

Impact of Mergers and Acquisition on Employees

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Abstract

Corporate mergers and acquisitions (M&As) have become popular from corner to corner in the world during the last two decades thanks to globalization, liberalization, technological developments and intensely competitive business environment. The synergistic gains from M&As may result from more efficient management, economies of scale, more profitable use of assets, exploitation of market power, the use of complementary resources, etc. Interestingly, the results of many empirical studies show that M&As fails to create value for the shareholders of acquirers, and one of the reasons are the instable employees. Just as mergers and acquisitions may be fruitful in some cases, the impact of mergers and acquisitions on various aspects of the company may differ. In the article below, details of how the employees are affected has been briefed. Mergers and acquisitions are aimed at improving profits and productivity of a company. Simultaneously, the objective is also to reduce expenses of the firm. However, mergers and acquisitions are not always successful. At times, the main goal for which the process has taken place loses focus. The success of mergers, acquisitions or takeovers is determined by a number of factors. Those mergers and acquisitions, which are resisted not only affects the entire work force in that organization but also harm the credibility of the company. In the process, in addition to deviating from the actual aim, psychological impacts are also many. Acquisition is often seen to have negative impacts on employee's behaviour, resulting in counterproductive practices, absenteeism, low morale and job dissatisfaction.

Keywords: mergers- Corporate- globalization-liberalization-technological- environment-complementary- employees

Introduction

In the competitive global business corporate restructure has become a very vital tool for firm to gain core competence against the competitors. Corporate restructure not only includes the mergers and acquisition but it also includes amalgamation, take over, spin off, leverage buying out, buy back of shares, capital reorganisation, sales of business units and assets. However the most popular form of corporate restructure has been identified as mergers and acquisition. Corporate restructure can be describe in simple terms as the combination which the

firm uses to reach the synergy level in the competitive market.

Merger occurs when two or more companies combine into one company. This can happen either by one or more companies merge with an existing company or they amalgamate to form a totally new company. There is complete amalgamation of the assets and liabilities as well as shareholders interest and business of the merging companies.

Thus, mergers or amalgamations may take two forms:-

Merger through Absorption

Absorption is a combination of two or more companies into an 'existing company'. All companies except one lose their identity in such a merger. For example, absorption of Tata Fertilisers Ltd (TFL) by Tata Chemicals Ltd. (TCL). TCL, an acquiring company (a buyer), survived after merger while TFL, an acquired company (a seller), ceased to exist. TFL transferred its assets, liabilities and shares to TCL.

Merger through Consolidation

A consolidation is a combination of two or more companies into a 'new company'. In this form of merger, all companies are legally dissolved and a new entity is created. Here, the acquired company transfers its assets, liabilities and shares to the acquiring company for cash or exchange of shares. For example, merger of Hindustan Computers Ltd, Hindustan Instruments Ltd, Indian Software Company Ltd and Indian Reprographics Ltd into an entirely new company called HCL Ltd.

Horizontal merger is where the combination of the two or more firms in similar types of production, distribution or area of business. The amalgamation of Bank of Rajasthan and the ICIC Bank (Industrial Credit and Investment Corporation of India)

Vertical merger is when combination of two or more firms involved indifferent stages of the production or distribution. One such merger occurred between Time Warner Incorporated, a major cable operation, and the Turner Corporation, which produces CNN, TBS, and other programming.

Conglomerate merger

Conglomerate merger is a combination of firms engaged in unrelated lines of business activity. For example, merging of different businesses like manufacturing of cement products, fertilizer products, electronic products, insurance investment and advertising agencies. L&T and Voltas Ltd are examples of such mergers.

Acquisition: is a fundamental characteristic of merger either through absorption or consolidation, is that the accepting or amalgamating company (existing or new) take over the ownership of the other company and combines its operation.

“Acquisitions may be defined as an act of acquiring effective control over assets or management of a company by another company without any combination of business or compensation” I MPandy “

The M&A has become a common phenomenon in the recent time. Mergers like in IBM –and Lenovo has implication on the work force of these companies across the globe. Entities involved in the M&A are giving a great deal of importance to financial matters and the outcomes, HR issues are most neglected ones. Ironically studies have shown that most of the mergers fail to bring out the desired outcomes due to people related issues. The uncertainty brought out by poorly managed, HR issues in M&A has been major reason for these failures.

