



UCAM  
UNIVERSIDAD CATÓLICA  
DE MURCIA

FOM – HOCHSCHULE FÜR OEKONOMIE UND MANAGEMENT  
UNIVERSIDAD CATÓLICA SAN ANTONIO DE MURCIA  
(UCAM)  
DOCTORATE SCHOOL PROGRAMME FOM-UCAM

THE ROLE OF  
HUMAN RESOURCE MANAGEMENT  
IN THE CONTEXT OF MERGERS AND ACQUISITIONS

Author:

Angelika Ehms

Advisors:

Prof. Dr. Malcolm Schauf  
Laura Compoy Gomez

Dusseldorf, August 2016





**UCAM**  
UNIVERSIDAD CATÓLICA  
DE MURCIA

FOM – HOCHSCHULE FÜR OEKONOMIE UND MANAGEMENT  
UNIVERSIDAD CATÓLICA SAN ANTONIO DE MURCIA  
(UCAM)

DOCTORATE SCHOOL PROGRAMME FOM-UCAM

THE ROLE OF  
HUMAN RESOURCE MANAGEMENT  
IN THE CONTEXT OF MERGERS AND ACQUISITIONS

Author:

Angelika Ehms

Advisors:

Prof. Dr. Malcolm Schauf  
Laura Compoy Gomez

Dusseldorf, August 2016





**UCAM**  
UNIVERSIDAD CATÓLICA  
SAN ANTONIO

**AUTHORIZATION OF THE DIRECTOR OF THE THESIS  
FOR SUBMISSION**

Prof. Dr. Malcolm Schauf and Prof. Dr. Laura Campoy, Directors<sup>(1)</sup> of the Doctoral Thesis “The Role o Human Resource Management in the Context of Mergers and Acquisitions” by Ms Angelika Ehms in the Departamento de Ciencias Sociales, Jurídicas y de la Empresa, **authorizes for submission since it has the conditions necessary for his defense.**

Sign, to comply with the Royal Decrees 99/2011, 1393/2007, 56/2005 y 778/98, in Duesseldorf, 11<sup>th</sup> of January 2016.

<sup>(1)</sup> If the thesis is directed by more than one Director must noted and sign both.



## ACKNOWLEDGEMENTS

Thanks to my Love, my Dad, and in memory of my Mom.





# CONTENT

Abbreviations .....	10
Figures .....	11
1. Introduction.....	13
1.1 Problem Definition and Objectives .....	13
1.2 Methodology.....	16
2. Challenges for Human Resource Management .....	21
2.1 Global Trends.....	21
2.1.1 Change in Fluid Organizations.....	21
2.1.2 Converging Cultures .....	28
2.1.3 Digital Knowledge Explosion .....	36
2.2 Business Needs .....	44
2.2.1 Strategic Alignment .....	44
2.2.2 Operating Model.....	47
2.2.3 Business Partnership.....	49
2.3 Economic Outcome.....	54
2.3.1 Human Capital.....	54
2.3.2 Performance Measurement .....	57
2.3.3 Value Creation .....	59
2.4 Multiplex Challenges .....	61
3. Special Aspects along Mergers and Acquisitions .....	63
3.1 Overview on Mergers and Acquisitions .....	63
3.1.1 Economic Reasons.....	63
3.1.2 Definition.....	65
3.1.3 Process .....	67
3.2 Human Resources Due Diligence.....	71
3.2.1 Conceptual Design.....	71
3.2.2 Objectives .....	73
3.2.3 Risk Factors .....	75
3.3 Post-merger Integration .....	79
3.3.1 The Blues .....	79
3.3.2 Cultural Awareness .....	81
3.3.3 Change Communication.....	84

3.3.4	Employee Participation .....	88
3.3.5	Implementation of Measures .....	91
3.4	Involvement Variety.....	94
4.	Perception of Human Resource Management .....	97
4.1	Research Approach.....	97
4.1.1	Research Question .....	97
4.1.2	Research Assumptions .....	97
4.1.3	Research Method.....	98
4.2	Research Design.....	98
4.2.1	Interview Setting .....	98
4.2.2	Target Group .....	99
4.2.3	Interview Form.....	102
4.2.4	Research Phase .....	104
4.2.5	Research Analysis .....	105
4.3	Research Findings.....	106
4.3.1	Positioning.....	106
4.3.1.1	Role Understanding .....	106
4.3.1.2	Involvement.....	107
4.3.1.3	Management Expectations.....	108
4.3.1.4	Level of Influence .....	110
4.3.1.5	Discussion of Findings.....	112
4.3.2	Human Resources Organization.....	113
4.3.2.1	Function and Tasks .....	113
4.3.2.2	Strategy Implementation .....	114
4.3.2.3	Competences.....	116
4.3.2.4	Discussion of Findings.....	117
4.3.3	Performance Measurement .....	118
4.3.3.1	Project Controlling .....	118
4.3.3.2	Due Diligence Data Exploitation.....	119
4.3.3.3	Discussion of Findings.....	120
4.3.4	Post-merger Integration.....	121
4.3.4.1	Communication.....	121
4.3.4.2	Project Integration Team.....	124
4.3.4.3	Corporate Culture .....	124

4.3.4.4	Employee Co-operation.....	126
4.3.4.5	Discussion of Findings.....	127
4.3.5	Contribution and Outcome .....	128
4.3.5.1	Success Factors .....	128
4.3.5.2	Risk Factors.....	130
4.3.5.3	Improvement Needs .....	132
4.3.5.4	Discussion of Findings.....	134
4.4	Research Summary .....	138
5.	Increasing Impact.....	141
5.1	A Framework for Success.....	141
5.2	Basic Parameters.....	143
5.2.1	Integration Strategy .....	143
5.2.2	Project Organization.....	146
5.3	Integration Competence.....	148
5.3.1	Project Management .....	148
5.3.2	Team Transformation.....	151
5.3.3	Information Dialogue .....	154
5.4	Implementation Efficacy .....	156
5.4.1	Controlling .....	156
5.4.2	Work Approach .....	159
5.5	Leverage Model .....	162
5.5.1	Prototype.....	162
5.5.2	Cockpit.....	166
6.	Conclusion and Outlook.....	171
	Literature.....	176
	Appendix.....	187

**ABBREVIATIONS**

Acc. to	According to
BSC	Balanced Scorecard
BP	Business Partner
CDD	Cultural Due Diligence
Cp.	Compare
DAX	Deutscher Aktien Index
DD	Due Diligence
DT	Design Thinking
Ed.	Editor
E.g.	Exempli gratia
Etc.	Et cetera
CI	Cultural Intelligence
HR	Human Resources
HRM	Human Resource Management
IT	Information Technology
KPI	Key Performance Indicator
M&A	Mergers & Acquisitions
No.	Number
P./ Pp.	Page / Pages
PE	Private Equity
PMI	Post-merger Integration
R&D	Research & Development
SME	Small- and Medium-sized Enterprises
SWOT	Strength Weakness Opportunity Threat
UK	United Kingdom
USA	United States of America
Vs.	Versus
VUCA	Volatility, Uncertainty, Complexity, Ambiguity

## FIGURES

Figure 1: Change Management Framework .....	24
Figure 2: Elements of Culture .....	30
Figure 3: Hofstede's Dimensions of Culture.....	32
Figure 4: High- and Low- Context Cultures .....	34
Figure 5: Three Layer Model.....	35
Figure 6: Workforce Connectivity and New Media Tools .....	41
Figure 7: HR-related Elements.....	46
Figure 8: HR Business Partner Competences.....	51
Figure 9: Business Partnership Indicators.....	53
Figure 10: Main Reasons for Change Projects.....	63
Figure 11: Types of Collaboration between Business Entities. ....	66
Figure 12: Due Diligence Phases.....	68
Figure 13: Organizational System Scan Model.....	70
Figure 14: Due Diligence Phase Model .....	72
Figure 15: Due Diligence Priorities.....	74
Figure 16: Communication Instruments .....	85
Figure 17: Top-Performer's Double-S Curve .....	86
Figure 18: Design Thinking Process .....	90
Figure 19: Overview of Interviewees .....	99
Figure 20: Introduction of Interview Form .....	102
Figure 21: Participant and M&A-related Specifics of Interview Form .....	102
Figure 22: Interview Questions of Interview Form .....	103
Figure 23: Interview Setting.....	104
Figure 24: Interview Time .....	105
Figure 25: HR Role.....	106
Figure 26: HR Involvement.....	107
Figure 27: HR Involvement According to Phases.....	108
Figure 28: Top Management Expectations.....	109
Figure 29: Top Management Expectations.....	111
Figure 30: Individual HR Strategy.....	114
Figure 31: HR Competences Required in M&A Projects .....	116
Figure 32: M&A Project Success Monitoring .....	118
Figure 33: KPI for M&A Project Success Monitoring .....	119
Figure 34: Exploitation of HR DD Results in PMI.....	120
Figure 35: HR Communication .....	122
Figure 36: Communication according to Target Groups .....	123
Figure 37: HR Role in PMI .....	124
Figure 38: HR Involvement in Cultural Change.....	125
Figure 39: Employee Co-operation.....	126
Figure 40: HR Success Factors.....	129
Figure 41: HR-related Risk Factors.....	131
Figure 42: Room for HR Improvement .....	133

Figure 43: Comparison of HR Risk and Success Factor .....	135
Figure 44: PMI Leverage Model.....	164
Figure 45: PMI Cockpit.....	166
Figure 46: PMI Cockpit according to Phases .....	168

# 1. INTRODUCTION

## 1.1 PROBLEM DEFINITION AND OBJECTIVES

Before a merger and acquisition (M&A) the target company value is defined by financial and other specialists. When it comes to human capital, the human resources (HR) department is mostly involved with the human resources due diligence (HR DD). Human and organizational capital is one of the most expensive cost factors, and it would be only natural to expect HR being best-prepared to analyze and evaluate it. HR could add tremendous value to the process, but obviously they do it so little (Aguilera & Dencker 2004: 1355–1370). Intellectual capital is the driver for value creation, such as human capital, culture and leadership (Rosenberger 2012: 11–14). But M&A expert opinion is split. There are those who believe HR should be an integral part of an M&A project, and those who think HR should better stay out. Those opting for HR to stay out, focus on the financial aspects of M&A and rely on their own capability of asset evaluation. Especially if HR comes from a traditional role and serves as administrative and technical expert, this might be the case (Griffin & Schmidt 2002: 9). The involvement of HR in M&A scenarios is still low and HR is rather perceived to give ad-hoc advice instead of profound strategic input and pro-active change management support.

Other M&A experts believe that HR professionals should be prepared as competent facilitators in M&A projects being trained beforehand and/or building a team with company-internal and external change advocates. Most would agree that HR professionals should at least be kept in the information loop. Only few financially driven analysts might argue that HR professionals should keep out of the whole M&A business because they only trust consultants and specialists to bring the project to a successful end. How come that those dealing with human capital every day are not regarded to add value to M&A projects? It is a very crucial phase in a company's history and also requires intuition and high confidentiality apart from professional competence. Top management is responsible for the integration and also communication process of the M&A and decides about the level of HR involvement (Towers 2002). But there is only little trust that HR would meet top management expectations. Staff co-operation and motivation are decisive in an M&A project because if the mood switches to resistance, the project could be endangered. Organizational and change management expertise provided by HR could help to go against these risks, but HR competence is questioned and merger management tends to rely on external specialists. Additionally, external

key specialists for DD on human and organizational capital rarely recruit from an HR background. In a metaphoric way the situation of a company facing an M&A project can be compared to passengers boarding a plane. Imagine the company being a passenger plane taking the M&A destination and top management being the pilots knowing the route. In this case HR was the flight attendants to take care for the passengers respectively the staff of the organization. Do the passengers feel safe? Do the pilots trust the flight attendants to be in control of the situation when on their M&A route? This might not be the case if flight attendants seem to be badly prepared, e.g. when they lack information about flight conditions or rough storms ahead that might possibly come up. Passengers, respectively staff, would probably not have boarded the plane if they had known in advance how insecure and inexperienced flight attendants really are. Instead they just trust the airline, but also pilots, that they have taken care to ensure safety. Often HR flight attendants are not in control of the situation and this is alarming since they function as interface between staff passengers and top management pilots. What if passengers would panic and a chaos broke out? Could they calm down staff and restore trust into pilots and airline? Coming back to the M&A scenario, this is often the case with HR. Somehow staff and top management have to trust on HR, but they either do not know if it is worth it or they are just not aware of the risks that go with it.

One reason for HR having a hard time to meet today's challenges lies in missing strategic alignment and the lack of implemented performance measurement categories to track results (The Boston Consulting Group 2008: 1). If HR expects to be taken seriously as business partner (BP), the main focus needs to be on strategic partnership, change management and operational excellence (Capgemini 2006: 93). Global trends like the digitalization of the business world, an increasingly virtual and international work environment, an over-aging society and skill shortage entailing even stronger key player retention, require countermeasures. Talent and leadership management, for example, are evergreens which have been and will continue to be crucial to success. But still HR expertise is insufficient in relevant fields (The Boston Consulting Group 2008: 1–3). Change and learning organizations are ascribed rising importance, and with it, corporate culture has also become increasingly important. HR is often not able to translate nowadays' challenges into its own business landscape by analyzing the situation and providing long-term solutions to merger management. In an M&A context, the need for strategic management comes on top and is absolutely crucial to top management. Some experts say HR neglects the role of corporate HR in terms of internationalization and globalization. They see an emerging agenda to be filled with developing



senior and international management including succession planning (Scullion & Starkey 2000: 1061–1081).

Today, HR rarely is a sparring partner to the board in terms of strategic alignment, high service quality plus cost efficiency and process effectiveness. Consequently, HR is no candidate to be shortlisted for M&A support. If HR improved in core business, its reputation would be strengthened. Readiness and appropriateness of concepts could decisively influence success or failure of M&A. If actively involved, HR could be the internal key player for staff motivation and trigger the process along the whole M&A project (Krone 2004: 36). The assumption is that if HR performed better in day-to-day business, it would be taken more seriously and involved more frequently. Which are the performance expectations asked of HR in the context of M&A and what are the lessons learned afterwards with respect to positioning, strategic alignment, defining and measuring key performance indicators (KPI) or pre- and post-merger role-taking? Retrospectively, those involved could have drawn conclusions from past M&A projects and identified development potential. If so, this would be a basis to realign and reorganize for the next M&A. As far as the organization is concerned, there are different approaches for HR structure and design including products, workflow and infrastructure. It could be assumed that HR has positioned itself differently after M&A because, in one out of four cases, the HR BP concept is triggered by M&A (Capgemini 2006: 32). If so, HR could better facilitate M&A by operating in a strategically proactive way and developing creative and innovative cultures and linking internal processes and structures to outside changes in the marketplace (Brockbank 1999).

HR is in a difficult position in general since role expectations are manifold. The challenges are to be a visionary and strategic partner, process optimizer and business partner, functional specialist and system stakeholder, consultant and coach, mediator and social partner (Oechsler 2011). When it comes to M&A, role expectations become even more demanding (Harmon 2009). Along with the usual business goes the task to develop key strategies, manage DD, support the change processes, deliver new organizational design, manage communication and the learning process and additionally recast and reinvent HR itself. Since an M&A project requires crisis management instead of routine business, HR is only believed to cope with it in a professional way if day-to-day business has come up to the very satisfaction of top management. Actually it is the main task for HR to make the vision tangible and concentrate on the development of the organization (Siegenthaler 2011: 4–6). A merger may not only come along with restraints, but also bring life to an organization if carried out

and accompanied properly by HR. Therefore the objective is to analyze HR-relevant success factors in the context of M&A, define performance indicators and develop a model for practice in accordance with these outcomes. Since M&A is a complex scenario with many interdependencies on various levels, the focus is on the contribution HR could make. The common basic assumption is that HR support is not sufficient for top management and that it is far from adding value to M&A projects. Literature research over the last decades has given proof of this by numerous studies full of HR development needs and how HR can better position itself and anticipate constraints. Thus, the objective is to show how HR could systematically approach an M&A scenario defining strategy and outcome and thereby delivering additional value to top management.

