

Article

# Successful Human Resources Management Factors in International Mergers and Acquisitions

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**Abstract:** Mergers and acquisitions (M&A) have received a great deal of attention in academic literature but the role of human resources management in M&A success is still understudied. Of the three stages identified in a merger and acquisition process (planning, integration and implementation), most research focuses on the planning and integration stages. Thus, the aim of this paper is to analyse the main factors that determine the success of HR management in the implementation stage of an international M&A operation: consolidate leadership; human resource provision and evaluation; structure, strategy and culture evaluation; and control of the merger and acquisition process. With this objective, we developed a case study of a multinational company that operates in the mechanical engineering sector. The results illustrate the main factors, human resource practices, and human resources management and behaviour outcomes undertaken by a multinational company during the M&A implementation stage. The case study allows researchers to learn from professionals and business leaders and presents a roadmap that can be considered to manage HR in the M&A process.

**Keywords:** merger/acquisition; implementation; human resources management; success factors; case study

## 1. Introduction

International mergers and acquisitions (M&A) have become one of the most important methods to achieve corporate growth, offering advantages such as gaining market share, achieving synergies and innovation (Lupina-Wegener 2013), overcoming trade barriers, finding business opportunities in new countries, accessing new resources for business development, achieving economies of scale and achieving a sustainable competitive advantage. In recent years, the number of M&A transactions was 38,128 in 2013 and 38,070 in 2016 and the volume in \$US M was 2,787,278 in 2013 and 3,902,128 in 2016 (Becker 2017).

Traditionally, financial, legal and technical factors have been considered crucial in the success of M&A operations. However, despite the popularity of M&A, failure rates are very high (Schoenberg 2006). Specifically, in more than 50% of the cases (Lin et al. 2006), the M&A expectations do not agree with their actual results. In addition, the 80% of the M&A that do not adequately manage the different stages of the process, do not reach the desired profitability (Charman 1999). According to Martínez Caraballo (2006), in multiple cases, the non-achievement of the expected results is related to the human resources (HR) management.

In the M&A process, three main stages can be identified (Neira Fontela and Casal 1994; Bastida-Domínguez 2007): the planning stage, the integration stage, and the implementation stage. Many authors have focused their research on the first two stages. Lin et al. (2006) and Bhaskar (2012) in the planning stage, and Larsson and Finkelstein (1999) and Weber and Tarba (2010) in the integration stage, but there are no studies that analyse the importance of HR during the implementation stage.

The objective of this paper is to analyse the factors that determine the success of HR management in the implementation stage of an international M&A operation. Therefore, the first section presents the theoretical framework based on the previous literature and the main findings on successful HR management factors in international M&A. The second section analyses the methodological aspects of the case study. The third section presents the results obtained from an international M&A operation within a multinational company. The multinational has managed to take over the industrial engineering sector, and it is present in five continents through external development using M&A strategies. It employs more than 60,000 workers in more than 100 countries worldwide. Finally, the discussion, conclusions, contributions and future research directions are presented.

## 2. Theoretical Framework

Three fundamental stages in the M&A process have been identified (Neira Fontela and Casal 1994; Larsson and Finkelstein 1999; Rodríguez-Sánchez et al. 2015):

- Planning stage. Planning takes place before the agreement is completed, which results in a change in the ownership of the firm taken over or absorbed. This stage begins when the parent company shows an interest in a possible M&A as a strategic option (Neira Fontela and Casal 1994).
- Integration stage. Generally speaking, integration is the process by which two firms merge after a M&A has been announced and an agreement has been made. The pre-merger activities have been completed by the time this point is reached (Schuler and Jackson 2001). The integration of organizations is defined as the degree of interaction and coordination between the two firms involved in the M&A and tends to be considered the key stage in the process (Larsson and Finkelstein 1999).
- Implementation stage. The period following the organizational integration is frequently characterized by redundancies, conflicts of interest, power struggles, voluntary staff resignations, or absenteeism (Drori et al. 2011). This tendency appears to be present in all integrations, although in many cases it depends on the operation's strategic purpose, the level of amicability or hostility and the degree of integration sought (Castro Casal and Fontela 2002).

In the literature, it was possible to identify the determinants of the success of HR management in the implementation stage and group them into four categories: (1) consolidate leadership; (2) HR provision and evaluation; (3) structure, strategy and culture evaluation; and (4) control M&A process (Rodríguez-Sánchez et al. 2015).

### 2.1. Consolidate Leadership

Once the HR from both firms have been integrated into the new entity, the joint work and induction process begins. All the factors implemented during the integration stage, such as the new structure, the new processes and cultural modifications begin to operate, and leadership needs to be proactive in order to detect any possible problems and resolve them.

