

Interplay of the Impact of Globalisation and the Efficiency of employees from Human Resources Perspective

Sandeep Golani
National Law University Odisha, Cuttack
Odisha, India

ABSTRACT:

When an organisation globalises during Mergers and Acquisitions, it has a bearing upon the efficiency of employees of organisation which are the essential assets of an organisation. The Human Resource Department plays an imperative role at this juncture. This paper analyses the efficiency aspects of human resource management during the mergers and acquisitions. Additionally, it is analysed that how transformation takes place in Human Resource Department by virtue of talent acquisition, talent management, and employee engagement. Further, how Human Resource Department converts itself from being a transactional department to a strategic one amidst the influence of internal and external environment and under the circumstances where employees experience expatriation and estrangement during globalisation This paper follows the doctrinal approach, focusing on the secondary resources which facilitate in examining global issues in three mergers viz. Vodafone and Idea merger, and Walmart-Flipkart Merger from the Human resource perspective.. Further this paper analyses Multinational enterprise issues from Human Resource perspective to bring about the factors responsible for the success and failure in an organisation.

I. INTRODUCTION

With the advent of the era of globalization the business community is witnessing more and more mergers and acquisitions day in and day out. The conglomerates that have the thirst to strive forward opt for mergers and acquisitions because of the major advantages they get. Lionel Becherel & Chris Cooper Professor (2002)¹ describes The Impact of Globalisation Upon Human Resources. Let's give a bird's eye view on the advantages of mergers and acquisitions which prove to be the reasons for enterprises thinking of Mergers and acquisitions.

- Diversification
- Synergy
- Growth
- As a response to political and economic conditions
- Greater horizontal and vertical integration
- As an effect to internationalisation or globalisation

Though there are multiple advantages yet there still remains some factors like organization structure, etc which need to be paid importance during mergers and acquisitions. The major factor in this regard or the factor

¹ Lionel. B., & Chris C., *The Impact of Globalisation on Human Resource Management in the Tourism Sector*, TOURISM R. R., 27:1, 1-12 (2002).

which distinguishes a successful merger from a failed merger is the effective and efficient management of human resources. In simple words we can say that the macro perception needs to be changed and converted into micro perception to actualize a successful merger. The objective of this paper is to understand the role of effective and efficient employee management in an organization. To add further, the study attempts to show the significance and role of Human resource department during three phases viz. Pre-merger, During merger and Post-merger. Before going to the three phases of merger and what steps to take during premerger, during integration and post-merger phase, first it is imperative to know the importance of human resources in an organization.

II. IMPORTANCE OF HUMAN RESOURCES

Dexterous, talented, efficient, effective and hardworking people in an organisation act as the building stones and acts as the foundation-builder organisation. In the words of Narayana Murthy, CEO, Infosys human resources are the essential assets in an organization who are to be valued not only as the employees in an organization but much more than that as they affect the bottom-line performance of organization. It is significant to note here that as human resource management is getting importance a new term has been coined i.e. human capital which means making deliberate investment in human resources. Looking at the importance of human resources from a different perspective it is important to point out that for increased productivity and efficiency a long year ago, the father of modern management i.e. Henry Fayol propounded the principle of order in an organisation. According him people must be in suitable places at appropriate time for maximum efficiency. The same is true with the companies involved in mergers and acquisitions. Merged companies are required to effectively use this dedicated activity of managing human resources, which will eventually help in influencing the behaviors of all the people who work in the organisations. No laxity in planning for the employees should be accepted otherwise the organization is then bound to incur training expenses, unemployment compensation payments and much more than that. Considering the aspect of planning organization needs to be aware of the current legal complexities and thus the policies should not be made in a hurry like recruitment should be planned on the principle of equity and not just to fill vacancies. Otherwise the organisation may have to confront lawsuits if say there is any sort of discrimination in recruiting employees or if equity, fairness and just mechanism is not sought for while recruiting employees, compensation and benefits, labor relations, etc.

