

A Practical Perspective on Human Capital Post Merger Integration in Central and Eastern Europe

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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 success factors in mergers and acquisitions that they are able to improve transaction management and create new economic values.

In this paper we focus on the perception of employees on a merger or acquisition, the impact it has on the new organization and what should be further done by the management team in order to ensure that critical employees are kept within the organization. We present a survey among 146 companies in 6 countries from Central and Eastern Europe that have experienced mergers or acquisitions in the last 5 years, in which we exhibit a comprehensive view of employees' satisfaction on different hierarchical and demographic levels on the success of integration. In addition, this report includes information on risks identified that need to be addressed in the forthcoming period, especially by the organizations included in this survey, to cover areas that have been overlooked or that have been insufficiently addressed in the run to integrate faster.

Keywords: *Mergers, acquisitions, integration, human capital, survey, factors, items.*

JEL classification: M12.

Introduction

Over the past 40 years, global mergers and acquisitions market followed rather a cyclical pattern, the increase in the volume of mergers or acquisitions had an average length of four years, followed by a similar reduction in the number of transactions. Projections show that from 2007 until the end of this decade, the number of mergers and acquisitions in North America, Europe, Middle East and Africa will continue to decrease in terms of volume whereas the number of transactions in Asia Pacific will increase slightly.

Although it is expected to assist to fewer transactions in the near future, the average size of a transaction will continue to grow fast paced. At the same time, the larger the transaction, the more risks will be involved, especially human resources associated risks. The most common reason underlying the failure of a merger or

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acquisition is related to human factors and ignoring these issues has many negative implications on a medium and long term (Barner, 2006).

The human capital in a merger or acquisition is often overlooked as not being considered a strategic element. Decisions on the execution of a merger or acquisition are usually determined by factors such as market share, entering new market niches, product strategy, and in most cases, financial considerations.

The human resources perspective of mergers or acquisition has been insufficiently explored in literature and in practice to express a convincing recipe for the success of a merger or acquisition. The research focused on explaining the success of mergers and acquisitions have traditionally been oriented toward strategic and financial factors, while human resources and cultural implications were often ignored.

To better understand the key success factors in the integration process, we must first understand the reasons why most mergers and acquisitions fail to generate added value for their shareholders. According to a study from Hewitt Associates cited by Galpin and Herndon (2007), „the way HR issues are managed right from the beginning will determine the level of success or failure after the M&A is completed”. However many organizations ignore or pay little attention to human resources integration, mostly because it is the most difficult one to manage.

But what is the role of the Human Resources department during merger integration? The role of the Human Resources department is a bit different than others and plays a crucial role in the overall integration success. That is because the Human Resources department is responsible both for its own integration and for a smooth transition of the other departments.

In 2006, Greenspan pointed out that many failure reasons in mergers and acquisitions 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”.

If the greatest difficulty in most mergers is people, the Human Resources department can play a crucial strategic role and positively influence the outcome of the integration process, resulting in creating added value for the shareholders (Becker, 2001).

In order to have a better perspective on human resources and cultural integration in mergers and acquisitions in Central and Eastern European we have conducted a study among 1.460 employees in 200 companies in Central and Eastern Europe, companies that have experienced mergers or acquisitions in the last 5 years. In this study we have analyzed the satisfaction level of employees on various hierarchical levels on the success of post-merger integration policies. In addition, this study includes information on risk areas identified that need to be addressed in the forthcoming period by the organizations included in the research

The conclusions have been further integrated into the recommendations made to these organizations to improve employee satisfaction and also to develop a model for human capital integration where the key areas are addressed early in the integration process

1. Method used

1.1. Research Design

Research design was based on both a theoretical approach, using existing research available on the companies included in this study, and also on a methodological approach, based on the quantitative and qualitative data and their analysis in parallel.

The qualitative research was represented by unstructured, detailed interviews, and the quantitative research was based on a specially designed questionnaire. The data collected was further tested by the fact that regular employees (staff level) and managers, part of different demographic categories (age, work experience, tenure in the organization) were included in this study and questioned on the same socio-cultural integration issues for an honest and objective reflection of the situation.