This implementation stage is characterized by redundancies, power struggles, voluntary resignations and absenteeism (Sielh and Smith 1990). To produce a sustainable competitive advantage, the parent company must transfer HR from the target company that possess outstanding skills and talent (Weber and Tarba 2010). Hambrick and Cannella (1993) found that when senior managers held a high status and enjoyed the freedom to maneuver in their work, there was a drop in the leaving rates in the twelve months following the integration process. Nevertheless, parent companies tend to reduce both status and independence, increasing control once the M&A process has stabilized, which demoralizes senior managers and increases leaving rates as of the fourth year (Martínez Caraballo 2006).

Therefore, the perceptions and behaviors of the HR may gradually change in step with the events surrounding the M&A process, and after some time has passed, the goal is to ensure that those HR

who were initially averse to the change, come to view the M&A process as valuable and necessary (Neira Fontela and Casal 1994).

## 2.2. HR Provision and Evaluation

The efficient management of the new processes in the implementation stage will avoid problems such as performance impairment, people apathy and tension among HR (Schlechter et al. 2015). One of the main actions that must be achieved through HR management involves the provision of staff and their turnover. The most valuable resources to be transferred are those related to the tacit knowledge embedded in HR (Haspeslagh and Jemison 1993).

HR management faces major challenges in transferring these resources without affecting them in any way that might diminish their value. HR permanence and retention favors the transfer of significant knowledge and is vital in the success of the M&A (Castro Casal and Fontela 2002). The main problems that arise at this stage involve the need to make redundancies due to the overlapping of jobs and the appearance of dysfunctional behavior among certain HR remaining in the firm (Deery and Jago 2015).

Losing their job has a devastating impact on the individuals being made redundant, and they are likely to experience bouts of depression, anxiety, fear for the future and the deterioration of their social relationships. This may be compounded by financial problems and the need to undergo an outplacement process, whereby in 40% of the cases of outplacement the reduction in salary amounts to 30%, while the reduction in 20% of cases is 50% (Lin et al. 2006). This means that the establishment of fair criteria and their clear explanation to HR is essential for avoiding litigation over unfair dismissals, a poor public image, and/or the justified mistrust of those who continue to be employed by the company (Maheshwari and Vohra 2015).

It is necessary to use frequent, clear and honest communication, avoid negative reactions from the HR and increase their confidence in the company (Siegenthaler 2011). Management should design support programs for those leaving the company, so that HR are able to adopt a series of different measures, such as an incentive to accept voluntary redundancy, retraining programs, and outplacement activities (Schuler and Jackson 2001).

## 2.3. Structure, Strategy and Culture Evaluation

As the new entity finds its feet and consolidates, problems will appear in terms of restructuring, readjustment and implementation due to changes in the operation and competencies of HR. These problems will have different degrees of intensity depending on the nature of the M&A undertaken (Fapohunda 2012). The M&A may cause tension due to the incompatibility between the expectations of the HR of both companies regarding their future in the new structure (Lupina-Wegener 2013).

Buono and Bowditch (1991) posited the need for at least three years to have elapsed after the initiation of the integration process to be able to assess the modifications that HR have made to the new structures, strategies and culture, as well as to detect problems or significant ramifications for the new entity's implementation.

The new culture, combined with the new strategy and structure, should be focused on such objectives as cost-saving, managerial flexibility, and the engagement and loyalty of HR (Marks and Mirvis 2011). According to Lupina-Wegener (2013), while amicable M&A need only five to seven years to ensure that HR feel integrated and identify with the new organization, in the case of a hostile M&A this may take as long as ten years to achieve.

## 2.4. Control M&A Process

At the implementation stage of the M&A, the managers in the parent company need to answer two questions (Siegenthaler 2011): (a) Should directors intervene to reconcile the different management approaches, organizational cultures, structures, processes and systems? (b) If the answer to this question is "yes": how should the transition of the two organizations to an integrated entity be

managed? A lack of HR management explains why 50% of M&A processes do not create the expected value for stakeholders in the first 18 months following the agreement, leading to a reduction in the intensity of the management of control during the implementation, and affecting the future value expected of M&A (Pascual de Blas 2006).

Although the existing literature reveals that some authors have studied the three stages in the M&A process and their relationship with HR (Schuler and Jackson 2001; Pascual de Blas 2006), most papers focus their research on the planning and integration stages of the M&A process.

Accordingly, with a view to understanding the importance HR management has in the M&A implementation stage, this work sets out to describe a model of the M&A implementation stage that integrates the contributions made by the authors. In the literature, it was possible to identify the determinants of the success of HR management in the implementation stage and group them into four categories: (1) consolidate leadership; (2) HR provision and evaluation; (3) structure, strategy and culture evaluation; and (4) control the M&A process.