III. RESEARCH METHODOLOGY

The manuscript follows the applied research, the doctrinal method of study and is descriptive in nature. Both the primary and secondary sources of research have been used. Various research papers have been read and

the importance of the Human resources has been interpreted from the global perspective. The research shall be descriptive in nature and will follow a theoretical analysis approach. The format of citation followed will be Bluebook 19th edition.

IV. PRE-MERGER

Though it is acknowledged that Amalgamation and consolidation between conglomerates generates economies of scale, economies of scope, significant synergies, increased market share, unparallel structure, business expansion, a competitive advantage, improves revenue position. There are various modes for these, prominent among them are backward and forward integration, horizontal integration and vertical Integration. These are the modes on which organizations need to deliberate before going for mergers and acquisitions as each has its own effects. Now let's talk about the Pre-merger issues. The mistake which most of the organizations make at this stage is overlooking the function, role of the importance of planning for human resource department. Talking about the procedural way due diligence is the stage where the role of human resources manager usually gets started during pre-combination or pre-merger. Human resource manager has a big responsibility in due diligence as he is required to take into account decisions related to compensation, pension agreements, salaries and bonus, provident funds and other incentives for the employees. It is pertinent to note here that the task of human resources is complex enough as he is not only required to deliberate over the financial and non-financial incentives for the employees of one organisation but for the employees of two different organisations who come from different cultures, regions and backgrounds. Now what an organization can do at this stage to successfully integrate the organizations and particularly human resources? The answer is an organization can link the human resources related activities with the strategic vision and mission of the organization for achieving the objectives of integration of employees in a strategic way. Klaas Szierbowski-Seibel, (2018)² elucidates the importance of human resource management from strategic perspective. Furthermore, if the planning for human resource department is done in a comprehensive manner i.e. planning for recruitment, compensation, training and development, grievance mechanism and estimation of manpower requirement, the results will be wonderful for an organization.

A. RECRUITMENT OF EMPLOYEES

Human resources manager is to plan for the new recruitment of employees if any to fulfill the requirement so that required labor supply or adequate manpower is present post-merger. If the required no. of employees are present then the operations of the organisation will be carried out smoothly thus debarring the situation of planning to recruit employees post-merger.

² Klaas Szierbowski-Seibel, *Strategic human resource management and its impact on performance – do Chinese organizations adopt appropriate HRM policies?*, JOURNAL OF CHINESE H. R. M. (2018).

B. ANALYZING JOBS AND JOB DESCRIPTIONS

Job analysis is a systematic analysis of jobs within an organization. A job analysis is made up of two parts job description and job specification. At the stage of pre-merger HR manager is required to list the duties of a job, the job's working conditions, and the tools, materials, and equipment used to perform it. The manager is also required to specify required skills, abilities, and other credentials needed to do the job.

C. PROVIDING FOR COMPENSATION, SALARY AND OTHER FINANCIAL AND NON-FINANCIAL INCENTIVES

We know that the basic physiological need of an employee i.e. salary needs to be paid due consideration. So the acquiring company's Human resource manager is to view, systematically analyse and evaluate the policies of the acquired firm in connection with compensation, salary and other financial cum non-financial incentives. The final decision regarding incentives need to be taken so that it turns out to be a win-win situation for employees of both the organisations.

D. TRAINING AND DEVELOPMENT ACTIVITIES

Now as we started with the fact that every employee is from different cultural backgrounds and of course not with similar skills. So, similarly to the above function the HR is to analyse the training related activities of the acquired firm. In the analysis it will become clear, whether on the job training is suitable for the employees of both the organisations or off the job training.

E. GRIEVANCE MECHANISM

Both the companies will have different grievance mechanism systems and thus human resource manager is to make a comparative analysis of them in a diligent manner as the concern of employees is the concern of organisation. It is suggested that a new grievance mechanism should be evolved.

