

VALUE ADDED ANALYSIS GENERATED BY HUMAN RESOURCES MANAGEMENT IN PROCESSES OF MERGERS AND ACQUISITIONS OF COMPANIES

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ABSTRACT

This paper presents the financial and economic coordinates of mergers and acquisitions practices applied in developed countries and the role of human resources management in the post merger integration process. Mergers and acquisitions are not performed by chance. Performance is based on financial management principles, value adding objectives, and advantage and synergy arguments. Each company has its own values and activities, facts making post merger integration (PMI) complex and sensitive. Most mergers fail to meet expectations. It's not about finance, technology or too ambitious strategy but the unsatisfying way in which companies involved are effectively combined. The failure of mergers is usually caused by problems related to human resources management: loss of key employees, different organizational cultures, the factor fear-uncertainty-doubt and poor communication and interaction between the employees of the merging companies.

The objective of this research is to highlight the importance of HR management strategy as a key element in determining the success of a M&A process as well as the impact on added value.

KEYWORDS: *mergers and acquisitions, human resources management, post merger integration, synergies, organisational culture*

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The choice of such a research subject took into account the growing interest of board members and executive management towards the technical procedures implied by a post merger integration process (PMI). We have noticed that between the processes of M&A in Romania and the processes carried out in the developed economies are major differences.

The national law imposes the use of mergers as a method of restructuring capital and not as an external development method for companies, contrasting the policy of developed countries that encourages the holdings and corporate governance. The Romanian practices neglect the organizational culture in favor of a detailed analysis of systems and business processes. In Romania, the law reform in finance and economics fields regarding the mergers, splits and winding up of companies only refers to merger with winding up the absorbed company and consolidation with the winding up of the combining companies in order to form a new company. Consequently, the national laws lead to the use of mergers for reorganizing the equity, not for the external development of companies through mergers and acquisitions. This is the difference between mergers with winding up of the *acquiree*, in Romania, and mergers with turning the *acquiree* into a subsidiary, in United States.

Losing the *acquiree's* independence doesn't mean it's winding up but can mean only losing the right to take business decisions, which are taken at corporate level.

Scientifically demonstrating the utility of HR management strategies in PMI as key elements in achieving the objectives might provide a solution. The link between HR management and the success of merger / acquisition processes is *the actual post-deal performance rate*. More specifically, we are to demonstrate how development strategies, market position and identified synergies can be stimulated by HR management and how it contributes to the value added in post-deal phase.

The research should highlight the importance of HR management strategy as a key element in determining the success of a M&A process as well as the impact on added value. Starting from the idea that HR management is meant to add value to an entity and the success of M&A processes consists in maximizing the potential gains from synergies, we will determine the effects of HR management strategies in PMI processes. The hypothesis is that these effects are reflected not only in achieving the expected performance and in growth of performance rate, but also in market value increase due to PMI. Subsequently, we will attempt creating a HR management model to maximize synergistic effects especially in case of crossborder M&A where different organizational cultures may be a barrier to performance.

Creating a model to such a process, which intuitively we consider to be in direct proportionality, we consider it relevant as M&A are motivated by potential post-deal synergies and by maximizing the synergistic effects. Some foreign researchers have had similar endeavors to show how HR management processes influences the success of M&A, without, however, analyzing the added value it brings to the company and without establishing specific parameters to follow in order to achieve a successful integration.

The methods used shall include surveys, questionnaires, comparative analysis, case studies. In order to ensure completeness of the information we consider companies by following criteria: listed / nonlisted, production / services, national / multinational, with one / more experience in PMI. Respondents will be managers and experts with at least 5 years experience in medium and large companies that have experienced a process of M&A. To be able to extract relevant conclusions we will review investment decisions, forecasts of synergies, corporate strategy, integration planning, post merger yields generated. We will proceed in performing a comparative study based on the information obtained. In this point we will extract conclusions on the research topic and them shall be compared with existing theories for external and internal validation of the assumptions.

The research results will describe the influence of such HR management strategies in the PMI process over companies' performance, over determining the success of M&A and, especially, will describe the HR management strategy to follow in order to maximize the added value generated by synergies. The research results will be an essential argument in favor of establishing and reinforcing the HR management's position as a key element in determining the success of M&A.

Synergies do not magically materialize. By definition, they are possibilities, not certainties. Yet far too many acquirers persist in thinking that by describing certain possibilities, the synergies will appear once the deal is closed—as if to talk about them is somehow enough to make them come to pass. In practice, it takes work and commitment to identify and capture maximum value from synergies. They must be rigorously targeted, pursued and tracked by the right people, the right systems, the right process, and at the right

time. Only then do synergy opportunities become real benefits—and only then can deals be truly successful.

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