HR Managers’ Roles & Contributions in Merger Processes

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Abstract

As companies have engaged in domestic and international mergers over the last few years in order to match the macroeconomic trends operating on a worldwide and more recently to cope with the current global financial crisis, human resource managers have been encouraged to play a more strategic role in their organizations, especially in the case of extensive and radical organizational change such as merging process. This study addresses and works on the existing research gap by investigating the roles of HR managers among the different roles which were defined at the fist by Dave Ulrich. This paper demonstrates that HR managers are an essential part of merger and that HR practices should be given an extensive emphasizing throughout such organizational change “the merger process”.

Keywords: HR practices; HR manager roles; Merger process.
1. Introduction

In recent years human resource managers have been triggered to play a more strategic role in their organizations, especially in making strategic decisions and going through radical organizational changes such as merging process (Bjorkman & Soderberg, 2003). Nowadays this requirement is even more urgent and acute due to the fact that past decade has been characterized by enormous growth in mergers. Most of the studies of HRM in merger field were focused on the theoretical framework and has a consultative nature in dealing with one phase of the merger process which is the post implementation stage of merger.

This study is directed at testing a hypothesis that there is a vital and simultaneously unreplaceable fit between Strategic Human Resource Management (SHRM) and performance in an organisation, through defining the most prominent and critical role of human resource managers through different stages of merger. It considers available evidences to establish whether organisations that use HRM strategically, can demonstrate an enhanced organisational performance in mergers, based on the literature the four main roles of HR manager and their specifications and applications will underpin this work.

It has been argued that the primary and sometimes the only concerns in merging processes will be legal and financial, so basically the thoughts will be around how much the company is worth? What terms and conditions to negotiate? And how to get the legal contract finalized? However, the practical and empirical cases had shown that the challenge in making mergers’ work is the management of people, and this proposed a new creative concept that the right spelling of merger process starts with HR.

The ultimate aim of this study is to assure the understanding that the role of human resource manager in a case of merging is critical in terms of integrating the HR practices and to support business units’ transaction. So, basically the financial “fit” can’t guarantee the avoidance of organizational “Misfit”. Considering the vital and crucial outcomes of empowered HR managers roles in organizations during merges process, it is still astonishing how poor and little is known about the prominent role, activities, and contributions of HR managers in these processes.

2. Literature Review

Introduction

The literature review represents an analysis that has been collected to ascertain the importance of involving human resource managers in the process of mergers. The paper will also critically analyse and discuss the importance of involving the practices of human resource in such procedures. As days go by, the human resource department is become a vital partner that can facilitate the process of merger. Human resource managers are endowed with skills and knowledge that will be helpful when an organisation is considering such a move.

To illustrate how helpful the HRM is in facilitating merging processes, the Ulrich model will be used. Using the model, we will discuss the specific areas of merger that the HRM will come in handy. This research presents today’s critical business challenges and the forthcoming new responsibilities for HR managers in radical changes such as mergers. It is also a demonstration of critics and the problematic of changing HR to become a strategic business partner. The literature review section illustrates studies of different aspects of mergers process and emphasize on the need of changing
expectations concerning HR manager’s role and responsibilities. The review also looks at the possible reengineering of HR functions to be officially strategic in the coming years.

2.1 Strategic Role of Human Resource Management

The strategic human resource management concept roots back to the early 20th century. The employee welfare presented important viewpoints that have facilitated management and business literature. Before the term human resource management ever existed, there was a wider use of personnel management which was replaces as of 1981. This is the year that marks the beginning of the wider use of the term (Storey, 2001).

The new basis that was used to value people signified the importance of their management in boosting global economy (Best, 1990). It was the introduction of this concept that gave rise to the immersgence of management gurus who brought in new ideas. One of such theories that were invented includes theory Z, (Ouchi, 1981) and In Search for Excellence (Peters & Waterman, 1982). In search of excellence and theory z both emphasized on the need and importance managing people effectively to realise growth in the organisation. Through the concepts, it was necessary for an organisation to adapt unique management skills that are free from any kind of imitation. With increased number of business establishments, it is necessary to adapt an effective management plan that will give the organisation a competitive advantage over the others.