F. ESTIMATING THE MANPOWER REQUIREMENT

Often the news which becomes apparent when two organisations merge is "golden hand shake" offered by merged entities to their employees to cut their financial requirements. So to redefine employee requirement there is a need of systematic analysis regarding the horizontal and vertical dimensions. Sound decision-making concerning these dimensions can really assist the merged entities in future growth and in improving the financial position of the final entity. To strategically assess the requirement of employees in an organisation workload analysis and workforce analysis can be used. The former will help the companies assess the requirement of employees in the organisation and thus will help in managing the operations accordingly while the latter will help in knowing the status quo of the no. of employees and will help in taking decision concerning the future requirements of employees or retrenching the employees. To conclude, the function

should be managed such that neither the situation of overstaffing nor understaffing will emerge.

V. DURING MERGER

During integration Ruth. A., & John, D., (2004)³ examined the role of human resource manager in the integration phase of cross-border mergers and acquisitions. During merger, procedural formalities which take place involving registration and validity from various compliance mechanisms and boards leaving the aspect of managing human resources. An irony at this time is the news of firing of employees or giving golden handshake to employees by the big conglomerates. Now even if organisations consider firing someone from the job they should think twice of its ramifications on employees, network of organisations themselves with employees and its effect on employees who will be joining in future. In other words, when the human resource manager of the acquiring firm knows that he is going to fire someone, he might consider telling them so that they can start a job search. He could allow them some time to go on interviews during work hours. He can even offer to review their résumé, make introductions, and serve as a reference. After all, even though the person isn't a good fit for one company, they may be a great fit for another one as being fired is a terrible experience for an employee, but by being transparent and thoughtful, managers can make it a little more humane and thus add in their reputation and goodwill in the market which can consequently pave the way for finding some talented employees in the long-term. Hunt W. & Stephen Downing (1990)⁴ describes that the involvement of the human resource manager function is a matter of a humanitarian concern and thus companies should focus on micro view rather than macro view as mentioned earlier.

VI. POST-MERGER

A. ROLE OF MOTIVATION

Post merger is the stage where the actualization of all the efforts, put in planning, for human resources, takes place. And thus the stage becomes vital not only for the employees but also for organisation. But the major factor which hinders the efficiency and effectiveness of employees is fear. Employees are circumscribed by fear of getting retrenched from the job. So the major stumbling block for organisation at this stage is fear. And the factor distinguishes a successful merger from a failed one to a great extent. So how to deal with this fear factor among employees. The answer lies in effective communication and motivation. Therefore, let's see how communication and motivation can facilitate an organization to overcome the fear among employees.

³ Ruth. V., & John. C., *The role of human resource management in cross-border mergers and acquisitions*, THE INTERNATIONAL JOURNAL OF H. R. M., 15:8, 1355-1370 (2004).

⁴ Hunt. W., & Stephen, D., *Mergers, Acquisitions And Human Resource Management*, THE INTERNATIONAL JOURNAL OF H. R. M., 1:2, 195-210 (1990).

B.MASLOW'S NEED HIERARCHY THEORY

The theory encompasses five needs in an employee viz. basic needs, safety and security needs, social needs, esteem needs and self-actualization need. Applying this theory HR manager is to make provisions for salary of employees, provident fund and job security, friendship and belongingness, recognition and fulfillment and doing so will lead to the fulfillment of basic need, safety and security need, social need, esteem need and self-actualization need respectively.

C. HERZBERG'S MOTIVATION HYGIENE THEORY

Applying this theory HR should focus on motivators like achievement, recognition, responsibility, advancement, and growth of employees. The other part of the theory remains mostly present in organisations i.e. supervision and company policy, etc.

D. MCCLELLAND'S NEED THEORY:

The theory proposes the fulfillment of three needs of employees viz.

E.NEED FOR ACHIEVEMENT:

The need pertains to striving towards excellence, achievement of a goal or yardstick and consequently attaining success.

F.NEED FOR POWER

The need for power is concerned with bringing a change in the behavior of others, to impact and influence others.