The human resources issues in the M&A can be classified in two phrases the pre merger phase and the post merger phrase. Literature provides ample evidence of difference in between the human resources activities in the two stages: the pre-acquisition and post –acquisition period. Due diligence is important in the first stage while integration issues take the front seat in the later. In the first part the culture and the organisational differences are assessed, hence including the organisational culture, leadership roles, life cycle of the organisation, and the management style. The employees of the acquired firm most feel traumatic leading to anger and depression. Some of the frequent impacts are high turnover, decrease in the morale, motivation, productivity leading to merger failure. Challenges in the HR polices, downsizing layoffs, survivors syndrome, stress on the workers, information system issues are the others. In M&A certain HR issues that need attention are Human Resources planning, compensation selection and turnover,

performance appraisal system, employee development and industrial /employee relation

History

The history of M&A reveals that in USA ,the first M&A occurred between 1890and1940's and second began at the end of the world war 2and continued through 1920's. The third part of M&A commenced at the later part of the World War 2 and continues today. About 2/3 of large public cooperation in the USA have merge or amalgamated in their history.

In India during the period of 1976to 1986, around 1180 proposal were filed in the high court of India, which involved 2400 companies and rest the corporate bodies. In the period 2003-2004 mergers and acquisition number was 843 totalling a deal involved Rs. 35980crores. There were M&A deals worth about \$16 billion in 2009; down from close to \$40 billion in 2008.So far the M&A figures standards at nearing the \$50 billion level.

Table:1

YEAR	NUMBE R	AMOUNT(Rs . Crores)
1998-1999	292	16,071
1999-2000	765	36,963
2000-2001	1177	32,130
2001-2002	1045	34,322
2002-2003	838	23,106
2003-2004	834	35,980
2004-2005	1069	60,282
2005-2006	1237	10,0277
*2006- 2007(Apri l to January)	1009	1,16,839
*2007- 2008(Apri l to January)	860	76,229

Source: RBI, Annual Report 1998 to 2008

Impact of M&As on Working and Employment Conditions

A merger or takeover in many ways invalidates the employment contract: the worker is now working for someone else, but without having taken any steps to change employers. It brings home in the most emphatic manner the one-sidedness of the employment relationship and the fact that workers have no control over the

decisions of their employer. M&As have sometimes been described as a legitimate means for breaking implicit contracts in order to restructure. The firm is a nexus of implicit and explicit contracts which only work on the basis of trust between managers and workers, itself underpinned by beliefs and assumptions regarding mutual responsibility between employer and employee (the "psychological contract"). Job security derives more from

assumptions which M&As have the effect of disrupting. A change of management allows alterations in implicit contracts, facilitated by the fact that change is indeed expected. Rightly or wrongly, M&As can thus appear a deliberate strategy to violate internal norms and as a brute exercise of power. Most importantly, integrating differing company systems and procedures requires harmonization of various aspects of terms and conditions of employment: pay scales, job titles, entitlements and other benefits, job descriptions, reporting and supervisory lines are all subject to revision to ensure common practice in the newly combined organization.

Another important consequence of restructuring is the growth of non-standard forms of employment, variously defined as part-time, temporary or contingent work. Studies identified two basic pressures on enterprises to expand non-standard employment. The first is the pressure to shift labour from a fixed to a variable cost, particularly in countries where collective agreements increase the fixed costs of employment and labour legislation does not cover non-standard forms of work. The second is to shift work away from high-cost internal labour markets to more competitive, lower-cost external labour markets. A third possible pressure favouring the adoption of non-standard work is the introduction of a system of high-performance work organization, with its emphasis on flexibility, responsiveness and just-in-time production. A mid-1990s study in the United States confirmed that companies relied on temporary or contingent workers for the flexibility to respond quickly and effectively to changing market conditions.

M&As, Remuneration and Other Compensation Issues

Two conflicting aims appear to characterize current practices in financial sector remuneration: the need to reduce labour costs within a context of increasing competition and decreasing profitability and the necessity to compensate and adequately reward employee

performance and commitment within an environment of continuous and challenging change. Recent trends in compensation policies are moving towards more contingents, individualized and explicitly performance-based systems, while seeking to retain workers' loyalty and commitment to organizational goals. This might explain why changes in compensation have tended to be less dramatic than expected compared with both current rhetoric and experience in other industries. The main exception to the industry trend is the United States, where in the absence of a collective wage agreement or any kind of coordination between banks in wage setting, wide differences in compensation levels both between and within financial institutions have always been the rule. Sales-based bonuses, either individual-based (as for lenders in wholesale operations) or distributed – via managers – to branch offices, are the most widespread example of incentives, while commissions have become common for crucial jobs, such as investment advisors.