The adaptation of extra ordinary management procedures has made most organisations to adapt a number of departments. This was deemed necessary to facilitate different sets of responsibilities and also utilize the unique knowledge that had been acquired by the employees. The concept of human resource was therefore considered to be the best that will have the ability of taking care of these different categories of people that were working in different departments. The revolution that has been experienced in the field of human resource management has led to the birth of a new discipline that is referred to us Strategic Human Resource Management (SHRM).

The introduction of the discipline once again motivated management scholars to come up with its distinct functions and responsibilities. According to theorists like (Beer, et al., 1985), the function of human resource Management is to take the perspective of line management and not just HR specialists. Furthermore (Fombrun et al., 1984) supports the broadness of HRM. In their literature on HRM they allied the organisation performance to a wide range of actions such as motivation, organisational culture, strategic human resource management, stakeholder analysis, and structure. This guides us to attachment of the prefix ‘strategic’ to the term ‘human resource management’.

The due diligence among academics, practitioners, and scholars in linking strategy concept to human resource management notion can be justified and illustrated from both the rational choice and the constituency based perspective. There is a managerial logic and common sense to focus attention on human’s skills, knowledge, and abilities as intellectual assets which provide a sustainable competitive advantage when technological advances, even once achieved, will quickly erode (Barney, 1991; Pfeffer, 1994, 1998).

From a constituency based perspective, it is argued that HR academics and practitioners have embraced strategic human resource management as a means of securing greater awareness and respect for HRM as a field of study. On the other
hand HR managers are empowered in their efforts of employing strategies that will enhance their role in the organisation (Bamberger, Meshoulam, 2000; Powell, DiMaggio, 1991). According to Purcell & Ahlstrand (1994) “strategic HRM therefore emphasizes on the need for Human Resource strategies and plans to be formulated within the framework and context of overall strategies and objectives of the organization and to respond to the changing nature of the organisation’s internal and external environment.”

Human resource management is a framework just like any other frameworks that requires the interpretation and adaptation of entrepreneurs. It is only through proper interpretation of this concept that the HRM will display proper management of business strategies and plans. The overall features and characters of Strategic Human Resource Management (SHRM) therefore are to integrate and accumulate all HRM functions. These functions are to adherently support extensive and wide-range organisational objectives and also to be responsive to the internal and external environment.

Two recent Australian and international studies suggest that the linkage of SHRM theory and practice is still somewhat unsubstantiated. (Tebbel, 2000; Kramar, 1999) argue that while extensive improvements have been made towards that alignment of all HRM processes and the integration of HRM within organisations, HR managers still have to demonstrate their credibility, reliability, and the beneficial contribution they can afford to business development. Whatever the direction; Human Resource Management remains a contemporary yet evolving science that deals with complex beings in complex organisations and environments (Cusworth, Franks, 2003). Its coherence to business strategy and performance has given credibility and reliability to the description of being a Strategic Human Resource Manager (Analoui, 1999).

2.2 HRM and the “Strategic Fit” with merging process

In studies that relate to Strategic Human Resource Management, (Miles & Snow, 1984; Baird & Meshoulam, 1988; Wright & McMahan, 1992) have emphasized on the equivalence that exists between human resource managers and business strategic management. According to them, it is like linking HR functions to the overall strategy of the organisation. Lengnick-Hall (1988) asserts that, “a great deal of theoretical illustration states that the implementation of effective HR practices and the design of human resource system, which are adaptable and compatible with the organization strategy, are crucial and essential for the successful execution of business strategies.” “There is an increase in the number of empirical studies that are conducted in various contexts on the relationship between strategic HRM, organisational performance, change management, and competitive advantage” (Huselid, 1995; Bjorkman & Fan, 2002). There is more emphasis which is laid on development of an organization’s human resources capacity in order to enable a better coordination of internal and external organizational environment to be enhanced. The more efficient the practices are the better the working atmosphere which will result in high productivity.

The management strategy that is employed by a firm is displayed through its ability to counter internal and external strategies to gain a competitive advantage over the others. Human pool, which is the basis of an organisation’s capital, will act as a catalyst to the results that a company may display through the integration of their skills, knowledge and abilities which need to be compatible with the objectives of the organisation. The work of the HR is
to impact an efficient behaviour and utility among its employees. Sustainable competitiveness resulting from advantages displayed by HR are the most valuable and precious strategic assets. A merger is a long term decision that can ever be taken by an organisation. It is through the considerations that have been made and the real results that will affect the long-term operation of the organisation. Monitoring and evaluation are usually alternative measures that are sought by organisations that desire to experience growth. Before a final decision is made to enter into a merger, the organisation should be able to consider the long-term effects it will have on the organisation rather than the short-term profits (Berger et al., 1999).

