HUMAN RESOURCES POST MERGER INTEGRATION IN ROMANIA - A COMPREHENSIVE VIEW ON SATISFACTION OF EMPLOYEES ON DIFFERENT HIERARCHICAL LEVELS OF SUCCESS OF INTEGRATION

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ABSTRACT

Driven by a philosophy of shareholder value, mergers and acquisitions form a new economic, social and cultural environment. It is only by a profound understanding of the factors of success that they are able to improve transaction management and create new economic values.

In this paper we focus on the role of the HR department during merger integration, a role that is more challenging than others. We present a survey among 155 employees in over 50 companies in Romania, in which we tried to present a comprehensive view on satisfaction of employees on different hierarchical levels of success of integration policies conducted post merger / acquisition. In addition, this report includes information on risk areas identified that need to be addressed in the next period to cover the results and conclusions of this approach.

KEYWORDS: *Mergers, acquisitions, integration, human capital, survey*

Introduction

At the beginning of the new millennium, mergers and acquisitions (M&A) worldwide are still radically changing the corporate landscape, owing to their rapid growth in transaction numbers and volume. Managers and M&A advisers have to respond to increasing globalization and new technological challenges, in particular in the areas of information and communication, as well as to the opening and deregulation of many markets. Driven by a philosophy of shareholder value, they form a new economic, social and cultural environment. It is only by a profound understanding of the factors of success that they are able to improve transaction management and create new economic values.

Romania was also a part of this global wave of mergers and acquisitions either as a result of foreign investments in local economy, or was it to adapt to market realities. Such an approach often hides the risc of failure to generate value for the shareholders and very often, the difference between success and failure when it comes to integrating a company stays in one seconds of inattention or hang on a seemingly inconsequential decision. Among the key success factors in any integration process include: a project manager with experience in post-merger integration, an integration plan agreed by all parties involved and well-tuned in terms of objectives, the terms proposed, and the designation key individuals or working groups to facilitate integration of various aspects: human, organizational, operational, external relations, financial.

Human Capital Integration

To better understand the key success factors in an integration process, we must first understand the reasons why most M&As failure to generate added value for their shareholders. According to s study of Thompson Financial 83% of the failures in M&As

integration are due to the failure in human resurces integration. Many organizations ignore or pay little attention to HR integration because it appears so difficult to manage. Instead, they focus on the supposedly more tangible kinds of integration, those that involve operations, equipment, systems and procedures. But achieving and sustaining full integration requires the companies to make clear connections among changes in people, culture and strategy. When a company can leverage processes in all its organizational areas, it can accelerate its achievement of a tangible and pragmatic organizational integration.

But what is the role of the human resources department during merger integration? The role of the HR department is more challenging than others. Although there are no easy roles in merger integration, there are some functions that bear more responsibility for overall integration success. HR must not only integrate it's own shop but also perform two other demanding role simultaneously: specifically, a strategic role for enterprise-wide integration and a support role for business units in transition. Although the HR function performs multiple roles dring M&A efforts, this should be no excuse for poor performance.

In 2006 Greenspan pointed out that many failure reasons in M&As integration can be traced „to the exclusion of human resources professionals in the pre-deal planning phase and the function's last minute inclusion after the transaction has closed. It's a classic case of too little, too late".

Most of the times, the senior management is to blame for this failure because the HR department is minimally involved in anything other than such core fundamentals as payroll processing and benefits administration. The most important decision in integrating the HR function is the first HR decision.

In other deals, the HR function never seems to get out of the blocks. Integration planning is weak and haphazard. Deliverables are late, inaccurate, and out of scope. Leaders are so busy fighting fires, they are never able to engage with the prevailing issues.

In still other deals, HR staff members do not have enough knowledge about the core business to be able to provide objective counsel and in others they effectively address the basics (compensation, staffing and benefits) but end up providing unimaginative and highly tactical solutions that do not take account of the new strategic realities of the organization.

