VOLUME 4 | ISSUE 2

**INTERNATIONAL JOURNAL OF ADVANCED LEGAL RESEARCH**

# MERGERS AND ACQUISITION: THE HUMAN ISSUES AND STRATEGIES

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ABSTRACT

Mergers and acquisitions have been the key vehicles for corporate restructuring, and their frequency and scale have expanded considerably in the post-reform period. India is described by Basant (1999). In the 1980s, around 55,000 individuals were born. Mergers and acquisitions have only occurred in the United States. This decade's purchases were valued at around $ 1.3 trillion. Unexpectedly, the 1980s were dubbed the "mergers and acquisitions decade," in 1999, $2.5 trillion in mergers and acquisitions were reported, continuing the upward trend. Making use of Throughout the twentieth century, there were five waves of mergers. and acquisitions are going to be among the Organizations' top priorities for the twenty-first century. In India, however, mergers and acquisitions are occurring significantly more quickly in the fine chemicals and pharmaceutical industries. Only when the foreign principals of the Indian counterparts merged abroad have mergers taken place. As a result, Indian companies' decision to combine is dictated by what happens to their international partners, not by favorable operating conditions (Desai, 1999).[2]

## MERGERS AND ACQUISITIONS: SOME LESSONS

When two already-existing companies come together in a merger, all of the assets, liabilities, and stock of one are transferred to the other in return for cash, shares, or both. The purchase of a controlling interest in the equity of an already-existing firm by one corporation is known as an acquisition or takeover. To finalize the transaction, a contract with the owners is utilized. According to Watson Wyatt WorlWorldwide’s98) survey of 190 CEOs, CFOs, and other senior executives with experience in international acquisitions, culture incompatibility is consistently cited as the biggest obstacle to successful integration. In 1994, Novell, Inc. acquired World Perfect Corporation (WPC).

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[2]Mergers and Acquisitions: The Human Issues and Strategies on JSTOR

Within two years, WPC was in jeopardy, and it was finally sold in 1996 for $1 billion, less than the acquisition price two years earlier. The main issue with the transaction was a cultural mismatch in customer care. When the proposed combination of Monsanto and American Home Products was called off in 1998, Monsanto's stock plummeted by 24% and AHP's stock fell by 10%. The primary difference between the two firms was a difference in culture and management. Adobe Systems, Inc.'s acquisition of Frame Technology Corporation in 1995 resulted in a 50% decline in frame sales. This resulted from excessively severe telephone salesperson layoffs caused by a failure to understand the fundamental businessmodel.

According to a British Institute of Management survey (Carleton, 1997), one of the main causes of failure was underestimating the difficulties involved in combining two cultures. After analyzing 155 merger and acquisition agreements from various industries, the consulting firm A.T. Kearney found that personnel issues accounted for most of the failures (Lublin and O'Brien, 1997). Hewitt Associates conducted a poll of 162 corporate leaders, all of whom had participated in at least one merger or acquisition., merging two corporate cultures was the top difficulty for 69 percent of respondents.

According to business experience, the most common causes of failed mergers are cultural misalignments between the two organizations. Despite abundant evidence that successful post-merger integration is vital, businesses and leaders continue to ignore the information.

## DIFFERENCES IN CULTURE: SOME ISSUES

Culture management is the most challenging challenge that organizations confront today in the aftermath of mergers and acquisitions.

Culture, according to Walter (1985), is "the set of stated and often unstated values, beliefs, and assumptions that members of a community share in common." A set of underlying presumptions that an organization has created to deal with its internal operations and external environment is known as its organizational culture. (Chatterjee et al., 1992; Lorsch, 1986) Culture affects senior management behavior, organizational procedures, strategy formulation, and leadership philosophies. It also offers purpose, direction, and coordination. Acquisitions and mergers are viewed as a process where two distinct cultures interact, absorbing andaccommodating the two companies' cultures. Disparities in corporate cultures, which show as variances in thinking and conduct, are the root cause of merger issues.[3]

DIAGNOSING CULTURE

To fully comprehend the consequences of culture on mergers and acquisitions, an organization's culture would need to be diagnosed. Evaluating how much the cultures of the firms differ from one another is crucial. Interpreting the culture of a certain institution is a highly interpretative process. A subjective method that needs knowledge of both history and current events. The variables that express culture are how top management handles certain events, the duties, and social interactions in the business, what the firm says about itself, and the physical surroundings of the organization. This diagnostic procedure will offer information regarding the sort of human reaction to mergers and acquisitions. In the case of, ***VIJAY KUMAR JAIN VS STANDARD CHARTERED BANK ORS (MANU/SC/0111/2019)***[4]

