Human Resources Best Practices During a Merger

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Although mergers do fail for financial and economic reasons, human factors—the proper management of the people involved—are increasingly being found responsible for such failures. Not only is a strategic fit of the organizations important, but also cultural compatibility and the way in which the integration process is managed are vital to the success of the operation. The literature consistently highlights the following HRM best practices during a merger.

Human Resource Managers Play a Key Role in Early Merger Discussions

When senior HR personnel are included at the strategic decision-making level, organizations better understand the human implications of the merger. Studies indicate an increase in merger success when corporate cultures and people issues are considered (Pappanastos, Hillman, and Cole 1987). HR staff should conduct cultural audits to ensure that the organizations are compatible. If there are discrepancies in management styles, corporate values, or organizational structures, HR practitioners can provide recommendations as to how the companies can overcome their differences and establish a common culture.

The Organization's Human Resources Are Evaluated Prior to Integration

Evaluating each organization's human resources prior to integration is cited as another way of increasing the chances of merger success (Pappanastos, Hillman, and Cole 1987). Firms that conduct quick assessments of their human resources are in a better position to identify 'keepers' in the organization and determine what actions will be necessary in order to retain talented individuals. This process also allows HR practitioners to identify gaps in talent and nurture employees through training and coaching so that management succession is not impeded.

Communication Is Increased during and after the Merger

Research indicates that there should be more and regular communication during and after the merger event (Pappanastos, Hillman, and Cole 1987). Organizations should 'aim to inform all employees at the same time, concurrently or in advance of any press release or radio announcement' of merger plans (Cartwright and Cooper 1992, 103). This will avoid the negative effects of rumours and gossip which tend to distort or misrepresent reality and lead to unproductive behaviours. HR managers must be prepared to explain openly what the company plans to do and what the effect will be on workers (Davis 1989)' Open and honest communication ensures that employees understand the reasons for the merger, the new direction and values of the organization, and their role in the new company.

Employee Assistance Programs Are Used to Reduce Stress

Employee assistance programs are effective in reducing stress and helping employees cope with merger-related changes (Pappanastos, Hillman, and Cole 1987). Counselling during mergers provides opportunities for all employees to rethink career options and preview alternatives for the future. It can also help employees distinguish the real effects of a merger from the imagined ones and clarify their own career aspirations and requirements.

Employees Are Informed about Downsizing and Staffing

Information about downsizing should be openly and honestly communicated as soon as possible. Research suggests that employees experience more stress and anxiety when they are uncertain about their future (Hunsaker and Coombs 1988), with a resulting decrease in morale and productivity and an increase in turnover and absenteeism (Pappanastos, Hillman, & Cole 1987). Keeping employees informed as decisions are made about staffing requirements will also ensure management's integrity and credibility.

HR Personnel Are Facilitators in the Development of a New Organizational Structure

Historically, the most unsuccessful mergers have suffered from unclear relationships and a tendency to change already vague, poorly defined reporting relationships (Pappanastos, Hillman, and Cole 1987). It is vital, then, that HR personnel ensure that a new organizational structure is developed and that clear well-defined reporting relationships are established as soon as possible.

References

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Julie Anderson has written a paper on people management during mergers and acquisitions, from which this information sheet is extracted. An edited version of her paper will be published by IRC Press in early 1999.