The research was therefore centered on two components, a qualitative and exploratory component, consisting of detailed interviews with five human resource managers in Romania, with an average length of 30 minutes. The sample intentionally left statistically untested in terms of representation has been selected on the basis of judgment sampling, choosing the participating in this study so that we would get a complete and realistic picture of the process and practical success of human capital integration in a merger or acquisition. These interviews led to valuable information on future research directions, highlighting the strengths and weaknesses in our initial research design. Through the qualitative research, we have also obtained valuable information on the availability of managers or business people to provide certain data, limiting the non-response rate to the survey. Additionally, we have improved the design of the questionnaire based on the interviews held with human resources managers.

1.2. Scale used

The quantitative research used a Likert scale (by R. Likert, 1931), summative scale, which measures the level of agreement or disagreement of one respondent with a certain aspect. The scale used in this quantitative research was designed in four steps (totally agree, partially agree, partially disagree, totally disagree) to restrict the possibility of respondents to declare themselves neutral on the issues observed and measured in this survey.

For the summative type scale, all indicators have equal importance in terms of power to reflect the properties of the studied phenomenon, which allows the development of general indicators (scores). The scale is achieved by a single collection of information and the subjects were asked to express their agreement / disagreement with each indicator introduced in scale.

In addition, the internal consistency was analyzed by calculating Cronbach Alpha coefficient.

1.3. The questionnaire

The instrument used to measure employee satisfaction was the questionnaire adapted to the initial assumptions and qualitative interviews conducted with the human resource managers selected. The questionnaire consisted of 78 questions, grouped into 10 dimensions (factors or items) used to measure employee satisfaction regarding the success of the integration in a merger or acquisition. All ten dimensions contained multiple-choice questions with four possible answers, translated into numbers for analysis purposes, using the following rule: totally agree – 3, partially agree – 2, partially disagree – 1; totally disagree - 0).

The following factors were used in our research:

- Loyalty – this factor measures respondents loyalty to the new organization resulted from the merger / acquisition (20 questions).
- Financial aspects – this factor measures respondents satisfaction with the monetary and no-monetary rewards, compensations and benefits they receive after the merger / acquisition (3 questions).
- Management Quality- this factors refers to the perceived level of quality among respondents in terms of collaboration with their immediate manager / supervisor and how the quality of management has changed after the merger / acquisition (13 questions).
- Communication – this factor measures the satisfaction of respondents with the information that is disseminated in their organization, its frequency, relevance, sufficiency, also the way they communicate with their peers and with the management team (6 questions).
- Work Content – this factor measures the satisfaction that the respondents feel from their works and also their satisfaction with roles and responsibilities set in the new organization resulted from the merger / acquisition (8 questions).
- Work-Life Balance – this factor investigates the balance set for a respondent between the work volume in his new organization and the spare time left for personal aspects (4 questions).
- Development Opportunities – this factor refers to the opportunities available to a respondent to develop professionally in his organization, after the merger / acquisition, through specialized trainings and development programs (2 questions).
- Client Orientation – this factor measures the quality of services provided by an organization for its customers after the merger / acquisition, as perceived by the respondents in this study (8 questions).
- Career and Promotion Opportunities – this factor investigates the career advancement and promotion opportunities available to a respondent in his organization after the merger / acquisition (7 questions).
- Organizational Culture – the organizational culture reflects respondents' beliefs and behaviors in the new organization (7 questions).

1.4. Sampling

The total population in our research covers all major organizations in Central and Eastern Europe that have experienced mergers or acquisitions in the last 5 years (about 75.000 after Bureau van Dijk - Amadeus).

The sample chosen in our survey was 200 companies in Central and Eastern Europe from the countries with high volume of mergers and acquisitions (Romania, Czech Republic, Poland, Hungary, Ukraine, and Russia). The number of companies in this study was selected based on probability sampling, using a random number generator, representative for the population studied.

Based on probability sampling, multistage cluster selection, 200 companies from the countries mentioned above were selected from the relevant industries so that the conclusions could be extrapolated and generalized to the entire population.

Out of the 200 organizations included in the survey, 146 responded to this study, representing a response rate of 73%.

1.5. Selection criteria for the companies

The conditions taken into account when selecting the companies in the quantitative research were the following:

- Company had to be located in one of the above mentioned countries.
- The number of employees for each company had to be greater than 250.
- The number of managers for each company had to be greater than or equal to 5.

In addition, another selection criterion for the organizations selected in this study was imposed, namely the industry. This additional criterion was used to ensure the sample is stratified and representative.

1.6. Selection criteria for the participants

Out of the total population we have extracted a stratified sample of approximately 2.190 participants. The criteria considered in selecting the participants were the following:

- Hierarchical level within the organization (management, staff level).
- Age.
- Tenure in the organization.

