# THE ELEMENTS OF CHANGE MANAGEMENT FOR HUMAN RESOURCES DURING MERGERS AND ACQUISITIONS – SELECTED ISSUES
## by

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## Abstract

*The present paper analyzes the phenomenon of change in its various aspects. It concentrates on the essence of change, its inevitability as well as psychological and sociological aspects of reaction to change. The subsequent scope of discussion encompasses resistance to changes – its sources, psychological and sociological aspects as well as the methods of overcoming this phenomenon. Also advantages of such resistance have been presented and the possibilities of using them to facilitate successful change. A separate chapter is devoted to mergers and acquisitions as a peculiar type of change in the field of human resources. The most curial elements of change management in M&A processes have been discussed as well, in particular organizational culture, communication and social problems. Also, the factors contributing to the failure of such processes have been considered.*

**Key words:**  change, change management, human resources, mergers and acquisitions

**JEL Codes:** G34; L20; O15

## 1. Introduction

Mergers and acquisitions constitute the basic form of changes in ownership in business entities. These are usually multi-dimensional processes affecting all areas and functions within a company. They are an unusual type of organizational change including both 'hard' aspects of a company functioning such as organizational structure, processes and procedures as well as 'soft' elements concerning organizational culture, values or interpersonal relations in entities undergoing integration processes. Multithreading and complexity of these processes make them an interesting subject of research and analyses, whereas the knowledge in this field may have some practical applications while integrating entities which participate in a merger. A special attention should be paid to the fact that the vast majority of mergers and acquisitions concentrate mainly on strategic and technical aspects, whereas too little attention is paid to cultural, social and emotional elements evoked by the widely understood phenomenon of change. This research refers to the author's personal experience and interests, who often enough supported such processes from the organizational or formal and legal perspective, simultaneously trying to make human aspects be of the right priority in planning, implementation and sustaining changes.

The very first chapters of the paper analyze the phenomenon of change. The essence of change, its inevitability as well as psychological and sociological aspects of reaction to change have been discussed. The subsequent chapter deals with the issue of resistance to change including its source, psychological and sociological aspects as well as the methods to overcome this phenomenon. It also presents the advantages of resistance and various ways of how to use it for successful change to occur. Chapter five concentrates on mergers and acquisitions as a specific type of change. The most important elements of change management in M&A processes were discussed as well, in particular organizational culture, communication and social problems as well as factors contributing to failure.

The objective of this elaboration is to pay attention to the 'soft' elements mentioned hereabove, which are usually neglected in M&A projects, and simultaneously widening the area of competence of the persons managing these projects by cultural, social and emotional issues inherent in these processes.

This paper was based on the analysis of Polish and world literature discussing organizational changes, mergers and acquisitions in the context of human resources management as well as on the author's personal experience in merger and acquisition projects in which he has participated.

## 2. The notion of change

Source literature provides various definitions of the notion of 'change'. Concisely, it may be defined as 'the process of filling the gap between imperfect present and desired, but different future state' [Brzozowski and Kopczyński 2011, p. 115]. An interesting definition of change with reference to a company is suggested by C. Zając, who considers it to be a feature of a company – an open and complex system – aimed at counteracting entropy, i.e. a natural predisposition of all systems to fall and a simultaneous pursuit of this system to improve its position in relation to the environment [Zając 2002, p. 23]. The following conclusion may be drawn from the hereabove definition by C. Zając. If entropy is a natural phenomenon, then counteracting it must be a continuous process, which consequently means that a permanent change in a company is a process integral with its survival. The hereabove statement corresponds with the opinion by L. Clarke, according to which companies deal with practically continuous changes on the market, and their survival depends on fast reactions. Hence, the competence to manage change within an organization is one of the basic elements of a competitive edge [Clarke 1997, p. 1].

While implementing change, it should be born in mind that it is not a linear process of simply moving from point A to point B. Change is

an iterative and cumulative process which requires a continuous transformation of its formula. It is not a logical sequence of events occurring according to the earlier established plan. This is mainly due to the fact that the company's environment both internal and external is dynamic and changeable. Therefore, the process of implementing changes requires a continuous analysis, updated corrections and choices made again. Hence, the persons implementing change must be consistent to goals and flexible in the applied measures [Armstrong 2000, pp. 202-203].

## 3. Psychological and sociological aspects of reactions to change – selected issues

### 3.1 Psychological transitions of the people affected by change in the concept by William Bridges

W. Bridges is the author of the theory concentrating on psychological transitions of the persons participating in a change process. He introduces the distinction between change and transition. According to Bridges, change is of an external character (change in the structure of an organization, in procedures), whereas transition is an internal process – a psychological re-orientation which employees must go through before change occurs [Bridges and Mitchell 2000, p. 31]. A situational change refers to what is new, whereas the psychological transition requires leaving the old reality and identity which people experienced before such a change took place. No transition management prevents change management. If the transition has been omitted, the introduced change will be superficial or – even worse – may contribute to serious loss and company's bankruptcy [Strykowska 2010, p. 15]. Bridges also pays attention to the fact that transition is usually more time-consuming than change, which is often unnoticed by the managers who think that transitions take place automatically as a result of change [Bridges and Mitchell 2000, p. 31].

According to the discussed theory, the process of transition involves three phases:

1) Saying Goodbye – the first requirement for change to be implemented is to make the persons participating in this process break with the reality they have known so far and – what is more difficult – with their own 'I' they have known. It means e.g. abandoning the experience gained so far and the factors thanks to which the persons succeeded [Bridges and Mitchell 2000, p. 31].