## 1.2 METHODOLOGY

The problem definition gives an impression of how HR is perceived in today's business world. Given that HR has lost reputation over the last decades and is seen critically by internal customers such as other departments of the organization, the objective is to draw a clearer picture of the reasons and possible ways out. In order to not only rely on literature research, expert views are intended to enrich the theoretical foundation. The role of HR is to be discussed in the context of M&A because it is a defined setting in a given time frame and thereby sets a limit to the field of research. Chapter one introduces the subject by defining the problem, setting the objective and providing methodological insight.

Since HR deals with human capital embedded in a business setting, global trends, business needs and economic outcome are highly relevant. There are numerous challenges for HR due to globalization and those discussed in this dissertation have a strong correlation to M&A projects. Three mega trends presently influence the business landscape and force HR to adapt or better anticipate obstacles and risks. These are digital transformation, change in fluid organizations and converging cultures. Digital transformation refers to a fundamental change in the way business is done. Digitalization influences many business areas and the changes retroact on the people working in this environment. Business communication is strongly affected due to major information technology (IT) progress which also requires changes in internal customer communication. Fluid organizations affect the current working environment because the concept of closed, static and hi-

erarchical systems is more and more fading. An M&A project implies change and is to be conducted differently in fluid organizations. These organizational landscape changes require changeability, i.e. the ability to change, and raise the need for HR to transform the business accordingly. Converging cultures boost the need for intercultural competence and cultural fit. Ongoing globalization requests HR to deal with corporate culture issues and it is a must for HR to have or develop competence in this field. Moreover, this also strongly coincides with the skills needed in an M&A scenario. In recent years this has come to the fore so that corporate functions have to fulfill management expectations even more. A state-of-the-art HR department must align strategically, has to integrate its operating into the overall business model and offer business partnership. This automatically leads to the question of how to measure and demonstrate the economic outcome of human capital and create value. It is not the intention to discuss financially driven human capital models since HR would probably not be the driver for the incorporation of those into company records. Instead, it is to be regarded from the standpoint of HR and the impact it could take. Performance measurement is only to be discussed with regard to the research outcome. The HR-relevant economic outcome in the context of M&A has to be measured on the basis of human capital and integration performance management. If HR created value in an M&A context, it would become more visible and could renew its tattered reputation. Thus, chapter two focuses on today's HR challenges. The simultaneity of global trends, business needs and economic outcomes have culminated in multiplex challenges for HR because it has to change fast and steadily.

The increase in M&A also results from globalization and is a special kind of change. The focus lies on the role HR takes in an M&A context as it can be business-critical. The way HR has been involved in this process is one indicator for the standing HR has within the organization. Since the setting has a defined goal and a limited time frame, HR performance can be investigated more easily. In this dissertation the situation is analyzed from an HR standpoint and thus straightforward concentrates on HR DD and post-merger integration (PMI).

Chapter three analyzes HR involvement in M&A scenarios. It gives an overview on M&A, followed by the two main HR-relevant parts in M&A which are HR DD and PMI and closes with different types of involvement HR has to cope with. The overview of M&A gives an insight into economic reasons, definition and processes. The conceptual design of an HR DD as well as its objectives and risk factors are explained in order to sensitize the reader to special constraints HR might have to face. Even if HR is not involved in HR DD, it will be in PMI, officially or unofficially,

because the post-merger blues infects many companies undergoing this change. Cultural awareness, change communication, participation and implementation are crucial factors for success and failure. And again, HR is requested to stand up to a variety of organizational needs in order to manage the M&A project successfully. The focus lies on HR-related issues which could, but need not be mandated to HR. Since former research studies have proven that HR-related success factors are not sufficient, but necessary for overall success, HR has no other choice but take the challenge.

HR-related success factors in M&A projects in a global and multiplex environment are defined on the basis of literature research. The research part in chapter four is to prove primary and secondary research assumptions. How HR is perceived in the context of M&A is the object of research examined from different viewpoints of experts and HR representatives. The empirical study is to underline former literature research findings with respect to global HR challenges in M&A scenarios. The research part deals with the role of HR in practice which is investigated empirically on the basis of qualitatively structured interviews given by M&A experts. The research approach includes research questions, assumptions and the choice of scientific method to be proceeded with. The research design consists of the interview setting, target group definition, interview form presentation, research phase and analysis. After that, research findings are presented and evaluated according to research assumptions. The discussion of findings is subdivided into the categories HR positioning, HR organization, HR controlling, PMI as well as HR success and risk factors. In the last part research results are summarized and a connection is made with the impact HR could have in M&A. The list of topics to be explored in this context is not complete, but nevertheless the items chosen are crucial for success and therefore sensitive to HR reputation. The research results will reflect that HR is situated in a highly challenging situation in the midst of extremely demanding stakeholders. Consequently, HR is asked to pinpoint performance gaps and has no chance to work around this challenge. In return, the M&A scenario can bring about the rise or fall of HR know-how.

As the intention of this dissertation is to find a way to enhance HR reputation noticeably and sustainably, consequences for practice are deduced in chapter five. The outcome of the research part and literature study is a model which is supposed to include value drivers to establish measurable long-term performance of HR. Since this dissertation focuses on the sphere of influence HR has, it is reduced to PMI, but expects HR to directly align PMI goals with M&A strategy and also

make the connection to DD results. It provides a framework which combines integration competence and implementation efficiency and focuses on crucial but HR-relevant influence factors. At the same time the goal is to make the process transparent to top management and commit to the goals and measures defined. The parameters chosen are KPIs which are economically driven to show HR's contribution to overall business. In this dissertation the top management perspective is partially taken to better understand how to improve HR performance and reputation alike. Therefore, a leverage model and controlling tool are developed taking into account HR's optimization needs and HR-related risk and success factors. In order to handle PMI successfully, the HR strategy has to be aligned with the future business model, and the project organization has to be set up accordingly in close co-operation with the steering committee. HR-relevant integration competence refers to success and risk factors of which three are chosen: project management, team transformation and information dialogue. The implementation efficacy of HR is demonstrated by a strategic tool, a controlling cockpit and a work approach which corresponds with the new work environment. Out of these three fields the leverage model is designed as a prototype and combined with a controlling tool to deliver sustainable results. This research-based solution model serves as a basic blueprint for HR and needs to be developed for each individual M&A case.

Eventually, chapter six concludes with the role of HR in the context of M&A. It provides an overview on the most relevant HR-related issues and outlines a possible change scenario for HR. Furthermore, it gives an outlook on related fields of research. The dissertation closes with the theoretical explanation of the model which so far has not been put into practice. Thus it is to be shown whether this model is helpful to improve HR reputation in the long run.



## 2. CHALLENGES FOR HUMAN RESOURCE MANAGEMENT

### 2.1 GLOBAL TRENDS

#### 2.1.1 Change in Fluid Organizations

Globalization enforces cross-border M&A and this requires an understanding of how to deal with multi-functional teams and intercultural working standards. Global competence includes a complex understanding of interface management and remote teamwork on top of intercultural competence. The HR function will have to up-skill in order to cope with social media networking that boosts global connectivity and creates transparency within the workforce (Belker 2013). Company borders become more permeable and develop towards virtual organizations with networks of intra-corporate functions, external suppliers and subcontractors, development partners and also customer interfaces with only little management influence (Capgemini 2012). Amongst others, globalization and massive re-engineering are the reasons for this development. The number of virtual enterprises grows and other forms of networking and business co-operations are induced (Heilmann, Alt & Österle 2005). A virtual enterprise in this context is defined as a loose, dynamic pool of business units or several legally and organizationally independent enterprises which take advantage of the co-operating partners' core competencies in order to create a common value chain process (Schuh, Millarg & Göransson 1998). The network can be characterized as multidimensional and based on information technology in a synergetic and complementary way. But even if the degree to which an enterprise operates in virtual networks is insignificant, borders start to dissolve. The impact on organizations will be the shrinking of basic teams, an increasing involvement of external project specialists, the out-sourcing of service units and at the same time an increase in temporary workers ensuring low costs (Capgemini 2012).

Change is nurtured by the knowledge society which is characterized by the belief that today's employee capital lies in the necessity to learn continuously and possibly graduate twice or in one's 40s for the first time. Unlike with former generations, it is no longer the skills that matter but the attitude. However, initiating behavioral change requires learning approaches that are cross-generational, and career paths have to include the possibility for both horizontal as well as vertical growth. Blended learning and flexible working time models are unavoidable. Changeability, i.e. the degree to which a person or group is able to change, remains the most important key because it is a

precondition to make all this happen in the first place and allows continuous progress (Capgemini 2012: 13). There are revolutionary change approaches like corporate and business transformation as part of re-engineering. But there are also softer approaches which are evolutionary and driven by organizational development. Change in an economic context can be described as a continuous adaptation of company strategies and structures to an altering business environment (Springer Gabler Verlag 2013). Change Management is an umbrella term for concepts of how to coordinate a strategically and systematically planned process of change that incorporates the organization and corporate culture. A holistic change considers all interdependencies between people, business units, systems, processes, technology, environment etc. Change needs multipliers who are change agents and act as role models. These can be leaders, managers or any influencer, but middle management in particular plays a decisive role and can contribute strongly (Ullrich, Wieseke & van Dick 2005). Change processes can be categorized according to the need and willingness to change. If there is only an average level of both, the change process equals organizational development. However, if both need and willingness are strong, the change process is a strategic redesign. If the need for change is high but willingness low, the change process results in business reengineering. This is likely to be the case with an M&A, at least for the acquired company. Main topics for reengineering focus on customers, core processes and core business and make use of optimized information technologies. Strategy, goals, KPIs and project design including milestones and a communication concept have to be developed. The project status is to be controlled continuously and adapted if necessary until it is completed. The drivers for change have to be localized (Kraus, Becker-Kolle & Fischer 2006). A long-term study across a broad variety of industries has shown that over the last decade, the situation of change management has altered with respect to significance, motives, leadership, personal attitude, intervention models, characteristics, dimensions and success factors, structures, resources, budgets, benefit analysis and digital transformation (Capgemini 2012).

Corporate culture is in need of change if the environment of a value-driven company undergoes fundamental change. This is especially true for quick-changing and highly competitive industries where change is routine. If companies perform insufficiently or just grow very fast, the next step to become a large corporation has to be taken (Deal & Kennedy 2000). Especially in a phase of restructuring or reengineering, the need for change is strong, but the openness to change is not. A change is much easier to steer if role models, so-called change agents, can help increase commitment. Main tasks for integration managers are to mobilize staff for change, coordinate change activ-

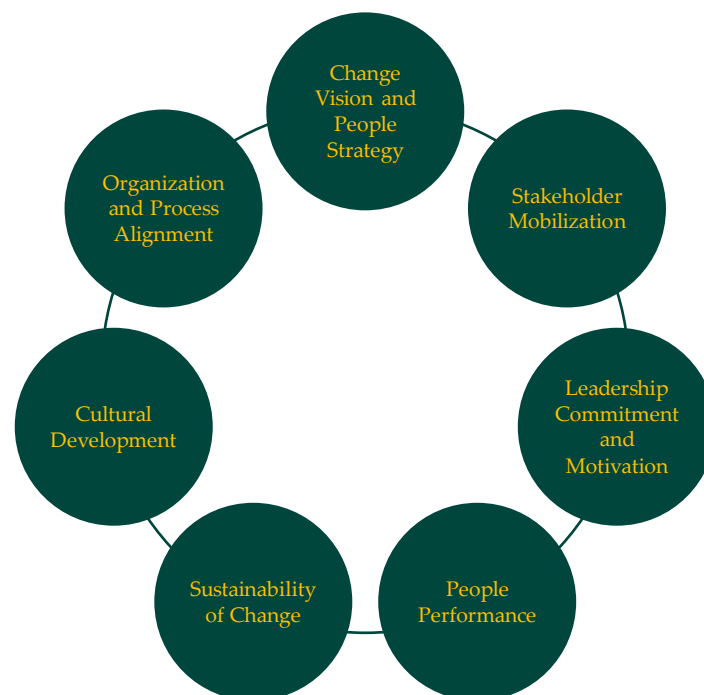


ities, communicate and control (Grave 2010). An integration manager should be part of a team which is composed of the merging companies and needs a deep understanding his/her own company as well as the target company. He or she should have a very strong cultural competence as well as, access to top management and should be able to influence people. Cultural change starts with the inward change of individual persons who act as a catalyst. Driving change is a challenge because it means to move people. When leaders have turned into sleeping beauties they could be kissed awake by inside-outsiders. These are new leaders from inside the company but from outside the core business, e.g. from smaller divisions, international operations or staff functions.

Organizational development is relevant as a deliberately planned, organization-wide effort to increase effectiveness and efficiency of the organization. To achieve the organization's strategic goals, the focus lies on processes, systems and structures and provides a platform for multiple organizational approaches. A milestone in change management was set with a concept that systematically described a change process in an organizational environment (Lewin 1947: 5–41). It consists of three phases: "unfreeze", "move" and "refreeze". First, the upcoming awareness that change is necessary ("unfreeze"), second, the search for another status quo starts ("move") which is followed by implementing and maintaining this standard in the future ("refreeze"). The concept implies that the situation afterwards remains stable which, however, is no longer the case in today's fast moving and globalized business context. Thus the concept was enhanced and new ones were developed and continuously refined. For example, there is one concept that consists of three phases and each of those comprises several steps of change. In the first phase, a climate for change is created by an increasing urgency building a guiding team and getting the right vision. The second phase is to engage and enable the organization by communicating the buy-in, empowering the participants and creating short-term wins. The third phase is intended to implement and sustain change by not giving up and ensuring lasting success (Kotter 2012). This concept is based on the assumption that change is a timely restricted process. But today's state-of-the-art concepts give proof that a learning organization is in a constant "change mode" with no defined end or beginning. It requires a different understanding and self-concept of its members to overcome fragmentation, competition and re-activeness (Chawla & Renesch 1995: 16).

A learning organization can be defined by five main characteristics: systems thinking, personal mastery, mental models, a shared vision and team learning. The benefits are that innovation and competitiveness are maintained because quality outputs at all levels are improved constantly

and speed up the pace of change (Senge 1990). Despite this promising approach, organizations fully practicing the learning-organization concept are hard to find in the business landscape. Organizations often lack the openness and willingness to change as well as face conflicting company politics and have difficulties with strategic thinking which is required from executives. Thus, the conceptualization lacks proof of success. This can be applied to many change concepts: they often lack consistency and seem to be patchwork. A change framework therefore is crucial and needs to be adapted to organizational needs in order to be successful. Successful frameworks for change management need to include important leverages for change. The following model takes into account three main areas of which change vision and people strategy are particularly important. Next are people-related factors such as stakeholder mobilization, leadership commitment and motivation as well as people performance. Organization-related topics are organization and process alignment, cultural development and finally sustainability of change (Capgemini 2012).



**Figure 1: Change Management Framework**

(Acc. to Capgemini 2012: 28)

The vision for change has to be deduced from the overall strategy and clearly defined in order to be in line with people strategy. It has to be highly transparent to all stakeholders and members of the organization so that there is no doubt as to what is going to come. People, and especially

those with strong influence, are the drivers for change. Therefore stakeholders need to support the project actively and leaders have to be role models for employees and perform accordingly.