### 3. Methodology

Perry (1998) states that within qualitative research, case studies contribute to the comprehensive understanding of a specific social phenomenon. They are especially relevant when the aim is to understand, solve or improve a procedure performed in the professional field (Villareal-Larrinaga and Landeta-Rodríguez 2010). In this research, the case study methodology was used for three reasons: (1) the investigated phenomenon is exploratory and descriptive; (2) the literature is not conclusive, and it is necessary to perform an in-depth and qualitative analysis of the subject; and (3) primary information is available owing to the collaboration of the company studied, which has allowed interviews with people involved in the process and one of the researchers to stay within the organization. The steps involved in the case study are shown in Table 1.

**Table 1.** Case study stages.

<b>Semblance</b>
Literature review (WoS, Scopus, Dialnet)
<b>Sample selection</b>
Company mechanical engineering sector Multinational in 100 countries and 50,000 HR Historical development method: M/A operations
<b>Analysis units selection and identity</b>
Four members of the board More than 50 mid-level informants and parent versus target HR
<b>Information gathering</b>
Semi-structured interviews: 2015–2016 (HR board) Open interviews: 2015–2016 (HR intermediate levels) Internal documents and direct observation: 2012–2016 Principle of triangulation
<b>Information transcription</b>
Data registration and classification: (1) internal documents, (2) interviews, (3) field notes, and (4) direct observation
<b>Results and conclusions presentation</b>
Conformity with the results of the analysis Conclusions and literary and professional implications

Source: Own elaboration.

The study is conducted in a multinational organization in the field of mechanical engineering, which was founded in the nineteenth century. It manufactures, markets, and offers post-sales service, competing for the global leadership of the sector. The group has more than 1000 sales outlets in five continents, employing more than 60,000 people in more than 100 countries. During its trajectory,

it has expanded geographically, developing new markets through international M&A operations, making it a company with sufficient experience in M&A to consider the results obtained valid and reliable. This study analyses a M&A operation in Spain that involves the investment in production facilities in a geographical area where, until now, only products manufactured in other countries such as Switzerland and Germany have been marketed.

The company selected a strategy of external development and an agreement was formalized through fusion by absorption (the target company lost its legal identity and integrated 100% of its HR in the parent company). This method made it possible to choose the right time to enter the country, and once the agreement was signed, to gain quick access to new facilities, HR, and customer portfolios.

### *3.1. Sample Selection*

The multinational has conducted several M&A operations as a means of growth in emerging countries or consolidation in mature markets. Several operations in mature markets, in which the multinational was not yet consolidated and needed further development, such as in China and the USA (1980 and 1989, respectively), stand out. Recently, in 2009, a large acquisition of a local company within the emerging Saudi market represented the opportunity to penetrate that growing market.

This paper analyses a M&A operation in Spain that involved an investment in production facilities in a geographical market where, until now, only products manufactured in countries such as Switzerland or Germany have been commercialized. This M&A was crucial to the company's internationalization strategy by allowing Spain to become a key point of supply and distribution in southern Europe and North Africa.

The parent organization is immersed in a development process with the aim of becoming world leaders in the industry by the year 2020. The reasons that justify the M&A that the company has started are mainly strategic: (1) having the size for competing in the global market; (2) acquiring the advantages of vertical integration; (3) obtaining the forms of entry or consolidation in a country; and (4) reducing competition and influencing future developments in the industry.

To select the target entity, both the market share and the stages of the production process in the country were considered. The impact on HR was very large as job locations, computer systems, work procedures, etc. were changed. Thus, it was essential to analyse the HR characteristics of the target company. The objective was to detect the level of compatibility of the HR of both companies with the desired changes and to identify the people most prepared to make these changes. In this case, the M&A is due to geographical growth, which occurs when a company seeks to expand geographically due to excess capacity and to use surplus resources at the local level. The parent companies acquire a smaller company and keep the local directors of the target company, as they know the local environment and culture.

### *3.2. Analysis Units Selection and Identity*

For the collection of evidence, semi-structured interviews with various informants were performed with the aim of promoting an open dialogue about their role in the M&A process. This process involved working with two groups of staff. The first group was composed of four members of the management committee (Chief Human Resources Officer, Chief Operations Officer, Chief Management Officer and Chief Financial Officer). Second, open interviews were performed and informal contacts established with more than 25 staff members from different intermediate organizational levels from both the parent and target companies. The diversity of the origins of the informants—in terms of both their organizational level and the organization from which they originate—provides different interesting perspectives that contribute to the conclusions of the research.

### *3.3. Information Collection*

The quantity of interviews and informants was not established at the beginning of the research. Therefore, it was determined by "theoretical saturation," namely, the interviews were conducted to the

point at which the informants reported similar and coherent information to support the validity and quality of the theoretical model (Yin 1998). Four semi-structured interviews with influential senior decision-makers in the M&A process and more than 25 open interviews with middle managers were conducted. The duration of the interviews was between one and two hours. The interviews were conducted voluntarily and confidentially from January 2015 to June 2016.

