly, 2001). Due to differences in the consolidation across countries , it may effect many organisation policies. In ine next section we see the role of HR in integration process.

Integration stage

Speed of integration is very important for the human resource in carrying out the merger and acquisition. The involve of strategic independence and involve of structural liberty are the two two important dimension (Haspeslagh and Jemison, 1991). In cross border merger and acquisition there are dissimilar levels of integration across countries. They are differentiated on the basis of no , partial to full integration. For examples many organisation from UK and US desegregate their subsidiaries to a very high degree as compare to the organisation in other countries. Empson (2000) indicated that proceeding in small stages integration is important for achieving merger between professional service organisation. The integration phase of merger and acquisition has been take place by the resource, value and processes framework.

Merger and acquisition strategy

HR

Over capacity

Product extension

M&A as R&D

resources

Limitation of staffing reduction due to cme regulation

Focuses on holding and expect few give up

Holding as the overestimating goal

process

Worsen of product differences in cross border merger and acquisition

It can be transferred if the acquired firm is experienced and larger than the adapted firm

Necessity for the absorption requires for the change in process

value

Differences in value creates problem

Differences in value can be minimised by decelerate absorption

In high technology sector value difference is less

The environmental cross-border M&As

Organisation strategies also depends upon the condition of the environment, as there is alteration in environment there is more differentiation in the structure. It is necessary for the managers to be adjusted with the environmental demand so that the wanted work arise.

Conclusion

Strategies of cross border merger and acquisition were explained by lining up the role in form of value , resource and processes. Strategies of M&A helps the firm in order to achieve the competitive advantage. In the integration stage of M&A , human resource strategies should be tightly adjusted so that it can increase the successful outcomes of merger and

<https://assignbuster.com/current-situation-merger-and-acquisition/>

acquisition. Human resource management not only helps in merger and acquisition but also helps in maintain the internal environment of the firm as well as the external environment of the firm. Human resources strategy in HRM depends on the firm process, value and resource in M&A process.