Mergers have been stated as a key strategic tool for business growth and repositioning during the last decades (Anand et al., 2005; Hitt et al., 2001; Schweiger, 2002). During the initial stages of merger process, the process may experience some challenges that need to be tackled in an intelligent manner (Capron & Pistre, 2002; Daniel, 1999; Hitt et al., 2001). It has been ascertained that most of such challenges results from not integrating the HR tactics of merging organizations (Buono & Bowditch, 1989; Haspeslagh & Jemison, 1991). This may be displayed in the examples of clashes experienced between organisations during merging process (DeVoge & Spreier, 1999; Morosini, 2004; Overman, 1999; Weber & Schweiger, 1992), as well as national cultures in cross-border mergers (Belcher & Nail, 2001; Marks, 1991) particularly during the post-merger period. Even though these studies have generated abundant valuable findings, a challenging mission is to extend this research to indicate how values, organizational systems and workflow become standardized and stabilized in newly merged organizations.

The negativities that have been experienced in merger process in history are attributed to the ignorance in the integration of the roles of HR. Some of such important roles include leaving of personnel, survival syndrome, poor motivation, “dump-sizing”, culture, managing differences, vogue long term objectives and unplanned change (Cartwright & Cooper, 2000). Scholars like Bryson (2003, p. 14) found out that “poor merger results are often attributed to Human Resource Management and organisational problems. Other numerous factors linked to maintaining personnel stability are acknowledged as important in managing HRM risk.” Schuler and Jackson (2001, p. 239) also argue that “Mergers and acquisitions fail frequently as a result of the disregard of human resource issues and activities”. Thus, merging can be seen as a process of managing people to create energy for the merged organizations especially during the post-merger integration stage (Habeck et al., 2000).

2.3 Human Resource Strategic Roles [Ulrich Model]

The model of this research will use the Four-Roles Model first presented by Conner and Ulrich (1996), and later by Ulrich (1997), this usage will be in form of indicating the most prominent and critical role of HR manger in merging process.

Dave Ulrich is one of the experts in human resource management. He identified HR roles model which is very common in the business environment. This model clearly describes the human resource concepts. His model marked the beginning of some movements. It is from human resource orientation to a form of partnership. For a partnership to exist there should be a change in the business (Mathis & Jackson, 2007).
There are ways in which HR enhances the excellence in a business. It helps in planning in an organization. This is possible where HR provides a market strategy to all level managers, there are strategic and operational managers of which both are taken care of by this model. It is also supposed to look at the organization of the work done. This involves maximizing quality and minimizing costs (Armstrong, 2006).

This enables the experts of HR to be dignified associates in business. This model also addresses the issues of staff to strategic managers. This HR model ensures that the employees work well to deliver the set goals. HR ensures that they are rewarded for the jobs well done and encouraged to do better. Employee training is another issue which is gathered for by the HR model (Schwalbe, 2009).

The model should allow some change as an improvement. Changes shape the already existing process. HR tackles issues mostly concerning recruitment of staff to an organization. It also deals with training the same staff and rewarding them. The dismissal of employees due to certain reasons is dealt by HR (Leopold & Harris, 2009). HR also handles issues of decisions. HR does not necessarily do what is done in the organization. It is normally treated as a separate body which has its own principles. However the HR may only undergo transformation on the decision of the managing director of a particular company (Storey, 2008).

2.3.1 The Role of Strategic Partner

This is the responsibility of the HR managers. It deals mainly with the success of the organization. Advises the business on what should be done to improve its profitability. The HR professionals do analysis and evaluate the financial position of the organization (Mathis, & Jackson, 2007).

This will make them in a better position to give possible ideas to be implemented in a business. Advises the managers on what decisions should be made and on what basis. It also looks at the work environment and culture, they will therefore advice on whether the culture should be changed or not. Its main goal is to ensure there a greater efficiency in the organization (Losey & Ulrich, 2008).