To complement the interviews, we participated in meetings, communication plans or events organized by the company, where the values of the organization were promoted in terms of HR management, in addition to the commitment and development of integrity and trust.

In addition, different internal documents were consulted through the corporate intranet, highlighting the 2013–2016 manual for the execution of the HR strategy, developed and signed by the Chief Human Resources Officer of the multinational worldwide. The motto “support our business by supporting our employees” stands out. The structural guidelines in the manual are as follows:

- (1) Promote our values: safety, quality and trust.
- (2) Support our business: growth and competitiveness.
- (3) Achieve the HR objectives: attract and retain the best HR, culture, high performance and development of future leaders.
- (4) Promote a safe, heterogeneous and sustainable work environment: excellent behaviour, HR commitment and promotion of open communication.
- (5) Materialize the HR strategy: implement the documented strategy.

During 2014, the HR department developed a project to generate a quarterly newsletter of the company, a fundamental tool of the communication process. It was used to disseminate updated information about the development of the organization, remarkable achievements of HR or future plans. In addition, it was used to promote different activities related to the organization, such as photography competitions, and thus encourage the participation and commitment of HR. Likewise, it involved the active participation in workshops about new tools, new procedures or activities for the development of skills, both face-to-face and online.

### 3.4. Information Transcription

During the transcription stage, several filters were used to extract relevant information for the outcome of the case study, given its influence on HR management. Due to the expansion and size of the multinational, it publishes multiple standards, guidelines and procedures on its corporate intranet, which were analysed to extract the most determinant points.

During the transcription of data from the interviews, the informants were contacted via email, and a second round of interviews was held to clarify doubts and verify that the field notes were accurate. Once generated, the results were presented to the informants for their approval or to provide critical feedback that allowed performing any modifications that were necessary.

## 4. Determining Factors to Achieve Success in the Management of HR at the Implementation Stage

### 4.1. Consolidate Leadership

Schuler and Jackson (2001), explain that a successful leader must comply with certain characteristics, such as mental flexibility; must be able to recognize strengths and weaknesses of both companies; must be committed to the retention of valuable personnel; must be a good listener; and must be focused on value drivers.

The objective of good leadership is to consolidate the newly integrated structure and earn the trust of the HR of both companies (Antila 2006). If leaders are able to achieve sufficient autonomy and the HR perceive that they are capable of controlling their decisions, the personnel involved will feel motivated in the execution of the implementation process (Weber and Tarba 2010).

Leaders played a key role in the implementation process. From the beginning, team leaders were considered important due to their direct and informal relationship with the personnel of lower tiers. Team leaders were crucial to soften the initial rejection and manage the transition stage. These are highly skilled personnel with great autonomy in management and decision making within their work teams.

It was crucial that the staff did not feel that the leaders had authoritarian control of their daily tasks, causing fears, doubts or tension. Therefore, each team leader worked to explain the need for these processes for the welfare of the HR and organizational development.

To achieve this objective, proactive people were selected, with a positive mentality and communication skills that allowed them to transfer their knowledge to work teams. Regarding the leaders abilities, the Chief Human Resources Officer stated the following: "The main value of our organization is to convince our HR to achieve success jointly. It is useless to be very intelligent, skilled or efficient if we are unable to transfer or promote those abilities to the rest of the organization HR. HR are not rivals who fight for a position within the organization; we are partners, and together, we must achieve the global leadership of the organization in 2020. An international organization of this magnitude must provide development possibilities for all valuable HR in Europe, America or Asia."

The organization considers flexibility to be an indispensable leadership characteristic and sought this quality in their leaders. From the beginning, it was clear that the implementation process was not complete and that the organization was willing to assume the necessary changes. The staff positively welcomed the option to review the process and felt involved in the restructuring.

In this sense, the leaders listened to the personnel to consider their concerns. The Chief Operations Officer stated the following: "Not every worker needs the same information or type of knowledge. The leader must be able to detect what kind of information and knowledge each person needs, valuing, for example, their professional stage, their personal characteristics or their family stability." Through feedback, communication in both directions was promoted, with the option to address specific points in the process. The information exchange forums and the intranet are tools to improve the exchange of knowledge. According to [Vlasic and Stertz \(2000\)](#), ensuring that knowledge and learning are shared encourages the staff to be flexible and to develop and guide themselves in the long term.

The training and development process contributed to the successful consolidation of leadership. In 2010, a training platform was implemented; this platform allowed the personnel to select different face-to-face or online training activities through the intranet. In 2012, in Spain, 37 people requested training, of whom only 15 completed all the proposed activities. This number has since increased, with 378 applications in 2017, and more importantly, 354 workers obtained the corresponding certificate by completing the training. The Chief Human Resources Officer stated, "We have highly qualified and valuable leaders, but if they are incapable of disseminating this knowledge both to lower levels (work teams under their command) and to higher levels (directors), they will not generate value as a team."