A total of 1.460 valid questionnaires were collected at the end of the survey, representing a response rate of 66.6%.

1.7. Data analysis

Data collected was analyzed using SPSS 16. Mean, median and standard deviation were computed for each of the ten dimensions considered. Data consistency (alpha coefficient) was computed for all ten dimensions. A factor

analysis was also performed to confirm the loading of the 78 questions on the 10 dimensions (10 factors) initially set.

Respondents' level of satisfaction in respect to one factor or to one item can be expressed in absolute value (0 to 3, 0 representing the minimum level of satisfaction and 3 the maximum level) or as a percentage (between 0 and 100%, with 100% representing the maximum level of satisfaction).

1.8. The results

The overall level of satisfaction for the respondents participating in this study was 62.4% and should be interpreted as moderate. The first two dimensions in terms of satisfaction are Client Orientation (84.4% satisfaction level) and Management Quality (78.6% satisfaction level). The respondents feel that the services provided to the customers are fairly improved as a result of the merger / acquisition. Also, the collaboration with the management team is not, on average, perceived as a critical issue by the majority of respondents.

The aspects that ranked lowest and therefore need to be addressed with priority are: Organizational Culture (43.0%), Financial Aspects (45.3%), Professional Development Opportunities (47.8%) and Work-Life Balance (50.3%). This is particularly important, as the last four dimensions above are typically critical in determining employee retention.

Figure 1 Overall results of the study (overall satisfaction for each factor in this study) - %



Source: Data collected from the survey

Table 1. Satisfaction for each Factor by Hierarchical Level, Age and Tenure (%)

Factor	Satisfaction by Hierarchical Level - %		Satisfaction by Age (years) - %					Satisfaction by Tenure (years) - %				
	Management	Staff	Less than 25	Between 25 and 30	Between 30 and 40	Between 40 and 50	More than 50	Less than 1	Between 1 and 3	Between 3 and 5	Between 5 and 10	More than 10
Client Orientation	83.4	85.4	82.1	82.4	83.1	87.9	87.1	82.3	77.9	75.4	78.6	81.8
Management Quality	76.6	69.6	79.0	75.9	78.4	82.1	80.7	77.1	71.9	69.8	72.8	78.1
Loyalty	78.5	69.3	74.4	74.5	78.8	84.0	81.2	73.4	74.4	77.7	82.6	84.9
Communication	72.3	69.6	79.0	75.9	78.4	82.1	80.7	80.3	74.9	79.4	81.1	80.4
Work Content	67.3	63.0	64.6	64.8	68.5	70.8	71.5	68.3	65.7	66.1	68.5	71.2
Career and Promotion Opportunities	66.5	62.8	63.0	59.9	62.4	66.1	64.7	66.1	63.2	59.3	62.7	64.6
Work-Life Balance	51.0	49.7	50.6	59.3	60.5	63.2	63.0	62.4	59.3	56.5	57.2	61.1
Professional Development Opportunities	48.6	47.6	44.4	44.5	48.8	51.2	50.3	49.2	46.7	43.4	48.9	50.9
Financial Aspects	49.2	41.5	42.5	38.0	46.6	52.5	51.5	52.5	44.3	38.0	46.3	50.1
Organizational Culture	44.0	42.0	64.6	64.8	68.5	70.8	71.5	68.3	65.7	66.1	68.5	71.2

Source: Data collected from the survey

The top two dimensions listed above have marginal importance in determining the overall satisfaction and commitment for the employees, as opposed to the bottom four, which are, on the contrary, indicators of risk related to (Gallos, 2008):

- Declining productivity.
- Low commitment.
- High staff-turnover rate.

Satisfaction level varies significantly between the various dimensions surveyed. Satisfaction level within several individual dimensions varies significantly in its turn when analyzed across 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 most affected by the merger or acquisition, based on the results of this survey, is the segment of employees of 3 to 5 years tenure in the organization; 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 pool – 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 this group, which is the most productive. The replacement cost of such employees can be significantly higher than for other demographic groups. The needs and expectations of this group should be considered with special attention when designing succession and retention programs.

