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Managing the Impact of Mergers & Acquisition on Employees

VRINDA PRIYATOSH DUTT¹

ABSTRACT

This project investigates the multifaceted dynamics of managing the impact of mergers and acquisitions (M&A) on employees within contemporary organizations. M&A activities have become integral to corporate growth strategies, but their effects on the workforce often extend beyond financial implications. Through an in-depth examination of existing literature, case studies, and expert insights, this research explores the intricate interplay between organizational transitions and employee well-being.

The study highlights that M&A events can trigger a range of emotional responses among employees, including uncertainty, anxiety, and resistance to change. Effective management of these emotional reactions necessitates strategic communication, empathetic leadership, and supportive infrastructure. The project delves into strategies employed by successful organizations to alleviate employee concerns, foster open dialogue, and sustain morale during periods of transition.

Furthermore, the research underscores the critical role of integrating organizational cultures and workforces post-M&A. The study examines how aligning values, defining clear roles, and offering professional development opportunities contribute to successful post-merger integration. It also delves into the long-term implications for employee engagement and overall organizational performance.

By addressing the complexities of managing M&A impact on employees, this project offers practical insights for organizational leaders, HR professionals, and stakeholders. The findings emphasize the significance of a holistic approach that balances strategic goals with the well-being of the workforce. Ultimately, this research contributes to a better understanding of the human-centric aspects of M&A and their profound influence on the success and sustainability of post-merger organizations.

Keywords: *Mergers, Acquisition, Employees, Business, Employers, Impact.*

I. INTRODUCTION

Merger mean when two or more companies come together in order to share its business and assets. The companies who merge with big company lose its old identity for say Reliance

¹ Author is a student at Thakur Ramnarayan College of Law, India

Industries purchased Central Mall from Future Group named it as Centro and Big Bazaar is named as Smart Bazaar.

On other hand when acquisition occur then a company acquire some percentage of share of another well-established company and then have control over it. But in such a transaction a new ownership and management structure is established.

The main aim of Mergers and Acquisition is a way so that business be restructure to help companies acquire new technologies or product; improve processes and productivity which will reduce overall cost of production. Essentially merger and acquisition might or might not achieve this target but it will affect employees permanently.

This change in work environment is difficult for employees to adjust such as new employer. When Reliance Group acquires Big Bazaar and Centro then they remove all employees only kept hardly someone. They only kept manager who uses their brain so as to formulate sales strategy you can say employees who have power to take decision for well-being of company. Due to this problem company need to give proper information of its working as much it can share which will affect individual employees.

Employee suffers mostly job loss as it is due to redundancy and culture change. Manager by his own entrepreneur skill and mindset can alleviate the effects of Mergers and Acquisition on employees by focusing on the following areas;

(A) Objectives:

1. **Examine Employee Reactions:** Investigate the range of emotional and psychological reactions exhibited by employees during and after M&A events, including anxiety, job insecurity, and resistance to change.
2. **Evaluate Communication Strategies:** Assess the effectiveness of communication methods employed by organizations to mitigate employee concerns, foster transparency, and manage expectations throughout the M&A process.
3. **Analyze Leadership Approaches:** Examine the role of leadership in addressing employee apprehensions, identifying the qualities and strategies of empathetic leaders who facilitate smoother transitions.
4. **Study Cultural Integration:** Investigate how organizations navigate the integration of diverse organizational cultures post-M&A, focusing on preserving key elements while fostering a sense of unity and shared identity.
5. **Assess Workforce Integration:** Evaluate strategies for integrating workforces from

merging entities, including identifying best practices for maintaining productivity, morale, and team cohesion.

6. **Explore Employee Engagement:** Investigate the long-term impact of M&A on employee engagement, job satisfaction, and commitment to the organization, with a focus on identifying strategies to sustain positive engagement levels.
7. **Examine Performance Implications:** Analyze how M&A events influence employee performance, productivity, and innovation, exploring methods to maintain or enhance performance during transitional periods.
8. **Identify Change Management Strategies:** Explore effective change management frameworks and methodologies that organizations can employ to help employees adapt to new structures, processes, and roles.
9. **Recommendation of Employee-Centric Approaches:** Develop recommendations for organizations to adopt employee-centric practices during M&A activities, emphasizing measures that prioritize employee well-being and growth.