The organization is a system which exists in itself. To find catalysts for movement is the key to success. Processes are easier to influence since they are more visible than culture. Culture is built on basic assumptions which are invisible and most individuals are not aware of, whereas norms and values are easier to detect (Schein 1992). When it comes to organizations, cultural development needs time. Symbols and artifacts are visible signs when cultural change has been successful. Sustainability does not imply steadiness or the previously mentioned “freeze” state. It means to maintain the standard and simultaneously to be open to change again. The perspective of the people involved in change is highly important because it can impede or slow down change. Almost half of the executives, leaders and specialists responsible for change think that emotions play the central role in a change process. Only 28% believe politics to be important and 23% think that rationale is most relevant (Capgemini 2012). Interestingly enough, the priority of changeability diminishes in accordance with the management level from top to bottom. Whereas executives are not in doubt about the necessity for change, changeability in middle management is considered less important. One third of team leaders who directly influence employees are not only less willing to change, but do not know how to do so. The potential loss of power, influence and status are essential reasons for leaders to resist change and can even lead to serious psychic or psychosomatic illness. Permanent work overload combined with too many changes within a short period of time may contribute to de-motivation and exhaustion. Possible coping strategies against these negative influences are a close and constant dialogue with coaches, sparring partners and change specialists to ease the situation. Only if change is accepted to be normal, measures and coping strategies have a chance to be established in order to prevent serious side effects (Capgemini 2012: 36–39).

Expectations towards leaders in change situations which rank top of the list are being a role model (79%) and communicating actively (78%). Other major expectations are to be aware of the fact that the attitude towards change strongly influences the success of the project and the mindset of employees (70%), to take clear decisions (64%), to convince employees that change is for the best (56%) and that it has to be initiated and shaped (56%). To drive and control change (45%) and to create an environment where continuous learning and change are self-evident (44%) are also listed. To be a role model could become hardship if in a volatile, uncertain, complex and ambiguous environment can cause inner conflicts. Nevertheless, leaders can help to create confidence and authen-

tivity by communicating in an open, personal and transparent way; which cannot be replaced by any digital tools. No doubt the digital revolution is significant; however, change needs to be managed by human beings instead of technology. Responsible leaders can foster self-reflection and behave empathically to help individuals understand their own as well as other motives and emotions. Although this behavior is crucial for change to be successful, it only works if change goals, contents and behavior have been internalized by the respective individual. In order to ensure that change agents and leaders are aware of their standpoint, continuous information, feedback and coaching can be supportive. Change communication can be learned with the help of specialist input and peer group interaction. An increased speed in learning is enhanced by methodological patterns to foster innovation and progress. (Capgemini 2012: 34–35).

The degree to which an organization is open to change reflects the level of maturity. In a corporate culture, openness to change may be practiced implicitly and is therefore a matter of course. On the other hand, change can also be rejected to certain degrees. Corporate cultures undergoing a change can either be strong, weak or unhealthy. A strong culture has “a system of informal rules that spells out how people are to behave most of the time” (Deal & Kennedy 2000). It may be stable and resistant towards hindrances or unfavorable circumstances. In critical situations, its members can take rapid and coordinated action. Cultures are always on the move and consist of numerous informal or formal subgroups, e.g. a department. Moreover, networks have formed according to functional reasons, e.g. for interdepartmental or interfacial cooperation (Grave 2010). Strong cultures endure leadership changes at the top because values and norms are deeply rooted and always have been nurtured by management and employees. This presence of ingrained beliefs is mirrored in the workplace climate. In contrast to this, weak cultures have no widely shared beliefs and norms that can be seen in operating practice. There is no commonly agreed way of doing business and neither passion nor strong emotional commitment. Employees just do their work and subcultures block attempts to create a clearly defined company-wide work climate. Drafting and implementing a strategy in a weak culture may fail due to a lack of an underlying basis such as traditions, beliefs, values, norms. Employees waste a lot of time trying to find out how to react and organize (Deal & Kennedy 2000). Although the lack of commitment and motivation does not support strategy implementation, it does not set up strong barriers. Unhealthy cultures are characterized by counterproductive values, norms and traditions affecting work climate and company performance in a negative way. Unhealthy cultures may be politicized, change-resistant, insular and inwardly

focused or unethical and greed-driven (Thompson, Gamble & Strickland 2010). If cultures are politicized, empire-building, suspicion towards cross-unit cooperation and hidden agendas dominate the internal environment.

Change-resistant cultures avoid risk, show low innovation and rather follow market leaders than take the lead. Resistance towards change most often appears in companies that have had considerable market success in past years and now have fallen into a state of lethargy. Management believes that the way of doing things which has been successful in the past, does not need to change. The attitude of insular and inwardly looking cultures may be very much alike: they have successfully been doing business for such a long time that they no longer question how they are doing business and finally lose focus on their customers or market. Managerial inbreeding prevents innovation and growth that comes from outside. Cultures in which executives disregard high ethical standards and work for their ego gratification in terms of wealth or status will not be able to become strong. Because they will be torn apart over and over again by incidents that show the well-being of individuals comes before that of the company as a whole. In contrast to these unhealthy cultures, there are also those which nurture strategy implementation and are open to development. These are high-performance and adaptive cultures. In high-performance cultures, employees are held accountable for their work, are result-oriented and take the initiative. In adaptive cultures, employees are willing to accept a continuously high level of change. There is a strong confidence in making the best out of challenges and an entrepreneurial spirit is encouraged at all management levels. Change does never compromise core values or business principles, but always serves the interest of all stakeholders: customers, employees, shareowners, suppliers and institutions in company environment. A change of culture – be it for the good or bad of the company – always takes time and must not be tackled too aggressively. If the intention is to build a solid foundation it has to be done deliberately in order to be long-lasting. In fact, integration defines and mobilizes change (Müller-Stewens 2000).

Change fundamentally impacts the work environment and employee performance. It can be strategically motivated due to market changes or narrowly defined with regard to work teams or reporting lines. Although organizational change is top of the reasons-for-change list (31%), financial uncertainty (16%) and downsizing (14%) also play a major role. In order to rather modify instead of disrupt structures, work processes and networks, employees should be supported to anticipate, contextualize, prioritize and react towards change in an agile and accepting way (The Corpo-

rate Executive Board 2012). The most important skills to adapt to change, work collaboratively and apply judgment in processing information are organizational and awareness of oneself, pro-activity and learning agility, teamwork, influence and technical expertise, prioritization, problem-solving and decision-making. Newcomers should be tested accordingly and existing workforce needs to be up-skilled.

Furthermore management approaches and target technology investments have to be aligned and initiated by top management. Skill development can be accelerated by leaders guiding and empowering employees in their new role understanding in terms of collaboration and knowledge management. Eventually, technology investments supporting evolving needs of learning, improving know-how and collaboration will boost change. A change-friendly environment could likewise be fostered by intercultural awareness because both constructs rely on the same basic attitude: being open to unfamiliar behavior, habits and thoughts. To this respect, globalization can be a good starting point to nurture change on the basis of intercultural sensitivity. Intercultural experiences are unavoidable in a global context and therefore go hand in hand with the willingness to learn from others.

### **2.1.2 Converging Cultures**

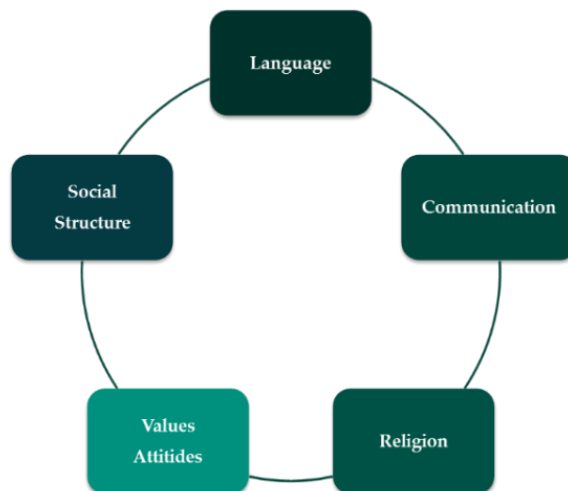
Etymologically the word “culture” stems from the Latin word “cultura”, which, in a figurative sense, means to cultivate, i.e. to care for the intellectual side of civilization (Harper 2011). Culture can have different connotations, e.g. in terms of fine arts or the historical development of a nation. Literature gives various definitions of organizational culture which all highlight different aspects (Carleton & Lineberry 2004). Schein defines the culture of a group as “a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems” (Schein 1992). Another definition, given by Hofstede, describes organizational culture as “collective programming of the mind that distinguishes the members of one group or category of people from another” (Hofstede 2011). An organizational culture perpetuates itself by screening their members or testing new hires according to how they fit into the group (Kotter & Heskett 1992). Corporate culture can be understood as an arrangement of employer values, norms and beliefs which is dynamic and has developed over years. It provides direction for the employees (Böhlich 2010). According to this ap-

proach, the dimensions of corporate culture are identification, integration, coordination, motivation, innovation and customer satisfaction. Thompson, Strickland and Gamble describe the core concept of culture as “the character of a company’s internal work climate and personality – as shaped by its core values, beliefs, business principles, traditions, ingrained behaviors, work practices, and style of operating” (Thompson, Gamble & Strickland 2010). To put it strongly, corporate culture can be defined as the organizational DNA (Reid & Hubbell 2005). In other words, it can be compared to the personality of a corporation and is mirrored in many different organizational aspects, such as values, business principles, ethical standards and practices, the approach to people management in terms of official policies, procedures and operating practices. Furthermore, it can be deduced from the working climate and the interaction between managers and employees, teamwork, cooperation, the company’s traditions and stories. Finally, also the treatment of external stakeholders, be it customers, suppliers, agencies or local communities, can point at the cultural characteristics (Thompson, Gamble & Strickland 2010).

In the 60s and 70s, corporations started or expanded international business so that in the 80s organizational culture became relevant to organizational theory. In the 90s, national and corporate issues were examined in the context of integrative cultural research. This fairly new branch of business economics is no more than a few decades old and research lacks a comprehensive pool of long-time studies. Concepts about organizational culture are basically rooted in a few different approaches which support the theory that organization either IS or HAS a culture – or a synthesis of both (Dröhse 2006). The functional-objective approach assumes that an organization has a culture. It is an integral factor of economic success to be managed and influenced. The interpretative-subjective approach believes that organization is a culture. It is a reality constructed by its members interacting with each other on the basis of values, norms and beliefs and is hard to be influenced. Those who combine these two views assume that culture is both conscious and unconscious. It has a major impact on the organization as a whole – but it can change since it is learned behavior. The cognitive approach focuses on a logical system, e.g. landscapes of cognition to which emotions are anchored. In the 80s, Ouchi and Johnson analyzed management behavior of Japanese and American companies due to increasing invasion of Japanese firms on the American market (Ouchi 1981). At the same time, Peters and Waterman highlighted process components such as strategy, structure and systems, but also cultural ones, such as style, staff, skill and shared values (Peters & Waterman

1982). At that time, it was an innovative idea that corporate culture adds to competitiveness and could help to successfully integrate merging companies (Grave 2010).

The terms “organization” and “corporation” are frequently used as if they were synonymous. But this is only partly correct since every corporation is an organization by definition, but not every organization necessarily has to be a corporation (Dülfer 1988). An organization might not be at all committed to economic success as a corporation is supposed to be. This thesis concentrates on corporate culture suggesting that a corporation is concerned about the most efficient and effective way of maximizing resources and, of course, results. The starting point where organizational culture comes into life is the founding of an organization (Sackmann 2004). If later on organizations or parts of it merge, are sold or are supposed to change, this is going to influence the organization as a whole. An organization is “a collection of individuals forming a coordinated system of specialized activities for the purpose of achieving certain goals over some extended period of time” (Hitt, Miller & Colella 2006).



**Figure 2: Elements of Culture**

(Acc. to Griffin & Pustay 2005: 86)

Ethical understanding varies from culture to culture as well as business practices do. In some countries, for example, bribing business partners to gain advantage is seen as “facility payment” and not as a morally ambiguous deal (Ferrell, Fraedrich & Ferrell 2005). This is why many multinational companies set up an ethics code to be signed by its members or at least define corporate gov-

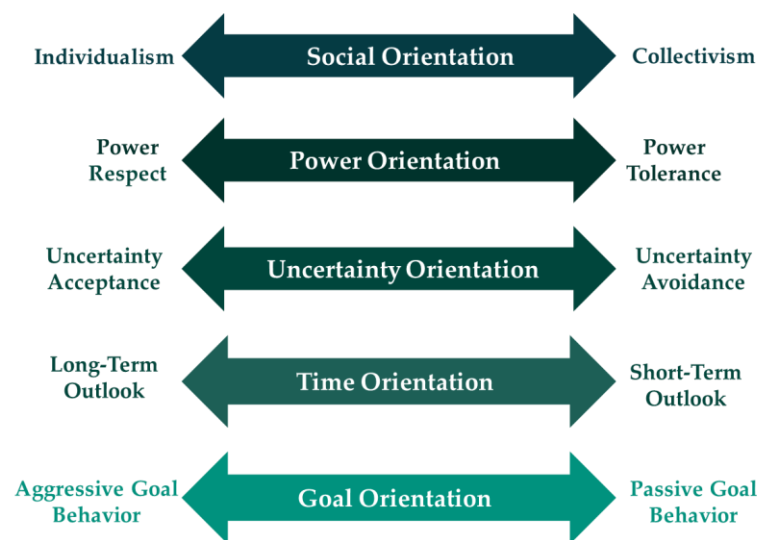


ernance guidelines. Culture can be categorized according to various viewpoints, such as culture of origin, culture of subgroups and also in terms of arts. These examples can be tracked down to different elements of culture. Culture can be described by a set of essential pillars which shape culture and are interlinked. The figure shows that the most important elements of culture are language, communication, religion, values and attitudes and its social structure. The social structure gives a framework of how individuals behave within the group they belong to. In India, the caste system defines social hierarchy according to a person's birth status. The value of a person depends on the family he or she is born into. This seems very strange in the eyes of Americans who believe in pursuing one's dreams irrespective of origin or social status. Islamic belief differentiates between female and male role understanding. While the man is expected to provide for his family and has a strong position in the outer world, the woman is meant to have her circle of influence within the family she has to care for.

Language as a means of understanding each other shapes behavior and thus also characterizes deeply rooted cultural core beliefs. The Inuit language is traditionally spoken across the North American Arctic where there is snow all year round. Consequently, the Inuit know numerous words for snow. In contrast, in Europe all these different varieties are summarized in just one single word: snow. In Chinese language, written expressions can have four absolutely different meanings depending on intonation. This can lead to massive misinterpretation if Western visitors are not really aware of this. Written Chinese language is believed to be one of the hardest languages to learn. It comprises a huge number of characters with only minor deviation in writing but major difference in meaning. Communication is an exchange of messages which are conveyed either verbally or nonverbally. In North America, a smile is a sign of openness and friendliness. Unlike than in China where its intention is to not lose one's face and is thus a sign of self-protection. According to many research studies non-verbal behavior is the main channel to convey messages which unfortunately can be interpreted differently depending on national origin. South American and some South European countries frankly discuss personal issues with a broader circle of family members, friends, and sometimes others. Loud and ambitious discussions may evoke the impression to North Europeans that they are fighting although actually it is just a lively argument.

Religion describes the way people or persons live out what they believe in. The worldwide biggest religions in terms of followers are Christianity, Hinduism, Islamism, Buddhism and Judaism. Followers are expected to act according to rules and regulations influencing daily life. Islamic

believers, for example, are expected to take prayer breaks during the day. In Western, nominally Christian countries on the contrary, it is embarrassing to stop working in order to take time to pray. In Israel end and start of the week differs according to Jewish, Christian or Islamic religion: it either starts on a Friday, Saturday or Sunday and businesses close and open accordingly. Other concepts also include further components of culture, such as aesthetics, material culture, educational, legal and political structures (Ball et al. 2006). All elements of culture are interlinked and dependent on each other, irrespective of how they are defined and clustered.



