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## **Managing M&A: All about people**

*Unnati Narang*

**Posted On Sunday, February 21, 2010 at 06:49:31 PM**

*In today's times, the need to grow has moved up the priority list of most companies*

Nature has many lessons for the corporate world. Observing nature is the simplest way to learn. Take the case of a pond, where the big fishes eat the smaller ones. To survive, the small fish has to grow. In today's times, the need to grow has moved up the priority list of most companies. Growth is inevitable. It is the only way to remain competitive.

Inorganic growth is often seen as faster than organic growth. Rajiv Krishnan, MD, Development Dimensions International (DDI), a global business leadership consultancy explains, "Inorganic growth is not a new phenomenon but today, as new sectors emerge and there is a rush for market leadership, inorganic growth may be key to survival. To scale up quickly, to acquire breadth and width in your line of business and to quickly penetrate global markets, there is no option but to go in for inorganic growth. A company which believes in inorganic growth is likely to attract talent that enjoys the challenge and adventure of being part of a dynamic company. Though there are many challenges on the people side, these also represent opportunities for leaders because when you successfully integrate two organisations then the resultant satisfaction of seeing that the 'whole is greater than the sum of the parts' is immense."

### **Size matters**

Inorganic growth is the fastest way to scale up. Aasif. A. Khan, Director, Fabtech Technologies International Pvt Ltd shares his views, "Inorganic growth is necessary for those who believe that a lifetime is too short to realise their ambitions. It is a great strategy for those who believe that big is beautiful as in some industries small is easy to emulate. Such growth is also a sure shot formula to get out of the crab and herd mentality which eventually kills! However, one must never acquire a company with a view to create economies by cutting jobs. Instead, an acquisition should facilitate the use of skill sets in expanding the existing markets and creating new markets."

Apart from the benefits of size and scale, mergers and acquisitions also lead to infusion new talent into the organisation and add new perspectives and growth possibilities. However, one needs to have honest intention to avail

these benefits. Khan elaborates, “An acquisition is not merely an acquisition. It is a declaration of your intentions, announcing that you mean serious business and you are hungry for growth. This itself is enough to inspire talent. Success is the byproduct of your intentions and passions. Identifying a particular target establishes your liking for that company and also for its people, who are an inherent part of it and who have made the target worthy of your attention. With genuine intention, you can meet any challenge and succeed.”

### **Coping with challenges**

For companies, inorganic growth comes with significant costs. Human resources constitute an important cost in the process of growth because ignoring the human factor can cause great damage. While it is the people that drive growth, they can also affect the deal adversely, if not properly cared for. Before and during the acquisition process, there is constant fear among employees regarding changes in job, including new roles and assignments as well as possible loss of job. There is a natural resistance to change, be it the change in corporate culture leading to a loss of identity within the company, a change in the compensation and benefits or a change in career path.

How best can HR managers tackle these issues? Rahul Kulkarni, Head, HR at Kale Consultants advises, “Every merger and acquisition deal boils down to the people. The greatest challenge on the people front is to integrate two different cultures. In cross border mergers, this challenge is much more pronounced. Typically, integration should involve a close scrutiny of the organizational design, the processes, policies, systems and practices. Due diligence should be applied at the pre-assessment stage with the HR playing a key role in identifying organisational design, retaining key people, managing their expectations and appropriately utilising resources. Reward and benefits should also be worked out by the HR in an objective manner. Lastly, integration cannot be a long drawn process. It should be done with speed, precision and clear communication. Since HR is at the frontline of organisational change, it is important to be honest, to hear people out and respond to their anxieties appropriately.”

Clearly, the longer an acquisition takes to unfold, the greater the anxiety and the accompanying trauma are likely to become. Central to the role of the HR is the honest yet tactful handling of employees, with due care. M&A is after all, another term for a marriage between two companies. Now, which marriage can last without mutual understanding?