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People Management: The Crucial Aspect of Mergers and Acquisitions

Julie Kathryn Anderson

IRC Press
Industrial Relations Centre
Queen's University
Kingston, ON K7L 3N6
Tel: (613) 533-6709
Fax: (613) 533-6812

E-mail:
ircpress@post.queensu.ca

Visit our Website at:
http://qsilver.queensu.ca/irl/qsirc/

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Executive Summary

Mergers and acquisitions are now commonplace in the Canadian economy as companies try to improve their competitive position in a global marketplace. Research indicates, however, that many mergers have not resulted in the expected benefits, in part because organizations have neglected the human resource aspects of the change. This study describes the typical effects of the merger process on the people involved and, using the merger between Molson Breweries and Carling O'Keefe as an example, identifies the crucial role that human resource professionals must play in ensuring merger success.

- The companies should provide a realistic merger preview and communicate openly and regularly with employees. All employees must be aware of what the merger is meant to achieve, why it is important, and how they will be affected. When employees are fully aware of what to expect, they are less likely to suffer from stress and resist change. But if the companies fail to communicate openly, they will probably experience reduced employee morale, declining productivity, and increased turnover and absenteeism.
- Managers should be familiar with and prepared to deal with the 'merger syndrome,' in which employees initially react to the merger announcement with denial, fear, anxiety, and anger, but learn in the end—if the transition is properly managed—to recognize new opportunities in the new organization and become committed to it.
- If senior HR personnel are included in the strategic decision making, organizations gain a better understanding of the human implications of the merger. HR staff should determine to what extent the organizational cultures are compatible and provide recommendations for overcoming differences.
- Employee assistance programs should be used to reduce stress and help employees cope with the change. Counselling will help employees distinguish the real from the imagined effects of the merger and clarify their own career choices.
- HR should help develop a new organizational structure and establish clear, well-defined reporting relationships. Most unsuccessful mergers have suffered from unclear relationships and a tendency to change poorly defined relationships several times during the first year. Specific short-term organizational goals should be defined to provide employees with a clear direction.
- HR personnel should conduct a talent audit to identify employees who will be critical to the success of the new organization and who would be difficult to replace. Long-term incentive grants could be provided to critical employees to entice them to stay with the new organization and enhance motivation.

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About the Author

Julie Anderson is a Human Resources Associate with Sunoco Inc. She works primarily in the area of organizational development. She has a Bachelor of Commerce (Honours) degree and a Master of Industrial Relations degree from Queen's University.

- The author finds that the Merger Adjustment Program developed by Molson and Carling O'Keefe can serve as a model to help facilitate successful mergers: the program was universally available, voluntary, generous, and consultative, and it encouraged participation from employees, unions, and government.

Introduction

Mergers and acquisitions are commonplace in the Canadian economy today as businesses restructure to compete in a global marketplace. Despite the economic logic behind them, research indicates that most mergers fail to achieve the synergistic results expected. Furthermore, '[empirical] studies repeatedly demonstrate that at best, only half of all mergers and acquisitions meet initial financial expectations' (Pikula 1995, 1).

In an attempt to understand the reasons behind the high failure rate, recent research has focused on human resource activities: there is a consensus that human resource issues are misunderstood, poorly managed, and viewed as irrelevant to the strategic planning process. This study argues that if mergers and acquisitions are to be successful over the long term, the human dimension must be integrated into the planning process. It provides practical advice to assist human resource practitioners in planning and implementing the integration of two companies in a merger or acquisition using the example of the successful merger in 1989 between Molson Breweries and Carling O'Keefe.

The Human Impact of Mergers

Merger and Acquisition Failure

Human resource (HR) activities are increasingly being held responsible for merger and acquisition failure. The HR weaknesses commonly found in a typical merger process can be grouped as follows (Mercer 1989):

HR weaknesses may lead to merger and acquisition failure.

1 Neglect of psychological issues. The psychological effects of change on people are not given adequate consideration when companies are integrated.

2 Inadequate communication throughout the merger process. Employees are not kept informed during the integration process. Although people fear that their jobs are at stake, they typically have very little reliable information on which to base decisions.

3 Culture clashes between the two organizations. Employees with different values and work styles are frequently required to work together with no structure for resolving differences.

