

*Type of manuscript: Review Article.*

# Impact of Mergers and Acquisitions on the Mental Health and Overall Wellbeing of the Employees Involved – A Literature Review

**Roopashree Rao**

*Associate Professor, Som Lalit Institute of Management Studies, Ahmedabad, Gujarat*

Strategic Alliances, like mergers and acquisitions are one of the options organizations undertake to grow. A merger involves merging or coming together of two organizations and acquisition is a process when one organization acquires another of its interest.<sup>1</sup> Organizations enter into strategic alliances to compete in the associated market and expand their share in the market, to enter into new geographical areas, to add new product profiles, to capitalize the newer technologies available and also add to their financial competencies. This research paper reviews various literature available on the effect of mergers and acquisitions on the mental wellbeing and overall wellbeing of the employees associated with the organizations undergoing these major changes. Mergers and acquisitions follow three stages and each stage flows into the other, there are various factors which play a very critical role for enabling the mergers and acquisitions to achieve what they set to achieve at each stage. There are various hard factors like the financial parameters, adequate planning for financial and operational integration by capitalizing on the previous experience, assessment of risks and strengths, eliminating excess payments, and various soft issues, like the cultural issues, ensuring extended assurance from the leadership, facilitating proper and timely communication to avoid unwanted dissemination of information, ensuring adequate speed for the implementation plans, ensuring visible and accountable steps like designating an integration manager to handle all the dilemmas in context to the human resources, implementing various reporting structures and facilitating the combined ways to deal with critical issues, collaborating with the critical teams in the process of integration, efficiently managing the various issues pertaining to human resources to ensure employee motivation and sustainability and implementing various plans to enable and ensure the proper amalgamation of the cultures of the organizations involved to minimize and eliminate the negative effects on the mental wellbeing and ensure the overall wellbeing of the employees involved in the process.<sup>1</sup>

**Key Words:** *Mental well Being, Overall Well Being, Mergers and Acquisitions, Employees.*

## Introduction

Organizations exploring various routes to expand their horizons consider strategic alliances as one of

the options. These routes of inorganic growth may be explored to add to their advantage to compete in the associated market, to add to their financial competencies, to open up newer avenues by entering into untapped geographical areas and also getting access to ever changing technological competencies which prove to be very advantageous.<sup>1</sup>

---

### Corresponding Author:

**Dr. Roopashree Rao,**

Associate Professor, Som Lalit Institute of Management Studies, Ahmedabad, Gujarat,

mail id: roopa.rrao@yahoo.co.in, Ph. 9824268352

Theoretically a merger can be viewed as a process which results when organizations merge their strengths to represent one entity where as an acquisition is a

process which occurs when one entity acquires another entity of its interest.<sup>1</sup>

The merger and acquisition process follows various stages and appropriate strategies during each stage is very important for these life changing events in an organization lifecycle to proceed without major pitfalls. As organizations are predominantly dependent on human beings for their survival managing these important resources in the context of their mental well being and overall well being during these testing times despite making efforts to achieve the objectives intended is of at most importance.<sup>1</sup>

#### ***Methodology (Source Selection Criteria):***

Various research papers published, dealing with the effects of mergers and acquisition process on the mental and overall wellbeing of the employees involved in the organizations undergoing the merger and acquisition were studied and literature dealing with deals involving both domestic and cross border mergers and acquisitions were also looked into. An attempt is made to review the literature available on the effect of mergers and acquisitions on the mental and over all wellbeing of the employees during all the stages of the merger and acquisition process. Various databases like Google scholar, research gate and other well known databases were explored.<sup>1</sup>

### **Results**

#### ***Effect of mergers and acquisition on the mental and overall wellbeing of the employees during the pre merger and acquisition phase and the actual merger and acquisition process:***

The stress faced by the employees of the bank of Rajasthan when merged with ICICI bank was determined by the method of paired sample t – test and also by employing the weighted average method and various factors like uncertainty, insecurity, changes in the job and fear of losing the job were identified as the prominent psychological factors which were responsible to initiate stress among the employees. In addition to the above various cultural perspectives in the working environment like reporting structure, the hours of

working, the interpersonal relationship with the superiors were also identified as contributors to the inducement of stress among the employees. The study highlighted the necessity of efficient management of these factors at the appropriate phase of the mergers to facilitate adequate integration process.<sup>2</sup>

The factors which encompasses culture related to work and various psychological factors equaling to thirteen and eleven respectively were studied to identify the predominant stressors causing stress among the 60 bank employees of the Bank of Rajasthan in the city of Udaipur was conducted at the juncture of merging of the above said bank with the ICICI bank.<sup>2</sup>