It ensures decisions are made quicker and on sound basis. HR guides the strategic managers in making crucial decision affecting the success of the business. Efficiency is also looked at in that the available resources should be appropriately utilized to reduce cost. A certain amount of labour should yield a particular amount of production. In other words this model should strive to maximize profit and reduce cost.

2.3.2 The Role of Change Agent

This role makes it easier to introduce and adapt changes faster. It also tries to find out the current changes in a business. It gives support to any form of transition taking place in the organization. These changes could be new technological advancement and may be increase in staff. The HR should be able to give enough support to new technology. This can be achieved through staff training of the operation of new technology (Lawler & Boudreau, 2009).

If the organization needs to employed more staff i.e. skilled staff, the HR should be able to do the recruitment of staff. This is to say it ought to hold up the tasks related to change. It also handles what the customer expects from the organization. This is used to evaluate the business satisfaction to the customers (Holbeche, 2008).

2.3.3 The Role of Employee Champion
Employee champion is yet another significant role in human resource management (Pride & Hughes, 2009). Organizations in the past used to have a good strategy for employees. It provides security for them and expectations for promotions at work. But nowadays this has withdrawn. There is also not an effective way of communication between the staff and the management (Daft, 2008). HR ensures that employees have skills to enable them meet organizational goals. It is also responsible for motivation of employees hence providing a good working environment. It ensures they get better salaries. The service delivery depends on the ability of the HR to coordinate the employees in an orderly manner.

2.3.4 The Role of Administrative Expert

Another role is the administrative role. HR professionals are experts in the executive role. They ensure that operations go on as stipulated. They should work to reduce cost and improve the benefits of the organization they work to ensure efficiency. These executives should always analyse how workflow takes place in an organization. They are responsible for rethinking the modes of operation in a business (Dubrin, 2008). They enable sections of a company to share executive services the HR professionals should strive to get work done faster and less expensive.

These four roles identified are responsible for prosperity of an organization (Bohlander & Snell, 2009). They work together and without any one of them it is difficult to achieve success. This model however faces some challenges. Technological improvement is the main challenge. Businesses try to catch up with the changing technology. Globalization is also another factor. The organization should perfect their products to handle global completion (Boroughs, 2009).

2.4 Relationship between HRM roles and HR professionals’ contributions in merging process

The Ulrich model in human resource management has introduced the four key functions of a human resource. One of these functions is the strategic partner. The role of human resource manager should focus majorly on business. The human resource manager should strive to satisfy employees as well as the employer (Storey, 2008). This model explained the way the Human resource can work in all areas so as to increase the productivity of an organization. HR of every organization should encourage the strategic partnering of that organization with others. This is because with strategic partnership the company will increase its cost efficiency (Lawler & Boudreau, 2009).

There are two levels which will be developed when there is merging process. These levels are the industry levels and the cultural convergence. These have enhanced the participation of the many people and enhancement of the leadership quality. The organization will share the common resource among them hence cutting the cost of the shared materials. The HR should depict the required skill so as to fit the competitiveness of the business society. The business environment is becoming very competitive. The HR contributes to the strategic plans of the organization. The HR should therefore have the required experience and skills (Mathis & Jackson, 2007). The HR should also have strong leadership skill. This is important as it enables the workers to have a trust in the HR. Another important characteristic of a capable HR is one that can understand the future needs of the company. Understanding the company’s future needs will enable the HR to understand the changing environment and the workforce and will be able to act accordingly (Holbeche, 2008).
Another factor that was depicted in the Ulrich Model is employee champion. The Human resource should always be in good terms with the employees. He or she should listen to employees when they have some complaints. He should listen to them and act accordingly so as to satisfy their needs (Ulrich & Brockbank, 2005). The HR should ensure that the resources that are needed by the employees are always available. This is important as the employees will be comfortable in their workplace hence become more productive. Listening to them will encourage them to work hard as they will feel loved. Employees should also be motivated. They can be motivated by rewarding them whenever they do something good (Dubrin, 2008).