If the greatest difficulties in most mergers are people, the HR function, backed by a supportive and proactive senior leadership team, has the greatest ability to influence integration results in a positive direction – if the people in HR know how to perform that vital work and are allowed to do so.

Perhaps more than most other functions involved in merger integration planning, HR has priorities that fall clearly into two distinct phases. The initial transition responsibilities include organizational structure, selection, deselection and staffing, compensation, benefits and retention. The responsibilities for full integration include rationalization and alignment of all the acquired company's organizational and HR processes to more directly support the business objectives of each company. Even HR departments that are fully and effectively engaged in the tasks of the first phase have tipically been unable to make a meaningful impact through the tasks of the second phase. Increasingly, however, organizations are implementing a more strategic HR focus and discovering the far-reaching impact of HR on merger integration and on organizational results.

The survey

To get a clearer picture on how the post-merger cultural and human resources integration was done in mergers and acquisitions in Romania we made a survey among 155 employees in over 50 companies in which we tried to present a comprehensive view on satisfaction of employees on different hierarchical levels of success of integration policies conducted post merger / acquisition. In addition, this report includes information on risk areas identified that need to be addressed in the next period to cover the results and conclusions of this approach.

Method

The measure of employee satisfaction was the questionnaire tailored on initially strategic focus of post-merger integration. The questionnaire consists of 55 items measuring 11 dimensions of satisfaction at work. All eleven dimensions consist of multi-item scales scored on a four-point Likert format: comunication and collaboration (6 items), career and promotion opportunities (5 items), engagement and loyalty (7 items), financial aspects (4 items), general work satisfaction (6 items), leader /immediate supervisor (6 items), learning and development (3 items), rules and procedures (7 items), work-life balance (4 items), work content (3 items) and work environment (4 items). Two of the dimensions, financial aspects and leader /immediate supervisor, included one multi-choice item each allowed the respondent to choose from a proposed list of options maximum 5 of them in order to answer to the item.

The means, medians and standard deviations of the 11 satisfaction dimensions were computed. The internal consistency reliability (coefficient alpha) was computed for all multi-item scales. A factor analysis was run to confirm the items loadings on the initially agreed dimensions. For three of the eleven dimensions, financial aspects, leader /immediate supervisor and learning and development, data were not normally distributed, so we used the medians instead of means in the interpretation of the results.

Response rates

The responses to the questionaire were grouped in three categories consistent with the initial design of the study. The categories are age, tenure in the company and organization level as in position in the company.

Response rates by age

Tabel 1

Age	Actual		Answered		Answer Rate
	Number	Percentage	Number	Percentage	
Less than 25	42	18.01%	36	16.44%	53.87%
Between 25 and 30	39	26.96%	37	26.45%	57.91%
Between 30 and 40	36	27.47%	32	27.11%	58.24%
Between 40 and 50	28	16.56%	27	15.42%	54.96%
More than 50	10	11.01%	7	9.75%	52.25%
No response				4.83%	
TOTAL	155	100.00%	139	100.00%	

Response rates by tenure

Tabel 2

Tenure in company(years)	Actual		Answered		Answer Rate
	Number	Percentage	Number	Percentage	
Less than 1 year	45	30.36%	43	26.56%	51.69%
Between 1 and 3 years	31	22.40%	30	21.85%	57.66%
Between 3 and 5 years	37	16.16%	35	16.47%	60.23%
Between 5 and 10 years	19	7.90%	16	8.62%	63.44%
More than 10 years	23	23.18%	21	21.67%	55.22%
No response				4.83%	
TOTAL	155	100.00%	145	100.00%	

