*International Journal of Business and Management Invention*
*ISSN (Online): 2319 – 8028, ISSN (Print): 2319 – 801X*
*www.ijbmi.org || Volume 6 Issue 2 || February. 2017 || PP—34-36*

# Soft Side of Mergers and Acquisitions

*D. Satyanarayana, **E. Suresh, ***Dr. S. Krishnamurthy Naidu
**Sr Asst Professor, Sri Vasavi Engg. College, Tadepalligudem, West Godavari Dist, Andhra Pradesh*
*** Asst Professor, Sri Vasavi Engg. College, Tadepalligudem, West Godavari Dist, Andhra Pradesh*
****Asso. Professor, Sri Vasavi Engg. College, Tadepalligudem, West Godavari Dist, Andhra Pradesh*

***ABSTRACT:*** *Mergers and acquisitions are now commonplace in the Indian economy as companies try to improve their competitive position in a global marketplace. Research indicates that many mergers have not resulted in the expected benefits, in part because organizations have neglected the human resource aspects of the change. This study describes the typical effects of the merger process on the people involved and offers necessary human related actions which help managers to deal with soft side of Mergers and Acquisitions (M&A) more effectively. The present paper attempts to develop a model to put in the picture of human side of management (soft-side of management) during M&A.*
***Keywords:*** *Mergers and Acquisitions, Human side of Management, due diligence and organizational culture*

## I. INTRODUCTION TO PEOPLE MANAGEMENT DURING M&A

When two organizations are merging with each other, much time is devoted to poring over finances, integrating IT systems, telling the stock market about synergies and drawing up new structure charts. Soft side of the Mergers and Acquisitions i.e., people side of M&A is often ignored by top level management.Too often, it is only when people inside the organisation start to display all kind of dysfunctional behaviour such as opposition to change, constant grumbling or simple apathy that it dawns on leaders that something was missing from their plans. By then it may be too late to prevent deterioration in performance, poor customer service or people jumping ship. On the other hand, if the HR Manager anticipates the serious human issues that can be stirred up by merger they can take influence and guide their fellow managers allowing them to navigate safely through the emotional minefield keeping their people motivated and engaged in making the new enterprise a success. The first task is to make it clear that the people element of a merger is as important the issues of structure, process, finance, and IT. It is not always obvious to executives that this is so.

## II. MERGERS AND ACQUISITIONS:

Mergers and acquisitions (M&A) is a general term that refers to the consolidation of companies or assets. While there are several types of transactions classified under the notion of M&A, a merger means a combination of two companies to form a new company, while an acquisition is the purchase of one company by another in which no new company is formed. M&A can include a number of different transactions, such as mergers, acquisitions, consolidations, tender offers, purchase of assets and management acquisitions. In all cases, two companies are involved, where an acquiring company makes an offer to buy the other company in its entirety or purchase some of its assets.

Unlike most major changes, mergers and acquisitions have an enormous effect on culture and people's sense of identity. If one organisation effectively takes over another and imposes its culture on the new combined organisation, like an invading army, then people in the organisation that has been taken over can have a very hard time adjusting. If the cultures of the two organisations differ greatly some will find it impossible to adjust and may simply leave. Worse than that, they may stay but mentally opt out of the new arrangement and do the bare minimum to get by. Hence it is the critical job of HR Department to critically examine the stages the organization goes through the mergers and acquisitions, also to prepare an action plan to counter the human related problems crop up during the transition period.

## III. PHASES OF M&A AND CORRESPONDING HR INITIATIVES:

The below figure 1.1 represent a typical model for soft-side of M&A. This model helps managers to examine the potential people side problems crop-up during M&A. the model presents various technical phases typically firms undergo during M&A also corresponding soft-side intervention during those phases.