2) The Neutral Zone, in other words 'no-man's land', between the old and new reality where so far applied working methods are becoming useless, and new ones appear. The neutral zone following the Goodbye period makes people feel disoriented (they do not know what is waiting for them). It includes simultaneously both threats as well as opportunities for success to occur and constitutes a crucial phase in the transition period. During this period, non-functional habits change into those which are more desired in a new situation [Strykowska 2010, p. 16]. In spite of the discomfort and confusion, this phase is necessary in the transition period. This period triggers creativity and energy, in which the essence of transition takes place. As Bridges says, it was the dessert not the Promised Land where Moses was given the Ten Commandments, and it was on the dessert not in the Promised Land where his companions from slaves turned into strong and free people [Bridges and Mitchell 2000, pp. 31-32]. Since this phase is extremely important for change implementation, managers have to undertake a number of actions for the organization and employees, i.e. mainly introducing necessary trainings and courses, lowering the requirements concerning their employees' performance and verifying the strategy and procedures in terms of their utility in the neutral phase [Strykowska 2010, pp. 16-17].

3) The New Beginning means the development of a new organizational identity, discovering the meaning of the undertaking itself and new energy which leads to a successful implementation of change. The focal point of change is its result – a new state in which the organization will function after its completion – e.g. a new location of the company. The center of gravity in transition does not concentrate

on the target final state, but the completion of the existing situation. It is based on saying goodbye to the 'old reality and identity', which evokes the feeling of loss among employees. According to Bridges, people seldom object to change as such. The factor that evokes fear among them is the feeling of losing the sense of existence in the organization and the feeling of loss. It may refer to the feeling of losing their current position, changing career prospects, working atmosphere as well as the feeling of losing influence – the possibilities here are numerous [Strykowska 2010, p. 15].

### 3.2 The concept of change mechanisms by Herbert C. Kelman

According to H.C. Kelman, there are three mechanisms of change. They include: compliance, identification and internalization [Jankowiak and Soroko 2013, p. 96].

In compliance, the addressee of the influence follows the rules or schemes imposed by the addresser because he/she depends on the addresser and cannot object to such pressure. Addressees hope that by compliance they will evoke positive reactions at the addresser (a person or a group), obtaining, at the same time, a specific reward or avoiding punishment. Compliance is not the most effective method to implement change because this change is unstable then and to sustain it, a constant control from the influencer must be held. When this pressure and control stop, the earlier behavior is usually back [Jankowiak and Soroko 2013, pp. 96-97].

Identification means that the addressee accepts the pressure put on him/her because of the willingness to obtain or maintain a satisfactory, for the addressee, relation with the addresser. The addressee changes due to his/her desire to become similar to a person or a group being the source of power. In the identification process, similarly to subordination, a person behaves in a particular way not because the behavior as such gives him/her satisfaction. Identification differs from compliance only in the fact that change in the addressee concerns not only his/her behavior, but also beliefs and values which

are automatically transformed from a person with whom they identify. Identification is based on positive emotions binding the addressee and the addresser. The period of change via identification may be long and it may be later transformed into internalization. It may also last for a short time, especially when the relation with the addresser has been exhausted [Jankowiak and Soroko 2013, p. 97].

Internalization is the most effective and the most difficult for the addresser form of social influence since the addressee accepts change and adopts it as a part of his/her own image or value system. It is the most durable reaction to social influence. This form of change lasts longer than the two previous ones and requires more time for change to occur. If strong, external pressure occurs, most probably such change will slow down. For internalization to be effective, individuals should be allowed to get involved in change at their own pace. When such involvement occurs, the change concerns their beliefs – together with behavior and emotions – and becomes relatively permanent [Jankowiak and Soroko 2013, p. 99].

## 4. Resistance to change
### *4.1 The notion and sources of resistance to change*

Resistance to changes is defined in numerous ways. According to one of such definitions, it is an effort made by employees to maintain their previous status [Strykowska 2010, p. 12]. Other authors consider this notion as an attempt to prevent change from occurring and if it still does occur, to make it last short or to withdraw from the area of its influence. Resistance is also derived from so called the law of contrariness, which says that any activity undertaken to change the actual status results in resistance aimed at maintaining the status quo [Centkowska 2015, p. 11].

M. Armstrong and S. Taylor indicate the following reasons of resistance to changes [Armstrong and Taylor 2016, p. 758]:

1) novelty-induced shock – unwillingness to resign from security connected with what is already known,

2) mistrust – employees often do not believe the management assuring that change will be beneficial for both employees as well as the organization itself, attributing the management intentions incompatible to the officially held position,

3) economic fears – fear of losing or diminishing income, threat to employment stability,

4) discomfort – change is perceived as a factor hindering life,

5) uncertainty as to the effects of change,

6) symbolic fears – small change (e.g. a desk, parking space) may be understood as an announcement of much bigger transformation,

7) threat to interpersonal relations – fear of disturbing customary social relations,

8) threat to one's status or skills – fear of deteriorating one's status or being deprived of the possibilities to use one's skills,

9) threat to one's competence – fear of difficulties in dealing with new requirements or learning new skills.

### 4.2 Overcoming resistance to change

*4.2.1 Preliminary remarks*

The methods of counteracting and preventing resistance to change specified in literature may be divided into four major categories:

1) recognition and analysis of relations between employees and their organization as well as preparing employees for the planned change,

2) involvement of the employees in the process of change,

3) updated communication on change,

4) creation of a change-facilitating climate.