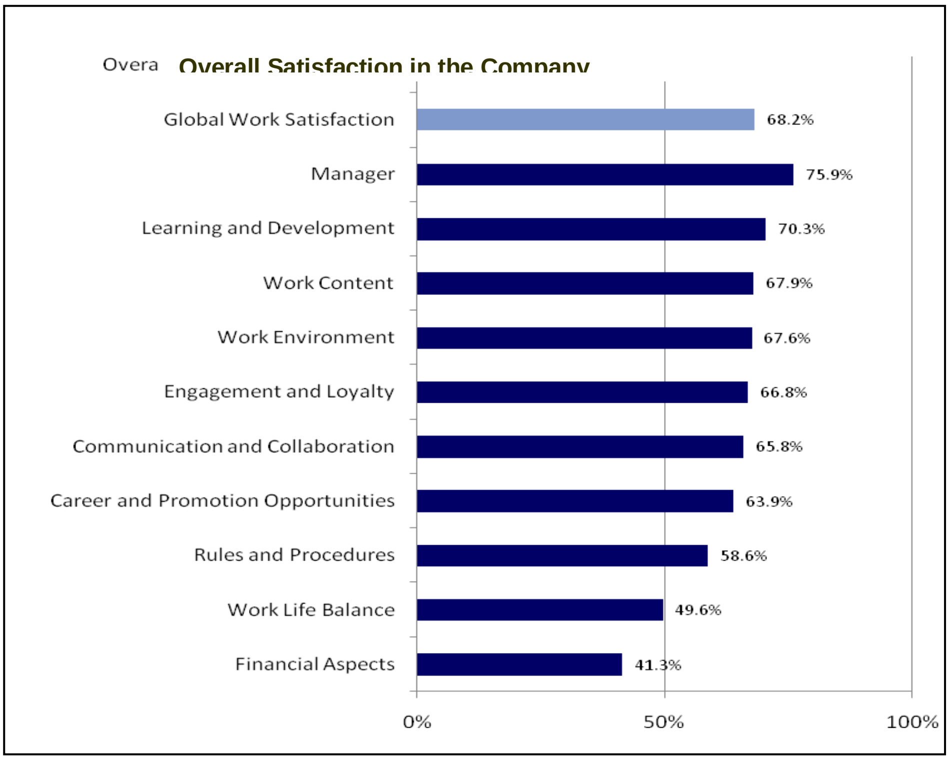
Response rates by organization level

Tabel 2

Organization Level	Actual		Answered		Answer Rate
	Number	Percentage	Number	Percentage	
Top Management (Directors and up)	18	1.52%	16	2.00%	88.89%
Middle Management (Coordinators, Managers	41	13.84%	36	17.23%	87.80%
Staff	96	84.64%	93	75.94%	96.88%
No response				4.83%	
TOTAL	155	100.00%	145	100.00%	

The results

The general level of work satisfaction among employees on an overall Bank level is of 63%. This level of satisfaction should be interpreted as moderately high. The Global Work Satisfaction index is 68%. The difference between the two values indicates that employees feel less satisfied on particular, detailed questions than if asked explicitly about their satisfaction. The difference is not very significant, though.



There is a moderately high reported rate of commitment on the part of the employees; the average level is of 67%. The two top ranked dimensions are: satisfaction with the immediate supervisor/ manager (81%) learning and development opportunities that the company offers its employees (78%). This is particularly important, as the two dimensions above are typically critical in determining employee retention. The aspects that ranked lowest and therefore need to be addressed are: work-life balance (50%) the financial aspects (40%) the system of rules and procedures in the company (59%).

The top 2 dimensions are drivers for employee satisfaction and commitment, as opposed to the bottom 3, which are, on the contrary, indicators of risk related to:

- Declining productivity
- Low commitment
- High staff-turnover rate
- Increasing costs related to new hires

Satisfaction level varies significantly between the various dimensions surveyed. Satisfaction level within several individual dimensions varies significantly in its turn when analyzed across the different demographic groups.