The Appellate Tribunal's decision to deny the Appellant's request for guidance to the resolution professional to provide all relevant documents, including the insolvency resolution plans under review, to members of the suspended Board of Directors of the corporate debtor in each case is the basis for this appeal. For the members to actively engage in the committee of creditors, this is done. ["CoC"] meetings. Let's examine the details of 2018 Civil Appeal No. 8430. The corporate debtor, Ruchi Soya Industries Ltd., was established on January 6, 1986.

It's a reputedly prosperous corporation that processes oil seeds and refines crude oil for human use. In September 2017, Standard Chartered Bank Ltd. and DBS Bank Ltd., the financial creditors of the corporate debtor, filed Company Petition Nos. 1371 and 1372. The National Company Law Tribunal ["NCLT"] approved these two company applications on December 8 and December 15, 2017. In every petition, Ernst and Young's Shri Shailendra Ajmera was named as the Interim Resolution Professional. The agenda and notice of the CoC's first meeting were forwarded to the appellant, who is a member of the suspended Board of Directors, and she was permitted to attend. The 2016 Code of Insolvency and Bankruptcy (the "Insolvency Code" or "Code"), Section 21, is the basis upon which the CoC

[3] Management Objectives in Mergers and Acquisitions on JSTOR

[4] Vijay Kumar Jan vs Standard Bank Ors
(MANU/SC/0111/2019)

was formed. He asserts that he was turned away from more Community of Champions sessions, a charge that the Respondents dispute. The appellant filed Miscellaneous Application No. 518 of 2018 before the NCLT on June 7, 2018, to be granted permission to participate actively in these sessions. We have been informed that during the tenth meeting on August 12, 2018, the appellant agreed to sign a nondisclosure agreement that would prevent him or her from disclosing the corporate debtor's settlement plans. By the previously specified agreement, the appellant promised to hold the resolution expert harmless and to keep any information concerning the settlement plan completely secret. He asserts that more CoC meetings were called, which he was not allowed to attend; the Respondents dispute this. Therefore, to be allowed to appropriately participate in these sessions under Miscellaneous Application No. 518 of 2018, the appellant submitted before the NCLT on June 7, 2018. We are presented with an allegation that on August 12, 2018, during the tenth meeting, the appellant signed a confidentiality contract that prevented him from disclosing the corporate debtor's settlement intentions. The Appellant promised to indemnify the resolution expert and to maintain the confidentiality of any information learned regarding the resolution plan under the terms of the agreement.

## HUMAN RESOURCE RESPONSE TO M & A

Numerous investigations have been carried out to assess the responses of human resources to mergers and acquisitions. Numerous experts have pointed out that mergers harm workers. Numerous forms of ambiguity and uncertainty are introduced into the operation by the dynamics of the combining process. Human resource responses are influenced by three factors. First, there is a pervasive "we versus they" mentality within the company, which breeds mistrust, misunderstandings, and a lackluster work ethic. Secondly, there are disputes and hostility directed at the purchasing company. Third, when people from various cultures meet, worries about how transfers, job losses, relocation, loss of personal influence, and cultural conflicts would affect career goals arise. Stress among employees, mistrust between employees of one company and those of the other, and negative attitudes Members who hold negative opinions are less inclined to work together with the other organization and to be committed to the successful integration of the two organizations (Weber and Schweiger, 1992).

In the case of ***ARUN KUMAR JAGATRAMKA VS. JINDALSTEEL AND POWER LTD. (MANU/SC/0182/2021)***[5]

On October 24, 2019, the National Company Law Appellate Tribunal2 rendered a decision prohibiting an individual who mayrefuse to provide a resolution plan as required by Insolvency Bankruptcy Code Section 29A, 20163 from submitting an agreement and compromise plan made possible by Section 230 of the 2013 Companies Act. Gujarat NRE Coke Limited, the corporate debtor, was the beneficiary of an unsecured creditor's appeal5, which was addressed by Jindal Steel and Power Limited,6. Promoters of GNCL, represented by Mr. Arun Kumar Jagatramka, filed an appeal under Sections 230 to 232 of the Act of 2013 against a decision rendered by the National Company Law Tribunal8. Following its decision-making, the NCLT approved the application.

