Mergers and Acquisitions (M&A) are part of modern day business. We often read in newspapers about mergers or acquisitions going on a regular basis. Mostly M&A is seen from a financial perspective with a profit motive but one most important aspect which is given less importance is the HR Perspective.

Whenever two companies merge or one acquires the others, workforces also unite. This is the most important aspect of the merger. The two companies entering this M&A may be in the same line of business and market segment but their internal organization structure can be quite different.

The Business units, verticals, horizontals, jobs, positions etc can be totally different and can’t be mapped directly with the other company. If without any planning or design merger takes place, it would result in unnecessary loss of jobs, wrong allocation, people in wrong departments, loss of motivation, attrition in both companies.

So how should two companies merge taking in to these HR considerations?

The whole process can be divided into 4 parts

1) Before the Deal actually takes place:
In this phase mainly the structure of two companies is studied. Many key personnel and the total number of employees per department or unit are also identified. One important aspect at this stage is to understand the HR policies of the other company along with other HR considerations.

2) Planning:

This phase is the most important from HR point view in a M&A. The actual planning on how to go about is done here. In this stage the new organization structure is made along with the new (if required) reporting hierarchies if required. Decision on Layoffs/reductions is also taken at this stage. Main decision of compensation review is taken in this stage itself. By review, we mean that two companies can have different pay structure prior to merger. One can be a good pay master but other doesn’t pay much. So the compensation review has to be done to bring everyone on the same pay scale.

3) Implementation:

In this stage, the actual implementation happens. This stage comes after the merger goes through. In this stage mainly the action takes place along with the communication to the stakeholders. E.g. Managers are informed about the restructuring along with the revised budgets.

4) Post Deal:

The actual role alignment and work starts at this stage. New roles are merged in the system. All people of the two workforces are merged into one single record or database. Compensations and policies come into effect. Also the new people are aligned to their teams as per the new structure.
Main Challenges that are faced in the whole process are:

1. Identifying distinct organization structures and merging them
2. Identifying the differences between the work cultures
3. Managing Lay Offs if required from either side
4. Keeping the existing employees motivated
5. Change Management

Human Resources play a very important role in ensuring that the Merger and Acquisitions go through smoothly. HR is considered mainly as a support function but in this scenario, they play the main role along with Strategy and Finance.