The gradual sector-wide shift from pay and reward systems based primarily on age and length of service, to one based on job evaluation, has gone some way in recognizing changing employment relationships and providing a common base for establishing pay procedures even after M&As. Trade unions argue, however, that changes to the psychological contract including erosion in job security have been so great as to require a rethink of reward systems. Workers' most common concerns are linked to what they consider a lack of transparency about the process; a perception that performance assessments are too subjective; and belief that line managers are insufficiently trained to assess performance. The trade unions point to an inherent contradiction between objectives requiring team-based work and performance assessments focusing on individual contribution and call for better balanced individual and team-based rewards. A similar disconnection is identified between performance management schemes and desired productivity outcomes as

well as the lack of mechanisms for recognizing consistently good performance, suggesting that pay should be determined by analysing outcomes and employee contributions to their achievement. Many workers believe they are not properly rewarded for embracing changed employment conditions and for their contribution to company performance. A survey of over 3,000 employees in a major Australian bank reflects the perception that companies' reward systems are failing to gain their worker commitment and identification with corporate goals. Nearly 70 per cent felt performance bonuses were unfairly distributed, 67 per cent did not believe there should be salary reductions even if performance declined while 40 per cent did not consider performance appraisals were fairly conducted. Only 27 per cent were even confident they understood the new performance management system.

The introduction of a new performance-related pay system at a bank in the United Kingdom, which led to a strike, underlines the possible consequences of getting the system and process of introduction wrong. Avoiding such problems may require including the principles or processes of performance-based reward systems in enterprise agreements after appropriate consultations with workers' representatives. Indeed, a recent collective agreement in a major insurance company sets out agreed principles for the creation of a "competitive, equitable and transparent process" and establishes a joint partnership arrangement between the company and the union for the introduction of a new system of job classification and evaluation.

Another area of interest relates to flexible pay and decentralization of the bargaining structure. According to the European Industrial Relations Observatory (EIRO), in the 2000 bargaining round, large employers in the Netherlands have sought more flexible pay systems, while trade unions have opposed virtually all such arrangements.

Decentralization, which the unions accept to a certain degree subject to continued regulation

of pay and working hours at the central level, is also gaining ground both at sectoral level and among larger groups of companies. Employers' associations consider the simplification of current collective agreements – allowing different issues to be regulated at different levels – necessary to reduce detail and bulkiness. Trade unions are not opposed to the idea in principle, but propose a three-tier structure of economy-wide framework agreements mainly for: occupational social security; sectoral agreements on pay, working hours, job evaluation and other remuneration-related elements; and enterprise-specific issues regulated in consultation with works councils.

Many companies, including financial institutions, believe that converting their workers into shareholders can be an effective tool for employee reward and anti-takeover defence, as worker-shareholders would almost certainly oppose any hostile bids for their enterprise. Banking has a greater tendency than many other sectors to award employees share options through employee share ownership programmes (ESOPs) as supplements to basic pay. ESOPs were very popular in the United States during the 1920s when share prices were rising and Americans widely owned stock. In France, BNP staff hold 3.2 per cent of capital and 4.3 per cent of the company's voting rights, while those of SocGen own 8.6 per cent and control 12 per cent of voting rights. Employees in the two companies supported the positions of their own respective managements in the 1999 merger battle. Even failed mergers can have immediate effects on pay and other conditions as evidenced by exceptional awards to SocGen's staff after the company's successful resistance to BNP's bid.

Globalization is tending to encourage a convergence in financial services salaries, at least in investment banking. End-of-year bonuses, often paid in a combination of cash, stock-options or stocks, have become generalized. The level of executive compensation, particularly fees and commissions related to M&A services,

is itself usually a function of the number and value of deals.

M&As and Working Time

The link between financial sector concentration and patterns in regular working time is difficult to identify because working-time agreements depend upon the national context and are not limited to the sector under consideration. Banks' adoption of the retailing model is encouraging them to adjust their hours to customer requirements, extending opening hours on at least one day a week and even opening some branches on traditionally closed days such as Saturdays – a trend which has aroused strong trade union reactions in a number of countries. It goes without saying that M&As can provide an opportunity for management to opt for more customer-friendly working hours. However, the rapid development of Internet-based direct banking and ATMs – often accelerating and accelerated by M&As – has the opposite effect of reducing the need for longer opening hours.