4 Ambiguous company direction and unclear roles and responsibilities. Senior management is typically slow in articulating the vision and mission of the new merged organization. After downsizing, staff are left to deal with more work and have little sense of direction from which to determine priorities.

Employee Stress

'Mergers and acquisitions … represent a significant and potentially emotional and stressful life event' (Cartwright and Cooper 1992, 35), because they can change an individual's working life significantly but fail to provide the individual with any control over the event. Some common merger stressors include uncertainty, insecurity, and fears concerning job loss, job changes, compensation changes, and changes in power, status, and prestige (Schweiger and Ivancevich 1985). Employees may experience job/career/life dissatisfaction, lower self-esteem, depression, and anxiety. The result may be higher turnover and absenteeism and substandard performance levels.

Individuals typically become withdrawn and preoccupied with their own survival and organizations tend to withdraw into crisis management.

The Merger Syndrome

Both individuals and organizations have relatively consistent patterns of reaction to a merger. Individuals typically become withdrawn and preoccupied with their own survival, and organizations tend to withdraw into crisis management, which often involves secrecy and centralized decision making: in most cases this organizational response exacerbates the negative impact of the merger on employees. Executives may be optimistic about the merger, because they have more control over the situation and better access to information. The majority of staff, on the other hand, are typically pessimistic or angry about the change. Hunsaker and Coombs (1988) have provided a nine-stage sequential model of employees' emotional reactions during a merger or acquisition, which describes what has come to be known as the 'merger syndrome':

1 ***Denial.*** At first employees feel that the merger will not really happen or that it will not change their work or their organization.

2 ***Fear.*** As plans for the merger begin to unfold, employees begin to fear the unknown and to imagine the worst. Workers become preoccupied with job loss as rumours of mass layoffs and terminations circulate throughout the company. This typically leads to substandard performance and a decline in productivity.

3 ***Anger.*** Once employees feel that they have no control over the situation and that the merger is inevitable, they begin to express anger towards those responsible for the deal. They may feel that they have been sold out after providing the company with many years of quality service.

4 ***Sadness.*** Employees begin to grieve the loss of their corporate identity; they focus on the differences in the way the two companies operate and are managed and adopt a 'we' versus 'they' mindset.

5 ***Acceptance.*** After a sufficient mourning period has elapsed, employees begin to realize that resisting the situation would be futile, and they start to accept reality. This may imply behavioural compliance but not necessarily renewed organizational commitment.

6 ***Relief.*** After much of the integration is completed, employees begin to feel more settled in the new organization and become more accustomed to working with employees from the other company. At this stage, they feel that things are actually better than they had expected.

7 ***Interest.*** As people become more secure in their new positions, they begin to consider the benefits of the new organization. They perceive their situation as a challenge and try to prove their abilities and worth in the new company.

8 ***Liking.*** Employees recognize new opportunities and begin to like their work.

9 ***Enjoyment.*** Employees become committed to their new organization.

Layoffs/Downsizing

Because some duplication of function is almost inevitable when two organizations merge, layoffs and downsizing are common. There may be several significant organizational benefits from offering assistance to terminated workers, including improved morale among the remaining work force. Perhaps more than any other event, downsizing provides an opportunity for the company to demonstrate that it cares for its employees and considers its human resources its most valuable asset.

A related consequence of mergers is unanticipated turnover. Many employees leave the company voluntarily after the merger announcement or during the difficult transition period. Typically, it is the best performers that leave, because they are the most marketable and can easily find work elsewhere (Pappanastos, Hillman, and Cole 1987). A U.S. study found that almost 50 percent of the executives in acquired companies leave within one year, 75 percent within three years, and 58 percent of managers within five years (Walsh 1988).

Organizational Culture

The ease of integrating the organizations will be affected by the compatibility of the two cultures, the strength of each culture, and the type of merger. A corporate culture provides employees with identity and stability; they tend to be committed to organizations with strong corporate cultures, which makes the merger process more difficult. Employees typically emphasize or exaggerate the differences between organizational cultures; they tend to perceive that their way of doing things is superior to the style and practices of the other company (Pikula 1995). Distorted perceptions and hostile feelings toward employees from the ‘other organization’ may become common, and failures are typically attributed to the other company. The result may be post-merger conflict, or ‘culture clash.'

Employees tend to be committed to organizations with strong corporate cultures which makes the merger process more difficult.