*4.2.2 The recognition and analysis of the relations between employees and their organization as well as preparing employees to the planned change*

First of all, it should be emphasized that the way employees and managers perceive change may be completely different. For executives,

change will be a chance to strengthen business, undertake new challenges or develop their professional career. For low-level employees (including the managers of mid-level), it may be perceived as a destructive and undesired factor. Effective implementation of change depends, to a great extent, on the ability of the managers to feel the employees' situation. In order to look at the organization from the employees' perspective, firstly the system of mutual relations, duties and expectations existing between the organization and its employees (both those expressed formally as well as implied) should be considered. To define this system, P. Strebel used the expression of *'personal compact'.* Each successful change requires a completely new definition of the system and managers convincing employees to accept the new system [Strebel 1996, p. 87].

According to P. Strebel, *'personal compact'* has three dimensions: formal, psychological and social. The formal dimension results from official documents defining the relations between employees and the organization such as employment regulations, contract of employment, range of duties or position specification. Due to its tangible and documented character, this dimension is relatively easy to modify in the context of changes within the organization. It happens, however, that while implementing specific change, supervisors concentrate on this one dimension, omitting the remaining two.

The psychological dimension encompasses the elements resulting from the feelings and emotions of an employee such as trust towards supervisors, satisfaction with performed duties or the feeling of being appreciated. The employee's faith that the supervisor is able to appreciate his/her preformed job is crucial for the employee's involvement and loyalty towards the organization. Naturally, this dimension is of implied character, functions in the consciousness (or sub-consciousness) of employees, who do not always communicate their feelings. Due to the above reasons, it is not easy to redefine *'personal compact'* in its psychological dimension, however, a manager sensitive to this dimension is of crucial importance in the process of obtaining a

subordinate's acceptance for change to be implemented in the organization.

The social dimension refers to the mission and organization values as well as such areas as the possibility of career development, the rules of promotions, decision-making models or conflict-solving methods. This dimension is particularly susceptible for disturbances during the period of change implementation, which triggers conflicts, disturbs communication or decision-making processes. Hence, it may happen that the values proclaimed by the organization will not be fully practiced. This, in turn, results in the loss of reliability among employees by the organization or supervisors. Therefore, it may create a self-driven mechanism counteracting the success of change – change causes a mismatch between proclaimed values and their realization in practice. Consequently, due to loss of trust, it is more difficult to convince employees to accept changes.

'Anchoring' an employee in the system existing before the period of changes specified above as *'personal compact'* often makes employees not understand or even ignore the implications caused by changes for their involvement in work for the organization.

One of the most famous concepts concerning the analysis of a current situation in the context of planned or realized change was proposed by Kurt Lewin, who called it 'force field analysis'. This concept includes the analysis of hindering or driving forces, which have influence on the transition into the future state, the establishment of which of these forces are decisive for the process of change and undertaking such steps which are aimed at increasing crucial driving forces and diminishing the most hindering ones [Armstrong and Taylor 2016, p. 755].

Another approach in the discussed area is the preparation of the so-called map of involvement. It analyzes the motivation of participants undergoing the process of changes by determining their current attitude to change (e.g. antagonism, no involvement, indifference, eagerness to help, participation in the implementation process) and next defining

which attitude of a given person would be expected in the process of changes. Interestingly, not every participant of change must actively participate in its realization, e.g. it is enough to convince an employee whose active participation in change is unnecessary just to undergo a change passively [Clarke 1997, p. 154].

### 4.2.3 The involvement of employees in the process of change

According to some common beliefs concerning this doctrine, the involvement of employees in the process of change is crucial for its success. Team members should also have a chance to report their own proposals as to the form of change or the method of its implementation as well as the possibilities of active participation in the process. It will facilitate the so called 'feeling of owning' the change and convincing the employees that the change has become "their change" [Armstrong and Taylor 2016, p. 758].

C. Zając defines the above process as 'internalization' of change [Zając 2002, p. 12]. According to C. Zając, one of its elements may be decentralization of responsibility and decisiveness for personal issues via their actual transition into the mid-level management, simultaneously guaranteeing all linear managers a proper range of autonomy and necessary measures, whereas according to M. Centkowska, engaging employees in the process of changes may make them aware of the necessity and soundness of planned processes. The attention should be paid to these employees who accept change after some time and especially to those who are so called die-hard opponents, not to destroy the entire process. If they do persist, negotiations should start. Sometimes, however, such methods as manipulation or co-optation – purposeful involvement should be applied (assigning supervisory functions to the opponents of change or specific duties concerning this change). Sometimes because of time pressure, it is necessary to use extortion [Centkowska 2015, p. 16]. It is worth noting that the last three methods of counteracting resistance may evoke justified doubts as far as their ethical approach is concerned.

The employees must have a possibility to get involved in change at each phase and report feedback. Cooperative team work of the employees and managers may help overcome many problems occurring in the process of change or existing earlier in the organization [Waddell and Sohal 1998, p. 547].

### 4.2.4  Updated communication on change

The essence of change is the transition from what is known to what is unknown. Uncertainty as the immanent feature of change makes open and active communication crucial for successful change. Its goal is not only pure information about the change but also the feeling of owning this change by employees, make them understand it, integrate different parts of the organization and assure fast reaction to change. It should be remembered that in spite of the significance of communication in the process of change, not all information may be announced to the team. It results both from formal reasons (e.g. confidentiality obligation) as well as factual ones – at a given phase of the process not always all answers are already known – change lives its own life and rarely it is possible to program it in advance from the very beginning till the end [Clarke 1997, pp. 201-202]. Proper communication in the process of change is not about informing 'downwards'. It is also crucial to have a feedback 'upward' and across the organization. For example, an open discussion with employees and other managers at the planning phase of changes may contribute a lot, in terms of valuable information, to the preparation of process assumptions and the establishment of the direction of change, whereas such multilateral communication during change implementation allows for a sort of monitoring of its course and fast reaction to the problems which appear [Clarke 1997, p. 216-217].