**Figure 3: Hofstede's Dimensions of Culture**

(Acc. to Griffin & Pustay 2005: 104)

The above given examples describe people behavior according to attitudes and values deeply rooted in basic assumptions and being learned over a long period of time. Elements of culture have a long and historically rooted tradition which cannot be changed within few decades and is debatably to be influenced at all by mankind. They develop out of environmental needs and are the answer of human beings towards the necessity to form one's life in a meaningful way. They care closely correspond with dimensions of culture. There are few concepts about the dimensions of culture and one of the most accepted in science is the Hofstede model because it is based on comprehensive research. The Hofstede dimensions consist of five types of orientation which are interpreted differently according to national cultures (Grave 2010).

Social orientation is defined as the relative importance of individual versus group interests, measured by individualism or collectivism. Power orientation is the appropriateness of power and authority within organizations, characterized by power respect or power tolerance. Uncertainty orientation is defined as the emotional response to uncertainty and change and described as uncertainty acceptance or avoidance. Time orientation is the extent to which short- or long-term outlook on work and life are adapted. Goal orientation is the motivation to achieve different goals, which can be seen in aggressive or passive goal behavior.

Cultures can be categorized by these dimensions. Individualistic cultures very much concentrate on close family circles, e.g. the USA or Great Britain, whereas collectivist cultures emphasize common values and integration which are believed to contribute to society as a whole, e.g. Japan or Brazil. Power respect describes acceptance towards unequal power allocation which goes along with authoritarian leadership style. Indians, for example, are born into a certain hierarchy defined by a caste. Brazil and France also have high scores in power acceptance. In contrast to that, Scandinavian countries strongly adhere to equal rights, not only in terms of gender which is legally defined. Germany is an example for an uncertainty-avoiding country because people appreciate security and stability. This can also be seen by all the rules and regulations which are anchored in German law. The USA, on the other hand, is an uncertainty-accepting country because Americans are willing to take risks, not only financially but also in business. Aggressive goal behavior goes along with a male and passive goal behavior with a female approach. Italy and Japan, for example, tend toward aggressive behavior by striving for material wealth and social success. Sweden tends toward passive behavior because of its emphasis on a work-life balance, harmony and solicitousness in relationships. Long-term orientation is combined with a pragmatic way of decision-making and perseverance in goal orientation. Short-term orientation can lead to status-relevant goal behavior and high investment. Hofstede examined 116,000 IBM employees between 1968 and 1972 (Grave 2010). Since the study's participants only belonged to one company, findings were backed up by samples of managers from other companies and countries. At first, the categories were criticized to be western-like and only later did Hofstede add the category "time orientation" to the originally four categories.

The dimension of time was analyzed by other researchers as well. Hall, for example, defined a monochronic versus polychronic understanding of time and Trompenaars added the aspect of the flow of time. Trompenaars also examined the aspects of social and power orientation (Jeive

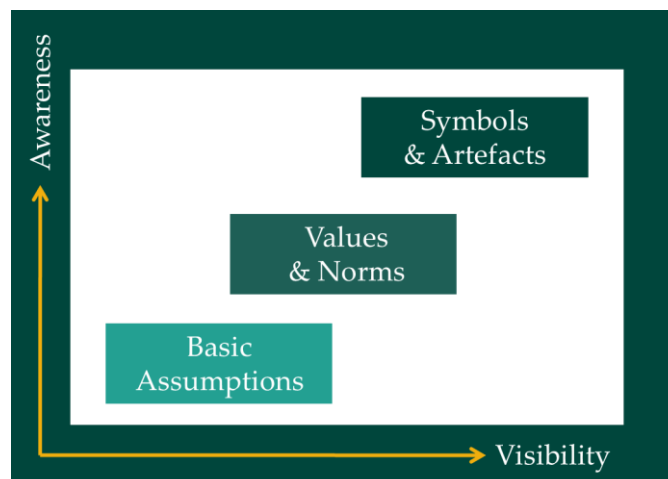
2011). In addition to the Hofstede dimensions, Hall developed the theory of low and high context cultures as shown in the picture below (Phatak, Bhagat & Kashlak 2008: 156–157). Statements embedded in a low-context culture can be understood without knowing the situation. In a high-context culture, the meaning of a statement is decisively influenced by the situation. Low-context cultures give explicit information and clear messages which need not be interpreted. In contrast, high-context cultures rely on the situation the statement is given. Social context and nonverbal signals submit decisive information about how to understand what has been said (Phatak, Bhagat & Kashlak 2008: 156).



**Figure 4: High- and Low- Context Cultures**  
(Hall 2005)

This is an important finding which supplements the Hofstede dimensions because it provides information on how communication is perceived. According to Kotter, organizational culture has at least two levels: shared values and group behavior. Shared values are “important concerns and goals [...] that often persist over time even with changes in group membership” whereas group behavior norms are “pervasive ways of acting [...] rewarding those that fit in and sanctioning those that do not” (Kotter & Heskett 1992). Shared values are based on general basic assumptions which are unconscious because they are deeply rooted in personality and formed by the environment an individual grew up in. Group behavior norms have the tendency to express themselves in symbols and artifacts and thus are easier to detect and change. Schein developed a three-layer model of culture characterizing its layers by different degrees of awareness and visibility. Basic assumptions about culture are mainly invisible and unconscious and hard to detect in day-to-day life. With ref-

erence to culture it can be assumed that each and every individual has basic humane assumptions which are not communicated openly. Hidden basic assumptions are deep down under water, such as priorities, processes, reasons and improvement (Sackmann 2002). Values are what people believe in and are developed from early childhood on, deeply rooted and integrated into personality and influenced by family, peers, experiences and culture (Griffin & Pustay 2005). In a business context, these are defined by a company's strategy including mission, vision and values. Symbols and artifacts are easy to be identified, like an iceberg top pointing to the supposed body underneath the water. They manifest in architecture, company logo, language, rites, clothing and etiquette (Schein 1992). The figure displays the three layers.



**Figure 5: Three Layer Model**  
(Acc. to Schein 1992)

Every organization is determined by its set of basic assumptions, revealed in values and displayed by artifacts. But since human behavior is not a static and predefined status, there is a chance for change – either to the positive or negative. Every organization can be a learning organization and can react to inward or outward incentives (Senge 2006). If there is a need for learning, e.g. because of a diverse workforce, this may offer competitive advantages to a globally operating corporation in areas like innovation, commitment and productivity, recruitment and retention. In a business context, differences between people can derive from race, gender, ethnic background, age, physical and cognitive abilities, sexual orientation and identities, religious beliefs, learning and working styles, body types and work/life commitments. To work in a variety of not only geographically contrasting environments requires respect for cultural differences since labor pools will in-

creasingly reflect diversity (Harvard Business Press 2009). Groups or subgroups which share a set of values have a stronger coherence, but they are likewise more resistant to cultural change. Loose groups or subgroups are more open to cultural change but can also be destroyed easily (Schein 1985).

If elements, dimensions and levels of an individual culture are defined precisely, the corporate character of a culture is presented quite accurately due to this holistic view. Nevertheless it remains a complex and abstract construct of reality which has to be transferred to business life in order to contribute to economic success and the benefit of the people. The relevance of these findings about culture has been broadly acknowledged by research experts, but the business world is subject to other influences. One of those findings is the technological progress which strongly influences the way people work. It is characterized by 10 important trends that fall into three broad, but distinct, categories: frequent organizational change, more interdependent work and an increase in knowledge (CEB 2012). Organizational transformation such as M&A is also influenced and shaped by this new work environment which is strongly dominated by a digital transformation coming from fast technology changes and the explosion of knowledge that goes with it.

### **2.1.3 Digital Knowledge Explosion**

Technological breakthrough is believed to be what will predominantly transform the way people work over the next decade. Digital megatrends will come from key technologies such as mobility, data analytics, cloud computing and social media. These trends will literally reshape companies everywhere (Oxford Economics 2011). Corporations were digitalized to a much larger degree than the rest of society, e.g. 79% digitalization with regard to people and culture as well as governance and organization, 73% in terms of customer engagement, 63% in the field of processes and infrastructure, and 55% regarding visions and strategy including business models (PricewaterhouseCoopers 2014a). One third of all companies integrated customers and employees into product development processes with the help of digital technologies. Two thirds of the corporations were selling their products via the Internet and had well-integrated sale channels. 65% of the companies took advantage of social media when communicating with customers and half of all enterprises had a strategy defined to integrate digital technologies into their business model. In almost all companies, employees were motivated to develop digital projects, especially in middle management digital competence prevails.

Knowledge increase and interdependent work will change and fundamentally impact the new work environment (CEB 2012: 8). In terms of knowledge, the volume and amount of data that has intruded in the workplace results in an exploding information technology, such as computing, applications, automation and outsourcing of routine work as a consequence. Employees have to collect, analyze, use and manage information and decide on the basis of their processing. The implications for companies are to provide ready access to the right information, ease effective decision-making and support those employees who are not able to use advanced information technology effectively. This will also affect the structure and size of the HR function which may become smaller. The reason is that digital transformation enables transactional processes more efficiently provided that line managers and employees welcome consumer-like applications and are willing to handle HR processes themselves. As a consequence, HR may become more project-oriented and dedicated to improving organizational effectiveness—such as helping with M&A (Good et al. 2015). In addition, new organizational structures may arise to help HR professionals collaborate closely with the business and other functions such as IT. Being much more self-reliant, working interdependently becomes another factor. Companies have become matrixed and employees have to share responsibilities for work outcomes on different levels and in remote teams. At the same time, they must strongly rely on informal networks and relationships. The types of collaboration get more diverse since employees have to navigate through different structures, cultures and processes always trying to understand who has the mandate for what with which priority, team and outcome. The implications for enterprises are that their organization has to enable broader employee networks by providing direction and guidelines, integrated workflow and improved technology.

The HR transformation is far from complete and less than half of HR executives see HR as a profit driver. Plus, almost two thirds believe that HR cannot provide key analytics across the enterprise (Oxford Economics 2014). If the economic outcome could be improved by replacing HR full-time equivalents by technology and outsourcing, downsizing the HR function will be the consequence. One future challenge will be further economic growth without staff investments in terms of full-time equivalents. According to a study, executives see the need for an overall 20% performance improvement of their employees (The Corporate Executive Board 2012). In return employees report a rise in workload and complexity and struggle to handle increasingly stressful jobs. On average, only 29% of executives think that employees operate at peak productivity and many see substantial room to enhance performance. To address these trends successfully and keep employee stress and

performance outcome in balance, it is important to understand the change that takes place in the work environment and its implications for employee performance and productivity. Relevant skills and competencies have to be identified and built across the workforce, and management approaches and target technology have to be adjusted to leverage performance.

This has implications on the business and requires modern communication concepts and tools for corporate information. At the same time HR communication has to adapt and make use of crowd-, game-, and analytics-driven approaches in order to modernize performance measurement systems via multi-motivational game mechanics. It has to ensure continuous and real-time feedback, coaching and mentoring, and above all to encourage social collaboration and engagement using crowd mechanics (Tata Consultancy Services 2015). If HR learns that multiple digital approaches can increase employee motivation with respect to desires like status, achievement, and rewards to drive enterprise performance, it first has to transform itself before offering these applications to employees. Especially organizational change could be driven much more easily by making use of these new technologies which could strongly influence social life in a viral way and replace the traditional top-down approach by management. Mobile apps and clouds allow rapid information transfer and can speed up the adaptation of organizational change if used systematically. Cloud-based repository allows access to documents and information seamlessly in real time and thereby boosts collaboration processes.

Digital transformation rapidly speeds up the exchange of information which is a major motive for the advancement of the digital transformation. The centers of knowledge in multinational companies are not close to one another geographically, and a platform for interchanging knowledge has to be provided in order to spread it. Employees have to be encouraged to share ideas and management has to facilitate the flow of knowledge within the company to ensure that it is accessible to everybody (Ball et al. 2006). To manage knowledge effectively, strategic considerations, technological systems, organizational and cultural context have to go together. Knowledge management is so crucial because the increased and continuous growth of knowledge is a real challenge to economies and corporations likewise. In order to stay competitive, knowledge has to be preserved and accessible to everybody. Globalization and knowledge are inseparable and interconnected (Rahman & Mahmud 2008). But a considerable increase of knowledge and information flow



does not automatically imply valid, relevant and true information. Recipients have to digest, analyze and evaluate information according to its profoundness (Stromquist 2005).

Knowledge is more than just information and can be defined as “a fluid mix of experience, values, contextual information, and expert insight that provides a framework for evaluation and incorporating new experiences and information” (Davenport & Prusack 2000). Knowledge is created and is the overall intellectual capital of a company’s individuals. It is seen from a certain viewpoint, normally leads to action and organizational productivity and it very much depends on the context. Knowledge can be subdivided into data, which is discrete and objective facts, and information, which very much depends on the perception of the recipient (Phatak, Bhagat & Kashlak 2008). It is an intangible asset and can be documented in patents, databases and networks, based on information coming from employees in key positions, suppliers, customers and other external interfaces (Phatak, Bhagat & Kashlak 2008). Knowledge plays a key role in organizations because it is held in the working memory of its employees, each of them taking a special position within the company. The present knowledge of employees has been accumulated according to an employee’s experience over a period of time. It implies a value in itself because it includes important knowledge about processes and systems which probably is not completely documented.

The life cycle of knowledge consists of four stages: creation, mobilization, diffusion and commoditization. In the first stage of creation, the environment allows creativity and tolerates mistakes within a certain structure. In the second stage, created knowledge circulates and may gain significance. It undergoes a process of definition and several steps of redefinition until the importance is clear. At that point of time the number of employees being confronted with this newly emerging knowledge grows tremendously and the organization is mobilized. The phase of diffusion is a stage when the knowledge is spread openly and shared not only inside but also outside the organization, e.g. with customers. Finally, the knowledge reaches the stage of commoditization and is widely understood by most of the employees, so that it can be varied and modified.

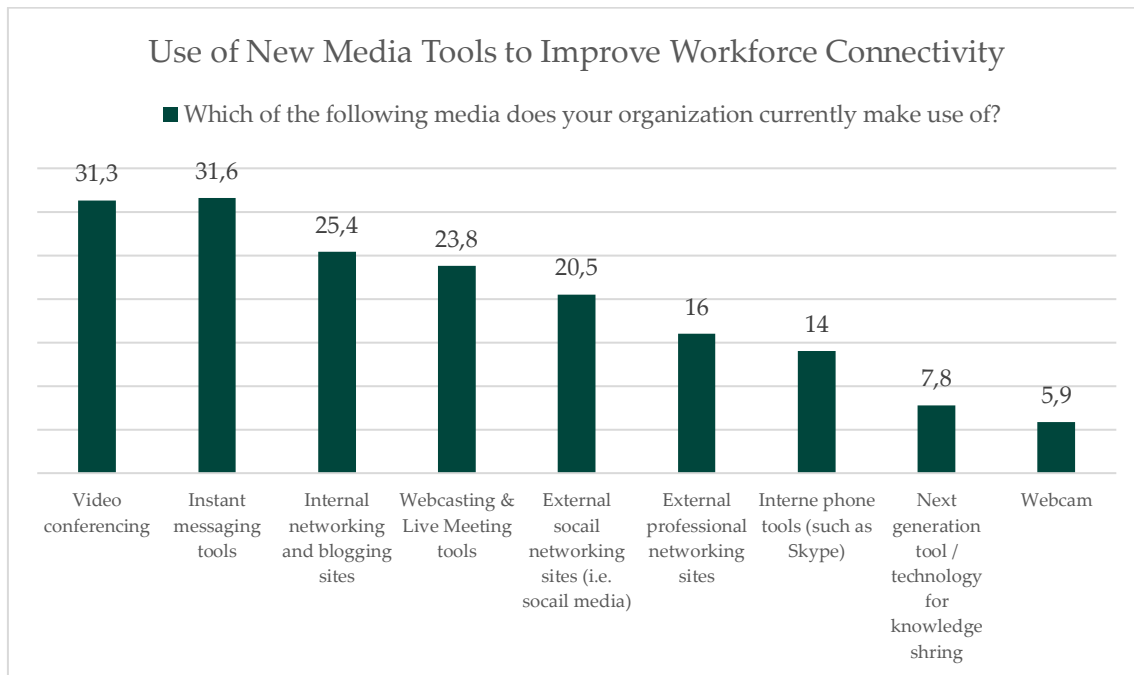
To manage knowledge is very important for a global and multicultural environment (Phatak, Bhagat & Kashlak 2008). Although most multinational organizations would agree that knowledge management is an important strategic task, there is a big discrepancy between knowing and practicing. A field study with a sample of eight multinational corporations with 24 sites on five continents about cross-site knowledge sharing has revealed that awareness for the need is high (Kapser

et al. 2008). The more standardized products and services were, the more centralized were knowledge structures. The need for knowledge sharing in decentralized organizations was even more necessary, but not prevalent. Another study, undertaken with Malaysian service organizations, has come to the conclusion, that sharing and organizing knowledge is much more important for certain industries than others, e.g. service industries. To organize the diffusion of knowledge in service industries it is not necessarily required to have highly developed technologies as a platform.