Human Resources Best Practices during a Merger

‘Merger syndrome’ can be managed and controlled if communication is frequent, open, and honest at all levels of the organization. The following best practices are highlighted in the literature.

- When senior HR personnel are included in the strategic decision making, organizations gain a better understanding of the human implication of a merger. Human resource staff should conduct cultural audits to determine whether the cultures of the organizations are compatible and provide recommendations for overcoming their differences.

- Firms that conduct quick assessments of their human resources are in a better position to determine what actions will be necessary to retain talented individuals. HR practitioners should identify gaps in talent and nurture employees through training and coaching so that management succession is not impeded. Unfortunately very few companies make any attempt to audit personnel resources during an acquisition, and as a result, there is typically a shortage of required talent in the new organization (Hunt 1987, 24).

- Frequent and regular communication should be provided during and after the merger acquisition event (Pappanastos, Hillman, and Cole 1987). Because employees experience more stress and anxiety when they are uncertain about their future (Hunsaker and Coombs 1988), organizations should inform all employees of merger plans at the same time as, or in advance of any press release (Cartwright and Cooper 1992, 103). Employees who are kept informed about the progress of the merger and who under-

Counselling can help employees distinguish the real from the imagined effects of a merger and clarify their own career needs.

stand why certain decisions are being made take a much more favourable view of the event than those who feel uninformed (Marks and Mirvis 1986). Companies that are not honest with employees regarding layoff and downsizing plans tend to experience a decrease in employee morale and productivity and an increase in turnover and absenteeism (Pappanastos, Hill, and Cole 1987).

- Employee assistance programs can reduce stress and help employees cope with merger-related changes (Pappanastos, Hill, and Cole 1987; Marks and Mirvis 1986). Counselling can help employees distinguish the real from the imagined effects of a merger and clarify their own career needs.

- Human resources personnel should facilitate in the development of a new organizational structure and establish clear, well-defined reporting relationships as soon as possible. Historically, the most unsuccessful mergers and acquisitions have suffered from unclear relationships and a tendency to change already vague, poorly defined reporting relationships several times during the first year (Pappanastos, Hill, and Cole 1987).

The Molson and Carling O'Keefe Merger

This section examines the merger between Molson Breweries and Carling O'Keefe, which took place in 1989. Marshall Cohen, president and chief executive officer of the Molson companies, said at the time of the merger that it set a new industry standard for treatment of employees. The focus here will be on the human resource strategies which helped ensure a smooth transition.

The Deal

On January 17, 1989, the Molson Companies Limited and Elders IXL Limited reached an agreement to combine their respective North American brewing operations into a fifty/fifty Canadian-based partnership under the name Molson Breweries. The Canadian-based brewing operations of Molson Breweries of Canada and Elders (Carling O'Keefe Breweries of Canada Limited) merged into a single, self-financing, autonomous enterprise. The merger was intended to give Molson Breweries a significantly stronger financial and operating foundation: it would eliminate inefficient duplication of plants and other operations and permit the more effective matching of demand with capacity. The merged Molson Breweries would assume the leadership role in the Canadian brewing industry, with a combined market share of approximately 52 percent. When the merger was officially announced on January 18, 1989, senior executives from both companies held large-scale meetings of all employees at the various breweries and offices across Canada. The following week, the two company presidents, along with their HR vice presidents, flew to plant locations across the country to talk personally with employees and alleviate fears.

Cultural Assessment

Although the merger made sound financial and strategic sense, both companies recognized the importance of assessing the human implications, especially since the merger involved the integration of all aspects of the Molson and Carling brewing businesses. From an HR perspective, this type of merger was the most difficult to implement, since both firms already had knowledge of and expertise in their business and thus had to consolidate operations to avoid redundancy. Thus, significant downsizing was necessary.

Furthermore, because the merger was based on the equality of the parties, the companies had to find a way to integrate the two corporate cultures. At an integration meeting in May 1989, executives from both companies identified compatible differences that could be built on, incompatible differences that required resolution, and misconceptions about each other that required clarification.

Before the merger, Molson could be characterized as consumer-driven and strategically oriented, with a strong growth orientation and commitment to the Molson legacy. Molson had always emphasized its tradition of quality and thoroughness and was considered a highly professional organization. Carling's culture was summarized by one manager, on the other hand, as bottom-line oriented, frugal, high risk-taking, aggressive, quick to change, mindful of the short-term, direct and decisive (Beatty and Watson 1990, 3). Another official described Carling's culture as flexible and not overly bureaucratic: there was less regard for formal management structures at Carling, which enabled faster decision making.