Another factor is that the HR should be an administrative expert. HR should have a great experience in administrative work. He should be able to administer the workers diligently. HR should be able to monitor employees well without employees feeling bad. Absenteeism in workers should be monitored. However, it should be done in a way that will not make them feel discouraged (Losey & Ulrich, 2008). There are several services that are shared in the organization. These services should be shared fairly. This may include the payroll, this should be observed well. HR should also ensure that there is a good relationship among the employees. There should also be a good relationship between employees and the management. This can be done by treating all the employees justly (Boroughs, 2009).

Human resource should also be an agent of change. The business society is becoming very competitive and there is a great change in technology. For a company to remain competitive in the business market, it should be able to change its way of doing things so as to fit the competitive age (Losey & Ulrich, 2008). The human resource is the one who should encourage people to embrace change. He should plan well on the things that will enable the employees to cope with change. He should understand the employees well so as to enable him plan for a change that each of them will be impressed with. HR should strive to satisfy the employees and the employer for the success of the organization (Daft, 2008).

3. Discussion

3.1 Staffing after merging process

Over the last couple of decades, merging processes have blossomed into an increasingly fundamental strategic choice for many organizations, perhaps because business leaders hold the perception that mergers have the distinctive capability to help invigorate enterprises and to contribute towards business restoration (Budwar et al, 2009). It is a well known fact that merging can provide organizations with critical tools to achieve and sustain competitive advantage, but only if the process is carried out according to plan (Tanure et al, 2009). Some challenges threaten to derail the realization of the objectives of merging process, one of them being the issue of staffing after merging. Organizations are likely to face a problem of effective integration if staffing issues are not effectively dealt with before and after the merger process (Rooney, 2006).

In nearly all merging processes, the desire to achieve efficiency in the organization’s processes and operations is a major driving force (Fischer & Rush, 2008). Faced with a momentous task of cutting down on cost and eradicating redundancies after merging, business managers must deal with the most challenging decision of deciding about the fate of employees (Rooney, 2006). According to the author, deciding who
stays and who leaves is a challenging duty, not only emotionally but also strategically since the organization’s success largely rely on making the right decisions and choices about people. Rooney (2006) further asserts that “…relationships, politics, hearsay, and emotions often are driving force behind the decision of which individuals move forward with the new entity and which get left behind” (p. 11). To make the correct decisions on this important matter, managers must always exercise due diligence in attempting to comprehend future business requirements and the existing expertise and proficiency levels within the two merging establishments (Budawar et al, 2009).

In deciding who is to stay and who is to go, the leaders should also keenly evaluate the level of fortitude or resilience of existing workers in regards to change, and make decisions on the basis of which employees are better placed to push the organizations agenda forward (Rooney, 2006). No empty promises should be made to the employees, and the management should always make sure that any decision made to retain or sack employees is communicated formally. It is always fundamental to enlist the services of integration team to guide the remaining employees through the uncertain times that are characteristic of merging. All in all, transition and retention plans must be initiated with a view of assisting the management retain key employees (Rooney, 2006; Buono & Bowditch, 2003).

3.2 Downsizing or Rightsizing

In the 21st century, organizations have come to terms with the fact that rapid growth, suppleness, and efficiency are fundamental if they have to remain competitive in the global economy (Budawar et al, 2009; Marcus, 2006). Indeed, mergers are initiated to achieve just that. According to PSP Metrics (n.d.), many mergers involve a cutback in the total number of workers in the new organization to purge redundancy, enhance efficiency, and attain economies of scale. This is what is referred to as rightsizing. While these are noble objectives in the process of putting the newly formed organization in the right track, consecutive studies reveals that most approaches and strategies “…to downsizing and rightsizing an organization after a merger process cut muscle as well as fat from the workforce” (PSP Metrics, n.d. para. 8). Malis (1995) asserts that the rightsizing process, though aimed to push the organization towards its overall objectives, may in fact end up achieving nothing or worsening the scenario if effective strategies for downsizing are not put into consideration.

Situations have been witnessed where capable employees are displaced through poorly planned and implemented rightsizing strategies, leaving the newly merged organization at the mercy of marginal employees (PSP Metrics, n.d.; Zettaine & Mayo, 1994). This scenario is mostly witnessed when leaders engage in downsizing based on seniority. To remedy the situation and ensure rightsizing achieves its set objectives; leaders must always engage rightsizing strategies that have the capacity to retain key talent (Steve, 1996). Specifically, employees must be rated on factors that relate to their capacity to perform and deliver on the job rather than evaluating them on some extraneous factors such as seniority, which are not in any way related to job performance. It is prudent to note that rightsizing decision made using job-related variables is legally defensible in any court of law in the event of a legal charge filed by an employee for ‘wrongful’ dismissal (Messmer, 1993).