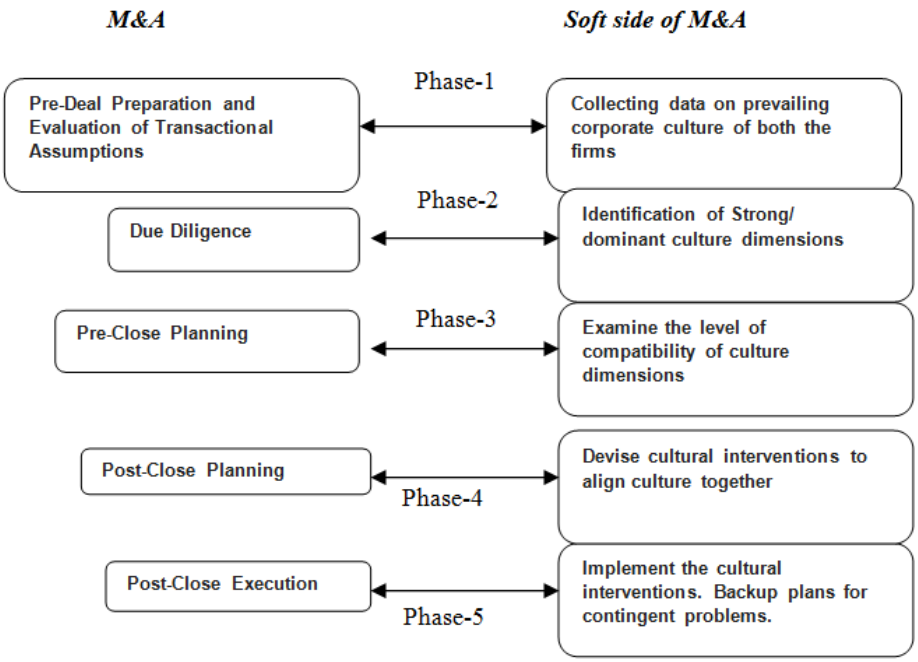


**Fig. 1.1** Model for soft side of M&A

***Phase1***: Mergers and acquisitions have received mixed reviews in terms of their success. While there are plenty of reports and studies about mergers and acquisitions that have failed, there have been, in fact, more instances of highly successful mergers and acquisitions in discrete one-time transactions by organizations that have an intelligently designed M&A strategy. The management that is disciplined and takes the time to gather necessary information and take prudent actions before they begin to move ahead with their plans is the company that will end up with the best transactions. Pre-Deal preparation and evaluation of the transactional assumptions is not just about unearthing potential issues in the transaction but it's also about assessing one's thinking. Consequently pre-deal valuation requires not only an examination of the balance sheet and operational strengths and weaknesses that you have, or seek, but a keen analysis of the macro conditions both domestically and internationally that can impact your world. Spend more time in the pre-deal preparation and evaluation phase than any other phase because we know that a pound of planning is worth a ton of results.
Collecting data on prevailing corporate culture of both the firms is very crucial act during this phase. Collect primary data on various dimensions of organizational culture from both the firms. During collection of data it is suggested to employ same tools for collection of the data.

***Phase 2***: Closely related to Pre-Deal Preparation and Evaluation of Transactional Assumptions is the Due Diligence phase. Due diligence is one of the most overlooked and poorly executed aspects of M&A deals. Far too often transactions are written on paper and many strategic discussions are held. Yet all too often the grounding of the underpinnings of the deal through sound due diligence is not validated. We all know that due diligence involves investigation of the financial, legal and strategic elements of a transaction, and involves obtaining detailed information not usually found from public information. Due diligence is meant to validate transactional assumptions, unearth possible problems, and begin to plan for transition. Firms often overlook the fact that strategic due diligence should be done with the assistance of experts in that type of analysis. A fatal mistake is made by business owners or acquirers who believe that their knowledge of the industry is sufficient. Don't let pride or arrogance keep you from engaging the support of people with considerable experience at designing and validating a solid strategy. In this phase it is necessary to identify the dominant values in each organization. Identify those strong and weak cultures constitute the organizational culture.

***Phase 3***: While merger and acquisition activity increased at a steady pace over the last decade, thanks largely to a stable economy, a low interest rate environment and the opening of international markets, we also know that many mergers failed to accomplish their goals. One thing is clear — today's deals should involve all levels of an organization as soon as the deal is cut. Planning and implementation are critical; i.e. making sure that key people as well as other important constituents including suppliers, customers and providers of capital are involved is essential no matter what size the merger, particularly in cases where leadership is staying on. Additionally, making sure that the vision and benchmarks that the acquirer is relying upon are well communicated and well-integrated in the Pre-Close process are essential.

Every culture is unique. Remember that no two cultures are similar to each other. But examine the degree of difference in cultures. At this stage ask yourself the following questions
What dimensions of organizational cultures are common in both the firms?
What dimensions of organizational cultures are different with each other in both the firms?
When there is a difference, what is the level of difference?
Is difference in culture can be fixed?
Answers to the following questions give you the intensity needed in the forth coming phase.

***Phase 4***: Understanding what methodologies and best practices make for successful mergers and acquisitions is critical. There is much data that indicates that the post-close execution destroyed many otherwise successful M&A transactions. Management has at times been under the mistaken assumption that because they have been successful running an operation, that they are equally equipped to apply these same lessons to an acquired company that is twice the size and double the complexity. Information technology issues alone could make this a failed assumption. Entrepreneurs have an admirable trait of conserving resources and capital with an often damaging consequence of not reaching out for expertise when they need it most. Some of the important questions that need to be asked and answered include: How can you keep morale high during a merger or acquisition? How can business drivers be used to add value for the merger or acquisition? What IT issues are involved? With the answers of the above questions and cultural input helps the managers to device specific HR interventions that minimize the risk of M&A.

***Phase 5***: There are several constraints to successful merger integration. The most important constraint is people. Without the support and buy-in of primary management the transaction is doomed for failure. Human elements need to be proactively managed throughout the process. Failure to do so may result in conscious and unconscious sabotage and other interventions in the smooth flow of a deal. Clear communication of the vision behind the deal is important. Giving people the opportunity to raise concerns and have their concerns addressed to their satisfaction is even more essential as well as considering the customer's and the competition's reaction. The point is that merger integration does not end with the closing of the transaction and it doesn't end even when companies are fully integrated. Also it is suggested to have a few backup interventions which help in dealing with contingent problems.

## IV. CONCLUSION

Mergers and Acquisitions are common strategies in any economy. Managers are giving enough attention to technical part of M&A. Research indicate that sufficient attention is not been given to human related issues during mergers. It is not just two financial entities are becoming together but it is two different cultural groups join together and become one. We all know the culture of any organization is unique. No two organizations have similar corporate culture. Hence it is called soft side of M&A. if enough attention is not given to the soft-side of the management during M&A one organization may become sabotage to another one or even both sabotage to each other.

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