Training ceased to be something specific and linked to the development of an operational proposal; instead, it became something frequent and constant, and it now serves as the basis of a cultural change strategy. It is not only about providing skills but also about enabling long-term integration based on personal changes in knowledge, habits and attitudes. Regarding the stages of the learning process, the Chief Training and Development Officer commented, "Initially, very intense work was performed for the lower levels to learn the most functional and specialized tasks, such as adaptation of logistic, commercial or financial processes to the new SAP [Systems Applications and Products] operating system. Computerization is the basis on which an international organization should be encouraged to perform efficiently at all organizational levels. With factories in Ebikon or Zaragoza and centralized departments in Madrid or Lisbon, the information must flow effectively".

#### 4.2. HR Provision and Evaluation

The most valuable resources to transfer and/or combine between organizations are those related to the tacit and ingrained knowledge of HR ([Haspeslagh and Jemison 1993](#)). Leaders must transfer

these resources without reducing their value. The permanence and retention of employees favours the transfer of relevant knowledge in a successful implementation process (Castro Casal and Fontela 2002). The main difficulties in this stage are related to the reduction of the workforce due to the overlapping of positions and the dysfunctional behaviour of personnel who remain in the company.

It is necessary to manage aspects such as power struggles between personnel of both companies, dismissals due to restructuring, work absenteeism and voluntary abandonment of valuable personnel (Sielh and Smith 1990). As the Chief Human Resources Officer stated, "Much time has been invested in the evaluation and selection of employees. They are proactive, decisive personnel who are great communicators oriented towards career development within the organization. Within a normal process, their status and level of autonomy should increase."

The performance of the organization and the decisions made in the different stages of the process will significantly impact the confidence and behaviour of the staff. Greater involvement of leaders in performing implementation activities can cause a positive effect on the personnel and thus contribute to reduce resistance to change (Neira Fontela and Casal 1994).

To manage the dismissal of staff, due to duplication of positions, personal characteristics incompatible with the organization or retirement, two aspects were considered: first, how to minimize the impact of the dismissals on the image and reputation of the company, and second, how to minimize their effect on the motivation, confidence and security of the personnel who remain in the company.

The Chief Legal Officer highlighted the following: "Seventy percent of the staff who had to leave the organization were in the final stretches of their professional careers. From an economic point of view, these early retirement agreements were simple to manage. For the remaining 30%, a dismissal agreement had to be reached to prevent legal disputes due to modifications of the working conditions. We have a legal department that is very experienced with previous international M&A processes to solve any difficulties and avoid damaging the reputation of the company."

The loss of employment causes a negative impact on the individuals that are dismissed. Therefore, they are likely to suffer from depression, anxiety, fear of the future and loss of social relationships (Lupina-Wegener 2013). The administrators of the company must design support programmes for the staff who leave the company, adopting different initiatives such as providing incentives for those who were dismissed, retraining programmes and outplacement activities (Schuler and Jackson 2001).

The Chief Financial officer highlighted the investment made in outplacement activities: "It was an international M&A to penetrate an important country within the European Union. In addition to its strength and economic influence, its location stands out, being a key geographical connection point between Europe and Africa or America. Such an important operation could not be risked by damaging the company's image or reputation within the country. The staff who had to leave the company should feel financially rewarded and assured that they could count on the support of the organization for the future."

The communication process is crucial to ensure the trust of the personnel who remain in the organization. Establishing fair criteria and clear guidelines is essential to avoid legal disputes regarding unfair dismissals, a negative public image and/or justified distrust of the staff who remain working in the company.

The objective was to provide upgrades and organizational improvements to manage a positive and exciting environment for the personnel selected to remain in the company. Regarding the performance evaluation completed in the second year after the implementation stage, the Chief Human Resources Officer expressed the following: "The personnel were enthusiastic about the possibility for a better future, the resolution of old difficulties and the expectations of personal growth or consolidation. In addition, they welcomed the change, considering it a challenge and an opportunity to improve and develop."

The Chief Marketing and Communications Officer stressed the important role of talented staff in involving all members of both organizations in the integration stage: "Valuable workers foster their trust and involvement if they detect transparency and professionalism in the organization. The leaders,

along with the talented personnel, are the key to expand motivation, positive mentality and positive working environment. With these skills, the rest of the staff are encouraged to become involved in the implementation process."

The Chief Operations Officer referred to the complexity of having HR with these characteristics: "This type of personnel must be part of a company that aims for absolute leadership within the mechanical engineering sector for 2020. These HR are difficult to manage: they are proactive and are never satisfied with their achievements; after achieving a goal, they focus on accomplishing the next one." To ensure certainty and a comfortable environment for talented personnel, actions such as mentoring programmes were implemented. This included six-year international programmes in which future managers are prepared.