G. NEED FOR AFFILIATION:

The need for affiliation is concerned with affection sense of belongingness acceptance and the urge to maintain cordial relations with other employees. HR needs these needs so that employees can achieve goals, influence and impact others' behavior. The fulfillment of needs will in the long run will help to the merged firms as employees will be more loyal and growth-oriented rather than self-oriented which they would generally become due to fear of losing jobs after merger. Irene Keng-Howe Chew & Peifen Chong(1999)⁵ explains how human resource to be managed strategically to achieve strategic goals and visions. Christine Kerr, (1995)⁶ defines the ways to deal with Human resource post- merger.

⁵ Irene, K., & Peifen, C., *Effects of Strategic Human Resource Management on Strategic Vision*, THE INTERNATIONAL JOURNAL OF H. R. M., 10:6, 1031-1045 (1999).

⁶ Christine Kerr, *Human Resourcing Following a Merger*, 7 INTERNATIONAL JOURNAL OF C. M., Iss 2, 7 – 9 (1995).

VII. ROLE OF COMMUNICATION

Communicate, communicate and communicate should be the motto of merged entities as employees of both the firms have a tendency to communicate in regard to their job security and salary. Thus, the role of operational level managers in maintaining cooperation among employees is important to successfully merge the skills, resources and knowledge and to communicate the grievances of employees to the HR. In addition to that, acquiring organisation should communicate with employees the future prospects or the strategic vision and mission of the organisation to provide a clear-cut direction to the employees of the acquired firm. Personnel policies and practices need to be elucidated to employees and also a quick response regarding salary and compensation, recruitment and selection system and also the performance appraisal system need to be taken. Concerning Selection, Retention, and Rewards KattyMarmenout Muriel Mignerat⁷ provides a wonderful and much deliberated work. Clarification of the conditions of employment in toto should be practiced which includes termination procedure, provident information, pension plans, perks and fringe benefits. So now we have known the pivotal role played by communication, but still what remains to be unanswered is how to communicate? Things should be communicated in a professional manner by the acquiring firm with the employees of the acquired firm. It goes a long way in creating goodwill and is favored by the employees. Moreover, it makes employees feel respected and in the long term they start respecting the policies of the organisation. At the end of the day, it provides human resource management function a professional image. Katty Marmenout Muriel Mignerat also⁸ provides for various communication practices and ways to maintain social network among human resources.

Communication –

- Articulating Common Goal
- Share Success Stories on Common Goal
- Tailored information
- Emphasize valued behavior

Lastly communication can be used as a powerful tool in influencing employees to make them adapt to changes.

VIII. THE SHOULD-BE EMPLOYEES' RESPONSES

So long we have been discussing the research from the perspective of organization now let our eyes catch the

⁷ Katty, M., *Leveraging Social Networks in Mergers: A Roadmap for Post-Merger Integration*, IN ADVANCES IN M. AND A., 83-101 (2015).

⁸ Ibid.

sight of employees' perspective. Generally, many employees handle work stress caused due to job insecurity while mergers by buckling down and powering tough. But that's not a great way to actually relieve the anxiety. So what's the way forward? Instead, they should try to reframe the stressful situation as a learning opportunity. Learning something new adds to skill set and knowledge, and helps one develop feelings of competency and growth, which can alleviate feelings of stress. One can also learn with other new employees, rather than just wrestling with a challenge in your head, get input from your colleagues. Discussing a stressful situation with them can reveal hidden insights, either from their backgrounds or from the questions and perspectives they'll offer. Framing learning as a form of respite can make it more appealing and more likely to create a positive, enjoyable experience. After motivating and communicating with employees most of the work is done. What still remains undone is how effectively an organization ensures cultural synergy among its employees. Cultural synergy can be achieved through redesigning workflows, diffusing new practices and by incorporating success stories in organizational culture.

IX. ROLE OF CULTURE AND HOW TO INTEGRATE IT

Derek Torrington Nigel Holden (1992)⁹ states the importance of organizational culture in an organization from the perspective of human resources.