2. Results analysis by factors

2.1 *Loyalty*

Productivity, employee morale and performance decline sharply in most cases, across all organizational levels, throughout a period of change, and these changes are usually very abruptly perceived in mergers or acquisitions

As shown in this study, loyalty to the organization resulting from merger or acquisition has different intensity level for employees in different hierarchical levels: management (including middle management) vs. staff level. Loyalty for employees at the lower levels of organization (still with great importance for the success of the new organization) should be addressed with priority, once the new management team has been notified of the new organizational structure and critical employees have been persuaded to remain in the organization. In addition, organizations working in food and beverage industry, constructions, transport, wholesale & retail should address with priority the issues of employee loyalty. For organizations where employee loyalty is an important aspect of integration, addressing first the younger employees issues - those under the age of 25 years or between 25 and 30 years, also employees with less than one year work experience

in the organization or those with experience between 1 and 3 years - would ensure on one hand better retention of these employees in the new entity, and on the other hand would increase their attachment to the organization. Communication messages and employee stimulating practices should target with priority these demographic categories.

2.2. Financial Aspects

Financial aspects are one of the most sensitive issues in mergers and acquisitions and a key differentiator for which employees decide to stay or not with an organization. Remuneration and personnel costs have become increasingly important in recent years, both in practice as well as in academic literature, as a result of increasing weight of personnel costs in total costs of an organization, lack of critical skills on the labor market and therefore the tendency to pay more to get the necessary skills within an organization.

Traditionally, the essential components of the remuneration package were the monetary fix items (base salary, allowances). The change in these monetary fix items was usually determined by external factors, such as macroeconomics and trade unions power and less by the performance of employees within the organization.

This item has the lowest level of satisfaction after organizational culture and therefore can be considered one of the factors determining the success or failure of a merger or acquisition. Generally, the management-level respondents are more satisfied with the financial incentives than staff-level respondents; also younger respondents usually have a lower level of satisfaction than older respondents or than respondents with a higher tenure in the organization.

Several principles should be adopted by every organization that is experiencing a local or international merger or acquisition, in order to transform the existing remuneration system in a retention tool and to motivate valuable employees, regardless of their age or seniority within the acquired or acquiring organization:

- Set and communicate a clear link between overall strategy of the organization, individual performance and remuneration received by each employee.
- Encourage behavior based on performance and results.
- Set a clear distinction between employees with good performance and those with poor performance.
- Pay the job complexity and the performance of employee.
- Implement remuneration based on performance and variable pay for different employee segments.
- Differentiate the benefits package for each employee, according to his preferences and available budget for his level.
- Ensure internal and external equity in terms of remuneration (benchmark remuneration package against similar organizations).

2.3 Management Quality

Management quality has one of the highest levels of satisfaction as opposed to other factors analyzed in this survey. However, the recommendations listed below should be implemented by any organization experiencing a merger or acquisition in order to improve employees' perception about the relationship with the management team in the organization they belong.

Retention of "middle management" must be a priority in the integration phase of a merger or acquisition for all organizations, regardless of the country of origin or industry. Efforts should be intensified especially in the fields of pharmaceuticals and petrochemicals, wholesale & retail, construction, transport. Also, the management of the acquired or acquiring organizations should communicate more with employees younger than 40 years and with those over 5 years in tenure. These categories of employees are least satisfied with the quality of management in the integration phase and an increased attention given to these categories of employees may prove critical to their retention in the newly formed organization.

Often, executives of the acquired company that the acquiring organization wants to keep are asked to sign special contracts to commit themselves to remain in the new company after the takeover. While executive management has an important role in setting the company strategy, middle management is critical for the operational activities of the company. It is important that those middle managers with outstanding performance and key role to be kept within the organization, especially since it is likely that when transaction is announced they will receive job offers from the competition.

2.4 Communication

Communication, as part of change efforts to change, is very important in a merger or acquisition. Such a transaction frequently involves uncertainty, rumors and sometimes tough decisions that change the internal environment of an organization. A clear and constant communication throughout the integration process can provide conclusive answers and may dispel the rumors created. Beyond the search for immediate answers to personal questions, people want to know about the operational situation, sales and marketing, about the new procedures that will be implemented and the financial aspects of the newly formed organization, because these issues have a direct impact on their personal situation. When messages from executives on the direction of the company, the reasons for the merger or acquisition occurs, who is involved in the process, how the integration will take place and the time frame set for achieving targets are not delivered on time, staff perceive leadership, direction and control as nonexistent. In this study, the difference between management satisfaction and staff satisfaction in respect to communication is quite small, therefore the respondents from different hierarchical level perceive communication throughout a merger or acquisition in a similar way (at a rather low level of satisfaction).

