

**A STUDY ON ORGANISATIONAL AND HR ISSUES FOR SUCCESS AND  
FAILURE OF MERGERS AND ACQUISITION OF BANKS  
(WITH SPECIFIC REFERENCE TO CHENNAI CITY)**

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## **ABSTRACT**

Recent scenarios evidenced to study a research on Merger and acquisition of Banks. According to a latest statistics given in Economic Time was in 2017, India witnessed over and above 1,000 mergers and acquisitions (M&As), the highest in the current decade. This is because merger is a strategic tool for increasing profitability and to gain market share, companies eagerly enter into merger and acquisition to get a giant profit. But despite positive expectations, mergers and acquisitions often fail, in part because man-agers neglect human resource issues, which are hardly measured until serious problems arise. It is noteworthy to understand the level of support and resistance present in the organization to exploit the success of the process and build cooperation. The rate of giving lack of attention and importance given to HR and organizational parameters is also be one of the reason for failure as well. With this, this article delves into find mainly the organizational and HR issues, Reason for mergers and the relationship between success factor and HR issues in association with mergers and acquisition of banks in Chennai. There are 114 of employees are surveyed with well-structured questionnaire. And the results had shown that there are certain issues which are still pertaining to the main causes for the world-weariness of this Merger and Acquisition.

## **Introduction**

Mergers and acquisitions characterize the end of the range of options companies have in combining with each other. A merger and acquisition is one of the stepping stones for the acquiring organization and a different working environment and atmosphere for smooth transition. In that HR plays a major role. Understanding the employee communications, talent retention and cultural alignment are very important for success and can contribute to a makeover of the long term merger area and the increasing role of HR in the M&A process. It is essential that HR specialists become involved in the pre- merger and acquisition. With the above said this research articulates about the role of HR in Mergers and acquisition specifically in banking industries.

## Objectives of the Study

- To analyze the major issues related to organizational and HR in Mergers and Acquisitions especially Banks in Chennai city
- To identify the major reason between two types of Mergers and Acquisitions
- To examine the association between HR / Organizational Issues and reasons for Failure in Mergers and Acquisitions of Banks.
- To examine the association between Facilitating factors and success of Mergers and Acquisitions of Banks

## REVIEW OF LITERATURE

**Sakshi Kapoor (2018)** analysed the current scenario and emerging trends in merger and acquisition. The results revealed that Indian markets have witnessed a burgeoning trend in mergers due to business consolidation drive that was imminent across various sectors. Further, this paper explores the future outlook of M&A activities in India by analyzing the trends that drove the M&A activities in the current scenario.

**Nader Naghshbandi & Robert Mosomi Ombati (2015)** proposed a three-stage model of mergers and acquisitions that systematically identifies several human resource issues and activities. The experiences of companies in merger and acquisition activity suggest a model of M&A activity that has three stages: (1) pre-combination; (2) combination — integration of the partners; and (3) solidification and advancement. The article concludes with a description of the role and importance of the HR department and leader.

## Analysis

The researcher requested the respondents to provide the details to facilitate the investigation on the topic under study. In view of that, the results were obtained by applying Statistical tools like correlation, regression and Paired sample T test were applied using SPSS software.

### T-test analysis

**Table 1 Dominance of Major Issues related to Organizational and HRM**

Variables of Organizational and HR Issues	N	Mean	Std. Deviation	Std. Error Mean	t	Significant (2-tailed)
Management / Employee Turnover	114	3.43362	.99446	.09314	36.865	.000
Communication gap	114	2.62831	1.10417	.10341	29.481	.000
Job satisfaction	114	3.12389	1.04019	.09742	32.065	.000
Downscaling / Downsizing	114	3.91150	1.06892	.10011	39.070	.000
Compensation/ Reward Benefit	114	3.94690	.97618	.09142	43.170	.000
Cultural Change	114	3.54867	.97754	.09155	38.760	.000

**Inference:**

The above **t test table** discloses the mean standards for variables with regard to **HR-Organizational Issues**. The impact of mean values concerning the test value 3 is presented in the form of **t – values**. The **t values** 36.865, 29.481, 32.065, 39.070, 43.170 and 38.760 are statistically substantial at 5% level. This displays that the mean values of **HR- Organizational Issues** are greater than 3 considerably except for the variable Communication gap. The employees agree that the Compensation/ Reward Benefit (mean 3.94), Downscaling / Downsizing (mean 3.91), Cultural Change (mean 3.54), Management / Employee Turnover (Mean 3.43) and Job Satisfaction (Mean 3.12) are the major issues of M&As. Whereas, the employees disagree that the Communication gap (Mean 2.62) does not create a major problem when it comes to M&As. Hence, it is concluded that Compensation/ Reward Benefit is considered to be the crucial issue of M&As of any firms particularly Banks.