(B) Research Methodology:

The study is based on purely on secondary data. The secondary data were collected from different sources such as Newspaper , Journal and Internet.

a) **Loss of job by way of redundancy –**

Redundancy is very common when Merger and Acquisition take place. It is due to loss of job or shift in role of employees of the merging organization. Let say many women after birth of their two children live their job then when children are grown up enough to look after themselves. Then women start their career but if after merger and acquisition. New company introduce night shift then ladies with children can't manage this work and therefore in most of case they live job to look after their family. In merger or acquisition process many time lay – offs occur as on part of employer it is not clear that which company will give raw material, finished goods to sale etc. to employee. Say when Reliance acquires Smart Bazaar and Central Mall till 8-9 month whole mall was shut down as it was not clearer who will run the business. All employees from sale girl to branch manager of it all were out of employment and did not receive salary for period when mall was shut down

Employees who might lose their job should be inform prior on priority base and redundancy procedure is to be followed such as giving three month salary in advance with the current month salary and so on Section 40 of the Employment Act 2007 provides the procedure to be followed

when laying off employees by way of redundancy. All process and formalities will not mean that company which is being acquired all its employees will be removed from office only it is discretion of new company management

b) **Change in Organizational Culture-**

All organization have different working culture such as working in Tata Company is like having a government job and government employees facilities but it not same for other companies. Employees need support for this intermediate period to hold this changes positively. It is just like to induction procedure (interview formalities where round to see knowledge skill etc.) For employees to be added in job but old employees face difficulty to adopt with new cultures. This culture change can be a boom or bone it be determined by its management. There is high uncertainty in work due to this there is risk of losing good employees to competitors or ending up with unmotivated workforce is real. Management can intervene to sort out this dispute to provide affected employees with the some vision and mission of the organization. Company should be striving for explaining in clear terms the direction the organization is taking in order to realize targets.

c) **Training the Employees-**

It is mandatory for training employees on new processes, policies and procedure which is to result in new arrangement. Management should have training plan which includes time lines for the new employees to familiarize themselves with new technologies, systems, reporting procedures.

d) **Make employees feel valued-**

We know when this process of acquisition take place it takes 2 or 3 month nowadays company does not pay salary as employees does not work till time acquisition process is going on. Employees need to have active participation for translating merging companies as it is opposed because all asset of present company is transferred. Say when Tata had done acquisition and acquired Big Basket but on acquiring it Tata had full control over stock assets and financial market position of company. Buying a target company (say Reliance had an eye over future group Central Mall

Looming transaction can be stressful time for buying and target company which sell itself for good future

Merger and Acquisition is can create insecurity of job among continuing job workers. Like if a new company merges and acquire a company then it can remove many employees and just

say they are not needed and many reduce their pay scale to 50% and may put high amount of target to be completed. We know if any company acquire and merge with another.

There employees might not be used to their terms and condition of working and working environment such policies for employees whether if small mistake happen then this employer harass employees like issuing notice due to which their arias in pay scale get cancelled. Employees should understand that there is immediate and very must need to complete working task specially information technology company, statics company whose employees work is make and give data to other company.

(C) What happens to employees when companies merge?

Many a times merger and acquisition will not cause any disruption in kind of workforce. Spring in mind is that acquisition of an asset and no transaction need human capital says a land or property purchase and acquisition of intellectual property rights. Generally when merger and acquisition take place many companies say Tata and different foreign company give different medical claim for their employees and their families.

But if you see Reliance Industry then you will not find that their general manager of particular unit, auditor will get any kind of medical facility, allowance for high post officer due to which Reliance reputation is not good in public eyes. People feel that they purchase good and service of Reliance Industry and give them profit and they do mental harassment of their employees by not giving salary and bonus on time like pandemic Reliance can give full salary to its employees but it did not give. Other I.T Company (Information Technology) though they paid salary to its employees but with 40% reduction. Therefore general people like us feel if we want to spend money on good and services then why not take some other company services. As we take service from service sector but at it give employment to a portion of Indian population which in turn maintain standard of living. Many company offer huge salary due to which you can see refrigerator and other item of electronic are in everyone house so you will find new innovation and this thing are something which last lifetime. In acquisition employee should come together say previous company and new companies own graphics designer can be there they should accept each other ideas and work together and they should not have any kind of comparison in working and not say that their company work pattern is suitable and sustainable in long run.

Commonly this overlap is seen in as follows

- Admin staff like secretaries and personal assistants
- Director level of employees

- Supporting staff such like Information Technology staff and catering employees
- It is little important to note that candy coat situation which is inevitable which arise from this duplication.
- Many employees need many requirement in its current roles which remove them to create synergies for the newly – formed entity.
- Many employees understand potential threat to their positions and they may look for somewhere else.
- Duplicate service will not destruct its utility and value say Centro of Reliance Industry is copycat of Central Mall of Future Group no such value is destroyed.