The IBC was modified by the 2018 Insolvency and Bankruptcy Code( Amendment) Act. A list of those who are not qualified to be resolution seekers may be found in Section 29A, which came into force on November 23, 2017. Applying for a resolution under subsection (g) of Section 29A is not open to anyone who was a promoter or in charge of a corporate debtor in which a preferential transaction, undervalued transaction, extortionate credit transaction, or fraudulent transaction occurred and an order was made by the NCLT under the IBC. On June 6, 2018, the Insolvency and Bankruptcy Code (Second Amendment) Act 2018, which revised many important sections of the IBC, including Section 29A, came into force. In an application submitted to the NCLT under Sections 230 to 232 of the Act of 2013, Mr. Arun Kumar Jagatramka suggested a plan for reconciliation and agreement between the creditors and the former promoters. while the appeal before the NCLAT, in which the NCLT's order of liquidation was challenged, was pending. In its decision dated May 15, 2018, the NCLT allowed this motion and ordered a meeting of shareholders, secured creditors, unsecured creditors, and holders of FCCBs to adopt the plan of compromise and arrangement.

PERCEIVED UNCERTAINTY

When making decisions, uncertainty is crucial because assumptions about the future—which is unknownmust be established. One perceives the surroundings as a source of unpredictable events. It is more difficult the more uncertainty there is in it. Concerns regarding

[5]ARUN KUMAR JAGATRAMKA VS JINDAK STEEL AND POWER LTDS. (MANU/SC/0182/2021)

organizational and individual changes are brought up by mergers and acquisitions. These challenges result from the unpredictability of many of the changes brought about by mergers and acquisitions. The outcomes and their progression are unclear for the pre-merger and merger eras. The personnel's perceived uncertainty must be resolved for the new company.[6]

ROLE AMBIGUITY

Organizational ambiguity may be defined and comprehended in terms of how well people in the organization are informed. Unambiguous conditions are characterized by a definite understanding and consciousness of the causal relationships between actions and their [7]potential outcomes. Four different kinds of uncertainty might arise from mergers. Four different kinds of uncertainty might arise from mergers. Uncertainty about the formal connections in prescribed relationships creates structural ambiguity; unstated patterns of interaction create cultural ambiguity; and worries about how a merger will affect people's roles and work relationships create role ambiguity. Environmental ambiguity is caused by outside circumstances, related to Stress triggers physiological and metabolic reactions in the human body. Workplace culture and design, professional success or failure, work connections, role variables (ambiguity/conflict), and homework contact are examples of intrinsic job characteristics that contribute to stress at work (Nicholson, 1995). Employees of the acquired firm are under a great deal of stress due to the uncertainty surrounding their future. As a result, it has to be carefully handled to avoid the problem getting worse and maybe inflicting serious injury.

ORGANISATIONAL COMMITEMENT

This speaks to the devotion and dedication of the staff members to the company, which affects how long they stay with the company. According to Porter et al., commitment may be defined as the degree to which a person identifies with and participates in an organization. The values and objectives of the new organization are impacted by mergers and acquisitions, which makes it difficult for employees to identify and become involved. This has an impact on both individual and organizational commitment. Employee engagement in the integration process and the new organization is weakened by the stress and bad attitudes brought on by the merger. It is important to take the necessary steps to enhance and contain the

[6]S. 230. Power to compromise or make arrangements with creditors and members.— (lexis.com)
[7]S. 235. Power to acquire shares of shareholders dissenting from scheme or contract approved by majority.— (lexis.com)

commitment.

ATTITUDE OF EMPLOYEES

Concerns about the perceived hierarchical connections between employees of the acquiring and acquired firms are especially important when it comes to the dynamics of staff interactions inside the new organization. Workers at the acquiring company typically view their colleagues in the acquired company as superiors or as big brothers, creating a dynamic that is frequently characterized by a lack of goodwill between the two groups. It may be difficult to develop cooperative and harmonious working relationships when there is a hierarchical view.A perception of inadequacy or discomfort among the acquired personnel may impede open communication and the smooth integration of the two company cultures. These perceived gaps can cause a breakdown in collaboration, impeding the potential synergies and common objectives that the merger or acquisition is intended to accomplish. The new organization's leadership must take aggressive measures to rectify these alleged hierarchical inequalities and foster an inclusive, cooperative culture that values and fosters respect and collaboration between all employees, irrespective of their organizational background. This strategy is essential for creating a positive work atmosphere and optimizing the advantages of the organizational partnership.[8]