We have provided context information for such variances as those mentioned above, so that the root cause of the variance is visible and clear. One of the segments in greatest need to be addressed based on the results is the segment of employees of 3 to 5 years tenure in the company; in many cases it is this segment that reported the lowest level of work satisfaction. 25% of employees across all levels of the organization reported their intention to leave in the upcoming year. The highest risk segment is at the same time the most productive talent – people who have been in the organization for 1 to 5 years. This segment shows the highest intention to leave rate (27%). Even though the two percentages could be perceived as not significantly different, special attention needs to be paid to the most productive group. The replacement cost of such employees can be significantly higher than that of other groups. The needs and expectations of this group should be considered with special attention when designing succession and retention programs.

86% of total respondents reported feeling personally attached to the organization and 89% declared themselves proud to be part of their comapanies. 70% state that they are confronted with very high level of stress at work.

Conclusions and recommendations

The companies should build the mindset among managers to pay increased attention to developing their employees, to seeing them as people not only as professionals. This enhanced people orientation is expected to increase subordinates' commitment and productivity in the new structure. They should continue to invest in training and developing the workforce and to implement programs tailored to meet the specific requirements of the various working groups. The managers should address the correlation with the low level of satisfaction with career and promotion opportunities, there is a need for several attraction and engagement actions:

To address the workforce migration and to increase retention the companies should consider creating personal development plans (PDPs) and align PDPs with organizational roles and goals. The should chart clear and transparent career paths and provide transparency around available positions.

Another important aspect of every merger or acquisitions is the knowledge transfer. This transfer works both ways and it can be fostered by enabling career mobility to allow individuals multiple experiences, preferably in multicultural environments. This will ensure the proper knowledge transfer on the one hand and, on the other hand, will increase the retention of the key employees in the acquired company. Furthermore, the HR managers should ensure that the workplace is open to the application of skills developed.

It would be useful to analyze the correlation between Global Work Satisfaction and its drivers, on one side, and real voluntary turnover on the other(not only intention to leave). It was not within the current exercise scope of work to analyze voluntary turnover, therefore the study does not have data on this topic. Exit interviews would bring light into the weighting of factors generating satisfaction and factors determining voluntary turnover, especially if voluntary turnover affects business critical roles and/or top talent. Depending on findings from such an analysis, top talent accelerated development programs could prove appropriate.

Task diversification could be used to lower the work content dissatisfaction, as well as to help the employees gain new skills by being put in new social and professional situations. Since affective commitment is a measure that has a direct impact on the job involvement and job performance, measures to maintain the level of attachment to the company could be implemented and communicated as such. Also, considering the age structure in the companies' trend to renew, they could consider approaching their workforce with both monetary and non-monetary rewards strategies (including: employees reward, flexible working time, career customization opportunities, exchange programs with various units in the group) to sustain all forms of commitment and to increase attraction and reduce attrition of the workforce.

One of the biggest problems in HR post-mergers integration is the retention of the key employees and of those with the highest growth potential within the company. Thus, the managers of the resulting structures should identify and pay special attention to top performers and high potential employees, with a focus on employees of 1 to 3 years experience in the company. At this point in their careers employees begin to gain security in their knowledge and skills and consequently they develop willingness to assume more responsibility. Since promotion is not a feasible option for all employees, the companies could focus on other career development opportunities, like trainings. The companies need to put in place a detailed training procedure focusing on courses for both core technical, and also non-technical and soft skills. Employees, especially young ones, may manifest intention to leave if they feel that their learning needs are not properly met or that the knowledge acquired has too narrow a field of application.

Create a job shifting system by which employees will be trained to perform two jobs in the same or in similar fields. The training costs involved are compensated by such benefits as:

- Employees having a more in-depth understanding of the production processes
- Avoiding routine work
- Satisfying employees' learning needs
- Enabling one employee to assume the tasks of a colleague should this latter be temporarily unavailable
- Enabling more rapid transfer of knowledge in situations where employees leave the organization

The transparency ranks second as the most critical issue to be addressed in the integration process. It is very important that the employees are made aware of the strategic focuses of the new management. Measures should also be implemented in order to make the decision and information flow within the company simpler and more transparent. Optimizing rules and procedures can lead to increased productivity; therefore this is one of the areas that need to be prioritized.