There were also several important similarities. Both organizations had recently managed to make significant successful changes to their operations, which may have helped employees accept the changes imposed by the merger. Further, both organizations were publicly committed to handling the adjustment process as model employers. Careful management of the integration process helped smooth the transition. The two organizations planned to select and integrate the best aspects from each company, without losing the unique characteristics that made Carling and Molson successful in their own way.

HR practitioners played an integral role at every stage in the merger process.

Employee Reactions

Employee reactions followed the general pattern of the merger syndrome outlined above. Their reactions can be summarized as follows.

- Employees felt personal anxiety about what the future held for them; they wanted to know more details about the merger adjustment program: for example, what their severance would be.
- Concern was expressed over the company's motives and actions. Employees wondered about their corporate culture—their traditions and values. Were they still important and would they endure in the new organization?
- The staff felt insecure, since, unlike unionized employees, they did not have a collective communication vehicle.
- Confusion about the details of the merger was commonly expressed. Employees wondered how the 50/50 ownership arrangement would work and how the work force would be blended.

Human Resources and Merger Management

HR practitioners played an integral role at every stage in the merger process; they were included in the strategic planning and acted as catalysts and contributors to the overall success of the new company. The HR department attempted to

- Ensure that employees understood the business reasons for the merger and the positive opportunities that would flow from the deal.

- Facilitate merger approval and subsequent execution.
- Maintain and enhance relationships with employees and unions.
- Facilitate optimal staffing of facilities.
- Seize opportunities to improve ways in which work would be performed.
- Communicate with all employees in an open, candid, and equitable manner.
- Reduce the headcount with minimal employment loss, through attrition and retirements and through an innovative, voluntary, company-wide employee adjustment program.
- Continue to act as the conscience of the organization to ensure employee fairness.

The success of the merger was contingent not only upon achieving the expected business synergies but also upon receiving official merger approval. HR staff had to address business activities associated with long-term merger success while simultaneously addressing short-term issues and obstacles to merger approval.

Integrating the work force in a fair and legal manner was very complex.

Human Resources Integration Committee

An HR integration committee co-chaired by the vice president of personnel from each company was established to oversee a smooth integration of policies, practices, and the work force. The committee was responsible for developing benefits and compensation programs, as well as creating shared principles and a process to govern the eventual blending of Molson and Carling staff employees. Integrating the work force was very complex since collective agreements needed to be analyzed (there were twelve unions and seventy-seven bargaining units to consider in the combined organization), and special attention had to be given to provincial legislation and practices and labour board decisions to ensure that the work force was blended in a fair and legal manner.

Merger Adjustment Program

When the merger of Molson and Carling O'Keefe was announced, both companies publicly committed to the development of a fair and equitable employee adjustment program that would become a model for Canadian industry. A merger adjustment committee was established with HR representatives from both organizations. The committee was responsible for developing a program that would support the HR merger objectives; it also worked in conjunction with government officials and travelled across the country to consult directly with employees, the unions, and other companies, in the development of national adjustment programs.

The merger adjustment program (MAP) was considered a model because it was universally available, voluntary, generous—and consultative, since it encouraged employee, government, and union participation. MAP was successfully designed to appeal particularly to employees over the age of 55 (e.g., potential retirees) and employees with less than ten years service. It offered a generous separation and benefits package and numerous support services, including career counselling, small business seminars, financial and retirement counselling, and help with tuition fees for employees who chose to further their education.

According to a pamphlet distributed to employees, MAP was built on seven principles. It was

- ***Universal.*** It was available to every Molson and Carling O'Keefe regular full-time employee actively at work, regardless of position or location.

- ***Voluntary.*** Employees themselves decided whether to take MAP.

- ***Thorough.*** MAP provided a broad range of attractive and generous benefits.

- ***Responsive and flexible.*** The benefits and options built into MAP responded to most employee situations.

- ***Planned.*** MAP gave employees time to make their decisions. Windows of opportunity, notices of operational changes or plant consolidations, were to be given as far in advance as possible.

- ***Consultative.*** MAP was the result of lengthy and extensive consultations with employees, their unions, government, and other employees.