### 4.2.5 The creation of a change-facilitating climate

L. Clarke pays attention to the necessity of creating the climate of psychological security understood as making oneself aware that the

process of change implies, by definition, making mistakes in new areas of activity, hence the system of punishments should be replaced with the system of rewards, trainings and support as more favorable to a change climate. People who feel threatened entrench themselves and limit their activities to a safe circle – such attitude contradicts any sort of experimenting or learning, which are crucial in the process of change [Clarke 1997, p. 101].

In one of the merger projects realized by the author of this paper, a special team was established called OE Team (Organization Effectiveness Team). It consisted of 15 employees coming from all three merging organizations representing different hierarchy levels and different internal areas. These people were equipped with skills and knowledge essential to play the role of an internal facilitators team – they have undergone the process of intensive trainings provided by external 'soft skill' consultants. The role of the OE Team members was to assure that during integration, human aspects connected with transition through changes (emotions, doubts, fears, uncertainty, relations etc.) would not be omitted. The members of the OE Team supported the skills of dealing with emotions accompanying the process of undergoing a change, helped understand emotions of other people and assisted employees to find themselves in the new role, surroundings and situation. These actions were conducted as workshops titled *Ready for Change* aimed at supporting employees in 'saying goodbye to what was before'. It is worth noting that the members of the OE Team – being the members of integrated companies – were also affected by this change as much as the other employees, which enhanced their reliability and allowed to find easily a 'common language' with the rest of the team.

### 4.3 Resistance to change – an obstacle or an ally?

It common knowledge that resistance to change is a highly undesired phenomenon. Still, such resistance evokes unequivocally negative connotations from the point of view of the people responsible for implementing changes, however, it may also have a positive

contribution to the process of change. It helps understand the reaction of addressees since it shows their perspective on change. It also allows to determine how agents of change contribute to negative reactions among the addressees of change by their own behavior. Moreover, resistance increases the possibility of successful implementation, helps building the consciousness of change and eliminate unnecessary and harmful elements at the planning and implementation phase [Grabus 2013, p. 43].

According to L. Clarke, instead of convincing those unwilling to how positive the change we are going to implement is, it is better to listen to the opponents of this change and analyze all the received information. The possibility to talk alone helps diminish resistance to change, not to mention the fact that obtained information may be a kind of a road sign signaling the direction this change should take [Clarke 1997, p.158].

Since the 60s and 70s of the last century, there exist a concept in academic literature saying that on the contrary to the common belief, resistance to changes may turn to be useful for its implementation, hence it should not be suppressed at all cost [Waddell and Sohal 1998, pp. 543-544]. The basic assumptions of this view are presented below.

Resistance shows that perceiving change as naturally good is a misguided perception. The assessment of change depends on its effects, so it is only possible some time after the process has been completed. In this context, resistance plays a vital role as a factor stabilizing the organization during the process of change implementation and after its completion. This resistance is a kind of counterbalance for the pressure of implementing change, counteracting it the need to maintain stability and durability. Thanks to those contradictory tendencies, the process of change takes a certain rhythm or controlled pace, which is extremely crucial for the organization undergoing change. Certainly, the challenge is to find the proper balance between changeability and stabilization so that changes would not go beyond control, and the need of stabilization did not lead to stagnation [Waddell and Sohal 1998, p. 544].

Another positive aspect of resistance to change results from the fact that it usually concerns not only the change alone but also its effects. Hence, such resistance may be a symptom of some deeper problems of a given organization and a detector of the problems which appear as a result of this change. It helps notice these aspects of change which may appear to be improper, badly-planned or not well thought over. In this context, eliminating resistance is like killing the messenger bringing bad news [Waddell and Sohal 1998, p. 545].

Resistance to change not always results from egoistic reasons. Employees may try to make the managers pay attention to these issues which they consider crucial from the company's performance perspective. Therefore, resistance may result from ethical rules and care about interests of the organization [Piderit 2000, pp. 784-785].

Another contribution of resistance to the process of change is releasing energy. Apathy or passiveness are a huge threat to the growth and development of a company. A certain level of dissatisfaction with the current or future status quo is necessary to create motivation to improve it. According to L. Clarke, as long as the level of dissatisfaction does not exceed the costs of possible change, no movement will be made [Clarke 1997, p. 146]. Resistance generates energy necessary for the analysis and problem solving. It stimulates searching for alternative solutions allowing to solve conflict situations. Hence, it may be a significant source of innovation in the process of change, allowing to modify wrong decisions concerning changes [Waddell and Sohal 1998, p. 545].

Consequently, the discussed concept cast a shadow of doubt over the view that the less resistance is, the better change. The goal to achieve a positive approach to change as fast as possible may block a useful discussion which could help verify the original concept of change and adjust it to given circumstances [Piderit 2000, p. 790]. A good example justifying this approach may be the legislative process. Resistance in a parliamentary dispute of different political parties over the final form of an act results in the discussion over its numerous

variations. MPs analyze them more scrupulously which should result in a better creation of the law [Waddell and Sohal 1998, p. 546].