A. REDESIGNING WORKFLOWS

Post-merger employees will, of course, want to remain the part of company or the informal group of which they were the part earlier but redesigned workflows act as hindrances in ensuring harmony and co-ordination among employees. But seeing it from different angle new workflows can foster shared values among employees and develop a common work group culture. Torsten J. Gerpott Brian Bloch, (1992)¹⁰ puts forward that the task facing human resource practitioners after the takeover, is that of integrating the personnel of both organizations in a way that supports the overall internationalization strategy.

B. DIFFUSE NEW PRACTICES

As opposites always repel so the employees of two merged organisations. It is not bizarre for organisations to adopt such new practices which require two employees, who are not of the same organisations or are of two different organisations, to perform a task. And thus new practices should to diffused for better co-ordination and co-operation among employees.

⁹ Derek, T., *Human Resource Management and the International Challenge of Change*, 21 PERSONNEL REVIEW, Iss 2, 19 – 30 (1992).

¹⁰ Torsten, J., *Strategic Human Resource Management for the Integration of Foreign Acquisitions*, 11 JOURNAL OF M. D., Iss 5, 3 – 15 (1992).

C. INCORPORATE SUCCESS STORIES IN CULTURE

As seen in every organization, employees always have the tendency to get their work evaluated, recognized and appreciated. The Human Resource Manager should recognize the role of communicating achievements of employees (specially of new employees) through publishing it in newsletters, magazines, displaying it on the notice board, conferring award or certificate for the same and distributing mementos.

X. MENTAL CONCERNS OF EMPLOYEES

As mentioned earlier fear is a major mental factor which affects an employee's performance. But, that is not the only factor, anxiety, stress and apprehension concerning job security for employees of both the organizations are some of the other relevant factors. Laura Empson (1994)¹¹ stipulates that most individuals pass through a mourning process when adapting to the post-acquisition environment: denial followed by anger, depression, idealization and ultimately acceptance. One of the major post-merger aspect that organisations must acknowledge and try to work upon is dominance of existing employees. It may be comfortable for existing employees to live in the air of pride and dominance but post-merger it is not about employees of two different organisations rather it is about oneness in work culture. So, to maintain healthy relationships among employees human resource manager should strive to avoid condescension, inferiority complex and the feeling of winners and losers.

XI. CASE STUDIES

A. IDEA VODAFONE MERGER

Idea Cellular Ltd was incorporated in 1995 under the name of Birla Communications Ltd. It is India's one of the largest and leading telecom operator with its headquarter based in Mumbai, Maharashtra working successfully under the tutelage of Kumar Birla. Its history involves joint ventures with various other companies like in 1997 there was Grasim industries and AT&T Corporation. It kept on expanding its operations in various states and today covers almost entire India. In 2003 it reached a mark of one-million subscriber mark which today stands at 190 million. It is the first GSM operator to roll-out VoLTE service across 20 4G circles in India. Vodafone India is a pan-India integrated GSM operator offering 2G,3G and 4G mobile services under the leadership of Vittorio Colao and is one of the largest mobile telecommunication networks in the world. It is a subsidiary of the MNC Vodafone Group plc which operates network in 25 countries. As of July 2018, it had the customer base of around 444 million customers. In a press conference both the Chairpersons of both Idea and Vodafone India stated that the merged entity is going to become the

¹¹ Laura, E., *Extended Review: Human Resource Management Implications of Mergers and Acquisitions*, THE INTERNATIONAL JOURNAL OF H. R. M., 5:3, 779-783 (1994).

largest telecom industry in the country with \$10 billion synergy benefits from the merger with 400 million subscribers. Vodafone has reserved 45.1% stake and 26% stake is reserved by Idea cellular. Chairman of Vodafone Kumar Mangalam Birla had a recorded message on the vision and mission of the new operator related to employees followed by other chief executives". This shows how much significant is communication nowadays in the business parlance.