Australia, the FSU (Finance Sector Union of Australia) reports that two years after a restructuring and downsizing-related continuous improvement programme in the Commonwealth Bank, 84.8 per cent of surveyed managers reported an increase in their overall workload, while 77 per cent reported an increase in the number of hours they worked. According to the same trade union, unpublished ABS figures also show more than a third of finance workers usually work overtime, without financial compensation for more than a third of them. Close to a million hours of overtime are worked in the sector each week (equal to 25,707 full-time jobs at 38 hours/week or 24,421 at 40 hours/week), reflecting the fact that almost 40 per cent of full-time workers put in more than 45 hours per week (or seven hours more than the normal weekly working time); 69 per cent of these workers receive no pay for the overtime. The union draws attention to the coincidence of such unprecedented levels of overtime and the high number of mergers, restructuring and

downsizing that have resulted in the loss of up to 36,000 full-time jobs – close to a 30 per cent drop in employment in consolidating organizations over a period of record profitability. It highlights the incredible pressure on workers to complete tasks, achieve targets and sell products to justify their continued employment.

M&As as factors of Stress and Demotivation

A number of studies highlight the close association between restructuring and mass lay-offs and a “survivors’ syndrome”, resulting from the destruction of psychological contracts. Lay-offs and other restructuring processes introduce an element of unpredictability in deep-seated employee assumptions, creating feelings of loss of control, betrayal and unfairness. As staff suppress their anger and mistrust, their negative feelings trigger reactions ranging from generalized stress to demoralization, depression and burnout; these, in turn, lead to decreased productivity and stunt creativity. Managers suffering from their own strain of “survivors’ syndrome” often compound the problem by failing to recognize and respond to it in productive ways. Survivors are not only expected to be grateful for being retained, but to put feelings aside and work harder. Not surprisingly, poor morale due to lay-offs of friends and colleagues and increased job insecurity of retained staff is by far the worst human resource problem in today’s business climate.

Given that successful management of the restructuring process is vital for achieving organizational objectives, managers need to be aware that downsizing is more than a reduction in head count and work reorganization. Terminations destroy the firm’s social fabric as structures are altered, relationships disrupted and work patterns and communication flows modified, making it more difficult for retained staff to do their work. These structural problems may inhibit performance so that staff need help to cultivate new ties, although insufficient

attention is usually given to the intricate relationship between the organization's formal and informal structures. In addition, survivors who are already subject to "survivors' syndrome" find they have to work harder to cover staffing shortfalls, with the consequence that increased workloads feed the stress related to job insecurity, undermining the very efficiency goals that motivated the merger or acquisition. Job insecurity may make employees feel pressured into agreeing to put extra effort into their jobs to demonstrate organizational loyalty; but such working conditions are neither sustainable nor conducive to the achievement of corporate objectives.

It has been estimated that stress-related problems costs the United States economy approximately \$200 billion a year, or the equivalent of the revenues of the 500 most profitable firms. Similar estimates for the United Kingdom show stress-related illnesses absorbing almost 10 per cent of GDP.

Financial sector restructuring around the world has led to a high rate of call centre growth. Research by Deloitte & Touche has found, for instance, that Australia has 1,400 call centres and help-desks employing 50,000 people and annual sales of \$2 billion. Staff turnover averages 18 per cent a year mainly due to stress, as confirmed by the fact that 80 per cent of workers are requesting stress management training assistance. The annual cost to the industry from the high turnover has been estimated at around \$100 million.

M&As generate high levels of staff anxiety and stress as their working world is turned upside down, their jobs come under threat and their career prospects and professional competence are called into question. Collective defensive mechanisms, especially in hostile takeovers involving previously keen competitors, may lead to a "victor-vanquished" syndrome inducing behaviour inimical to the smooth implementation of changes for successful integration. Employees from each company are aware that there are

many duplicated positions to be eliminated and the struggle to survive will be fierce. Trade unions may themselves be at loggerheads as the merger may involve companies recognizing different negotiating partners. Not surprisingly, it is much easier for managers to convince shareholders about the merits of proposed mergers than it is to persuade their own staff.