Furthermore, organizational socialization in terms of encouraging communication is vital (Islam, Ariffin Ahmad & Mahtab 2010). How knowledge management fosters employee growth and development in a global environment, and finally leads to the effects of increasing competitiveness of multinational companies, is the subject of a study carried out in a sample of 164 Middle Eastern entities (Chalhoub 2009). It clearly strikes that knowledge management leads to a higher level of performance and should be supported by participative management, decision-making, training and career development, a mandate on research and development, a sense of belonging through intellectual advancement, involvement in customer-centered practices and in external and multinational knowledge management (Chalhoub 2009). Most of these aspects are closely connected to corporate culture issues which have to create a framework to enable employees to develop within the respective structure.

With 53%, "technology breakthrough" featured as the top answer to the question as to what would transform the way people work in the next five to ten years. This was followed by "resource scarcity and climate change" with 39%. 36% said shifts in global economic power, 33% named demographic shifts and 26% voted for rapid urbanization. Technological breakthroughs refer to any kind of breakthroughs including social media and communication in the new work environment (PricewaterhouseCoopers 2014b). The business landscape is influenced by the ongoing penetration of information and communication technologies which in turn influences customer and supplier relationship as well as organizational behavior. Customers turn from consumers to "prosumers" and take part in product innovations or open up platforms for instruction guidelines which may replace the former helpdesk. The consequences will be to ensure return on investment of new technologies, but also to decrease working barriers and establish new ways of digital co-operation and organize reselling. Business is going to grow faster and new forms of co-operation will emerge. In

2012, nearly 78% of senior executives accepted the significance of social media for future success. But only 27% ranged social media as strategically decisive topics. 80% of top executives believed that in change situations talent recruitment and retention is one of the top concerns and that sourcing strategies are desperately dependent on a strong employer branding.



**Figure 6: Workforce Connectivity and New Media Tools**

To fill up the pipeline with next-generation leaders, adequate leadership programs have to be installed according to latest state-of-the-art technologies. This is tightly linked to digital strategies not only in terms of online learning tools, but also by means of communication like social media (Capgemini 2012). 85% of HR executives think that the integration of new media is important to enhance workforce connectivity. Only 17% say they already have a well-connected workforce whereas 50% are still on their way towards a well-connected workforce. The chart shows a list of the most common tools to be used in this context. Top of the list are instant messaging tools (31.6%) and video conferencing (31.3%).

While video conferencing needs technical equipment which has to be provided by the company, instant messaging is a simple tool which can be easily installed on personal computers and

mobile devices. Thus it has a much easier-to-handle quality than video conferencing which mostly focuses on teams which have to find common time slots despite different time zones. Of course, quality and output can vary. Internal networking and blogging sites (25.4%) as well as webcasting and life meeting tools (23.8%), plus external social networking sites (20.5%) allow a variety of ways to communicate. These tools have a participative instead of controlling element by allowing everybody to democratically contribute while the process of communication is mostly not regulated by a company-internal representative (Capgemini 2011a: 8).

Digital revolution opens up four important fields of activity: advancement of changeability, stress-coping strategies and meaning, networking and social media and, finally, the application of digital tools (Capgemini 2012: 59–62). First, further development of changeability will be a critical success factor. Change management has to be tightly coupled with other business functions, such as organizational development, communication, talent management and training & development. Highly self-reflective and resilient change managers with management experience need to act as role models and sparring partners for senior management. Change functions must initiate change instead of just implement it (Capgemini 2012: 59). Second, if those involved in change are empowered and supported in their change competence by the interplay of recruiters, people developers, change experts and coaches, the pressure can be decreased. If work overload is replaced by stress-coping strategies and meaning, the illness rate in terms of burnout, but also disengagement and resignation could be reduced. A feeling of coherency is necessary to cope with stressful situations and avoid damage to health. To understand working contexts, focus on strengths when project tasks are allotted and teams are developed, and a positive feedback culture help activate this resilience (Capgemini 2012: 60). Third, a networking organization and social media are of importance. High-touch dialogue and emotional triggers are catalysts for change and are believed to be highly effective for networking and collaboration. User interfaces are becoming easier to handle and more appealing and images or films will displace text forms and thus emotionalize messages. In future, enterprises might even rely more strongly on social media as a platform to quickly connect to relevant issues. Furthermore, Jams, i.e. controlled collaborative online discussions, Serious Games, i.e. online games with business-relevant topics to affect attitudes and behavior without rational explanations and Social Listening to measure “organizational mood” by examining online activities, could become tools of the future (Capgemini 2012: 60–61). Fourth, if conservative project approaches are no longer effective because they lack flexibility and speed, digital tools might help. Viral

change does not require cascading and rational explanations but focuses on behavior instead so that role models can initiate change because of the virulence of emotions. To create a sense of urgency and prompt those involved emotionally opposes the traditional way which is based on analysis and thinking (Kotter 2012). Emotional systems are supposed to outplay rational ones because they translate the message into concrete and reproducible behavior patterns. To increase adaptability and accept ambiguity is necessary where projects are highly complex and dynamic. Scrum, which stems from the software development industry, might become a useful tool. Design Thinking is a people-first approach with innovation power and empathy where the project owners try to walk in the shoes of the customer and find adequate solutions (Capgemini 2012: 61–62).

Present digital technology is going to change the way HR relies on IT as a vital component of organizational performance in an increasingly competitive and fast-changing world. There will be new, more flexible, agile and customized ways for organizations to manage their people opened up by Big Data, mobility, social media, “gamification”, and cloud computing. This may affect the structure and size, core activities, information management and technology role of the HR function. As far as structure and size are concerned, the number of employees may be reduced since digital information enables transactional processes more efficiently in comparison to traditional line management. There will remain the need for the HR function to improve organizational effectiveness, for example in M&A projects, which cannot be done by digital media alone. Out of this, new professional HR functions may arise and also affect the core activities of the HR function. HR could adopt functions of a marketing organization in terms of analyzing employee data for new insights. Employer branding is already a big topic today and a new infrastructure allows completely different insights on the basis of data analysis, e.g. in workforce performance or talent management. Thus, HR roles will likely shift to value-adding tasks like coaching, designing culture, providing incentives and educational programs. The role of HR information management is likely to change as well since the line between internal and external applications is blurring. On the one hand, data protection is a real issue, but on the other hand interfaces have to be created which evaluate new technologies and the impact the software has on the business. User-friendliness is supposed to rise and released HR resources may shift to other functional roles (Good et al. 2015).

## 2.2. BUSINESS NEEDS

### 2.2.1 Strategic Alignment

A profound study with more than 2000 HR executives relates HR challenges to HR capabilities taking into account that the new work environment will have a direct bearing on the HR function (The Boston Consulting Group 2011). There are the evergreens such as leadership, talent and workforce management, which will become even more crucial in the light of current population growth rate. In addition, the globalization of customer segments and supply chains requires HR to adapt its delivery model accordingly and manage workforce on a global scale. Large, globally active European companies opt for an international workforce and tend to decrease the numbers of employees in domestic markets. Consequently, transparency as well as international frameworks and standards are needed. Disappearing borders also increase the probability for cross-border mergers, carve-outs or organic expansion abroad. HR has to up-skill and internationalize accordingly. This leads to workforce diversity which has to be implemented in HR strategy and hardwired into the business. Unfortunately, HR capability is too low to meet these challenges, such as turning into a strategic partner, managing change and transformation in the context of a learning organization. Many HR mission statements are commonplaces and indifferently refer to the employee lifecycle: attract, develop, retain, cultivate (The Boston Consulting Group 2011).

Facing the 2009 recession, global HR business challenges were HR transformation, talent management and further investment in HR. Two years later, in 2011, top challenges had already changed. The prevalent HR challenges were now integrated global talent management, connected organizations according to the digital revolution and a robust HR operating model for better alignment with business. In this context to foresee global talent needs and provide concepts for recruitment and development is essential. A strong employer branding and sustainable retention measures are important for leaders and employees of various demographics. Furthermore, new IT technologies help to efficiently answer business needs. Additionally, there has to be an HR operating model which measurably supports business performance by mapping business strategy and providing different kinds of professional services: consulting, specialist knowledge and basic services. In order to eventually perform efficiently, HR has to link strategy and outcomes by shaping a collaborative and efficient work environment, coining a global mindset and providing value to customers, investors and employees in terms of perfectly designed products and services. Finally, stra-

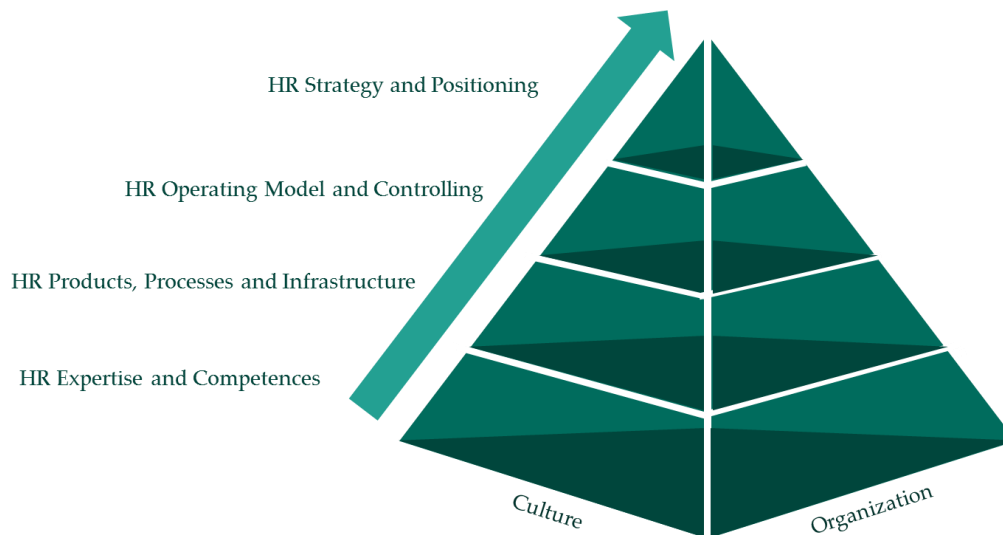
ategic workforce planning remains a key strategic enabler in the face of essential and long-lasting demographic shifts which may lead to a talent shortage and a fundamental change of human capital asset base.

Key business drivers for future global competitiveness are strategic workforce planning, a globally integrated talent management framework and an HR operating model that efficiently integrates systems, processes and services (Capgemini 2011a). Strategic workforce planning relies on a solid employee data base capable of delivering specific analysis to foresee, plan and implement the whole employee life cycle of relevant target groups. Talents expect enterprises to provide a challenging career start including rotational programs on a broad basis before taking over more responsibility on a leadership level. Networking enterprises offer a great chance to retain talents because they multiply choices and opportunities and allow increased mobility at the same time. Social networks as talent sourcing pipelines represent modern recruitment strategies. HR BPs drive HR strategies and take care of integration with business unit strategies abreast with Competence and Shared Service Centers embedded in a solid technology. HR has to position itself as a flexible, adaptive and fluid unit in order to go with future development and match the whole organization (Capgemini 2011a).

If HR is forced to step out of the shadow and deliver excellent service, all HR-relevant functional and behavioral components need to interlock perfectly. These are strategy and positioning, operating model and controlling products, processes and infrastructure, expertise and competences. High-performance HR shows better results in all fields of exploration with respect to effectiveness and efficiency. As far as strategy and positioning are concerned, HR reputation improves by providing added value, but still HR is perceived as an administrative expert instead of a strategic partner. HR fears external benchmarks or internal customer surveys and KPI reporting to make added value transparent is often insufficient.

With respect to the operating model and controlling, there is room for improvement in terms of quality, cost efficiency and a focused added value. Concerning products, processes and infrastructure, change, career and succession management remain challenges. High-performing HR focuses less on operational business but on value-adding outcomes. As far as expertise and competence are concerned, HR needs to improve in strategy and entrepreneurial thinking and become more persuasive and assertive. The HR BP must be up-skilled, particularly with regard to change

competences. Additionally, employer branding has become top trend in order to win the war for talents (Kienbaum 2011).



**Figure 7: HR-related Elements**  
(Acc. to Kienbaum 2011)

An executive study comes to the conclusion that it is hard work for HR to do strategic personnel and competence planning. Reasons for this are a lack of competence in analyzing competitive business models, the absence of strategic planning in terms of business processes, little expertise, no resources, bad data quality, missing business unit support, tools and technology. Although strategic workforce planning is highly interlocked with strategic business decisions, HR fails to provide instruments or efficient forecasts for supply-demand gaps. Furthermore, it is unclear who has the mandate to deliver this business-critical information (Kienbaum 2014b). The question how HR can link people strategy to business outcomes has to align with global market changes also influencing business concepts and working standards. Prevalent issues are integrated global talent management, IT technologies and the operating model (Capgemini 2011a). Integrated global talent management includes the ability to accurately forecast a plan for global talent needs. But also to retain leaders and employees across various demographics by establishing a strong brand and common idea of employee value definition. A connected organization that has been digitally transformed is better aligned with the other business units, therefore HR must look for new IT technolo-



gies to leverage existing capabilities. A robust HR operating model for better alignment is needed. HR has to integrate with and support business performance. The HR operation model therefore should map HR roles to business unit roles, e.g. by means of business-partnering and competence centers (Capgemini 2011a).

### 2.2.2 Operating Model

As far as role understanding is concerned, an HR function change has taken place over the last decades. This change aims at becoming from operationally and strategically reactive to active, getting connected to the real world of the organization and focusing on whole system and integrated solution in order to have a long-term perspective (Ruona & Gibson 2004).

The HR operating model is meant to align HR with business strategy and improve HR services using fewer resources at a lower cost rate plus, at the same time, concentrating on value-adding activities. The most common multi-faceted HR operation model consists of three pillars which are HR Business Partner (HRBP), Competence Center (CC) and Shared Service Center (SSC). These are embedded in HR governance, risk management and compliance and build upon data integrity and workforce analytics. The HR BP is comparable to key account managers who support the business in decision-taking and aligning strategies with business objectives. They are held responsible for HR results of the business unit and partner with them to understand needs and requirements. The number and different kinds of CC depend on the organization, but all are responsible for the strategy, policy and program design of their individual topics across the enterprise. They provide expert knowledge and drive expert issues throughout the organization, e.g. compensation and benefit or talent management. SSC deliver high-quality processes for transaction services. Most commonly, these are important but routine processes which have to be delivered reliably and regularly with high quality, such as payroll for example (Capgemini 2011b).