## 5. Mergers and acquisitions as a special form of change in human resources

### 5.1 Mergers and acquisitions in general terms

The objective of mergers and acquisitions is the development of a company by increasing the effectiveness of the organization, and consequently the growth of income and market value of the newly established or transformed due to the merger or acquisition entity. Companies also merge to lower the costs, increase productivity, improve competitiveness, increase their market share, broaden access to specific resources, e.g. technology or know-how. An important external stimulus to conduct mergers and acquisitions is globalization. It stimulates the processes of joining companies since it facilitates the development of international markets, using new information technologies, creation of connections between companies by flow of capital, goods, services, persons as well as it leads to the convergence of economic systems, cultures and management practices. Other stimuli of merging companies from different countries are e.g. the integration of the financial markets, unification of the European market and the introduction of a monetary union [Pocztowski 2004, p. 13].

While deciding on a merger or acquisition, apart from purely economic objectives of their implementation (such as the development of the company, increase of profitability, gaining new markets, obtaining a synergy effect), more often organizational elements concerning corporate culture or the system of values, behaviors and attitudes prevailing in the units participating in the integration process are considered [Zając 2002, p. 65]. Since the success of any merger or acquisition is assessed from the perspective of the strategic or financial objectives, still negligence in the field of psychological and social aspects of this process may bring about new barriers which may significantly threaten the effectiveness of integration [Zając 2002, p. 91].

20

In this area of soft aspects in the functioning of an organization, it is analyzed if a partner in the process of merging has a suitable management personnel of higher and mid-level, how much similar or different organizational cultures are in the merging companies, if the partner's management aims at sustaining positions or if it is prone to cooperation after the completion of a merger or if the prospects to develop as a result of the merger are significant or it only considers it purely for economic reasons, what the attitude towards the merger of mid-level managers, specialists and the remaining employees of the partner is [Jankowski 2000, p. 7].

The most important objective during the preparations to merge is to specify the expectations and attitude towards the integration of the future partner. W. Jankowski distinguishes three types of mentality in the context of a merger and acquisition [Jankowski 2000, p. 8]:

1) the acquirer's mentality – expressed as the winner takes all,
2) the seller's mentality – in other words the victim syndrome or the defeated,
3) the partner's mentality – characterized as flexible, cooperative and trustworthy.

The basic tasks in the process of a merger and acquisition in terms of human resources management include:

1) establishing common goals for the employees of merging companies – creating the vision of a new organization,
2) setting the rules and priorities of integration – defining desired types of behaviors and attitudes for the tasks in the process of transformation from the perspective of integration goals
3) selecting managers of higher level for the new organization,
4) creating a management team dealing with the entire integration process,
5) creating a proper motivation system in order to minimize the fears related to the process of integration and gaining involvement and support for this process,

6) eliminating the discrepancies between organizational cultures of the merging entities,

7) in the first phase of functioning of the new entity created as a result of integration related to the merger, sustaining a proper level of communication, continuous support for the employees, building their trust to the new organization and preparing expected attitudes and behaviors [Zając 2002, p. 92].


### 5.2 Organizational aspects of mergers and acquisitions

#### 5.2.1 Designing a new structure

The basic problem during designing a new structure is doubling organizational units, job positions or the range of duties for the personnel employed in the merged companies. In order to solve this problem, HR personnel should:

1) set the tasks which will be performed within a restructured organization,

2) separate these tasks between particular positions and simultaneously establish hierarchical dependencies between these positions,

3) establish tasks which were realized simultaneously by the employees of both entities participating in the project,

4) assess persons whose tasks overlap to select an employee who best meets the requirements of a given position

5) transfer the company competences into employees' competences i.e. create a competence cascade.

While creating a new structure, it is worth remembering to anticipate changes which will be introduced as a result of a merger [Pocztowski 2004, p. 80].


#### 5.2.2 Remaining tasks of HR departments

Jean Brilman provides research results concerning the basic tasks of human resources departments during mergers and acquisitions

conducted among American and European entrepreneurs. They are presented in the table below:

**Table 1.**

*Tasks of human resources departments in mergers and acquisitions*

| Tasks of HR departments | percentage |
| --- | --- |
| Retain the talents of crucial significance | 96% |
| Combine the cultures of both enterprises | 83% |
| Retain key members of the executive personnel | 82% |
| Order diverse structures of remuneration and social benefits | 72% |
| Strengthen and restore the teams | 46% |
| Minimize employees' resistance | 44% |
| Order the quantitative structure of employment | 37% |
| Reduce employment | 35% |

Source: [Brilman, 2002, p. 212]

## 5.3 Social problems during mergers and acquisitions

*5.3.1 Threats in M&A processes from the employees' perspective*

Depending on whether we deal with a friendly or hostile takeover, with the employees of the acquirer or acquired company, depending on the position of a given employee and the motivation of a merger or acquisition, the changes caused by these processes may be considered as threats but also a chance for the team. The source of social problems are the changes perceived as threats for employees and managers.

An important issue to solve during M&A is to find an effective way to limit negative moods among employees and managers as a result of fears of changing ownership, which brings about stress, apathy, decreasing morale and lower work effectiveness. The list of factors causing these fears is presented below [Zając 2005, p. 139]:

1) loss of job,
2) loss of position and status,

3)  lower remuneration,

4)  limited independence,

5)  necessity to change professional qualifications,

6)  fewer development opportunities,

7)  necessity to change a place of work,

8)  change of a supervisor,

9)  failure to meet new expectations,

10) additional effort and engagement,

11) no profits from introduced changes,

12) deterioration of material working environment and its organization,

13) negative experience from previous changes,

14) deterioration of a working climate and interpersonal relations,

15) insufficient communication and information,

16) negative assessment of actions and behaviors of the leaders of change,

17) deterioration of financial and family situation.


*5.3.2 Mitigation of the effects of employment reduction*

The process of mergers and acquisitions results in, to a great extent, changes in both the structure and employment. Merging enterprises retain only these employees who have high qualifications due to higher education, specialist skills and knowledge. Implemented changes bring about reductions in employment [Bojar, Chajęcki and Chajęcki 2013, p. 69].