#### *4.3. Structure, Strategy and Culture Evaluation*

As the new entity reshapes and consolidates, organizational, readjustment and implementation issues arise due to changes in the operations and competences of the HR (Fapohunda 2012). These difficulties present with different degrees of intensity depending on the type of fusion performed. It takes at least two years after the integration process to evaluate the changes made to the strategy, structure and organizational culture and to detect relevant problems or consequences.

The new culture combined with the new strategy and structure should focus on the objectives of cost reduction, flexibility, motivation and loyalty of the staff (Grant 1996). Whereas in friendly M&A, five to seven years are necessary for workers to feel integrated and involved in the new organization, hostile M&A can require up to ten years.

In this case, the agreement was formalized through merger by absorption. During the transition period, to reduce the initial shock to customers, staff or suppliers, both the name and the corporate colours of the integrated company were combined for the parent and the target company. Gradually, once the level of acceptance/rejection by the stakeholders was settled, the distinctive features of the target company were eliminated. Currently, the logo, the corporate colours and name are those of the parent company.

The impact on the HR was very significant because the location of the workstations, computer systems, work procedures, etc. was changed. Therefore, it was essential to evaluate the characteristics of the personnel of the target company. The Chief Management Officer stressed the following: "We did not consider a closed implementation process; our guidelines were very specific, but we were prepared to adapt depending on the results and information obtained in the audits. Flexibility within limits."

One of the main problems faced by the personnel of the target company was the need to modify their procedures and work routines. The Chief Operations Officer highlighted, "The objective was to enter and settle in a country where our presence was testimonial. This was going to be a significant impact for the stakeholders of the target company. Therefore, we aimed for very specific characteristics to frame the M&A operation as friendly. In the next years, the target country should be crucial for our international development. Therefore, rejection was not an option."

The departments that supported the structure of the target company, such as administration or finance, represented greater complications. Greater bureaucratization and strict procedures were needed to comply with the quality standards of the parent company. Through the audits, the operation of the affected areas was observed and evaluated during the integration process of the M&A. The Chief Operations Officer classified the different audits performed: "The most frequent and strict audits were destined to the administration and financial departments, since they had undergone a radical change in structure, bureaucratization and procedures. Several audits were performed by the Spanish Managerial Committee; other group audits were performed by the Global Managerial Committee."

Since 2008, 44 internal audits have been performed (manufacturing, administration, environment and after-sales service), of which only one has obtained a red result. In the remaining audits, 20 were at the yellow level, with slight but solvable deficiencies through timely action plans implemented by the executive in charge; these audits are re-evaluated after a period of six months. Finally, there

were 23 green audits, for which the management did not hesitate to congratulate and reward the people involved.

On the other hand, 10 group audits were performed; these were broadly focused on the quality perceived, both internally and externally. The objective was clarified by the Chief Management and Communications Officer: "Reducing the sick units in the manufacturing processes and customer satisfaction were the two main focuses of attention from the Global Managerial Committee located in Switzerland. The new, merged entity would have multiple HR coming from the target company; the group's global quality standards had to be maintained by complying with the procedures and regulations set by the organization."

The time invested in evaluation activities was considered essential, and as the Chief Financial Officer pointed out: "The resources and time invested in review actions such as the creation of a department specialized in audits of internal processes or the contracting of projects with specialist consultants in assessing the quality perceived by the client both internally and externally were never considered an expense; rather, they were always classified as investments—a great investment that delivered the expected future reward."

The target company had to adapt to the cultural characteristics of the parent company, with a transition period and adapt this culture to the country. Due to the characteristics of the parent company (strong culture, the founders' personalities, the circumstances of its growth, the country of origin of the founding family, and the behaviour of the descendants), from the beginning, a cultural assimilation was necessary. The cultural factors detected as determinants in the selection of the right partner are similarity versus cultural differences and the degree of cultural compatibility.

The target company must adapt to the cultural characteristics of the parent company, although a suitable transition period and adapting this culture to the country of origin of the target company are also necessary. Therefore, most of the leaders in charge of executing the integration process belonged to the target company.

#### 4.4. Control M&A Process

At this stage of the process, the senior executives of the parent company must respond to two fundamental questions (Neira Fontela and Casal 1994): (a) whether the intervention of senior executives to reconcile the different management philosophies, organizational cultures, structures, processes and systems is appropriate, and (b) if affirmative, how to manage the transition of the two organizations towards an integrated entity. Lack of HR management means that 50% of all M&A processes do not create the expected value for the shareholder in the first 18 months following the signing of an agreement, causing a decrease in the intensity of the transition management during the implementation process, and thus affecting the expected value of these operations (Pascual de Blas 2006).

Regarding the first issue, the Chief Training and Development Officer stated, "Yes. In this sense, the work of the leaders was essential to obtain information from the lower levels, although the key to success was an efficient communication process to transfer this information to senior management. The senior executives must be able to analyse, process and evaluate this information to turn it into action plans for the continuous development of the organization. Regardless of the successful M&A implementation, merging HR from different countries and with different cultures requires special attention to identify sources of conflict."