According to the head human resources all employees will be treated with respect. This again shows the concern towards employees. On the other hand, both the companies in the run up to merger let go of about 5000 employees and Vodafone has also rolled out golden handshakes for good performers who could not be accommodated in the new entity.¹² The companies look to save on costs, eliminate duplication and improve efficiency, by cutting the jobs of employees.¹³ There is one more reason which relates to the combined debt burden of 1,20,000 crores of Rupees. Here we see the neglected role of employees in the organisations.

Concerning the role of communication, it is pertinent to note that the chairman of Vodafone wrote a mail to all its Indian employees and ignited the need to strive to work for the new merger.¹⁴ He tried to make employees feel that the merger was a great opportunity. In addition to that, to compensate for the cutting of jobs severance packages will be provided and an attempt to explore jobs and promotions will be looked for in Aditya Birla Group.

XII. WALMART-FLIPKART DEAL

Walmart is a retail corporation having its chains around the world. Basically, the conglomerate has got chain stores of grocery. It is headquartered in Arkansas. It is world's largest company by revenue. Doug McMillon is the current CEO of the leviathan. Flipkart is an Indian electronic commerce conglomerate, headquartered in Bengaluru, India. The giant operates its business under the guidance of Sachin Bansal and Binny Bansal. As of 2017 the enterprise held a 39.5% market share of India's e-commerce industry. After the deal the first concern among employees was related to firings. As the pages of history tell that Walmart does not support a win-win situation for its employees, the question related to firings is genuine. In an interview, Flipkart Group CEO Binny Bansal was active in answering the question and he rather answered the same in favor of the employees by saying that there will be more recruitment of employees.¹⁵ This very act shows the significance of employees. Concerning the factor of cultural integration between Flipkart and Walmart, the former is India's leader in e-commerce while the latter is having monopoly around the world in regard to the retail, so

¹² Devina Sengupta, *Vodafone, Idea may let go of over 5000 Employees*, ET BUREAU, April 16, 2018.

¹³ Shweta Ganjoo, *Merger complete, Vodafone-Idea looks to fire 2500 Employees, limit total jobs to 15000*, INDIA TODAY, September 8, 2018.

¹⁴ Kalyan Parbat, *Vodafone and Idea Employees' jobs are safe Post Merger, assure CEOs*, ET BUREAU, March 20, 2017.

¹⁵ Athira, A., *Flipkart-Walmart: How will Work Culture Change for the Alliance?* YOURSTORY, June 11, 2018.

cultural synergy is to be maintained thoughtfully. Also, Flipkart favors entrepreneurial taste while Walmart chases traditional culture. The last note concerning the gargantuan deal relates to the hike in stock options for employees of Flipkart.¹⁶ This shows that how motivation plays its unique role post mergers.

XIII. FINDINGS

After analyzing the impact of mergers and acquisitions on employees it was found that often during mergers and acquisitions employees suffer from the major issue related to job security. It was also found that employees want transparency in operations during mergers. Communicating with employees is found to be an effective and efficient way to deal with employees. In regard to the cultural problems it was sought that cultural integration is an integral part post integration. Lastly motivating employees by the human resource manager of the acquiring company was found to be a sine qua non.

XIV. DISCUSSION AND CONCLUSION

The objective of this manuscript was to throw light on the latent importance of human resource management during globalization and internationalization. Majorly the manuscript tries to elucidate the significance of human resources which are worthy assets in organizations and the ways to tackle some of the major Human resource related issues post integration in an organization. By deliberating upon the aspects of cultural integration, role of communication and motivation merged organizations can become torch bearers for the organizations going to merge in future as the status quo in regard to the same is not too good or only a few of mergers succeed in their attempt to globalize or foreign acquisition or mergers and acquisitions. In addition to this, there is a need of qualitative and quantitative research concerning how human resources can become the weapon of merged entities.

¹⁶ Kartik Shindey, *Flipkart-Walmart deal: ESOP bonanza for employees as valuation nears \$20 billion Walmart is expected to buy 70-75 per cent stake in the Homegrown e-tailer Flipkart along with Google parent Alphabet for about \$15 billion*, BUSINESS TODAY, September 20, 2018.