- ***Participatory.*** With the company, and sometimes with government officials, employees could participate in selecting, organizing, and delivering various MAP support services.

The merged company decided to have a fully voluntary adjustment program in order to give employees the opportunity to make their own career decisions. Consequently, employees who elected to stay did so because they were optimistic about the future of Molson Breweries and committed to the new organization. The universal nature of MAP was a key component of its success, everyone was treated equally, which helped set the 'cultural tone' for the new Molson breweries.

A 'merger Adjustment program' created and offered an opportunity to employees who wanted to explore career or lifestyle changes.

Once employees received their personalized MAP statements in September 1989, they were given approximately four months to decide whether to take the package. Although over two thousand positions were affected by the merger, the majority were phased out through normal attrition and early retirement programs. Voluntary turnover handled most of the remaining positions, as many employees elected to take generous separation packages under MAP.

Communications

Carling O'Keefe and Molson agreed that employee communication was critical to the success of the merger. When the merger was announced, the two companies made a commitment to their employees to share all plans and new developments with them first before releasing any details publicly. They also sought to ensure frequent and ongoing two-way communication with all employees and to ensure some consistency in the messages being received by employees at Carling O'Keefe and at Molson.

Managing communications was a major challenge between the merger announcement and official approval, because the two companies had to remain completely separate and operate as competitors. The details of the adjustment program could not therefore be released until the merger was approved, which frustrated employees and union officials. Once the merger was official, however, a monthly merger newsletter was circulated to help create a positive environment for integration of the two companies and to signal that the transition period, and the related stress involved, would be temporary. The newsletter, together with a daily hotline, a cross country trip by the president and CEO, nation-wide conference calls between human resource personnel, and informal meetings held at each plant on a regular basis assisted the human resource department in meeting its communications objectives.

The Staffing Process

The senior management group was chosen from the top executives of each company in February, six months before official merger approval. Attention then shifted to the structure and staffing of the new organization. A key feature of the staffing process was its 'cascading arrangement.' Senior positions were filled first to ensure that each candidate knew in advance to whom he or she would report. As each layer of management was filled, successful candidates were identified and the whole process moved down to the next level.

Selection decisions were strongly influenced by past performance, job knowledge, and commitment to the new company, with an appropriate balance of selected staff from both companies. Decisions were made at the appropriate operating level by managers who knew the candidates and who would be responsible for their success. Successful candidates attended a training session on cultural differences and how to break them down.

Identifying 'Keepers'

Because MAP was voluntary, both companies recognized the importance of identifying and retaining key employees who would be critical to the long-term success of the new organization. A typical 'keeper' was someone who had demonstrated continued growth in his or her assignments, as well as within the company, and someone who possessed special skills or experience and thus would be difficult to replace. Keepers were given a longterm incentive grant to enhance motivation and entice them to stay with the new organization.

Evaluation of the Molson—Carling Merger

Challenges during and after the Merger

It was widely believed that conflict between demands from daily operations and merger activities began to erode the momentum and commitment to integration excellence.

A report which outlined preliminary feedback from executive committee members and senior managers on the progress of the merger indicated, as might be expected from the literature, that differences between the two company cultures slowed down the integration process. There was a strong we/they orientation, which was rooted in the differing styles of the parent companies. Carling executives disagreed with the way Molson did things, particularly in a financial control sense, and Molson executives had little regard for Carling's limited accomplishments in the marketplace. It was also widely believed that conflict between demands from daily operations and merger activities began to erode the momentum and commitment to integration excellence. People seemed to be choosing one established way or the other because it was faster and easier than trying to decide what was the best approach for the new organization.

Most felt that the staffing process was moving too slowly and was not as open to involvement as had previously been promised. Furthermore, although the company's communications program during the period between merger announcement and legal closing was highly praised by most people, once the deal was finalized, many felt that Molson went from over-communicating to saying nothing. The difficult task of co-ordinating communication announcements as merger-related decisions were made was summarized by one executive:

> The message gets out at different times to different locations. People get on the phone to one another before the official company communique is put out. Even in the same city, faxes at one plant arrive two hours ahead of the other plant.