Regarding the second question, the Chief Operations Officer explained the organization's point of view: "The M&A process is not over with the signing of the agreement. It is a long period in which all the stages after signing the agreement are essential. During the implementation stage, the training and support for HR to consolidate and soften all the modifications performed improve the confidence and involvement of the staff. The personnel should notice our closeness; when a complication is found based on their feedback, actions are performed to try to support them."

The most important modification was explained by the Chief Operations Officer: "Initially, too extensive functional departments were created, managed by a chief officer. The HR reported the

difficulty of communicating with and having direct and informal contact with their leaders. Based on this information, it was decided to create an intermediate ranking, in which each team would be provided a “team leader”, who would be responsible for solving certain day-to-day issues and identify the issues that should be resolved by the chief officer.”

The eagerness of the personnel to grow professionally by developing a career within the organization is remarkable. In the annual performance evaluations, 95% of those evaluated under 30 years old responded affirmatively to the possibility of changing functions or geographical mobility to continue progressing in the new structure. In addition, mentoring vacancies and young talent workshops are increased to prepare workers for managerial positions in the near future. Thus, as the Chief Financial Officer indicates, “Stays in different countries, factories or functional departments to know the organization globally are possible due to the increase in HR investment performed year after year. In short, if the investment in HR is increased, it is because an expected result is being obtained in all the proposed actions. Thus, talent groups were configured; those who passed the selection tests entered an international project with a mentor from the Global Management Committee. These were six-year projects, where different trainings were developed to prepare the leaders and directors of the future.”

This development and training strategy allowed the achievement of two fundamental objectives for the success of the implementation process. On one hand, it was possible to retain the personnel involved in the integration process without voluntary abandonment. Currently, 85% of HR of the target company continues to work in the integrated company. On the other hand, the trust of the personnel that remained in the company was maintained, as was the certainty environment for the company stakeholders. To achieve this goal, the Chief Training and Development Officer considered the following to be essential: “The information obtained in satisfaction surveys, performance evaluations or in communication plans should be transformed into training activities; thus, HR feel that their information is valued and used for organizational development. If the need for communication is promoted and subsequently ignored, it can lead to distrust, apathy or lack of motivation of the HR.”

## 5. Discussion and Conclusions

This study focuses on the implementation stage of a M&A operation and investigates how to effectively manage HR to achieve success. Therefore, the most relevant factors in HR management in the M&A processes were analysed and compared in a case study. According to [Guest \(1997\)](#), “it is essential to measure HR management outcomes to understand how HR impacts on performance”. As we have not found previous studies that measure the outcomes of HR management in the implementation stage of M&A processes, we have used the [Guest \(1997\)](#) model to analyse the study case findings: (1) HR management strategy; (2) HR management practices; (3) HR management outcomes (commitment, quality and flexibility); (4) behaviour outcomes (motivation, cooperation, involvement and organizational citizenship); (5) performance outcomes (high productivity, quality and innovation; low absence, labour turnover, conflict, customer complaints and labour turnover); and (6) financial outcomes (profits and ROI). This methodology allowed us to obtain evidence about steps 1–4 of the [Guest \(1997\)](#) model. So, regarding the M&A strategy, HR management practices in the implementation stage were identified. Additionally, HR management and behaviour outcomes have been presented ([Table 2](#)). Finally, performance and financial outcomes could be measured once the implementation of the M&A process was consolidated.

[Table 2](#) summarizes the factors, functional areas, HR practices, and HR management and behaviour outcomes performed by the company during the M&A planning stage.

**Table 2.** Functional areas, HR practices and outcomes.

M&A Implementation Factors	Functional Area Involved	HR Practices	HR Management and Behaviour Outcomes
<ul style="list-style-type: none"> <li>• Consolidate</li> <li>• Leadership</li> </ul>	<ul style="list-style-type: none"> <li>• HR manager</li> <li>• Operations manager</li> <li>• Training and development manager</li> </ul>	<ul style="list-style-type: none"> <li>• Knowledge transfer</li> <li>• Learning process</li> </ul>	<ul style="list-style-type: none"> <li>• Training workshops</li> <li>• Bidirectional communication</li> </ul>
<ul style="list-style-type: none"> <li>• HR provision and evaluation</li> </ul>	<ul style="list-style-type: none"> <li>• HR manager</li> <li>• Legal manager</li> <li>• Financial manager</li> </ul>	<ul style="list-style-type: none"> <li>• HR rotation</li> <li>• Just and argued dismissals</li> </ul>	<ul style="list-style-type: none"> <li>• Selection and promotion</li> <li>• Retirement agreements</li> </ul>
<ul style="list-style-type: none"> <li>• Structure, strategy and culture evaluation</li> </ul>	<ul style="list-style-type: none"> <li>• Administration manager</li> <li>• Operations manager</li> <li>• Communication and marketing manager</li> </ul>	<ul style="list-style-type: none"> <li>• Internal and external audits</li> <li>• Cultural end state</li> </ul>	<ul style="list-style-type: none"> <li>• Information processing</li> <li>• Specialized consultants</li> </ul>
<ul style="list-style-type: none"> <li>• Control M&amp;A process</li> </ul>	<ul style="list-style-type: none"> <li>• Training and development manager</li> <li>• Operations manager</li> <li>• Financial manager</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous development</li> <li>• Training and support</li> </ul>	<ul style="list-style-type: none"> <li>• Action plans based on information obtained</li> <li>• Continuing training</li> </ul>