**Paired T-test**

Table 2 – Major Reason for Mergers and Acquisitions

Reason for Mergers and Acquisition		Mean	N	Std. Deviation	Std. Error Mean	t value	Significant Value (2 tailed)
Economies of Scale	Horizontal Merger	3.5487	114	.97754	.09155	2.728	.007
	Vertical Merger	3.3274	114	.52624	.04928		
Survival Purpose/ Gain Competitive Advantage/ market Control	Horizontal Merger	3.3274	114	1.0512	.09846	2.015	.046
	Vertical Merger	3.0973	114	1.0302	.09648		
Channel / Marketing Control	Horizontal Merger	2.4602	114	1.0308	.09654	2.222	.003
	Vertical Merger	2.4867	114	1.2417	.11629		
Global reach and World Class Leadership power	Horizontal Merger	2.7257	114	1.0326	.09671	4.368	.000
	Vertical Merger	3.2832	114	1.0846	.10158		
Acquiring power and Financial Gain	Horizontal Merger	2.6991	114	1.1041	.10341	8.653	.000
	Vertical Merger	3.9115	114	1.0689	.10011		

**Inference:**

The paired **Sample Statistics table** indicates the mean values for variables pertaining to reasons for merger and acquisitions of banks. The significance of mean values pertaining to the test value is presented in **t – values**. The **t values** are statistically significant at 5% level. On comparing the mean values for reasons for merger and acquisitions of banks, it can be noted that banks go for Horizontal type of mergers mainly because of Economics of scale (Mean 3.54,  $t=2.728$ ,  $p=.007$ ) and Survival Purpose / Gain Competitive Advantage / Market control (Mean 3.32,  $t=2.015$ ,  $p=.046$ ), whereas Vertical merger is taken place for the purposes of Channel / Marketing Control (mean 2.48,  $t=2.222$ ,  $p=.003$ ), Global reach and World Class Leadership power ((Mean 3.28,  $t=4.368$ ,  $p=.000$ ) and Acquiring power and Financial Gain

(Mean 3.91,  $t=8.653$ ,  $p=.000$ ). Hence, it can be concluded that, on the whole, on associating the reason for Mergers and acquisitions of banks, vertical type mergers plays a major role.

**Table 3 Model Summary for Organizational and HR Issues and Failure of M&A**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.692 <sup>a</sup>	.479	.450	.45758

**Inference:**

It can be noted from the Model summary table that 6 independent variable of **Organizational and HR Issues** construct nearly 47.91% (R Square value) of variance on Failure of M&As.. The adjusted R-Square value 45.0% is statistically significant to check for the regression fit.

**Table 4 ANOVA for Organizational - HR Issues and Failure of M&A**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	20.620	6	3.437	16.413	.000 <sup>b</sup>
Residual	22.404	107	.209		
Total	43.024	113			

**Inference:**

The table reveals that F-Value 16.413 and p value 0.00 are statistically significant at 5% level. This shows that the influence of 6 independent variables relating to HR Issues on the single dependent variable Failure of M&A is significant.

**Table 5 Co-Efficient for Organizational - HR Issues and Failure of M&A**

Variables of <b>Organizational - HR Issues</b>	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.090	.202		5.403	.000
Management / Employee Turnover	.113	.044	.192	2.545	.012
Downscaling / Downsizing	.148	.049	.248	3.035	.003
Job satisfaction	-.001	.049	-.002	.029	.977
Compensation/ Reward Benefit	.108	.040	.217	2.665	.009
Communication gap	.092	.047	.154	1.949	.054
Cultural Change	.151	.043	.265	3.542	.001

**Inference:**

The regression fit explains the impact of individual effect of the variables through t-values. The t-values of 6 variables are useful to identify their significant impact. It is found that among the 6 variables, **Management / Employee Turnover**( $t= 2.545$ ,  $Beta= 0.192$ ,  $p=0.012$ ), **Downscaling / Downsizing** ( $t= 3.035$ ,  $Beta= 0.248$ ,  $p=0.003$ ), **Compensation-Reward Benefit** ( $t= 2.665$ ,  $Beta=0.217$ ,  $p=0.009$ ), **Cultural Change** ( $t= 3.542$ ,  $Beta=0.265$ ,  $p=0.001$ ) create significant impact on Failure for M&As of Banks