Although 80% of HR executives agree that the above described HR operating model is probably the most efficient one, there are region-specific trends: Asia Pacific (64%) and Northern America (54%) have adopted this model to a much higher degree than Europe (46%). Both CC and SSC are prone to outsourcing because of the need for deep expert knowledge on the one hand and due to standard, repeatable, but not complex processes on the other hand. About 60% of HR depart-

ments have outsourced HR-related functions to allow HR to concentrate on value-adding functions which can be achieved by business-partnering (Capgemini 2011b).

The 1996 concept of Dave Ulrich refers to HR as a champion in four conflicting areas of HR management, i.e. operational versus strategic focus and processes versus people. Within these conflicting areas HR has to take four roles: strategic partner, change manager, administrative expert and employee champion. HR is supposed to deliver excellent results in its role as HR BP and help senior and line managers in strategy execution. The service expert provides administrative efficiency and maintains high-quality standards at the same time. The employee champion is representing employee concerns to senior management and encourages employee contribution. The change agent constantly shapes processes and culture to improve organizations capacity for change (Ulrich 1997a). This leads to a service delivery model, i.e. the above described 3-pillar model with CC, SSC and HR BP. Administrative activities are centralized allowing business to focus on strategy and customers. It is the first contact for all employee inquiries and supports the management in key HR processes. The HR BP needs to understand the business in order to support needs and requirements of the management. This function is responsible for the local HR result by coaching and consulting management and aligning strategies with business targets (Ulrich & Brockbank 2005).

This approach was later discussed and refined by numerous authors (Claßen & Kern 2010). Most came to the conclusion that in practice, it is not the model itself but its implementation which is difficult. Failure mostly relates to management mistakes with respect to a misleading HR self-concept, downsizing the 3-pillar concept or problems with interfaces and the HR BP reporting line. Obviously, the HR self-concept and the image HR creates within a business context are not identical. Whereas HR wants the HR BP to focus on the strategic role, the business units mainly see the HR BP as an administrative expert. Thus, expectations are fairly incongruent and lead to misunderstandings due to wrong positioning.

As far as the 3-pillar concept is concerned, the establishment of a SSC or a new IT infrastructure does not, at the same time, induce a newly organized operating model. Furthermore, only a certain company size allows the setup of a competence center. The model needs to be aligned to actual business needs and implemented accordingly. As there is no standard solution to any HR department this is a weak point because the design of the operating model is as crucial as the implementation of the new HR model. Unfortunately, many HR departments do not seem to be able

to cope with this challenge on their own. If the 3-pillar model has been successfully established, responsibilities, goals and processes need to be defined, standardized and aligned. If this transformation does not succeed, HR ends up confused and so do internal customers. Whether the HR BP is embedded in the business unit or part of the HR department is an important decision which, again, has to be in line with the operating model respectively the business model. It may also be possible that HR BP has dotted reporting lines, but whatever the choice is, implications need to be considered. Ineffective choices can lead to a failure or low performance of the HR department, although the new concept seemed to be promising. Other constraints lie in just changing an existing HR organization into a new one without redefining competences and re-matching profiles (Roedenbeck & Hildebrand 2012).

### 2.2.3 Business Partnership

The change in HR that took place over the last decades is also displayed in the following phase model which describes the development from HR management to the HR BP and finally the strategic partner (Lawler & Mohrman 2003). In the first step, HR equals HR management which is business-driven, represents the internal customer and workforce planning is deduced from the business plan. In the second step, HR equals the HR BP which is integrated in decision-making processes and cultural development, and is actively involved in workforce planning in line with the business. In the third step, HR equals the strategic partner and has a strong influence on business strategy driving the company with people and systems; and HR also leads workforce planning. This phase model is different from the HR BP concept that Ulrich brought up, because it relates to the whole HR department and not only to a single role within the HR department. Confronted with this phase model, German executives criticized that this model would not match the current German HR landscape and proposed a further level below HR management. In the 1997 definition by Dave Ulrich, the successful HR BP has to fulfill four roles, i.e. strategic partner, administrative expert, employee champion and change agent (Ulrich 1997a). In 2005, the HR BP model was refined by Ulrich and Brockbank and finally renamed strategic partner due to its imprecise definition (Ulrich & Brockbank 2005). There are numerous and often similar definitions of the term HR BP, but most lack final preciseness. The role for an HR BP can be described as someone who challenges the senior management by providing the link between business and organizational strategies creating cost-reducing and value-creating HR initiatives (Kenton & Yarnall 2005). A reliable definition for the term HR BP is an HR generalist role, but also key account manager for HR-relevant issues or

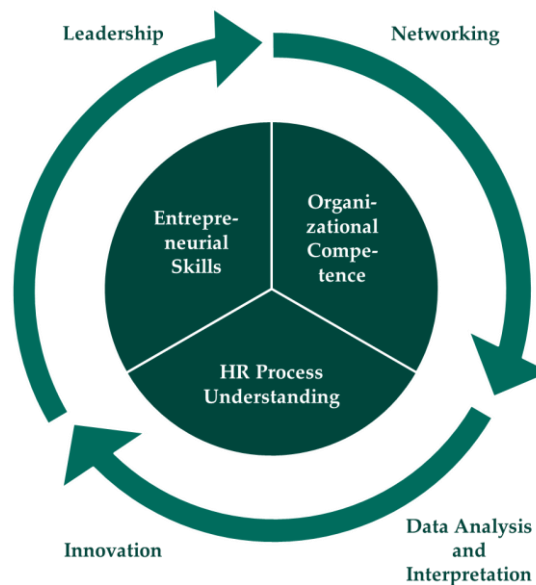
HR consultant are mentioned often. There is no exact definition, only a best-fit because the role has to be interpreted according to the organizational structure it is embedded in. Since the term HR BP is interpreted differently, another approach is to define five dimensions this role can be characterized by (Capgemini 2006). The dimensions “power and influence”, “acceptance”, “organizational integration”, “function and tasks” as well as “value creation” apply to most interpretations of the HR BP. Power and influence characterize to which extent the HR BP is involved in decision-making processes. Acceptance relates to the trustful relationship between senior management and HR BP. Organizational integration describes reporting and dotted lines showing the level of integration into business units. Function and tasks need to be strategic such as change or talent management. The dimension “value creation” relates to any direct or indirect business contribution and overall success and is measured by HR controlling.

In 2006, almost half of HR representatives thought that they had not lived up to the expectations of the HR BP concept and estimations by business units and top management would probably be even higher (Capgemini 2006). So far, there is hardly any research available proving the connection between the HR BP’s value contribution to overall business success, partly due to the complexity of this role within the business environment where influence factors are hard to isolate (Roehling et al. 2005). Advocates of the HR BP model often neglect HR transformation costs and the time it takes until the organization becomes efficient. Alignment to the special business model and exact adaptation to business context are also often disregarded.

Some experts forecasted HR to become a strategic partner to top management to strongly influence business strategy and plan and be the mastermind of future business strategy as a consequence of HR transformation (Lawler & Mohrman 2003). At that time, HR BP concept was regarded as a message of salvation which would put away present dissatisfaction with HR. The idea of HR being a strategic partner, service expert, employee champion and transformation agent seemed to be brilliant. Apart from employee concerns and delivery of high-quality standard processes, the focus lay on the HR BP who often also had to take responsibility for transformation. The strategic partner was supposed to help senior and line managers in strategy execution being close to the respective business units. The better internal customer needs were understood, the more satisfactory solutions HR could provide which could add value for the business units. In the role of transformation agent, HR constantly shaped processes and culture to improve organizational capacity for

change. HR also had to keep an eye on the organization and be aware of processes and culture so that organizational performance was ensured in the long run. To meet all four roles likewise required a set of very different skills and competencies based on an HR organization which needed to be able to provide respective resources (Ulrich 1998).

Whereas the theoretical HR BP framework is very promising according to Dave Ulrich, the desired output often does not meet the expectations and leads to frustration. On a global scale, one HR BP out of five has unlocked his strategic potential so far. Another one out of five does not reach the goals set, just 44% of HR BP are able to analyze and interpret data and a mere 15% is able to argue and negotiate with business units based on such data. Most HR BP also lack leadership skills and need to be better embedded in the business units so that innovative potential can also be released. Therefore, companies have to clearly define competencies, recruit and train or up-skill those who already match the profile.



**Figure 8: HR Business Partner Competences**  
(Martin & Jacobs 2014)

The figure shows fields of development with respect to the basic HR BP profile and competencies needed. Entrepreneurial skills, organizational competence as well as understanding HR processes should be basic elements of the HR BP profile. Besides, there are organizational barriers because the minority faces clear role expectations. Only 22% of line managers resort to HR BP's

strategic competence, just 28% of all companies co-ordinate processes along all HR roles and no more than 31% of all HR BP are involved in strategic topics. If HR BP performance is to improve in the long run, organizational and individual conditions have to change. The HR BP concept has not yet kept its promises in day-to-day business landscape (Martin & Jacobs 2014).

Other studies come to similar conclusions and show that the business units' perception and HR's view are not aligned. Whereas internal customers are satisfied with CC and SSC, HR BP mainly lack management and leadership competencies as well as innovation and change management including project management skills. Furthermore, business units miss entrepreneurial thinking and acting, analysis and consulting skills, dynamics and resilience, plus the ability to learn and change. Only few companies define competencies, choose employees accordingly and monitor performance to implement HR strategy (Kienbaum 2014a). Another study compared HR and line executives' evaluations of the effectiveness of the HR function with respect to service delivery, roles, and business contribution. The main results are that HR executives consistently rated the function's effectiveness higher than did line executives. Furthermore, the greatest differences were observed with regard to the strategic aspects of HR (Wright 2001). The business units are skeptical about the introduction of the strategic business partner and hesitate to fully accept it. The HR BP has a hard time gaining trust as first point of contact for the internal customer if not backed up by the business units (Roedenbeck & Hildebrand 2012).

Numerous approaches provide solutions on how to improve business-partnering. One of them proposes four principles to be followed. First, HR functions can offer transactional, tactical, and strategic support and HR BP should mainly focus on those tasks which are strategic in nature. Therefore it is important to keep close to top management in order to translate business needs into HR requirements. Finally, the most important principle is to identify the true client and define criteria to determine those to whom partnering is success-critical (Robinson & Robinson 2005). This raises the question of what HR should do to meet the expectations in terms of strategic business partnership. It needs to become clear how high performance can be realized and how performance indicators can be defined. As far as strategic influence is concerned, the dimensions "power influence", "management acceptance", "organizational effectiveness", "value creation" and "project tasks" are of importance. There are various ways of how to realize and measure this, but the most

striking are involvement by top management, trustful relationships, being close to business units, contributing to success and actively driving the business, as listed in the table (Capgemini 2006).

Dimension	Realization	Indicators
<b>Power Influence</b>	<ul style="list-style-type: none"> <li>• Member of Executive Committee</li> <li>• Top Mgmt level information</li> </ul>	<ul style="list-style-type: none"> <li>• Frequency of meeting attendance</li> <li>• Vote in Management Meetings</li> </ul>
<b>Management Acceptance</b>	<ul style="list-style-type: none"> <li>• HRM reputation</li> <li>• Trust in HR representatives</li> </ul>	<ul style="list-style-type: none"> <li>• Consulting frequency by leaders</li> <li>• High-level topics</li> </ul>
<b>Organizational Effectiveness</b>	<ul style="list-style-type: none"> <li>• Integrates into business unit</li> <li>• Participates in business discussions</li> </ul>	<ul style="list-style-type: none"> <li>• Organizational mapping</li> <li>• Business-relevant HR input</li> </ul>
<b>Value Creation</b>	<ul style="list-style-type: none"> <li>• Focus on global business context</li> <li>• Contributes to business success</li> </ul>	<ul style="list-style-type: none"> <li>• HR strategy implemented</li> <li>• Performance Feedback</li> </ul>
<b>Projects Tasks</b>	<ul style="list-style-type: none"> <li>• Active business driver</li> <li>• Strategically highly relevant</li> </ul>	<ul style="list-style-type: none"> <li>• Clearly defined job description</li> <li>• KPI controlling</li> </ul>

**Figure 9: Business Partnership Indicators**  
(Acc. to Capgemini 2006)

The above mentioned indicators are supposed to serve as measurement criteria for the realization of HR within the dimensions “power influence”, “management acceptance” and “organizational effectiveness”. If business unit meetings take place and line managers accept HR representatives as part of their team, the integration has succeeded and HR has become a real partner. The HR BP naturally often has to cope with conflicting goals dependent on the home base. Thus, being tolerant towards ambiguity and looking over the rim of one’s teacup are important characteristics of an HR BP. In order to evade different perspectives of performance outcome, HR would have to install different performance measurement tools, such as feedback, people evaluation or surveys. Otherwise, HR will not be able to close the gap between its self-concept and business unit expectations.

## 2.3 ECONOMIC OUTCOME

### 2.3.1 Human Capital

There are four competing forces likely to dominate the future business world with regard to human capital. These are the push and pull of individualism versus collectivism and corporate integration versus business fragmentation. Three business scenarios might arise from these (PricewaterhouseCoopers 2014b). First, large enterprises split into smaller ones, secondly, a strong trend to specialization might arise and intensify collaborative networks; and thirdly, social and environmental engagement becomes increasingly predominant. These antagonistic global forces will create opposite areas in which mainly three different work environments exist, called the “blue”, “green” and “orange” world of work. In the blue world of work, “corporate is king” and it is characterized by individualism and integration. It focuses on values like growth, market leadership and consumer needs; their employees are well-paid and plan long-term. Only 4% of German survey participants see themselves in such a work environment. In the orange world of work, “small is beautiful” and the driving forces are fragmentation as well as a balance between collectivism and individualism. It consists of smaller enterprises which are specialized, innovative and co-operate in networks. Employees have flexible work time, are organized in projects and self-employed in order to ensure technical progress by smooth collaboration. 26% of German survey participants would prefer this work scenario. In the green world of work, “companies care” and the driving forces are collectivism and integration. Companies of the green world of work take social and environmental responsibility with regard to climate and demographic change or sustainability. Employees enjoy a work-life balance and ethical commitment while high payment is of secondary nature. 70% of German survey participants would choose this work environment. The consequence is that increasing importance of social capital and relationships are the drivers of business success. Since work and personal life merge into one another, employer take greater responsibility for social welfare of their employees (PricewaterhouseCoopers 2014b). Whilst this sounds like science fiction, offshoots of these three work worlds are already visible and workforce can be distinguished by their preferences – regardless whether the employer and the job are chosen consciously or unconsciously.

Being aware of these tendencies of new work environments, industries and businesses can deliberately attract those people who perfectly match their corporate culture. Economic success largely depends on the people with a higher level of competence becoming valuable assets. From



an economic perspective, capital refers to factors of production and is meant to create goods or services, and a human being is a person who takes charge of all economic activities such as production, consumption, and transaction. Thus it can be concluded that human capital means a production element which can generate added-values when taken into account (Kwon 2009). There are numerous definitions for human capital, e.g. that human capital is productive wealth embodied in labor, skills and knowledge (The Organisation for Economic Cooperation and Development 2001). Another definition of human capital is the collective value of the organization's intellectual capital which derives from a person's competencies, knowledge, and skills and is a renewable source of creativity and innovativeness owned by the individuals who have it (WebFinance Inc. 2009c).