Source: Own elaboration.

Next, we presented some evidence obtained in our case study related to HR management and behaviour outcomes for each M&A implementation factor. First, the most valued characteristics of the leaders who participated in the process were communication skills and active listening, proactive and flexible attitudes, autonomy in decision-making, motivation, commitment, experience and training.

The consolidation of the leadership is transmitted through an open and collaborative attitude of the leader with his subordinates. This eliminates the communication barriers that traditionally occur between different hierarchical levels. HR must trust their leader by presenting proposals, suggestions and sharing proactive information about the process. In addition, the leader must be especially receptive to detect the fears that are generated at the lower levels due to the modifications implied by a M&A operation. Therefore, any uncertainty about the process can be eliminated.

Secondly, the maintenance and retention of workers in the M&A processes is especially relevant. However, loss of personnel is inevitable in the final stages of the process, and therefore, in the implementation stage. In this sense, it is necessary to define two types of measures. First, it is necessary to design measures that minimize the impact of the process on the personnel that must leave the company. Thus, the incentive payouts, retraining processes and outplacement programmes are highlighted. The second type of measures should ensure that the personnel remaining in the target company feel comfortable and informed. The importance of these HR for the transmission of information and knowledge within the new company must not be ignored. Thus, the spreading of rumours as well as negative attitudes from the staff that continue in the company should be avoided.

On the other hand, it is also essential to achieve fair agreements for stakeholders, both internal and external, who leave the company. This can be achieved through retirement agreements or compensation to maintain positive attitude towards the company and avoid the spread of negative information.

Third, after the planning and integration stages, several changes must be implemented in the implementation stage, that affect both the strategy and the structure and culture of the new organization. Evaluating these aspects requires at least two years after the integration process. Therefore, it is essential to perform internal and group audits that allow for obtaining information about the process. In addition, special attention to the implementation of new work procedures and routines is required. On the other hand, it is necessary to take into consideration that it can take between 5 and 10 years for the full integration of the staff into the new company. Finally, the new cultural model must adapt to the particularities of the country of origin of the target company. To achieve this goal, the parent company try to keep the local directors of the target company as they know the local environment and culture

Fourth, considering that the M&A process is not over with the signing of the agreement, it is essential to manage the stages subsequent to the signing of said agreement. The information obtained during the evaluation of the M&A constitutes the starting point of the management process. The technological progress and the rise of the consultancy sector enable organizations to manage large amounts of information available for decision-making. However, all that information is useless if the organization lacks trained HR to process and understand this information. All processed information must be transformed into action plans. If HR perceives that their feedback does not improve the implementation process, they will not become involved or commit to future changes.

This management process consists of ensuring whether the new procedures are being carried out properly, whether the staff are satisfied, whether the company's image is positive and whether value is being created for the shareholder, among other issues.

This paper has two main contributions. The first contribution is theoretical: we describe a model of the M&A implementation stage that integrates the contributions made by the authors into this stage. In the literature, it was possible to identify the key factors of HR management in successful international M&A and group them into four categories: (1) consolidate leadership; (2) HR provision and evaluation; (3) structure, strategy and culture evaluation; and (4) control M&A process. Also, this model is corroborated with primary information from a leading multinational company. The results of the present study shed light on the future research lines proposed by Antila (2006).

The second contribution is practical for the business field. A roadmap that can be used as a reference for the various executives involved in an international M&A process was developed, considering each functional department. Thus, the roadmap can determine the success factors to be considered to manage the HR in the processes of M&A, the actions that can be performed and some examples of HR management and behavioural results.

The results obtained in this work also suggest new future research lines. The evidence obtained in this case study is only an example of one company. Therefore, it would be interesting to apply the model in other companies and in other sectors. Subsequent investigations could conduct similar analyses for the rest of the stages of the M&A process (planning and integration), with the objective of presenting a complete HR management model for M&A processes. Another future line of research is to analyse the performance and financial outcomes of the HR management in the M&A process. Finally, another future research line could be the realization of quantitative studies to complement the qualitative evidence obtained through the case study or the use of a qualitative software like Nvivo or Atlas could provide more consistent results.

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