



INSPIRING WAVES OF CHANGE

HR FACTORS IN MERGERS AND TAKE-OVERS

The current economic climate in Malaysia has recently seen talk of mergers and take-overs between business organisations, especially in the banking sector. And when mergers take place, the focal points of management is usually the financial and legislative aspects. Sadly, the human resources in the respective organisations, widely acclaimed as an organisation's most valuable asset, barely get a mention.

According to a recent study done in America, employee problems are the cause of as many as half of all merger failures. In this study of 40,000 employees conducted by the Human Resources Services in Chicago in 1994, the main results were as follows:

- Employee satisfaction with new policies as a result of mergers declines an average of 14%.
- The perception of job security goes down by 25%
- 80% of employees perceive the restructured management to be more concerned about company finances rather than the work force.

In simple terms it means that the likelihood of success in a merger or take-over may crucially depend on the manner in which the human resources are managed in relation to the changes brought about by the merger/take-over.

One of the main problems in relation to human resources, is the question of organisational cultures. A fascinating situation evolves here as the process of merging takes place amidst a very possible scenario of two organisational cultures in conflict or trying to get to terms with the other.

This takes place irrespective of whether the merger/take-over is hostile or consensual. Which would be the dominant culture? It would seem logical to assume that the larger organisational culture would dominate, although this may be presumptuous. On the other hand, the dominant management would be in a very favourable position to impose their culture on the other. Dominant management here would mean the organisation that is dictating and controlling the merger/take-over.

The question of culture is important, as it would have a strong bearing on the success or failures of the merger/take-over. There is a viewpoint that the imposition of one organisational culture on the other may be helpful to the whole process of mergers/take-over. This would in a way be inevitable, as the dominant management would want to impose their rules and regulations and standardisation of procedures on the other. Very importantly, there will be the transfer of managers who would bring their culture bound views and perspectives over the new organisations. The process will not however be easy, as the inevitable changes taking place would draw resistance.

In short, this will be a turbulent period, with the two cultures adjusting and jostling for dominance. This adds to the already stressful working environment for the employees, as they would be the ones who would have to adjust and adapt to the many changes taking place. The situation is made worse as all these takes place amidst of scenario of uncertainty and possible redundancy.

Mergers/take-overs must therefore not be looked at simply from a financial and legislative viewpoint. I would argue that the human resources aspect is equally if not more important. Any merger/take-over, which does not pay any attention to the effect of the exercise on the employees, would do so at their own peril.