TRUST LEVEL

A difficult atmosphere that may have a big influence on organizational dynamics arises when employees start to mistrust the firm and its leadership in addition to having overt and covert animosity against an alliance. Employee trust is a critical factor in influencing their desire to collaborate, share knowledge, and offer assistance to one another. The consequences of eroded trust include decreased job satisfaction and organizational commitment, which in turn result in a lower level of cooperation amongst workers from the many alliance-affiliated organizations.These consequences may lead to unfavorable views toward the work, hinder productivity, ignite power struggles among surviving employees, and heighten absenteeism. The aggregate adverse responses of staff members to mergers and acquisitions can result in significant expenses for an organization, so weakening the very business plan that spurred these kinds of organizational moves. To protect the alliance's success and keep a strong,

[8]Management Objectives in Mergers and Acquisitions on JSTOR

united staff, businesses must respond to these emotions in a smart and all-encompassing manner[9].

MANAGEMENT OF HUMAN RESPONSE

Achieving a smooth transition and reducing resistance requires skillfully managing employee emotions throughout organizational change. This study emphasizes how important open lines of communication are for facilitating honest discussion, motivating staff members to voice issues, and creating an inclusive environment. By using feedback methods like focus groups and surveys, managers may proactively detect possible issues, adjust their strategy, and gain insight from a variety of viewpoints. It is essential to provide managers and staff with thorough training on the impending changes to facilitate educated conversations and reduce uncertainty. Collaborative cultures are fostered through inclusive decision-making procedures that involve employees in important choices and develop a sense of empowerment and ownership. It's critical to understand the particular issues that different organizational levels have and to adjust support and communication tactics appropriately. To take care of the unique requirements of front-line staff, middle managers, and entrepreneurs. Additionally, employees are helped to navigate the emotional components of change by managers who show empathy by noticing and validating their emotional responses and offering support services. A complete framework that incorporates communication, inclusion, education, and emotional support is established through ongoing monitoring and strategy adjustments based on feedback. This strategy reduces opposition and facilitates an effective organizational transition by giving managers the means to build a strong foundation for change.[10]

MANAGEMENT OF CULTURAL DIFFERENCES

Observing and learning about other cultures is one of the prerequisites for successfully handling cultural differences. This would make it easier to consider the sorts of managerial steps that would be necessary to adapt to the new culture. It is not necessary to attempt to create a common culture after a merger to preserve cultural variety. Cultural differences may be managed in several ways (Srivastava, 1986; Buono and Bowditch, 1989). When selecting the implementation plan, the objective of the merger and the degree of relatedness between the businesses—which reflects the extent to which the disparate systems of the two organizations will be merged and the frequency of interactions between the personnel of the

[9]S. 239. Preservation of books and papers of amalgamated companies.— (lexis.com)

[10]Mergers, Acquisitions and Development on JSTOR

two firms—are taken into account. A significant degree of integration would exist. The degree to which a firm is multicultural, the strength of its own culture, and the attractiveness of another business's culture are all factors that influence how cultural differences are handled. The degree to which an organization's members have similar beliefs and values (i.e., the number of members who share the fundamental premise) is a good indicator of the quality of its culture. (spread); hypothesis sequence and value clarity (clarity); Sales & Mirvis, 1984; American Bankers Association and Ernst & Whitney, 1985).

## CONCLUSION

In summary, managing employee reactions during organizational change is a difficult undertaking that needs a methodical and careful approach, particularly when mergers and acquisitions are involved. According to the research, open communication, inclusion, and education are essential for lowering resistance and fostering a smooth transition. Identifying and addressing employees' emotional responses, continuous observation, and flexible scheduling form a solid basis for success. Furthermore, it is critical to understand how perceived hierarchical discrepancies between employees of acquiring and acquired organizations have a significant impact on collaboration and integration. Ignoring these elements might result in a collapse of trust, an increase in worker dissatisfaction, and possibly even financial repercussions for the company. However, when these problems are resolved early on and comprehensively, they offer opportunities to enhance company culture, promote collaboration, and optimize the advantages that mergers and acquisitions are supposed to yield. In the end, a solid and cohesive staff founded on trust, open communication, and shared objectives is the key to a successful organizational transition. Integrating a range of abilities and perspectives will ensure that the desired business plans are not only preserved but also enhanced.