The effects of employment reduction concern not only the employees made redundant but also those remaining in the organization. The result of reductions is often the feeling of threat among the rest of the team, no initiative and no motivation to work. The way reductions are conducted has an influence on shaping a new organizational culture of merging entities and the motivation of the rest of the employees. Taking care of its form is not only an ethical requirement but also an investment in the image of the company. Contemporary organizations undertake actions to mitigate the results of

employment reduction [Pocztowski 2004, p. 111]. The most often used tool here is so called outplacement, i.e. the program of monitored reductions. It is a process aimed at supporting and assisting dismissed employees in search of new employment. This program facilitates the assessment of the already taken career path, drawing conclusions and planning further steps in order to change the job. Outplacement is also a complex system of employer support in the process of implementation of individual or group reductions [Bojar, Chajęcki and Chajęcki 2013, p. 70].

Outplacement consists of three phases [Kwiecień 2000, p. 281-284]:

1) human resources analysis – the appointed team consists of the representatives of different areas of the organization and analyzes human potential in terms of the requirements of the new organization and establishes which persons should stay and which ones should be dismissed; it ought to be remembered that the selection of the employees to be dismissed is under control of labor unions, hence it should be done with due diligence;

2) announcing the decision on employment reduction – before it is taken, employees who will announce such information should be trained so that they could react properly to negative emotions of the dismissed persons; it should be a direct supervisor or an executive with whom a dismissed person worked, who will inform about the dismissal [Armstrong 1999, 370-371]; a proper amount of time should be reserved for such a meeting, the persons in charge should be tactful and delicate, each question should be answered unequivocally and firmly, making an employee aware that the decision is final; the period between announcing the decision of dismissals and the talks with employees should be as short as possible otherwise some difficulties may appear while changing negative attitudes and value hierarchy of the employees remaining in the company, which may hinder the formation a new

organizational culture of the integrated entity [Pocztowski 2004, p. 111];

3) preparing employees to a new situation – it usually takes place via workshops and trainings that allow dismissed persons to acquire proper skills to search new employment and manage their further professional career, consultations with the representatives of a consulting company, participation in support groups or psychological counseling; help provided to dismissed employees may also include higher than those specified by the labor code severance payments, sponsoring professional trainings, help for people starting their own business, agreements between companies (e.g. suppliers) that will employ a part of dismissed employees in the course of cooperation [Pocztowski 2004, p.113].

The benefits resulting from outplacement:

1) significant improvement of the company's image on the market,

2) preparation of the vision for subsequent restructuring,

3) good relations with social partners,

4) free media advertisement as a role model of how to deal with dismissed employees,

5) designing tasks for the personal policy of the organization in the future [Pocztowski 2004, pp. 113-114].

The mitigation of the effects of reduced employment was achieved by the following procedure, which is known to the author from his own experience:

The activities concerning employment reduction were conducted in a relatively short period so that the persons who were to leave the organization did not have to function in the company for a long time with the consciousness of the necessity to leave it. The communication was honest and open, the employees were given a detailed schedule of reductions with three months notice. For the purpose of efficient and the least harmful for the employees process of reducing employment, special workshops were conducted titled *Difficult talks*. During these workshops the managers who were to stay in the organization were

trained on how to deal with individual talks with their subordinates concerning terminating contracts of employment with them. In each conversation the manager was supported by the representative of the human resources department participating in the conversation. The process of giving notices was supported by the duty hours of a psychologist and doctor's support. The dismissed persons were guaranteed different protection packages and outplacement programs, in which 78% of the dismissed took place. Retention programs turned out to be a peculiar solution. They included employees appointed for dismissal, whose stay in the company was desired for some time due to their knowledge or implemented projects. These persons were informed that they would be dismissed ultimately, however, for sharing the knowledge and finishing the running projects would be given extra remuneration.

### 5.3.3 Model perspective of solving social problems

The model of solving social problems proposed by C. Zając is presented below.

```
┌─────────────────────────────┐
│ Identification of content,   │
│ character and potential      │
│ effects of the problem       │
└─────────────────────────────┘
              │
              ▼
┌─────────────────────────────┐
│ Definition of methods,       │
│ techniques and tools of      │
│ problem solving              │
└─────────────────────────────┘
              │
              ▼
┌─────────────────────────────┐
│ Preparation of activities    │
│ schedule: tasks, deadlines,  │
│ efforts, expected effects,   │
│ assessment criteria,         │
│ responsibility               │
└─────────────────────────────┘
              │
              ▼
┌─────────────────────────────┐
│ Realization of the tasks     │
│ specified in the schedule    │
└─────────────────────────────┘
              │
              ▼
┌─────────────────────────────┐
│ Monitoring activities and    │
│ up-dated corrections         │
└─────────────────────────────┘
              │
              ▼
┌─────────────────────────────┐
│ Assessment of problem        │
│ solution                     │
└─────────────────────────────┘
```

Was the problem solved?   — Yes →   Were the assumed effects achieved?   — Yes →

No →                        No →

Establishing the reasons of dysfunctions of the problem-solving process

Undertaking corrective actions

No

Effectively?   — Yes →

The End

Source: [Zając, 2005, s. 137].

The author emphasizes that social problems are difficult for an algorithmic analysis, hence the above model should be adjusted to the circumstances of a given case in each M&A project individually [Zając 2005, p. 137].