M& as and job security

A bank or insurance company used to be a place where a worker had a job for life. Not any more. As a 1995 survey on changes at work in Australia found, this is no longer the case: establishments using redundancy as a means of reducing their workforce increased from 49 per cent in 1990 to 74 per cent in 1995. Companies relied less on natural wastage and attrition to achieve desirable workforce levels.

Employment statistics around the world show a declining trend in financial services. This began in the early 1990s in some countries and extended to almost all countries by the end of the decade. Constant restructuring and redundancies have led to a culture of insecurity, which research shows is a key factor in negative worker reactions. According to Tienari, "due to elimination of overlaps, merger procedures unfold as personal and collective survival games for the individuals involved. Merging may present a unique chance to get rid of individual's at all managerial levels". The "re-manning" of what is, in effect, a new organization, may also take place concurrently with a redefinition of jobs and positions as well as changes in the hierarchical ranking of these positions. Not surprisingly, empirical evidence shows that workers everywhere are feeling increasing insecurity in their employment. Companies are restructuring and downsizing more often, increasingly replacing full-time jobs with part time, casual or temporary jobs and outsourcing. Call centres are proliferating, replacing traditional finance jobs. The same Australian survey refers to the following staff attitudes in downsized firms: 72 per cent reported

diminished job security; 53 per cent decreased organizational commitment; 50 per cent a drop in motivation; and 65 per cent reduced staff morale. Call centre jobs growth, coinciding with losses elsewhere, tends to support this intuitive conclusion. Given that levels of job reductions are related to merger-induced downsizing, job security has become a key issue in many countries where M&As are common.

Career & Working Condition in M&A

The M&A activity also causes changes in their well defined career path and future opportunities in the organisation. Some employees also have to be relocated or assigned new jobs; hence the employees find themselves in the completely different situation with changes in the job profile and work teams. This may have an impact on the performance of the employee. Research has found that at least two hours of productive work per employee per man day is lost during the M&A activity in the organisation to sustain the importance of the various individual and department will add to the confusion. Human Resources vary across organisation owing to the difference in the organisation culture, sectoral difference and national cultural difference. For example the condition in the acquired firm is lesser compared to the acquiring firm, the acquired firm will raise employee expectation (for the employee of acquired firm) of a compensation hike which may not be realistic. The pay differential can act as a de-motivator for the employees of acquiring firm and may have long-term consequences. These compensation issues may also be a legal angel. The two cases in the Indian context are important which underline the importance of legal issues related to compensation in M&A activity.

The first case involves Hindustain Lever Limited acquiring TOMCO, the employees in TOMCO enjoyed better terms and services compared to the HLL employees. The HLL employees argued that if TOMCO Employees are allowed to work on the original terms and

condition, two classes of employees will come under existence. Since both the set of employees belong to the same firm, a case of discrimination will arise against the employees of HLL. The TOMCO employees were support by the court in the due cause. The second case involves merge of Glaxo and Wellcome- Burroughs who decided to merge in 1996.the Indian arm couldn't merge for nine years because of high pay differential between workers of Glaxo and Wellcome in India. The workers of Wellcome were offered one time compensation of Rs 2 Lakh in 1998, which they refused. Further the VRS scheme launched by the firm evoked very tepid response. "The merger of Burroughs Wellcome India with Glaxo comes nine years after the merger of Glaxo Plc and Wellcome Plc, their global parents. In India, the merger has been on hold because of resistance from the latter's employee unions, over issues of disparities in the pay scales of the two firms. However, with the employee separation scheme offered by Burroughs Wellcome, the remaining 400-plus employees agreed to the merger scheme." Business Standard March 11, 2004".

Another practical problem is difference in this grading or organisational structures in the system since the organisation structure are different designation for the employees are used during the integration of acquiring organisation, the acquiring organisation need to develop a mechanism to remove the difference in the grading system bring then at equal level as many a times the compensation is related to the grade of employee in the organisation.

They employee's relation issues gain more importance in the acquisition of manufacturing units in India. The power equation between management and trade are bound to charge with acquisition. The acquiring management also needs to keep track of number of union in the workplace and equation between them as many Indian manufacturing firms have multiple unions. Hence comprehensive analysis of trade union operating in the plant should be done. This will require study of management union

equation, employee's contracts, political linkage of the union, compensation related clauses, number of track union and dynamics between the unions.