On employing the factor analysis on the above sample, the absence of excellent fit of culture among the two merging organizations and the conducive human resource policies were identified as the major factors responsible for stress and dissatisfaction among the employees among the merging organizations. The study emphasizes the adequate and timely management of these factors to enable the effective management of stress among the employees.<sup>3</sup>

The relevance of continuous motivation of the morale of the employees of the organizations involved in the merger and acquisition process is highlighted for the efficient performance. The changes ensuing as a result of the process like downsizing, increased workload calls for consistent boosting up of morale to imbibe the changes which volunteers thorough planned communication strategies.<sup>4</sup> The necessity of suitable strategic plan encompassing the required flexibility and creativity parameters to combat the issues of job changes and the ensuing requirement of appropriate development and training are also highlighted. The need for efficient communication strategies during all the stages of the merger process which affirms the efficiency of the ensuing organization which should concentrate on the improvement of the morale and motivating of the employees is also predominantly highlighted.<sup>4</sup>

Employee emotions have received little attention in the literature on M&A outcomes. As acquisitions are highly emotional events for the employees of the

acquired organization, strong affective reactions may emerge resulting in positive or negative work-related outcomes, contributing to the success or failure of an M&A.<sup>5</sup> The extent of the association between the intentions, emotions and behaviors of the employees and the cooperation extended by the managers associated, the extent of communication and the various determinants of the culture are determined by a study on the cross country study on 158 sample of employees involved in the associated three organizations being acquired by a single organization. It is very well observed that the emotions and well being is actively affected by the support the managers extend, wherein the communication of the managers associated had very little effect on the emotional wellbeing and the inclinations of the employees involved to continue in the same organization.<sup>5</sup> Strategic alliances, acquisitions in particular being associated with the feelings and emotions of the employees associated calls for matured and timely handling of the same, failing which resulting in unwanted outcomes in the work scenario and adversely affecting the outcomes, and on the other hand deft handling of the same resulting in the positive and fruitful outcomes.<sup>5</sup>

A multistage and multilevel procedure is implemented to delve into the performance of the mergers and acquisition processes concentrating on the difficulties the human resources encounter, to enable the researchers to identify and explain the gap in the context of the effects of the differences in the culture of the organizations on the performance of the organizations involved.<sup>6</sup> It is observed that the level of identification also plays a major influencing effect on the attitudes and behavior on the organizations involved, playing a crucial role on the performance of the organizations associated in the merger<sup>6</sup>.

The effect of the team and task mental models which were formulated in the pre acquisition phase are analyzed with respect to various functions in the post acquisition phase and an attempt is also made to develop a relation with respect to the size of the acquisition, is observed in a sample size of one hundred and one acquirer transactions in Europe and it is observed that shared team

and task mental models have a positive influence on the activities concerning exploitation which deals with after acquisition.<sup>7</sup> It is also noted that exploration activities are benefitted by team mental models which are shared. It is also observed that these activities contribute to various innovation pursuits as well. This research also emphasizes on the need for exploring the sensitivity of the perspective of benefits of the task mental model on the size parameter.<sup>7</sup>

The case study method is used to observe and study the changes in relation to job, returns from the job in the context of leadership in the preview of the various mergers and acquisitions movements in the cross border context of multi national organizations is studied in relation to Indian and Chinese organizations. It is observed that prominence of leadership having a little impact and whereas the factor of trust having a favorable impact and in addition, the condition of the deal also having a moderating impact on the prominence on the leadership status too.<sup>8</sup> This research also notes the effects of the differences in the nations targeted also.<sup>8</sup> The research stresses the importance and relevance of the adequate and positive psychological safety of the employees involved and also the emphasis that is to be given to affirm and trust building mechanisms of the leaders involved which in turn leads to the acceptance of the style of the management leading to increased productivity after the execution of the merger process.<sup>8</sup>

The effect on the health, both mental and physical and the overall feeling of well being on the employees involved in organizations facing various types of inorganic growth like mergers and acquisitions is an area which remains relatively untapped despite increase in the number of organizations opting for various routes of inorganic growth with motives to obtain an improvement in the profitability despite opening up themselves for facing an array of risks.<sup>9</sup> The research conducted on the managers who are in the middle of the managerial cadre working in U.K.<sup>9</sup> subjected to the merger experienced and acknowledged the process of merger as an event full of stress post the event despite witnessing an excellent match between the organizations involved in the merger.