### 5.4 Organizational culture during mergers and acquisitions

Incompetent cultural integration is one of the most frequent reasons of failure of M&A projects. By changing cultural models, the following rules should be considered:

1) understanding of old culture,
2) supporting people accepting change and their involvement in it,
3) making the most effective subculture a role model to follow,
4) avoiding excessive criticism of old models, concentration on elaborating the new ones,
5) acceptance of the fact that organizational culture is a long-term process,
6) implementing the elements of a new culture not only talking about them [Pocztowski 2008, p. 68].

The basic activities of HR personnel in terms of the transformation of organizational culture are trainings communicating the reason, goals and directions of change, shaping new attitudes and behaviors, preparing to enter into new roles, next assisting the employees and managers in implementing and executing new norms and principles of communication and improvement of employees'. Another activity in this area is the preparation of a motivational system promoting new values, including remuneration, assessment, recruitment and promotion of the employees. Here, the organization of workshops reviewing new models of behavior as well as meetings and discussions concerning reality are also included [Pocztowski 2004, p. 80].

**5.5 Communication in M&A processes**

In literature, there exist a common opinion that communication is one of the key factors determining successful mergers and acquisitions, whereas abnormalities and ignorance in these terms are one of the most often reasons of failure of these projects.

One of the proposed communication strategies in literature is the model by Cartwright and Cooper which consists of four elements [Pocztowski 2004, pp. 133-136]:

1) official announcement made by the executives of the organization – as the first information about merging is of particular, if not symbolic meaning, hence the care should be taken of the content, form and circumstances in which it will be introduced, as well as the choice of a person that will inform about dismissals should be made carefully – both in terms of the position and communication skills as well as the level of empathy; the message should be relatively brief, and the employees should be given the possibility to ask questions and expressing doubts (also anonymously); in order to avoid fears and rumors the message should reach all the employees at the same time; the following issues should be included in its content:

   a) reasons and goals of mergers and acquisitions,

   b) benefits for both parties (both personal and organizational),

   c) basic data about another company participating in a merger including the list of its achievements and strong points,

   d) confirmation of the value of employees working for the acquired company and the importance of the new organization,

   e) explanation of the direction of changes and relations between merging organizations,

   f) information on the most immediate events, actions and changes,

   g) explanation on how employees may obtain information about the process,

2) presentations and announcements made by the heads of the departments – they are aimed at specifying information by the management, explaining the influence integration will have on the

employees in the subsequent months and presenting the plan of change;

3) distribution of the materials and publications about the merger or acquisition via different communication channels;

4) guaranteeing the employees a possibility to obtain answers to their questions – e.g. by creating information points, meetings with the management staff or participation in teams dealing with integration.

Effective communication strategy should be based on the following elements:

1) recognizing communication as a key factor responsible for success of a merger or acquisition,

2) establishing basic communication principles before concluding a merger agreement,

3) increasing communication as a response to the increasing number of questions from the team,

4) explicit and pro-active (made in advance) information about the reasons, goal, course and consequences of the process,

5) honesty, unambiguity and communication realism,

6) using the language understandable for the addressees, avoiding specialist jargon,

7) using different information channels also informal ones,

8) assuring feedback e.g. by appointing a person or a team for current contacts with employees,

9) taking care of non-substantive elements of the announcements (form, person, place, time, nonverbal aspects),

10)   professional preparation to meetings, discussion or presentation [Pocztowski 2004, p.137].

Without any dispute over the above mentioned rules, the attention should be paid to the practical dimension of communication effectiveness. Irrespectively of the level of openness and communication quality, employees – especially of an acquired company – usually cannot eliminate completely their suspiciousness and the feeling of insufficient information. The period of stress and uncertainty increases their

sensitivity as a result of which they pay special attention to the details and communication coherence. Since many tiny aspects of mergers and acquisitions are shaped only during their course of action, the management generally does not have answers to all current questions provided by the team. This situation – almost like a vicious circle – additionally intensifies suspicions and uncertainty among employees [Buono and Bowditch 2003, p.16].

In one of merger cases, which the author had a chance to support, the process of communicating about changes was realized as follows:

Since the very beginning of the process, a wide communication concerning changes, its causes, goals, anticipated effects and schedule was guaranteed. For this purpose, different communication channels were used such as: video conferencing, online streaming, managerial briefs, touch screens, newsletters, announcements for the entire company, forum or a dedicated email box. The assumption was that the information must reach all employees. Moreover, in case of any change of earlier information concerning integration, the change was immediately announced to the team.

The communication process took place in two directions. Apart from announcing the information to the employees, the care was taken to obtain the feedback. After a few months of integration, an anonymous survey was conducted titled *What's up?* in which the employees were asked about their feelings concerning change, if everything was clear to them and fair. The survey results revealed that the employees felt not well informed in terms of the consequences of changes and were not aware enough what their situation would look like after the two entities would be integrated. It resulted in an immediate reaction of the management board of the two merged companies which conducted action called *Road Show* – the members of the board and key executives held a number of meetings with employees in the headquarters and departments of the merging companies to explain the doubts revealed thanks to the survey.

## 5.6 The problem of 'corporate cynicism'

Employment reductions accompanying mergers and acquisitions facilitate the phenomenon called 'corporate cynicism'. This phenomenon, on one hand, means overusing manipulation by the managerial staff, awarding uncompromising people able to get rid of uncomfortable employees for the sake of promotion, simultaneously declaring publically of applying fair play rules towards the employees and professional solution to social problems, on the other hand, it means it concentrates on the employees' behavior towards their supervisors and co-workers based on double-standards, toughness and falsehood [Zając 2005, p. 132].