**Table 6 Model Summary for Facilitation factors and Success of M&A**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.575 <sup>a</sup>	.331	.293	.518760658647191

**Inference:**

It is proved byliner multiple regression analysis 6 independent variable of FacilitatingFactors construct nearly 33.1% (R Square value) of variance on Success of M&As. The adjusted R-Square value 29.3% is statistically significant to check for the regression fit.

**Table 7 ANOVA for Facilitation factors and Success of M%As**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.229	6	2.372	8.812	.000 <sup>b</sup>
	Residual	28.795	107	.269		
	Total	43.024	113			

**Inference:****Inference:**

The table reveals thatF-Value 8.812 and p value 0.00 are statistically significant at 5% level. It can be exposed that the effect of 6 independent variables on the single dependent variable is substantial for further analysis.

**Table 8 Co-Efficient for Facilitation factors and Success of M%As**

Facilitation factors	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.473	.317		4.642	.000
Conducting Cultural and Talent Appraisal	.179	.054	.289	3.307	.001
Creating Shared Values	.137	.058	.211	2.361	.020
Separate Counseling for Employees	.068	.051	.122	1.341	.183
Addressing Employees Issues	.130	.050	.220	2.626	.010
Employee Feedback	.037	.052	.064	.712	.478
Articulation and Distribution of Accurate viewpoint	.063	.057	.099	1.096	.275

**Inference:**

The regression fit explains the impact of individual consequence of the variables through t-values. The t-values of 6 variables are useful to identify their significant power. It is established that amongst the 6 variables of facilitating factors, **Conducting Cultural and Talent Appraisal**(t= 3.307, Beta= 0.179, p=0.001), **Creating Shared Values** (t= 2.361, Beta= 0..137, p=0.020) and **Addressing Employees Issues**(t= 2.626, Beta= 0..130, p=0.010)create noteworthy control on Success of M&As.

**Major Findings of the Study****For Objective 1**

Among the 6 HR Issues namely Compensation/Reward Benefit, Downscaling/Downsizing, Communication gap, Cultural Change, Management/Employee Turn over and Job satisfaction, the

determination of Compensation/ Reward Benefit to the employees is the painstaking aspect being faced by banks during M&As.

### **For Objective 2**

Banks go for Horizontal type of mergers mainly to obtain Economics of scale and Survival Purpose / Gain Competitive Advantage/ Market control. Vertical merger is taken place mainly for Control over Channel/Marketing area, Global reach and World Class Leadership power and Acquiring power and Financial Gain.

On the whole, on assessing the reason for Mergers and acquisitions of banks, vertical type mergers plays a major role to Acquire power and Financial Gain, whereas Accepting for Horizontal merger is mainly to achieve Economies of scale.

### **For Objective 3**

It is noted from the outcome that there is a strong and high degree correlation between Organizational and HR Issues and Failure of M&A. The failure rate of M&A increased with the increase in HR and organizational Issues. All the factors of HR and Organizational issues create significant impact on failure of M&A. Among the 6 issues, Cultural change is the key element that leads to major failure of M&As.

### **For Objective 4**

Strong and high degree association was found between **Facilitation factors and Success of M&As. It identifies that there are mainly 6 facilitation factors namely** Conducting Cultural and Talent Appraisal, Creating Shared Values, Separate Counseling for Employees, Addressing Employees Issues, Employee Feedback and Articulation and Distribution of Accurate viewpoint. Amongst these 6 facilitating factors, Conducting Cultural and Talent Appraisal will be the key element that hints o success of any M&As.

### **Conclusion:**

India has witnessed many successful stories regarding mergers and acquisition. The recent data regarding M&A showed a severe failure because the management doesn't show importance in taking care of the organizational and HR issues. From this perspective this research had established the major issue that triggers the employees during M&A is cultural differences and communication. Furthermore, employee communications, retention of key employees and cultural integration are the mostimportant activities in the HR area for successful implementation of M&A. Thus, the HR needs to take a pre and post analysis of M&A to prove their worth in order to get a more central role in this regard.

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