This research aims at identifying the application of a model which deals with coping or adjusting to stress of the employees who are facing a major change. This study is formulated on the framework that the factors which control and determine the adjustment of the employees involved should be well studied and attention to the knowledge and knowhow of the employees with respect to the change happening and its features and the various mechanisms and support available for the employees are to be dealt in a detailed manner.<sup>11</sup> The research collected the data from staff involved in the fleet side comprising predominantly of pilots who belonged to recently merged organization in the aviation industry. By utilizing the outlook of intergroup, an attempt was made to correlate the appraisals in context to situations, responses of the various adjusting strategies of the two organizations before the merger involving one domestic and another an international airline.<sup>11</sup> In tandem to the social identity theory, the employees involved with the premerger domestic organization demonstrated the highest possible positive reactions to the event notably as this event opened up avenues to add to their social identity.<sup>11</sup>

***Effect of mergers and acquisition on the mental and overall wellbeing of the employees during the post acquisition stage of the merger and acquisition process***

A study which categorizes the factors which impact the human aspects of the organization in relation to merger and acquisitions are categorized as individual, organizational and as managerial factors.<sup>12</sup> The limitation of the available research wherein the prevalent gap of available studies on post acquisition outcomes is also very well emphasized. Various qualitative studies conducted focuses on the contribution of human resources, of the employees both during and after the merging process, various factors concerned with the individuals like the effect these moves have on the mental well being, the various movement of the employees inside the organization, various factors associated with the organization, namely the differences in the culture and the process associated in the transfer of knowledge and the various factors associated with the managers, like the various processes associated with the

policy of integration during the process. The gap is very well highlighted which calls for the coordination of the effects of the human factors on the performance of the organization.<sup>12</sup>

Akin to various syndromes, the merger syndrome is explained as an observance which is seen in the post merger scenario which normally encompasses the negative effects on the attitude and behavior of the employees of the involved organizations.<sup>13</sup> Despite these events are viewed as effecting the emotions of the people involved, it is an untapped domain particularly in relation to cross border events. This research on the foundations of logic based on various theories and interpreting various data makes an attempt to explore the factor of emotions by applying the theory of cognitive appraisal and affective events and by the aid of qualitative in depth interviews of the employees involved attempts to develop an framework based on analytics to explore the role of emotions in various international mergers and acquisitions.<sup>13</sup> This analysis concentrates on the effect the communication of the managers involved has on the emotions, the way the employees behave and also the behavior of the employees involved.<sup>13</sup>

Among the various moves or changes that takes place in the corporate scenario, strategic alliances and mergers and acquisitions are considered as the changes which results in greater stress and discomfort and the resilience among the employees involved in the process during the integration that happens post the activity.<sup>14</sup> This process of resistance can be attempted to be understood by the thought of psychological capital. The research attempts to review the available literature and attempts to propose a theoretical model which would aid in depleting or decreasing the resistance which eventually gets its validation by an expert panel. This research suggests to improve upon the psychological capital of the employees involved by various interventions that can be tailored to suit the various employees.<sup>14</sup>

**Discussions and Recommendations:**

The performance of the various strategic alliances can be evaluated on the basis of various determinants like the financial determinants, or by the achievement

of the various strategic objectives of the organizations involved, the strategic management perspective uses the achievement of the strategic objectives as the measure, the economic functions use the measures based on accounting principles, the financial lens uses the parameters based on the stock market, if we look at the organizational research perspective, it concentrates on the integration process that happens post the merger and acquisition process.<sup>15,16</sup>

This research attempts to review the various research available which highlights the effect of these mergers and acquisitions on the mental and overall wellbeing of the employees who are involved in the process. It is very well evident that these events being major change events have a deep standing effects on the mental health and over all well being of the employees involved in the process.<sup>17</sup>

On detailed review it is been observed that the mergers and acquisition processes follow three stages and each stage flows into the other, there are various factors which play a very critical role for enabling the mergers and acquisitions to achieve what they set to achieve.<sup>18,19.</sup>

During the pre merger phase, efficient assessment of the various parameters and the fit with respect to strategy, proper evaluation of all hard issues like the financial parameters and the soft issues like the cultural issues, adequate planning for integrating the financial and operational domains, utilizing the previous experience in the same arena, good assessment of the various risks involved and also adequate evaluation of the strengths of the organizations involved should be focused upon.<sup>20,21.</sup>