Despite the insight of recent years that human capital is the most important factor for business success, no concept for measuring its performance has prevailed so far (Persch 2008). A variety of models, concepts and indicators ranging from conservative to state-of-the-art approaches exist. Since human capital evaluation is not the main focus of this doctoral thesis, there will only be a brief overview in order to introduce them for thesis-relevant issues. As far as human capital evaluation is concerned, there are traditional evaluation methods which are either input- or output-oriented. Human cost accounting is input-oriented, because it takes into account personnel expenses. In contrast to this, human value accounting is output-oriented and ascribes the value to the effective performance contribution and the economic benefit for the company. Rather than focusing on value generation, these models concentrate on intellectual and intangible assets besides human capital. Next generation models relied on indicators and gave up evaluating full data volume in favor of indirect evaluation with respect to economic outcome. A variety of indicators can be chosen in accordance with company strategy and put together to create a cockpit as an information system and as a means of decision-making for management. Most of these models provide a design which has to be completed with individual indicators and developed further in order to be put into business context. Another well-known human capital evaluation which came up is the Saarbruecken Formula with different measurement approaches relating to market value, accounting, value and return combined with an indicator-based approach. It intends to define staff value which is to be preserved or improved in the course of time. It does not focus on controlling but gives an index figure. In order to not only define investment but evaluate return on investment, these models are especially helpful in the field of people development. Evaluation processes need to be embedded into the organizational context over a long period of time (Jerrentrup & Terhorst 2008).

There are numerous approaches to define human capital which are not intended to be discussed or evaluated with respect to their practicability. As far as the German business landscape is concerned, works council agreements and consensus often has to be considered focusing on basic value, value orientation and development. The category “basic value” means performance and potential of staff and can be measured in value drivers like staff performance, productivity rate and number of key players. The category “value orientation” means retention and training and can be measured by commitment, non-leavers and qualification. The category “development” refers to growth and can be described by innovation, target achievement and leadership quality (Deutsche Gesellschaft für Personalführung e.V. 2014).

In the context of M&A, it is HR controlling that is more important. It focuses on the human being and the working process. Therefore it quantifies the outcome of workforce management in order to facilitate success-oriented HR controlling (Drumm 2006). Human resources controlling can be defined as to supervise the perfect ratio between personnel expenses and personnel return in terms of time, quantity, quality and price considering present and future organizational development in a business context (Deutsche Gesellschaft für Personalführung e.V 2007b: 19). HR controlling can focus on three levels, i.e. either costs or whether it is efficient or effective. Cost controlling includes planning, monitoring and measuring of HR-related costs. Efficiency controlling compares planned and actual HR-related resources input and therewith describes productivity. Controlling the effectiveness of HR is to evaluate HR-related output compared to business success (Jerrentrup & Terhorst 2008). Whereas labor expenses are almost always a part of financial controlling, fewer companies monitor efficiency or effectiveness of HR departments. Reasons for this could lie in the verifiability of these effects or simply in a lack of know-how or tools to do so. HR controlling provides the basis for human capital evaluation and can be subdivided into three dimensions with respect to goal, character and object of controlling. The goals can be either strategic or operational, the character of controlling can range from quantitative to qualitative or be a combination of both and the object of controlling is either the processes or the employees (Deutsche Gesellschaft für Personalführung e.V 2007b: 20–22).

There is a profound selection of HR-relevant KPI ranging from organizational performance with respect to strategy and processes, personnel and resources planning, compensation and employment benefits, insurances and pension plans, support services and administration to employee

development (Klingler 2007). HR could choose a number of those figures, combine, relate and align them to the economic success of the respective business model and would thereby prove its contribution to overall success to top management. It is a challenge for HR to exactly define soft factors, analyze the complex relations between them and the effect they have on business success. 74% of all companies take advantage of HR controlling to prepare an information base for strategic decisions, 48% intend to contribute to corporate reporting and 38% want to evaluate the effect of new developments early (Deutsche Gesellschaft für Personalführung e.V 2007a).

Although actively engaged in this field, HR is not seen as a profit driver of organizational performance. Thus, the only way HR can change this is to come up with relevant and valid KPI in order to give proof of their contribution to business outcome. A concept is needed to analyze and define crucial indicators and to set up a KPI cockpit that interlinks organizational performance data with HR strategy. Since performance measurement is one important domain of HR, it must not be left out.

### **2.3.2 Performance Measurement**

Performance measurement is a part of HR controlling and can be defined as the process of collecting, analyzing and reporting information focusing on an individual, a group, an organization or a system and it also includes the processes and strategies of organizations in order to analyze whether the output is in line with intended goals (Upadhaya, Munir & Blount 2014). Whereas ratio systems concentrate on precisely calculated numbers, a performance measurement system includes a set of multi-dimensional KPIs to control the performance of the respective object, process or person. There are various types of performance measurement systems and many companies design their own cockpits composed of company-relevant data. KPIs must be linked to business outcomes and determine whether goals are reached in order to be meaningful to top management. In this context, network controlling instruments also have to be considered depending on the kind of the M&A project structure and different concepts apply than those for a consistent and closed system (Hess 2002).

An example for the formerly described second generation human capital evaluation models which refer to cockpits with indicators to be further developed is the Balanced Scorecard (BSC). It is a semi-structured reporting tool with a closed-loop mechanism to implement strategy (Murali-

dharan 2004). The BSC has originally been developed to improve performance management in companies and at the same time serve as a controlling instrument for the implementation of strategies (Gehra & Samtleben 2005). This concept supplements the existing financial view by a customer- and process-related one and combines it with learning and growth. Therefore it is no brand new construction, but an enhancement for most companies and it does not explicitly dignify human capital evaluation but would be a valuable add-on for this purpose (Jerrentrup & Terhorst 2008). It is a tool to implement company strategy and although the concept itself is not new, the explicit focus on drastic reduction of complexity, translation of individual business strategy into operational KPIs and the transparency of interdependencies between KPIs are. It is one of the greatest challenges to identify cause-and-effect chains when the BSC is put into practice. It does not replace any information systems, instead it just draws management attention to main outputs and reduces data overflow in order to prevent following normative strategies. If the BSC is set up at an early stage and followed for several years, there might be a strong chance to evade the formerly mentioned deficits in strategy implementation or at least prevent long-term negative effects (Horvath & Kaufmann 1998).

The BSC has been criticized due to several reasons. Foremost, it does not give empirical proof that its use is linked to better decision-making or financial performance. Besides, it does not reflect the needs of other than financial stakeholders. And it is just a list of metrics, but does not give a bottom line score. Especially the academic community complains about not enough proof and found technical flaws in the method and original design. In recent years, the BSC concept has been refined into 2<sup>nd</sup> and 3<sup>rd</sup> generation concepts. These alterations were rather driven by reasons grounded in the empirical evidence of the tool's weaknesses, such as a lack of precise definition of the tool itself as well as the process to implement. Most recent BSC designs are substantial improvements of the original ideas. Potential areas for further refinement and research are the link between strategic control methods and performance management data to ease decisions, improve the going together of performance management and performance reporting and the question why organizations need to be pushed hard in order to adapt advanced performance systems (Lawrie & Cobbold 2009).

In the context of M&A, the BSC is also partly put into the focus exactly due to these flaws, because the lack of definition and process leaves room for adapting it to the needs of an M&A scenar-

io. The predominance of financial KPIs is also helpful because this is the gap HR has to fill when intending to become a business partner to top management and add transparency to its proceeding. Nevertheless, these KPIs for performance measurement have to reflect the added value which HR can contribute to the business. Therefore the next subchapter deals with value creation.

### 2.3.3 Value Creation

Value-oriented HR controlling implies that human capital is an economic success factor and must therefore be aligned to corporate strategy and include process-, e.g. value-oriented, and factor-driven, e.g. human capital, information. HR controlling needs to supply specific indicators which serve value creation and human capital management alike (Jerrentrup & Terhorst 2008). Numerous publications offer a collection of various performance indicators from which those have to be chosen which match the business model and strategy (Wucknitz 2009; Hafner & Polanski 2009). A study reveals that in comparison to other central function the added-value contribution to overall business success ranks lower than that of the business unit strategy, marketing and sales, finance and controlling or IT. Only the business unit communication, compliance and purchase are ranked even lower than HR by internal customers who complain about a lack of process-orientation, performance controlling including relevant KPIs and poor communication within the organization. The perception of the HR BP role has already been discussed in detail and is one of the most controversial aspects when regarding overall HR performance (Kienbaum 2014a). The ongoing discussion about the validity of quantitative controlling indicators and their relevance for official company reports shows that, although they are found to be helpful, they do not withstand financial reporting criteria (Holtbrügge 2005: 219). Value-oriented management is based on the idea that all controlling methods are of an interpretative nature and dependent on the context. Some authors suggest replacing the myth about objectiveness by the idea of value orientation for the sake of transparency. Furthermore they proposed to replace the myth about truth by the concept of interpretation in order to make the viewpoint behind it clear, and the myth of independence by the concession of dependency thereby explaining different influences. If controlling is based on this mindset, it allows to rely on quantitative and also fall back on qualitative data sources (Jäger 2003: 9–10). The choice and mix of both as well as the link to strategic outcomes will decide upon the relevance of the KPIs set.

HR can only contribute to overall success if it is capable of making value drivers and successful processes transparent and if it can manage and control these (Deutsche Gesellschaft für Personalführung e.V 2013: 17). HR controlling can be a basic instrument to measure all levels of value creation management and align those to company strategy and economic success. Availability and quality of staff, employer attractiveness, effectiveness of HR processes, organizational innovation and leadership quality are supposed to be genuine success factors for HR management. The category "availability and quality of staff" can be subdivided into recruitment, personnel requirement, development and workforce management. Process management, workflow and HR controlling belong to the category "efficiency of HR processes". The category "employer attractiveness" consists of marketing, retention and compensation. "Organizational innovation" is a category which combines knowledge management, communication and IT systems and the category "leadership quality" refers to leadership processes and systems as well as succession planning. If company-specific value drivers for these success factors are defined and interlinked, they serve as HR cockpit indicators to operationalize strategy. As a result they allow strategically focused HR controlling on the basis of quantitative data (Deutsche Gesellschaft für Personalführung e.V 2004).

Closely connected with value creation is the term "value added" which is not to be understood as a financial figure, but as an indicator for the economic value. Here the term "value added" refers to the performance HR could deliver on top instead of fulfilling general expectations. The value added could either be defined or undefined and come without purpose and as a surprise. The top management dissatisfaction towards the HR function was taken up by Dave Ulrich who came up with a new role understanding and an organizational redesign to deliver value added (Ulrich 1997a). A study about the professionalism of HR shows that it is good at labor law and workers' council liaising. At the end of the list comes networking and value creation. With respect to effective HR management, again labor law and workers' council liaising ranks first whereas innovation and strategy penetration need to be improved the most (Deutsche Gesellschaft für Personalführung e.V 2012). In recent years, there have been similar or even identical study results proving that there has been almost no change or development. Most importantly, HR factors contributing to overall business success are not delivered by HR and, in addition, HR does not present itself as state of the art if it does not go with networking in a modern business world.

The implementation of the 3-pillar HR model according to Dave Ulrich entails fundamental changes in structure, processes and systems affecting roles, competencies and instruments. According to a study, in recent years administrative services have declined to 40% and value-adding core processes have increased to 44%. Nevertheless, internal customers still see HR as a service expert instead of a value-driving business partner. Companies with more than 10,000 employees have almost fully implemented the 3-pillar model and are working on continuous process improvement. Standardization and reduction of complexity have come into focus and are intermediary steps on the way to an efficient and effective HR management. Still, quality improvement, cost efficiency and added value remain goals for further transformation. Although HR core competences have improved, the internal customer is not satisfied (Kienbaum 2012).

#### 2.4 MULTIPLEX CHALLENGES

Not only the HR function has to adapt to global trends as well as business needs and bring economic outcome. Global trends such as the digital knowledge explosion, fluid organizations and converging cultures are core characteristic of the new work environment in which the “millennials” play an important role. The term “millennial” applies to a generation concept in which younger generations are shaped and vice versa shape their environment in the midst of globalization (Strauss & Howe 1991: 335). The fast pace of new information technologies drastically turn the work environment upside down and change work environment mechanisms. The term “changeability” has found its way into job profiles expressed by various kinds of descriptions rooted in the ability to change. Borders have become more permeable and inflexible organizational systems and structures start to crumble. Navigation through this changing landscape gets tougher and on top come cultures which merge due to ongoing globalization. HR has to up-skill in international HR management and intercultural competence and deal with corporate cultures on a local level.

Apart from these global trends, business challenges HR at the same time: internal customers are no longer satisfied with HR core services mainly referring to the administrative expertise. The management expects HR to deduce and adapt its strategies to smaller units for which the individual executives are responsible. HR strategy and positioning, its operating model and controlling, products, processes and infrastructure as well as expertise and competence – all is in question. Top

management and business units express their dissatisfaction and put pressure on HR to finally meet their demands. The alignment between the HR operating model and the business model is discussed. Also the advantages and disadvantages of SSC and CC as well as the HR BP concept are stressed out to initiate changes within the HR function. Only the minority of cases in which the HR operating model has been transformed into the 3-pillar concept has been successful. Obviously, the implementation into the existing business landscape is highly difficult and only few companies manage to reach the desired goals. On top of all this pressure comes the call for sustainability and measurable economic outcome. Whereas it is the financial department's day-to-day business to deliver facts and figures, this is no commonplace for HR. Human capital calculations, holistic performance measurement systems of organizational parts and the need for value creation are a burden to many HR functions already overloaded with inherent changes of the day-to-day business environment. Historically, HR has rarely been challenged to be a top performing function but was rather allowed to restrict itself to its core business: soft skills and people orientation. But times have changed and the outsourcing threat is very present to service units such as HR. Thus, it has to reinvent itself in this fast-changing environment in order to be prepared for multiplex challenges and evade the danger of being erased by technology and outsourcing services.



### 3. SPECIAL ASPECTS ALONG MERGERS AND ACQUISITIONS

#### 3.1 OVERVIEW ON MERGERS AND ACQUISITIONS

##### 3.1.1 Economic Reasons

A look at the main reasons for change projects in German, Swiss and Austrian organizations from 2003 to 2012 reveals that change reasons go with the ups and downs of the economy. Front-runners are restructuring and reorganization which implies that the business landscape in German-speaking countries was dominated by major overthrows. In 2012 there was a shift towards strategy changes customer & market making clear how important it has become for a rising economy. At the same time M&A and demergers fell off the list.

2003	2005	2008	2010	2012
Economic crisis	Starting upswing	Booming economy	Economic crisis	Rising Economy
69% Restructuring Reorganization	71% Restructuring Reorganization	49% Restructuring Reorganization	57% Restructuring Reorganization	52% Restructuring Reorganization
54% Business Strategy Change	42% Cost Reduction Rightsizing	38% Growth Initiatives	47% Cost Reduction Rightsizing	38% Strategy Change Customer & Market
33% Cost Reduction Rightsizing	41% Business Strategy Change	33% Business Strategy Change	37% Growth Initiatives	37% Business Strategy Change
31% M&A Demergers	37% M&A Demergers	32% Cost Reduction Rightsizing	35% Business Strategy Change	37% Cost Reduction Rightsizing
30% External changes	30% Strategy Change Customer & Market	32% Strategy Change Customer & Market	25% M&A Demergers	36% Growth Initiatives

**Figure 10: Main Reasons for Change Projects**

(Acc. to Capgemini 2012: 16)

Almost 70% of M&A projects do not reach their defined goals (Jansen 2008). Reasons often lie in the business strategy of the target not fully known to buyers, overestimated synergy effects and insufficient PMI (Pack 2000: 211). Some of these risks could be eliminated by a thorough analysis prior the M&A. Other studies indicate that even up to 75% of all M&A transactions do not reach

the intended strategic goals due to false strategic analysis of the target and overestimated financial, technical and human capital resources, or due to overrated market potential and neglected HR-related topics (Güttges 2014).