Merger Successes

Only a few months after the merger announcement, there were some significant successes. Market share steadily increased, there was public acclaim for the merger adjustment package, the new Molson Breweries was able to weather a union boycott, business projections expected as a result of the merger appeared to be attainable, and there was a collective regard for the people appointed to the executive committee. Most importantly, most managers reported that they wanted to and were willing to work at making the merger a success. Fifteen months after the deal was officially closed, Molson Breweries had completed most of its plant consolidation while maintaining its market share, and by all measures was a smoothly running, well-integrated company. By 1992, cost efficiencies resulted in savings of more than $200 million, capacity utilization increased to 95 percent, employment was reduced by 25 percent, and sixteen breweries were consolidated into nine (Molson Companies 1992).

In the area of human resources, a competitive benefits and pension package was developed, primarily using a 'best of both' policy approach. Short-term and long-term incentives were successfully developed to help motivate and retain employees and a newsletter was established to highlight what was happening in plant locations across the country.

Persistent Problems

Some merger-related problems still persist today. Integrating seniority lists was a tremendous challenge at the time of the merger, because, as mentioned, the new company had to deal with twelve unions and seventy-seven bargaining units. Seniority issues were typically heard by an independent and impartial labour board commissioner, to decide how the work force should be blended. Many employees continue to feel that the method used to blend the work force was unfair.

Overstaffing persists today also, especially at plants in Quebec and Newfoundland. At the time of the merger, collective agreements made it impossible to terminate employees, and few workers left voluntarily, due to poor economic conditions. As a result, there were too many employees when the work force was blended, which has created a cycle of layoffs in slow times and recalls in peak seasons. Recently, management has tried to buy out employees to alleviate this problem.

Finally, compensation, benefits, pensions, and so on, continue to be costly as a result of generally following the 'best of both' policy when the companies merged.

Lessons Learned

Several important lessons were learned from the merger.

Several important lessons learned from the merger were highlighted in a Molson Breweries presentation and in discussions between the author and William Baker, Vice President, Compensation and Benefits, who played an integral role in the merger process:

- It is impossible to over-communicate throughout the merger process. Employees have an almost insatiable desire for information, and misinterpretation and rumours are very common. Communication is crucial even when there is nothing new to say.

- Do not make promises that may be impossible to keep. It is dangerous to make any commitments too early in the merger process because unforeseen circumstances will inevitably arise and require unanticipated actions that could damage the credibility and integrity of senior management.

- A ceiling should be placed on voluntary resignations by job category and location. Keeping headcount under control is vital to managing the work force throughout the merger process, so that operations continue to run smoothly. At Molson, because MAP was available to everyone to ensure fairness and because people chose to take the generous package, it was sometimes difficult to ensure staffing requirements were met.

- Focus on the business and the people staying with the organization. Molson devoted a great deal of attention to closing facilities and to employees who elected to take MAP, almost at the expense of the surviving facilities. Although it is important to ensure that people are treated fairly, as this study has emphasized, it is also crucial that those who are staying with the organization are given adequate attention and direction.

- Careful attention must be given to the staffing process. It is crucial for the morale of employees and the credibility of senior management that the staffing process be perceived as fair. Employees should be involved in the process to increase its acceptance, and it should be conducted quickly so employees know where they stand. At Molson, staffing on a cascading basis proved to be too long and cumbersome.

- A centralized structure is necessary. It would be too difficult to control the change process in a decentralized company: centralized structure helps ensure that decisions are made quickly and objectives and actions are aligned.

- It is important to look for and address signs of employee stress. Managers should be aware of the merger syndrome and be able to recognize signs of stress or work overload. Senior management should acknowledge stress indicators and take time to celebrate small accomplishments or important events in the merger process. These stress relievers will serve as team-building exercises, help reinforce the value management places on employee commitment, and generate excitement about the new organization.

- Develop employee policies carefully. Although a 'best of both' approach to policy development is the easiest method, it can be very expensive. Simply selecting the most generous policy from the two companies in order to please employees and proceed quickly may be too costly. Merging organizations must take the time to blend their policies and think of what is best for the new organization.

Seize the merger as an opportunity to make performance enhancing changes.

- Seize the merger as an opportunity to make performance-enhancing changes. 'There is no better time than [during] a merger to ask more of your people to put in extra changes that will turn the new organization from a good company into a great one' (Joslin 1990, 4). Employees expect change as they go through the merger process and are therefore more open to new ways of doing things. Understandably, most companies try to get the merger over with as soon as possible, but they should use the event as a time to implement better ways of doing things and set higher standards of performance.