The results of empirical data confirm the occurrence of wide pro-human communication to solve personal issues and simultaneous promotion of strong personalities in its negative meaning, in particular outsourcing people to do personal 'cleanings'. Sometimes it happens with a silent consent given by a new owner, interested only in achieving quickly merger goals no matter what the social costs are. One of the elements of this phenomenon is also an excessive formalization of decisions, processes or actions leading to excessive bureaucracy. Even in cases when the problem of corporate cynicism is noticeable by personnel managers, it is not always removed by them. The reasons of no suitable actions undertaken in the analyzed cases were the fear of loss of one's position, and the fact that such cynical attitude was represented by the manager of a higher level, responsible for human resources and employed by a new owner [Zając 2005, p. 133].

## 5.7 The reasons of M&A failures

The most frequent failures of mergers and acquisitions include:

1) mismatching of M&A participants in terms of organizational culture,
2) no balance of the key elements: strategy, culture and business practices,

3) overestimation of strategic aspects and simultaneous negligence of cultural aspects,

4) employees resistance to changes (no acceptance for changes, stress, deterioration of employee situation),

5) undertaking no strategic aspects of human resources management at each stage of process by merging organizations,

6) lowering the level of motivation,

7) problems with knowledge and skills transfer,

8) loss of key employees,

9) domination of one partner – performing as an invader,

10) failure to consider regional specification and local cultural differences,

11) treating changes mainly as a technical undertaking,

12) wrong communication strategy or its complete lack [Pocztowski 2004, pp. 38-39, 73 and 78].


**Conclusions**

A permanent change in a company is a process necessary to survive. In face of continuous changes on the market and worldwide globalization, the capability to react quickly to these phenomena is a key factor determining the existence of a company. Hence, the competence to manage change within an organization constitutes a significant element of the competitive edge.

The continuous evolution of the organization is a norm in its functioning and change has no endpoint, in other words, a contemporary company remains in the state of permanent defrosting – the consciousness of these facts is an essential element of company management.

Change is not a linear process going according to the earlier established plan. For change management to be effective, it is necessary to modify continuously its formula and adjust to changing conditions of the internal and external environment of a company. Hence, the process

of introducing changes requires continuous monitoring, updated corrections and corrections undertaken during earlier decisions.

Changes within an organization are inseparably connected with temporary destabilization, which inevitably leads to the violation of the security zone of its employees, evoking at the same time a natural defense reaction in a form of resistance to changes. Change means a resignation from the existing status quo with no guarantee of what the new will bring – a human instinct of survival is oppose to such irrational actions.

The most important sources of resistance to changes in the corporation context are: shock caused by novelty, uncertainty, unambiguity, economic fears (fear of loss or diminishing of income, threat to employment stability), threat to interpersonal relations, status and competence (fear of status deterioration or deprivation of the possibility to use one's skills), threat to competence (fear of the difficulties in dealing with new requirements or learning new skills).

The main methods of preventing and counteracting resistance include: detection and relation analysis between employees and organization as well as employees' attitude to the planned change, updated communication concerning change and creating a climate facilitating changes. Moreover, an important role may be played by showing the employees threats resulting from remaining in the existing reality. A bigger fear was evoked by the existing status quo rather than its change.

Contrary to what might be expected, resistance to changes may also have a positive influence on the process of changes. It facilitates understanding of the addressees' reaction since it shows their vision of transformation. It plays a crucial role as a factor stabilizing the organization undergoing changes, being a counterbalance for the pressure of introducing change and counterbalancing its need to preserve durability and stability. Resistance may also be the symptom of deeper problems of a given organization and dysfunction detector, which are revealed due to change. It helps notice these aspects of

change which may be improper, not well planned and not well thought over. Resistance to change may be derived from ethical rules or care about the organization interests – the employees may try to pay attention of the management to the issues which they consider crucial from the perspective of the company performance. Resistance generates energy necessary for the analysis and solving problem stimulating searching for alternative solutions for conflict situation.

The most important factors determining successful change include: the consciousness of change in the era of global competition, technological innovations and general uncertainty, understanding of organizational culture in which the change is to take place, proper communication, involvement of the employees in its planning and implementation as well as the consciousness of natural resistance to change and preparation of the methods to remove or minimize it.

It has to be remembered that changes after having been introduced require many maintaining procedures. It is a natural tendency to come back to the previous models, especially the moment when the situation becomes difficult or when the initiator of the change resigns from the company.

A specific form of organizational change are mergers and acquisitions. The element of the decision concerning the implementation of such processes, apart from the purely economic goals, should be also organizational elements regarding corporate culture or the system of values in merged units since their insufficiency may pose a real threat to the effectiveness of integration. Learning more about organizational culture should be a starting point to introduce crucial changes such as a merger, acquisition or restructuring.

The most important reasons for failures of M&A projects connected with the personal area include in particular: mismatch in terms of corporate culture, overestimation of strategic and technical aspects and simultaneous negligence of cultural issues, employees' resistance to changes, no involvement of the team in change, diminishing the level of motivation, problems with knowledge and skills

transfer, loss of key employees, improper communication or its complete lack.

The employees' involvement in the process of change is necessary for its success. Team members should have the possibility to report their own proposals concerning the form of change or the method of its implementation as well as the possibility of active participation in the process itself so that they could feel that they are also its owners.

One of the basic factors of successful mergers or acquisitions is proper communication. The key rules of proper communication include: establishment of crucial rules of communication before the agreement on merger is concluded, comprehensive and proactive information about the reasons, goals, course and consequences of the process, honesty, unambiguity and realism in transferring information, using different information channels also informal ones, assuring the feedback, e.g. appointing a person or team for current contacts with employees.

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