During the merger phase, eliminating paying in excess, ensuring extended assurance from the leadership, facilitating proper and timely communication to avoid unwanted dissemination of information, post the mergers and acquisition, ensuring adequate speed for the implementation plans, ensuring visible and accountable steps like designating an integration manager to handle all the dilemmas in context to the human resources, implementing various reporting structures and facilitating the combined ways to deal with critical

issues, collaborating with the critical teams in the process of integration, efficiently managing the various issues pertaining to human resources to ensure employee motivation and sustainability and implementing various plans to enable and ensure the proper amalgamation of the cultures of the organizations involved to minimize and eliminate the negative effects on the mental wellbeing and ensure the overall wellbeing of the employees involved in the process.<sup>20,21,22</sup>

**Funding:** Self funding.

**Ethical Clearance :** Not Applicable.

**Conflict of Interest :** Not Applicable.

## References

1. Aggarwal Gupta M, Kumar R, Upadhyayula RS. Success of a merger or acquisition – a consideration of influencing factors. *International Journal of Management* 2012;5(3):270-286.
2. Joshi V, Goyal Dr. K.A. Post-Merger Appraisal of Stress Level among Bank Employees: A Case Study. *Journal of Social and Development Sciences*. 2013;4(4):152-163.
3. Goyal, Dr. K.A. and Joshi, V., n.d. Impact of Merger on Stress Level of Employees (A Case Study of Erstwhile Bank of Rajasthan Ltd.). *International Journal of Business Research and Management (IJBRM)*, 3(5), p.234.
4. Gutknecht J, Keys J. Mergers, acquisitions and takeovers: maintaining morale of survivors and protecting employees. *Academy of Management Executive*. 1993;7(3):26-36.
5. Gunkel M, Schlaegel C, Rossteutscher T, Wolf B. The human aspect of cross-border acquisition outcomes: The role of management practices, employee emotions, and national culture. *International Business Review*. 2015;24(3):394-408.
6. Weber Y, Drori I. Integrating Organizational and Human Behavior Perspectives on Mergers and Acquisitions. *International Studies of Management & Organization*. 2014;41(3):76-95.
7. Dao M, Strobl A, Bauer F, Tarba S. Triggering Innovation Through Mergers and Acquisitions: The



- Role of Shared Mental Models. Sage Publications. 2017;42(2):195-236.
8. Rao-Nicholson, R, Khan Z, Stokes P. Making Great Minds Think Alike: Emerging market multinational firms' leadership effects on targets' employee psychological safety after cross-border mergers and acquisitions. *International Business Review*. 2016;25(1):103-113.
  9. Cartwright S, Cooper C. The Psychological Impact of Merger and Acquisition on the Individual: A Study of Building Society Managers. *Sage Journals*. 1993;46(3).
  10. Cartwright S, Cooper C. The human effects of Mergers & Acquisitions. Manchester: University of Manchester, Institute. of Science and Technology, UK;.
  11. Terry D, Callan V, Sartori G. Employee adjustment to an organizational merger: stress, coping and intergroup differences. *Stress & Health, Wiley*. 1996;12(2):105-122.
  12. Mirc N. Human impacts on the performance of mergers and acquisitions. 12th ed. Emerald Group Publishing; 2013.
  13. Sinkovics RR, Zagelmeyer S, Kusstatscher V. Between merger and syndrome: The intermediary role of emotions in four cross-border M&As. *International Business Review*. 2011 Feb;20(1):27-47.
  14. Dorling J. Impact of psychological capital on the resistance to change during post-merger integration: A theoretical model. *Journal of Organizational Change Management*. 2017;30(6):936-956.
  15. Hoskisson, R.E., Johnson, R.A., Moesel, D.D., Corporate divestiture intensity of restructuring firms: effects of governance ,strategy and performance. *Academy of Management Journal*.1994.37(5).1207-1251.
  16. Clarke C.J., Acquisitions – Techniques for measuring strategic fit. *Long Range Planning*.1987;20(3):12-18.
  17. Gadiesh O,Ormiston C.,Six Rationales to guide merger Success :*Strategic Leadership* 2002: 30(4) 38 -40.
  18. Harding D,Yale,P.,Discipline and the dilutive deal: *Harvard Business Review*. 2002;80(7);18-20.
  - 19.LeontiadesM.,RationalizingtheUnrelatedacquisition, *California Management Review*.1982;24(3)5-34.
  20. Lubatkin M,Chatterjee S., Extending modern portfolio theory into the domain of corporate diversification: does it apply?. *Academy of Management Journal*.1994;37(1)109-136.
  21. Lynch J.G., Lind, B., Escaping mergers and acquisitions madness: *Strategic Leadership*2002: 30 (2)5-12.
  22. Terry D, Carey C, Callan V. Employee Adjustment to an Organizational Merger:An Intergroup Perspective. *Society for Personality & Social Psychology*. 2001;27(3).