Merger Principles for HR Professionals

While each merger is unique and may thus require different approaches, the points discussed below offer some general guidelines on how HR professionals can facilitate the process and help ensure its long-term success.

Include HR Specialists in Pre-merger Discussions

In the strategic planning phase, HR personnel should assess the corporate cultures of the two organizations to identify areas of divergence which could hinder the integration process. Communication methods, compensation policies, skill sets, and company goals need to be assessed. Before reaching a deal, the companies can agree on what elements of their respective cultures should be retained and how they will rectify significant differences.

Identify and Address Employee Concerns

Conducting an employee attitude survey can help companies elicit common employee perceptions and concerns and allow the new management to create a more appropriate integration plan, develop tools to minimize employee stress (e.g., counselling services and stress management training), and send a message that the organization truly cares about its human resources.

Provide a Realistic Merger Preview, Communicate Continuously

All employees must be made aware of what the merger is meant to achieve, why it is important, what the organization will look like in the near future, and how they will likely be affected. When employees know what to expect, they are less likely to suffer from stress and resist the change. The value of open and honest communication methods at all stages cannot be overestimated; employee communications must continually keep people up-to-date on the progress of the merger. Employee participation should be sought whenever possible.

Develop an Integration Plan

HR personnel should initiate a detailed integration plan for merging people, by identifying individuals crucial to the long-term success of the new company and creating incentives to help retain them; developing and communicating the new organizational structure; implementing downsizing initiatives that will minimize the adverse impact on the organization and individuals; addressing employee stress through counselling and support services; and merging the two organizations' policies and processes to complement the new structure and reinforce the new values of the company.

Conduct a Talent Audit

HR personnel should identify employees who will be critical to the success of the new organization. Sorting out who will go and who will stay when merging two divisions is difficult, but it must be done quickly and fairly. Development needs must also be identified so that new talents necessary for success in the merged environment can be nurtured through training programs.

HR personnel should identify employees who will be critical to the success of the new organization.

Manage Downsizing with Care

If downsizing is carried out properly, displaced employees will feel that they have been treated fairly, employees that remain with the organization can feel proud to work for the company, and the public image of the organization will be enhanced. Ideally, normal attrition, early retirement incentives, and enhanced severance packages will minimize involuntary terminations. However, if employees must be laid off or terminated, they should be identified as soon as possible, communicated with honestly, and treated fairly. Outplacement support services such as job-search workshops, career counselling, retraining programs, stress-management workshops, retirement preparation, and financial counselling should be available to help employees adjust to the traumatic change.

Motivate Employees

Specific short-term organizational goals should be defined and communicated throughout the organization to provide employees with a clear direction. Individual performance standards should be established that are somewhat higher than the standards employees were striving for before the merger. Ideally, the development of short-term performance goals will (1) force employees to become familiar with the new firm's goals, (2) motivate employees to attain their performance targets, (3) make employees and supervisors define and communicate their expectations, and (4) clarify how performance will be measured in the new company.

Monitor the Integration Progress Continually

Human resource personnel should distribute employee questionnaires or conduct informal interviews to establish the current culture of the organization and the present level of job satisfaction, motivation, and commitment. Staying in touch with employees and demonstrating the importance of their opinions by soliciting feedback will help re-establish organizational trust and renew their commitment.

People Determine the Fate of Mergers

The key element linking the strategies just discussed is a recognition that people, not numbers, determine the fate of most mergers or acquisitions. Although many of the human problems associated with mergers and acquisitions—fear and uncertainty, stress and tension—cannot be eliminated, HR managers can help to alleviate them by leading the change, setting examples, and providing the tools necessary to ensure a smooth transition.

Conclusion

The human aspects should be accorded the same emphasis and attention as financial, legal, and strategic concerns.

Mergers provide an opportunity for sweeping change. They can be used to create a stronger and more resilient company. This study has stressed that the human aspects of mergers and acquisitions should be accorded the same emphasis and attention that is usually given to financial, legal, and strategic concerns.

The HR strategy must stress honesty, clarity, and a feeling of involvement by employees. Carefully designed integration programs need to deal with communication, transition management, organizational structure and staffing processes, and the development of common policies and practices. Molson Breweries emerges from this study as a good example of how the human aspects of the merger should be managed.

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