The impact on the employee can be divided into two group psychological trauma, increase workload, survivor guilty and stress. The process of merge can vary from anger to dejection and depression. The process of merge can handle inbuilt psychological and social threats which should be identified like migration of managers due to the perceived job insecurity. There is also fall in the morale, commitment and loyalty. The merger can lead to depression and impaired performance. The dissimilarity in the cultures can produce the feelings of hostility and significant discomfort which impact on the commitment and cooperation on the part of employees.

A Prevalent HR Concern

The success of M&A always depends on how well the HR issues are managed after the merger takes place. There are also some major human resource concerns that need to be dealt with before the merger actually takes place. HR issues that form greatest challenge to the success of M&A deal include the following:

Dovetailing employees: The uncertainties of M&As shift the focus of employees from productive work to issues related to interpersonal conflicts, layoffs, career growth with the Acquirer Company, compensation, etc. Moreover, employees are concerned with how well they will go with new colleagues. The mergers involve downsizing, hence the first thing that comes to the minds of employees is related to their job security. Mergers also lead to changes in the well defined career paths of employees, as defined by the acquired company. Due to these reasons, employees find themselves in a completely different situation with changes in job profiles and work teams. This may have a negative impact on the performance of the employees.

Cultural Integration: An organization's culture defines its managerial style, structure and organizational practices. Each company has its own set of values which may conflict with those of the acquired company. The employees may not be able to accommodate themselves in a new culture and thus may lead to cultural shock. Inability to adapt to a new culture increases stress levels among employees and results in low job performance. The need therefore is to follow a structured approach in dealing with cultural differences.

Employee communication: Whenever there is news of any merger in an organization, anxiety prevails among the employees. This atmosphere of apprehensions leads to company wide rumours. The employees lose faith in their organization and tend to become demotivated. To free employees from such fears, proper communication has to take place between the management and the employees. The management should instil a sense of security among them.

Attrition: Most mergers bring with them downsizing, reallocation of work, change in work profiles, changes in career paths, etc. Moreover apprehensions about the new company also create anxiety among employees. If they fail to adapt to the new culture they face high levels of stress and thus end up leaving the organization.

Differences in organizational structures: Another problem is the difference between the organizational structures of the companies. Since the organizational structures are different, differences in compensation packages and designations can take place. The company has to maintain employees at equal levels. Unable to do so, employees can feel dissatisfied.

Role of HR in making M&A successful

The success of a merger and acquisition depends on how well an organization deals with issues related to its people and cultural integration. The HR department of an

organization act as a strategic partner. So formulating strategies while ignoring the employees can be critical for the organization. The role of HR becomes strategic when it takes decisions about what kind of people, capability and commitment the company would want after the deal. To efficiently handle this phase many companies undertake feasibility studies based on which it decides what part of the workforce is to be retained. The HR can help the employee in the following ways: HR helps in managing interpersonal conflicts and makes employees better team players. It also helps them in dealing with cultural differences. Clear communication content and channels are customized to address cultural differences.

HR also deals effectively with the integration issue. Effective employee communication acts as a key here. Questions about job security, relocation, changes in benefit programmes and new reporting relationships are answered by the HR only. Keeping a check on rumours, anxiety, resentment and the loss of top talent, has also to be dealt with. The M&A phase are very sensitive for employees as they feel insecure about their future in the transitional times. HR in such a situation makes people retain their faith in the organization. The HR has to retain the confidence of employees and assure them job security.

Conclusion

The merging organisations pay a lot of attention to the financial aspects during M&A but they forget about the Human capital of the organisation. As the definition of company states that it's an artificial person, the companies to be successful need REAL people with talent and skills. In the century of competency not only competitors are risk to business but the customers are risky, since they are educated and

smart. Therefore companies to achieve the ultimate objective of M&A need to give equal consideration to the human capital as to any other capital. Organisation such as Haier and IBM, which were in the verge of shutdown some years back have gained market shares through M&A, hence while building a good human resources practises which made these organisation to become very successful under the leadership of new CEO such as Zhang Ruimin (Haier) and Louis Gerstner(IBM). Thus all organisation that are successful in this competitive business, have achieved such status only through perfect human capital, therefore organisations needs to take considerable care of the human related issues during M&A. Smart managers need to carry out the process of the transition like a butterfly form the caterpillar.

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