Clear, consistent, and frequently communicated messages (at least weekly, or more often), delivered for all categories of employees (including middle management level) on various demographic levels will contribute to the recovery of employees' commitment.

2.5 Work Content

The level of satisfaction for this factor is, in some cases, severely limited by the industry, country of origin, existing regulations etc. We can also conclude here that management level respondents are generally more satisfied with the work they perform than staff level respondents.

What organizations experiencing mergers or acquisitions should do is to diversify to the extent possible the work content for all positions in the organization, avoid repetition of simple tasks and routine, regardless of employee's position. Investment in training programs are also very important, especially for employees younger than 40 years or for those with a lower tenure in the organization, allowing them to develop new skills and to take on new tasks and responsibilities in the newly formed organization.

2.6 Work-Life Balance

This factor has one of the lowest levels of satisfaction. A key aspect is that management-level respondents have a lower level of satisfaction than staff level respondents. In terms of age for the participants in this study, though the level of dissatisfaction increases with age, variations between different age groups (except for employees younger than 25 years) are not very high. In terms of tenure within the organization, again, the variations between different categories of respondents are not high, the minimum level of satisfaction being reached for employees with tenure from 3 to 5 years in the organizations they belong.

In this context, organizations should consider the following recommendations to improve employee satisfaction in respect to the balance between work and personal life:

- Review workload and right size the staff level.
- Establish a clear system of performance-based assessment, which should be clearly communicated throughout the organization.
- Effective communication within the organization, since the first day of the merger or acquisition, of behaviors that are encouraged in the new organizational culture, including those related to working schedule.
- Adequate remuneration of overtime or offsetting the overtime through holidays.
- Addressing issues related to working schedule primarily for the segments of young employees and middle management, so that they will not leave the organization after the announcement of the merger or acquisition.

2.7 Development Opportunities

Development opportunities that an organization provides, especially after experiencing an international mergers or acquisitions, is an extremely important factor for retention of critical employees.

It is very important for organizations that experience mergers or acquisitions, especially international mergers or acquisitions, to develop the following practices related to development opportunities available to the employees:

- Develop a customized training curriculum for different positions in the organization, communicate widely within the organization the training programs available and how to benefit from these programs.
- Put a greater emphasis on professional development and include in the organizational culture the importance of professional development.
- Continue to investment in workforce training and implement customized programs for different age groups and hierarchical levels.
- Create a clear link between professional development programs and career advancement opportunities:
 - Create personal development plans and align personal development plans with the positions and objectives set for the organization, develop clear career paths and increase transparency around available positions.
 - Allow for career mobility programs, where possible.
 - Ensure that the organization is a good place to apply the knowledge acquired and skills developed through training programs.

2.8 Client Orientation

Any merger or acquisition requires a company to become introspective, and this requirement is particularly important during post merger and post acquisition integration. Immediately after the announcement of such transaction, employees of both organizations will be especially concerned with personal problems. Therefore, shortly after a merger, many organizations experience decrease in sales volume, customer complaints relating to their services - in short problems that companies cannot afford. The organization is already in the spotlight; analysts, top managers and middle managers, employees of both organizations, customers - they are all anxious to know the result of the merger or acquisition. When sales and services are suffering, people in these groups blame the merger or acquisition, and question the viability of the process itself.

Although the level of satisfaction among the participants in this survey is the highest for this factor, the risk of losing sight of the guest is a threat faced by any organization in the context of a merger or an acquisition.

If the merging organizations lose sight of the market, then sales and services - points of contact with customers - are the most vulnerable areas.

Managers (including middle managers) must therefore ensure that sales and service standards are maintained at least at levels expected by customers. Where appropriate, customer focus should include special initiatives, such as short-term sales incentives, special training for customer service staff, such as employees in the call center or the ones at the counters, special advertising campaigns and information aimed at communicating with customers and delivering the message that there is a commitment to quality products and services undertaken by the company.

2.9 Career and Promotion Opportunities

The ability to grow by promotion in an organization that is experiencing a merger or an acquisition can reward individual performance and behavior by providing financial benefits, status and skill development. The new organization resulting will benefit from increased productivity of the rewarded employees and they, in turn, will continue to be motivated to work at high standards of performance within the organization. Opportunities for promotion can help retention and motivate employees with outstanding performance, thereby reducing recruitment and training costs.