II. THE IMPACT OF MERGERS AND ACQUISITIONS ON EMPLOYEES

Many times employees are overburden because after Merger of company huge number of employee get pink slip (nicely saying you are no more needed in office) due to this employee have work pressure to complete target. Human relation which consist of issues which are almost unending but the following are some of the most common issues which a new create corporate entity will have to contend with as follows

1. Culture issues: A clear way is to plan how culture affect individual because after merger and acquisition many employees will be posted to foreign country and in foreign country culture and lifestyle is different therefore it is difficult to adjust properly.
2. Wage disparities: we know that there might be wage difference among two merging companies. Today generation people apply for job every year and in any job their little high pay scale then people shift for that job because they feel wherever they work same work load and stress for the job then why not they live present job.
3. General disillusionment: Major source of disillusionment in employees is that nature of Merger & Acquisition is that some employees will not go behind for myriad of reasons. Many other positive impact are from merger and acquisitions on employees and manager who is in charge for change will emphasize indeed to exploit. (if manager feel that in this month they made huge turnover and company did over all good then employees feel that they were harassed mentally to complete huge target.

These include:

- **New job opportunities:** We can look if foreign company acquire India company then if you talk with any employee who became part of new merger company they will say that

whatever work they did in previous company was only 20% of their present work. Due to this employees work in place where foreign company main head office is situated and do mainly work of senior officer as we know company will appoint its CEO who might be recruited for he is general manager of other companies. till the time company is not settled completely then employees will have to handle big officer work.

- Let say I.T Company (Information Technology) have its head office in Noida as we know it is Information Technology city Bangalore for Uttar Pradesh and made its name on map of India. Suppose after merger employees work from their native place such like Kanpur, Allahabad, Sitapur. But notification told employees need to be present as in Noida for working in company. Some employees want work from home job because they might have entered in Information Technology for that such reason they might live their work.
- **New training opportunities:** when company is merge employees will need to give training to acquire skill and those who learn skill fast and do it properly they are retain in employment and who does not do it properly they they are removed from their job. We can say at least 50 % of employees will not learn properly hence are removed from employment.
- **Better perspectives:** We know if your salary is same whether you work in small company and big company only little difference in pay scale then too if you work in big company people will have better respect for you in terms of education and working condition. Small children of your family, neighbor and relative can ask you for how are your working condition and all work tasks which in turn will make you happy.

III. THE NEGATIVE EFFECTS OF MERGERS AND ACQUISITIONS ON EMPLOYEES

A word that comes up frequently while arguing the negative effects of mergers and acquisitions on employees is anxiety. This is reasonable which give idea that many of us know that mergers inevitably bring layoffs.

Merger and acquisition process bring anxiety because they are curious to know what will happen how new company takeover might affect their working condition. Due to this layoff starts when new company manage the existing company then after merger as we know a lot of formalities and till some time period company work stops so immediately new company start work in existing there might be inability on part of employer to provide tool, equipment for working.

Let say when Central Mall was shut down then it took some time for Reliance say 2 months to reopen Central Mall again with name Centro. Employer faced problem due to their inability to give goods like cloth, shoes jewelry to their employees for selling. Layoffs need to be depend

on type of industry say like if travel industry, airline industry is there and any lockdown is imposed it might cause huge loss and say if manufacturing and service sector they will make estimate that this much they sell and this profit per unit so they sell every year this much stock then so this much will be profit so if they will do production less but proper management such as minimum utilization of resource to get highest output like that. So by this target they can manage their output and profit. We know transparency is known in all sector and very common feature for emerging powerful nation such as India, China and even for growing develop country like Thailand and Singapore.

Earlier we know Thailand and Singapore were tourist destination and people use to do fishing and eat only fish and rice they grow in their countryside village area. But now you can see how Information Technology and Service Sector Industry is flourishing in this country and its economy is known for having highest growth rate in Asia 7.5%.

Therefore, technology workers are always feeling safe in all work aspects and process will be voluntary say employee by itself make a link on website from where other work will write their work done and involuntary redundancies when say if in many departmental store existing Reliance all store are affected by political parties for their day to day working like Dhani Store is like Reliance Smart Bazaar which are retailer type store and they do not manufacture their own commodity. Employees need to stay for long time in store so as to welcome that political party leader. Some employees will not like it.

