

The Role of Human Resources as a Business Partner in the Execution of Effective Change Management in the Mergers and Acquisitions Process

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ABSTRACT

The purpose of this paper was to examine the role of human resources in carrying out effective change management during the mergers and acquisitions process while also identifying the elements necessary to carry out such change efficiently. This qualitative study begins by providing an overview of the increase in M&A activity over the past twenty years and the high failure rates associated with that. It touches on the reasons for these high failure rates being attributable in large part to cultural mismatches and a failure to address the softer issues of M&As. The literature reviewed provides a concise overview as to the concepts of corporate culture and its role in the change process, change management, the evolving role of HR as a strategic business partner and the performance management process. A mono-method of semi-structured interviews was undertaken for the purpose of collecting primary data with the areas examined in the literature forming the foundation for the line of questioning.

The interviews centred on the themes of change management, corporate culture, HR as a business partner and M&As. Eight interviews were conducted in total, six with HR professionals and two with non-HR professionals so as to provide a more rounded perspective as to the role of HR and the elements contributing to M&A success. The findings indicate that strong leadership at a local level is the key to effectuating change with HR playing a central role in identifying who those key players are while also working with management to formulate a robust, consistent, detailed and structured communication plan that appeals to the individual at every level of the organisation thus linking individual goals with organisational goals.

INTRODUCTION

The past twenty years have seen rapid technological advancements coupled with increased globalisation (Armenakis and Harris, 2009 cited in Appelbaum *et al*, 2012, p.764). To gain competitive advantage and adapt to the modern business world organisations are radically modifying their structures and systems (Barratt-Pugh, Bahn and Gakere, 2013, p.748). M&As allow organisations to adapt by gaining new products, market share, profitability, strategic capabilities and entrance to new geographical regions (Weber, Oberg and Tarba, 2014, p.1).

M&A activity has remained steady yet failure rates stand at around 60-75% (Deutsch and West, 2010, p.3). Addressing corporate culture is an area that tends to be overlooked with softer issues such as communication and individual employee roles being ignored (Barratt-Pugh, Bahn and Gakere, 2013, p.748). See Figures 1 and 2. Culture refers to a shared set of values and norms that fosters a sense of community and is unique to each organisation (Bijlsma-Frankema, 2001, p.194). Schraeder and Self (2003, pp.517-518) put forth that involving HR from an early stage to formulate a "solid people plan" leads to higher success rates. Thus this research sought to examine the following:

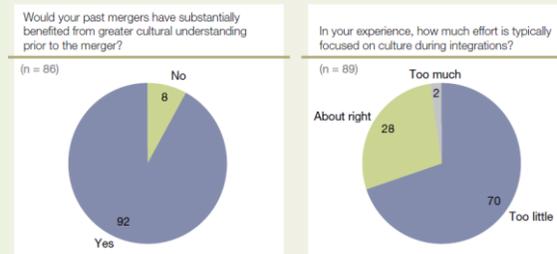
The primary research question:

➤ **How central to the success of mergers and acquisitions is collaboration with HR in the integration of two corporate cultures?**

The sub-research question:

➤ **What are the elements of effective change management?**

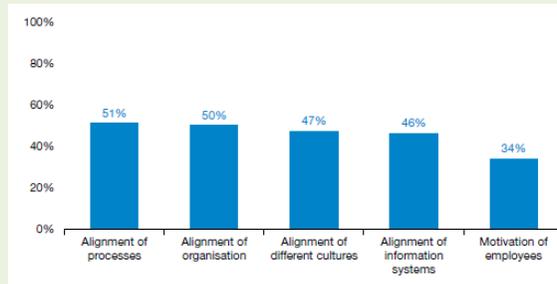
FIGURE 1: THE NEED FOR MORE ATTENTION TO CULTURE



SOURCE: 2009 Post Merger Integration Conference Survey (New York and San Francisco combined)

Source: Deutsch and West, 2010, p.5

FIGURE 2: TOP 5 CHALLENGES TO INTEGRATION



Source: Pricewaterhouse Coopers, 2009, p.19

METHODOLOGY

Participants and Method: Eight semi-structured interviews were undertaken with six HR professionals and two non-HR professionals. Four of the interviewees had experienced M&As while all of the interviewees had experienced some kind of change initiative. Non-HR professionals were interviewed so as to provide a more rounded perspective.

Design: Based on the literature reviewed and the nature of the research questions the line of questioning centred around four main themes:

- Change Management
- Corporate Culture
- The Role of Human Resources as a Business Partner
- Mergers and Acquisitions

Procedure: Interviews were recorded using a transcription device. Confidentiality and the right to withdraw at any time were communicated in the debrief.

RESULTS

All interviewees stressed the need for a detailed and consistent communication plan. Maintaining momentum through celebrating small wins or in the case of one interviewee focusing on the negatives was also highlighted. All interviewees felt local management was central to effectuating change with HR playing a role in selecting the key influencers and equipping them with the necessary information. No distinct change model arose but all noted that appealing to the individual is critical. Understanding the custom of practice and having a contingency plan in place were also factors of importance. It was recognised that HR is evolving as a strategic business partner but retains its traditional administrative type role.

DISCUSSION

Culture is shaped by the people within an organisation. In bringing two cultures together it is essential to examine the custom of practice within each entity. This allows for a robust communication plan to be put in place whereby the messages being conveyed are clear, concise, consistent and tailored to the organisation. Having such a plan fosters trust within the organisation and kills the rumour mill. Identifying the key influencers within the organisation is vital and it is HR's job to identify those managers who have a lot of clout and to provide them with all of the information they need so as to effectuate change effectively. Thus HR works as a business partner in ensuring the right messages are conveyed to the right people with organisational goals cascaded down through the organisation.

CONCLUSIONS

The research established that although HR is not the central actor in bringing about change on the field it is the brains behind the operation. HR examines the soft aspects of each side, identifies potential problems and formulates a plan for integration that is then communicated to all managers.

To carry out effective change management it is necessary to have a detailed, structured, clear, concise and above all consistent communication plan that incorporates how each side does business. This fosters a relationship of trust among employees and management thus facilitating the change effort.

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