During a merger or acquisition, or particularly in the integration phase, the fear of dismissal or job cutbacks can affect the retention of top employees or their performance. To highlight these issues, satisfaction among the participants in this study was investigated taking into account the criteria underlying the assessment of their performance at work and also promotion and career growth opportunities within the new organization.

To successfully address the problems that may arise in this area, organizations must consider the following recommendations:

- Update and correct the application of retention policies for employees, especially for those with outstanding performance.
- Paying attention high potential employees, especially those with 1-3 years experience. At this point, employees begin to be secure of their knowledge and skills and therefore they develop the desire to assume more responsibility. As the promotion is not a feasible option for all employees, companies may focus on other career development opportunities such as training programs.
- Develop and implement detailed procedures for training courses focused on technical skills, and also on soft skills development. Some employees, especially young people, may express their intention to leave the company if they feel that their learning needs are not properly met, or if they could easily find the same opportunities in another organization.
- Create a system of rotation in the workplace, especially for young employees, through which employees will be trained to perform several types of tasks in the same department or related departments.

2.10 Organizational Culture

The level of satisfaction registered for this item is the lowest among all factors investigated in this study. This can have very serious consequences as the employees of organizations that have experienced a merger or acquisition did not regain their identity or purpose, do not recognize the new organization's principles and practices and therefore will not remain with the new organization.

We believe that all other factors measured in this study have a strong impact in the organizational culture.

Many organizations ignore the cultural integration, because it seems difficult to manage. Instead, attention is focused on activities that require specific forms of integration, such as those involving operations, systems and procedures. But implementation requires the full integration of the new organization to make clear connections between cultural change, strategy and operations. There are several ways to do this:

- The results of cultural integration must be tangible and measurable.
- Consider the strengths of both organizational cultures (a priori independent), not just the weaknesses.
- Implement a decision-making process within the new organization that is not hampered by cultural differences.
- Construct the "employee brand" for those who remain in the new organization.

Culture should be a key area in an effort to integrate the companies because, when neglected, often undermines the creation of added value for the company resulting from the merger or acquisition. The efforts to address cultural issues should be based on the recognition that, from the perspective of both companies, culture is a powerful element. Consequently, employees are unlikely to change their cultural beliefs in response to urgings to adopt new cultural values, and also culture may be closely related to behaviors that may affect the company's value.

Focusing on value resulting from the merger or acquisition, rather than on "soft issues" of culture is essential for positioning a key determinant of success and support cultural issues by leaders of both organizations. By linking culture to value creation, and also with specific behavior changes when necessary, culture can become an extremely effective tool for achieving full integration.

Conclusions and Recommendations

Addressing the human factor in a merger or acquisition is often overlooked and not considered a strategic element. Decisions on the execution of a merger or acquisition are usually determined by factors such as market share, entering new market niches, product strategy, and in most cases, financial considerations.

Integrating human capital which we define as the combination of groups of people following the rules set for them and at the same time following their own beliefs and values often led to conflicts between organizations as people with different thinking systems, different organizational cultures, different management styles and other aspects of organizational life come in contact. From a managerial perspective, the central question in a merger or acquisition process is regarding the success of such process and how the new organization succeeds in creating added value. Failure is caused by the lack of creating added value for its shareholders and the resulting organization.

In many cases, however, the most important factor determining the success or failure of a merger or acquisition is the human factor. Fundamental errors of mergers or acquisitions are part of the attempt to merge entities that are totally incompatible in terms of culture, ranging from the lack of human resources professionals involvement from the beginning of the process to the failure of the management team and the Human Resources department to develop and implement the best practices to retain key employees in the new organization for successful post-transaction integration.

What we have shown in this survey is that the integration of human capital should be viewed from several perspectives, is much more than a “one-size fits-all” framework and requires differentiated approaches to meet existing needs among employees from various organizational and demographic levels.

The 10 factors analyzed in this paper from many perspectives and hierarchical levels are essential for understanding the success of a merger or acquisition.

There is not only one set of steps or actions that an organization can undertake and that can provide the overwhelming proportion of success in a merger or acquisition. Also, actions taken by an organization in one area of human resources have an impact in other areas (e.g. an increasing availability of training programs for an organization has impact in increasing employees’ loyalty to the organization and increases their career opportunities). Therefore the actions taken by an organization to increase employee satisfaction in a given area will automatically lead to increased employee satisfaction in other areas.

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