IV. EFFECT OF MERGERS AND ACQUISITIONS ON EMPLOYEE PERFORMANCE

A significance of increased anxiety levels result in low performance levels, home rest to employees (mean that they want to go home), and many times want to take voluntary retirement of service. Employees always form a prejudice opinion that they might not work properly, and then might not complete task in proper time and very fast as many day are wasted in merger process and in lay off and due to this huge work pressure they may resign.

If an employee, who would else make a respected contribution to the merged entity, feels that their work is under danger, they may agree that it's safer to take a position in a company that can be assurance for their job for the predictable future. When employee works well in merged company then they cannot ask for promotion in job because they know that 50% employees are out of employment and if they do anything like that same will happen.

After the transaction has closed, and the post-merger integration phase has begun, at least one of the companies will undergo a cultural change. Post-merger integration phase started then employees will need to work in that new work cultural say UK Information Technology

Company merge with India Information Technology Company then employee will work in different timing like UK standard time and it will differ from Indian Standard time so might women leave their job if onsite in company office work is there and if online work then women will have no problem.

This may lead to blocking among certain workers who feel that they have to labor harder or that new procedures are **“not the technique that effects are done about here.”**

This unhappiness, or the backlash attached to it, is likely to lead to a diminishment of performance in the short-term at the least.

V. BENEFITS OF MERGERS FOR EMPLOYEES

Employees whose company are merging with other entity and making itself big corporation. Like Reliance company brought Smart Bazaar so like management of Chartered Account, Sales Department etc. will get good opportunity as in internal management this group will organize its own policies no authority can question it.

There is no employer to ask them because they know that Big Bazaar did not earn profit enough and due to its future group had too much loan and therefore they sold Big Bazaar. It must be noted if any shareholder decision is there then Ambani family itself have more than 50% share in any business so it any dispute then Ambani family decision will be taken.

Merger of large companies create large career opportunities for its employees. Employees in developing country like India will get same opportunity as in abroad they would get it with their total number of years work and their knowledge. Such as if a company is merging then it might happen if an employee is very good in his work then they may promote him to general manager for that merged unit.

In order to achieve such a managerial post and salary, allowances many employees live their job and go in free licenser career for many years and see if they are again call for opportunity. Reputed organization which is going in change there might be huge loss in career for its employee but the takeover company employees will have good breakthrough in their career.²

Benefits are likely to include better salaries and benefits, enhanced share options, new roles opening within the company, new opportunities to train and up skill, and even an enhanced image of the company (an asset when looking for new work outside the company).

Benefit of takeover company is that there is new opening of company by which they get many

² Kison Patel CEO and Founder of DealRoom The Impact of Mergers and Acquisitions on Companies & Employees <https://dealroom.net/blog/impact-of-mergers-and-acquisitions-on-employees>

opportunities and after merger there might be skill enhancement training and it improve their moral because due to their strategy which is entrepreneurial they are able to acquire such company because their own brain were used to make this dream acquisition to reality for the owner and shareholder of company.

VI. EMPLOYEE QUESTIONS TO ASK DURING AN ACQUISITION

If takeover company manager feel that they are very superior and ask the merged company employee that they do not know anything about how to target sales and other tactics of sales and marketing this will make employees moral down and not just asking they might issue a letter to earlier worker. Many workers will feel hurt and live their job as they will feel that by such notice will spoil their entire carrier.

likely they will be to want to stay in the newly formed company: if employee will not feel secure in environment like in Information Technology sector after merger women like men counterpart might have to travel from one city to another for official work and might have to live their family and children for 2 or 3 months.

This doubt can be asked in the following question as follow-

- What will be the pay scale, timing of working such like in Asia minimum 7 hours in day in week including Saturday and in foreign schedule minimum 9 hours in a day and Saturday and Sunday holiday?
- There is plan for relocation of jobs such like transfer.
- Will there be new opening of company office Say Company had branch in Andheri then if it open new office in Borivali then employees instead to travel so far will go in to office near house.
- If an employee works in information technology then his work is to put all company data with transparency for its shareholder, creditor and Board of Director but in new company he need to see working of its company software application which other company uses for its working
- How to report as new takeover company wants its employees to do like?
- If any method of work will change then do you will instruct us and if any training is given, then what you will need from us how to do it.
- How to work in our customer care helpline number?
- Any guidelines for formal announcements?