3.3 Survival Syndrome

The survival syndrome, if not countered effectively, has potential to
negatively affect business establishments (Budawar et al, 2009; Pires, 2009). In most occasions, the employees who have been laid off becomes the spotlight of media coverage at the expense of those who have been left behind, and who nurse feelings that are as negative as those projected by the laid off staff. According to Nycz-Conner (2009), “…the people still standing after a round of layoffs are shouldering heavy, if less obvious burdens of their own, including an increased workload, decreased morale, and an infectious sense of anxiety” (para. 1). These are negative attributes that can make employees not to achieve their fullest potential in an organizational setup. It is possible to get survival syndrome by witnessing job layoff at the organization or just having the information that your friends or colleagues have been laid off, and as such, survival syndrome is more psychological that physical (Ahmed et al 1996).

Survival syndrome is often characterized by guilt feelings as employees try to ponder why and how they survived the layoff while their friends and colleagues were not that lucky (Weber, 2008). Anger takes over the employees largely due to the treatment of sacked employees and also in part due to the extra workloads that the remaining employees may have to do. Finally, anxiety sets in, deeply affecting the morale and performance of employees (Porter, 2006). As such, the management must come up with the best approaches possible of communicating an impending layoff to employees to prepare them psychologically, emotionally, and physically. If need be, the management should enlist the services of counsellors to make sure that employees are successful in dealing with this difficult phase (Xi-Ping et al, 2010).

3.4 Cultural Issues in merging process

According to Buono & Bowditch (2003), “…one of the underlying reasons why mergers and acquisitions often fail to achieve the level of operational and financial performance predicted by pre-combination feasibility studies is the conflicts and tensions that emerge when companies try to combine disparate and frequently dramatically different cultures” (p. 134). Organizations are known to be bound by fully functional cultural properties as is the case with communities, and they breed meanings, perceptions, myths, and beliefs based on these cultural characteristics (Galpin & Herndon, 2007). As such, a perceived threat to either one or both of the inherent cultures of the merging organizations may ultimately heighten polarization or divisions between employees of the two organizations after the merger, making them to become overly evaluative and critical of what the ‘other’ company is trying to accomplish as if they are operating in two different companies (Roger, 2000). This may occasion resistance to set regulations.

It is imperative for business leaders to develop frameworks that will endeavour to integrate the two cultures of the merging organizations into one (Carleton & Lineberry, 2004). Special emphasis should be placed on reformulating the organizational cultures of the two establishments since this kind of culture not only influence individual and group behaviour in conventional though subtle ways, but it is also known to be a pervasive and powerful tool for shaping employee behaviour (Buono & Bowditch, 2003; Budwar et al, 2009). It is, therefore, fundamental for the leaders to harmonize the two organizational cultures into one to offer direction to employees and make them more productive and responsive to the performance needs of the new organization. Failure to integrate the two cultures definitely translates into failure for the merger process since employees
will be pulling in separate directions (Galpin & Herndon, 2007). Cultural due diligence should be upheld at all times to prevent a culture clash. Otherwise it might lead to what had been described by (Hofstede, 2001) “Culture is more often source of conflict than of synergy. Cultural differences are a nuisance at best and often a disaster”.

4. Conclusion

Although radical change processes, such as merging, may be a lever for HRM to play a more strategic role within previously studied companies, this may not happen so easily. The critical issues discussed above have illustrated that HRM may effectively contribute to the performance of a company and, in consequence, modify the perceptions of this function by other corporate managers. As Tanure (2005) proposed, a basic condition for that role to be fully executed is its integration in the business strategy and the power system.

Thus, although HR managers should seek to undertake a more active and strategic role, contributing effectively to the performance of the organization so that the HR function can be perceived differently by other corporate managers, their action is determined by the consistency between discourse and practice of CEOs regarding the true importance of people within organizations, so that any mismatch between this discourse and practice is likely to affect the role played by HRM within the organizations.
5. Reference List