VII. EMPLOYEE RIGHTS DURING AN ACQUISITION

Lay-offs are habitually a normal part of acquisitions and, typically, nothing can be done to protect yourself in contradiction of being laid off; however, being aware with your present agreement is critical. In many cases addresses severance recompense and supplementary fundamental evidence (which are incomplete arrangements). Lay off is very common because there is employees inability to give equipment of production then it is at problem and term and condition of working might change.

Many foreign airlines company make a contract with all Indian Air hostage as many of Indian airlines company merge with foreign airline such as Tata started airline with partnership with some other foreign airlines. When women who become air hostage they will have to sign a contract by which after joining air hostage job within 3 year of service they cannot be married and after 7 year of marriage only they can give birth to child otherwise they will be removed from service without any justification.³

VIII. MERGER AND ACQUISITION EFFECT ON GROUND LEVEL IS THAT STAFF WILL HAVE MANY CHANGES

Major issue concerning labor rights during merger and acquisition transaction Job Security – When merger and acquisition process starts then employees are worried of their job. There is big tension among them for their loss of job or relocation to different city. Employer should have all data of all employees regarding their behavior and sincerity and dedication of work. Companies should comply with Industrial Disputes Act of 1947 because on illegal lock out and for no reason lock affected employees can take action.

In the case of Hindustan Lever Ltd v Hindustan Lever Ltd (1984)

Supreme Court said principle of natural justice cannot be denied in any reason for termination of service. Companies should take address grievance of employees as it is a target organization for finding out any potential redundancies or layoffs. If process of lay off is completed, then company must with legal requirement for notification and compensation. Employees who lost their job should be given alternative career opportunity and retaining programs.

(A) Collective Bargaining Agreements -

It is a system where all employee negotiate on term and conditions of the employment with employment. According to Flippo, “Collective Bargaining is a process in which the

³ Pranjal Lakhera Human Side of Merger and Acquisition Impact on Employees Rights axguru.in/corporate-law/human-side-mergers-acquisitions-impact-employee-rights.html#google_vignette 26 April 2023

representatives of a labor organization and the representatives of business organization meet and attempt to negotiate a contract or agreement, which specifies the nature of employee-employer union relationship”.⁴

IX. CASE LAWS

(A) It was held in case National Textile Workers Union V P R Ramakrishan (1983)

If target firm union is unionized, then all collective bargaining agreement should be acquired by company. Contract must be revised and all changes taken in merger and acquisition should be reflected and acquired company need to bargain with employee union and their representative. As per Industrial Relation Rules 2020 if target firm is not having its own union or is not part of any union then it must abide by Industrial Relation Code 2020 and if this code is not followed then union may take action.

a. Standing Order of 1946 –

There should cultural integration among employees. When merger and acquisition take place employees from many decent and culture come together. Companies must look into these disparities and endeavor which will foster a happy and successful work environment and culture. Therefore, company must be bond with the Equal Remuneration Act 1976 which gives direction those employees same pay regardless of gender. Due to this equal pay for equal work principle is used in every organization. All affected worker may take action if this Act is not followed.

(B) In case of Air India V. Nargesh Meerza (1981) Supreme Court held –

In this case it was held that gender discrimination should be strictly prohibited and equal opportunity should be given to women in comparison with men. Companies need to comply with Equal Remuneration Act of 1976 and its relevant labor regulations. Company must have diverse and inclusive work employment by which its appreciates each employee as an individual ensure equality and fairness.

X. CONCLUSION

In conclusion, the study underscores the pivotal significance of adeptly managing the impact of mergers and acquisitions (M&A) on employees. The research reveals that employee reactions encompass a spectrum of emotions and concerns, necessitating proactive measures for effective

⁴ Sampurna Majumder StoryTeller; Content and Communications; Former Finance Journalist Merger and Acquisitions: The Employees' Side of the Story; What Employers Can do? <https://www.linkedin.com/pulse/merger-acquisitions-employees-side-story-what-can-do-majumder/> June 16, 2016

change management. Open and transparent communication, empathetic leadership, and well-structured integration plans emerge as essential components in alleviating anxiety, maintaining morale, and minimizing disruption during transitional phases. The project highlights that successful M&A outcomes hinge on aligning organizational cultures, skillfully integrating workforces, and sustaining employee engagement post-merger. This concise exploration emphasizes the critical role of harmonizing human capital considerations with strategic goals, resulting in not only a smoother M&A process but also a strengthened, motivated, and synergized workforce poised for enduring success.

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