There have been six major waves of intense M&A activities between 1895 and 2000 which all show a similar pattern although the initial starting points varied (Müller-Stewens 2000: 41–61). The intervals between these waves continuously diminished and the eruption of the waves got stronger. Antitrust law led to change maneuvers that aimed towards other directions of diversification and finally all waves ended with a more or less heavy breakdown of share markets. In this series of events, the recent wave caused a major global breakdown of financial markets which was partly foreseen by market analysts (Miczka & Größler 2004: 2). Just 40% of all M&A transactions on a worldwide scale have been sustainably successful. But to grow organically by increasing business no longer ensures competition on a global marketplace because this implies a slow and steady increase. In contrast, M&A promise enlarged synergy effects, cost-cutting, competitive advantage, market value increase etc. (Droese 2006: 1). More than 50% of M&A are believed to have failed. Transactions were characterized by bypassing the original targets and not fulfilling the shareholder value promised. The consequences are, among others, wasting capital and destroying workplaces. Western European and North American markets have been saturated and the expectation of further growth is rather low. The search for new global market potential has to continue elsewhere (Furtner 2011: 11).

As the process of globalization is ongoing, it does not only affect big players, but also small- and medium-sized enterprises (SME). Germany is right in the eye of the hurricane because the German market is dominated by SME making up more than 99.7% of all enterprises being subject to taxation with a turnover of approximately €50 million (Schauf 2009: 11). Multinational companies are reported to be mainly located in the “triad”, i.e. they are basically segmented into three bases: USA, Europe and Japan. The world’s most important 100 global players are triad-based regional players (Rugman & Verbeke 2003: 45–56). Especially for American and Asian companies, Germany can be a perfect bridge to get access to Eastern European markets. While major players were first to merge in international markets, medium-sized suppliers had to follow in order to remain attractive partners (Furtner 2011: 15). The term SME in this context applies to those with an annual turnover of less than €50 million or companies with less than 500 employees (Schauf 2009:

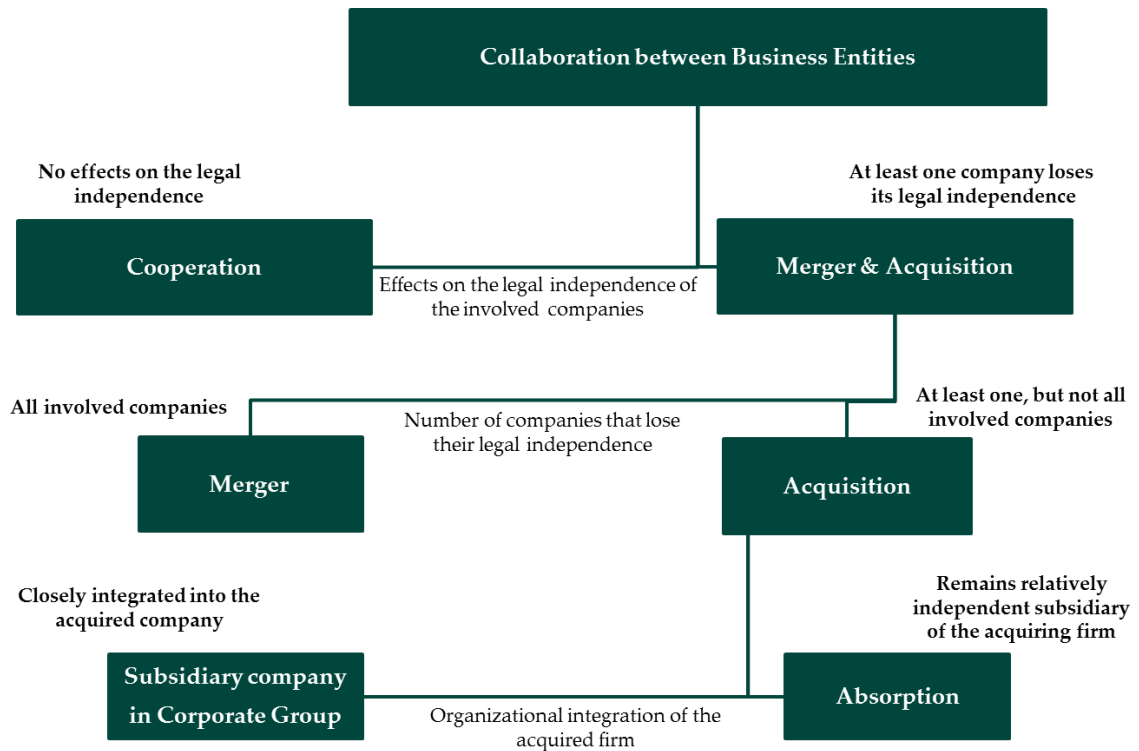
27–28). According to this definition, the German business landscape mainly consists of SME representing the backbone of its economy. For American and Asian companies it is comfortable to buy German SME in order to enter European markets (Furtner 2011: 19). In 2005, German market M&A of SME amounted to 60% carried out by American, European and Asian buyers.

Possible targets have to match the buyer's strategy and thus must be carefully chosen. This is the very start of an M&A process. Strategic reasons for M&A can be to improve cost-efficiency of the operation, to expand geographically and start business in new countries, to assimilate new product categories and ranges, to have access to new technologies, resources and competitive capabilities or to trigger and concentrate new industries with diffused boundaries. (Thompson, Gamble & Strickland 2010: 171–173). A study analyzed 165 mergers between 1990 and 2002 and found the following merger motives listed according to importance in descending order: increased market presence, different kinds of cost synergies, decrease of horizontal competition, opening up new markets, enhancing one's product range, starting a new business. This was followed by strengthening growth synergies, incorporation of a strong brand, increase of cross-selling potential, additional know-how and, finally, improvement in technology, marketing and innovation. Since many buyer decisions rely on unrealistic assumptions concerning synergy effects and purchase price, the acquired company and competitors also take advantage of the merger (Clougherty & Duso 2009: 7). In some cases, alliances and partnerships with other corporations no longer lead to the desired results because the necessary expertise and capabilities have to be bought in. Especially if a company wants to become market leader and needs competitive advantage over combatants, merging or acquiring seems to be appropriate (Thompson, Gamble & Strickland 2010: 171).

### 3.1.2 Definition

M&A are "strategically planned transactions between two or more companies in which the target and the acquiring firm jointly create a new entity to gain competitive advantage in the marketplace" (Zappa 2008: 6). While a merger describes a fusion of two or more independent but equal corporations, an acquisition is a possibly involuntary takeover of another company. In this case at least one, but not necessarily all companies involved lose legal independence (Furtner 2011). The change may be small and almost unnoticed if the buyer or merger partner intends to not take any influence. M&A projects by nature are change projects. Mostly the organization is modified on different levels, such as structure, workflow, systems and culture, and to various extents. Literature

provides slightly varying concepts on how to define related terms. Some authors argue that the distribution of power is the attribute for differentiation (Miczka & Größler 2004: 3). But as legal independence is relevant to all functions of the corporation and can be clearly defined, it is chosen as the major characteristic for differentiation (Metzenthin 2005).



**Figure 11: Types of Collaboration between Business Entities.**

(Acc. to Metzenthin 2005)

There are different forms of how corporations may be linked to each other, e.g. by cooperation which is based on trust. Both corporations are legally and economically independent from each other. Forms of cooperation can be strategic alliances, joint ventures, cartels and consorts (Furtner 2011). Other than that, the term M&A applies, which is a composition of actually two similar, but in consequence different transactions. A merger is a pooling of equals and often the merging parts are given different names (Thompson, Gamble & Strickland 2010). By contrast in an acquisition the acquiring company is most likely to absorb the operations of the acquired company. Competitive and strategic advantages can be very similar with both transactions. Differences refer to ownership, management control and financial arrangements. The acquired company is in the inferior position

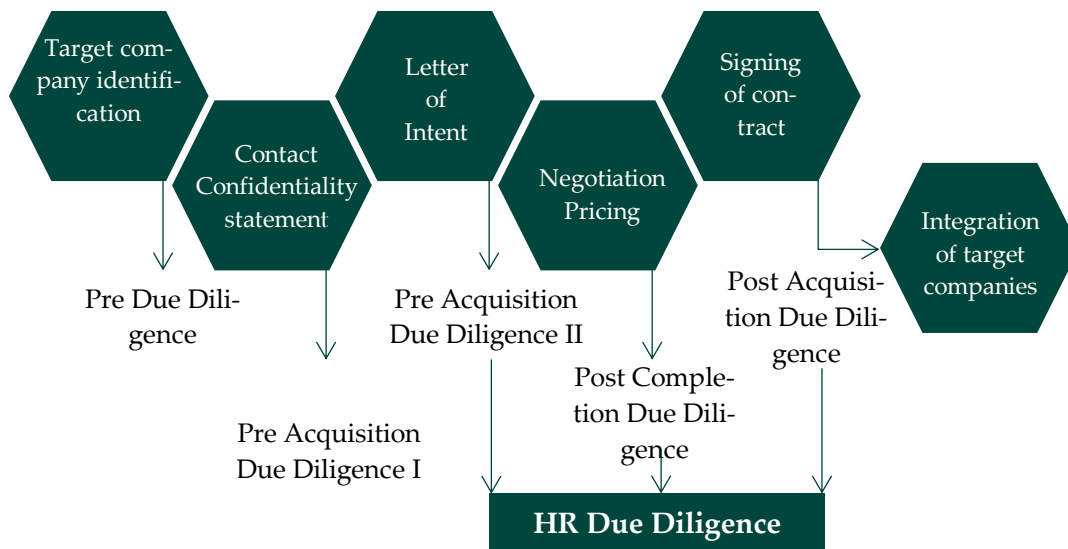
and dependent on the decisions of the acquiring company and this unbalanced liaison is most likely to convey to management and staff. The acquiring company often prefers its own resources even if this is to the disadvantage of the newly combined business. Friendly takeovers have a tendency to perform better (Chakrabarti, Gupta-Mukherjee & Jayaraman 2007).

There are different forms of criteria which allow describing various types of M&A according to the degree of intensity (Jansen 2004: 46). The loosest form of an acquisition is when the entities stay relatively independent as subsidiaries of the acquiring firm. Absorption requires both parties to melt into one entity and give up their original identity completely. Generally, it is the acquired company, though, who subordinates itself, except in the case of a reverse merger. The kind of takeover may be friendly or unfriendly, a cross-border or national transaction. The value chain benefit can either be of horizontal nature or of vertical nature. It is convergent if the buying object has complementary business units, or lateral such as in the case of a conglomerate, if these are unrelated business units. Motives for a takeover vary, such as for operational relevance, e.g. cost reasons, or they can be of strategic nature, e.g. market penetration, or even be speculative as with an exit. Furthermore they can be due to a managerial benefit, e.g. to gain more influence. The buyer can be a private equity, financial or strategic investor and financing can be by cash offer, leveraged buyout or share offer. The offers may be placed at an auction, directly to the seller or indirectly by an agent. The exit can be a trade sale, an IPO or there is just no exit at all. The circumstances and conditions vary, but the undertaking is always complex because of an assumed risk which is unpredictable and leads to dynamics that haven't been researched extensively so far (Miczka & Größler 2004: 5). Motives are also manifold but the intention is always the same: to maximize profit.

### 3.1.3 Process

The process itself has several steps and consists of a pre-merger, merger and post-merger phase and may take weeks or even years depending on definition, size of project and involved parties. In the pre-merger phase the strategy is defined and the best candidate has to be found to match the profile. In the merger phase the final price is agreed upon and the contract is signed. The post-merger phase focuses on integration and implementation processes by taking into account all preliminary information (Grave 2010: 23). The foundation for long-term economic success can be laid in the pre-merger phase by a thorough DD. Although scientific literature provides various approaches to categorize and summarize single steps, most experts agree on a sequence of steps (Dro-

ese 2006: 10–12). The DD along the acquisition can be differentiated in line with the process steps as described in the figure below.



**Figure 12: Due Diligence Phases**  
(Aldering & Högemann 2011)

First, possible target companies are identified and promising ones in terms of strategy are chosen. A pre-DD is to prove this. If so, the company is contacted and a confidentiality statement is signed. The pre-acquisition DD part one takes place before the letter of intent is signed. The Letter of Intent is the first formal act which contains the intention of the buyer to actually take over so that the target company is ensured confidentiality to disclose further company-internal details. The pre-acquisition DD part two is to confirm first results and provide more detailed information. This is where in most cases HR issues are raised as well and the HR department is involved. Negotiation and pricing are backed by the post-completion DD which leads to the contract signing in order to finally close the deal. The post-acquisition DD gives even deeper data insights to set up an action plan for the integration of target companies. HR is normally involved in the phase of price negotiations between the signing of the letter of intent and the contract in order to deliver relevant data. In fact HR could also be consulted at an earlier point of time, for example when possible targets are identified (Aldering & Högemann 2011).

Intangible assets are as important as tangible, but the majority of business leaders find this part of a DD hard to conduct (HayGroup 2007: 7). Intangible assets are amongst others human, customer, supplier and investor capital, but also process, location and innovation capital (Schneck 2003: 2). Valuation concepts for intangibles create transparency and comparability of intangibles. Even if intangible assets were evaluated correctly, certain unknowns might show up and change the equation of intangible assets from a positive to a negative (Dowling, Welch & Engle 2008: 53). Tangible and intangible assets are to be evaluated by means of a thorough investigation which is to give reliable information on the company value. When there are no deal breakers there is no reason why the contract should not be drafted. Since this is a very complex transaction, it takes time and ongoing communication loops until all open questions are answered. Eventually, the final offer is placed and remaining details have to be discussed until the contract is signed and the deal is closed. With the closing, the deal becomes official and can be announced to the public. The closing itself is rather an act of signing and not comparable to the comprehensive and thorough analysis phase before and after the merger. Strategy as the very first step and integration as the very last one are believed to be the frontrunners (Menninger 2004: 5).

What determines success and failure tremendously besides the decision for the strategy and evaluation of own resources, is the selection process telling which company would be a suitable candidate for the deal. Exclusion criteria help to define which companies are in and which are out. Criteria are, amongst others, the size of equity and return on sales, the area where sales revenue is achieved and in which market segment the biggest sales revenue is supposed to be gained, but also if insolvency is threatening or payments are delayed. Merger of equals or friendly takeovers ensure stronger co-operation than unfriendly takeovers do (Copeland et al. 1993: 335). Once the focus is on a possible target company, the buyer takes a closer look in order to find proof for his or her choice. The more comprehensive information about the prospective target company is available, the better risks can be eliminated.

A system scan model helps to not overlook dynamic and interactive elements of the organizational system (Carleton & Lineberry 2004: 41). It should include external factors, organization, people and work with respect to conditions, process and output. As far as external factors are concerned, the marketplace, investment and positioning are relevant whereas the direction, systems and results are of interests for the organization. With regard to people, values and beliefs, leadership and management and productivity play an important role. And in terms of work, not only

resources, but also methods, products and services are considered. The list may not be complete, but these are the most prevalent factors to be taken into account (Carleton & Lineberry 2004). The table below provides an overview and has to be completed by other relevant factors of the individual M&A project which add risk or value. Management and business units have to co-operate in order to build a case.

	CONDITIONS	PROCESS	OUTPUTS
EXTERNAL FACTORS	<b>Marketplace</b> <ul style="list-style-type: none"> <li>• World Economy</li> <li>• Geopolitical Climate</li> <li>• Regulation</li> <li>• Competitors</li> <li>• Technology</li> <li>• Location</li> <li>• Business Cycle</li> </ul>	<b>Investment</b> <ul style="list-style-type: none"> <li>• Strategic Alliances</li> <li>• Partnerships</li> <li>• Mergers &amp; Acquisitions</li> <li>• New Product Development</li> <li>• Privatization</li> <li>• IPO</li> </ul>	<b>Positioning</b> <ul style="list-style-type: none"> <li>• Market Share/Dominance</li> <li>• Economies of Scale/Scope</li> <li>• Reduced Vulnerability</li> <li>• Increased Revenue</li> <li>• Globalization</li> <li>• New Markets</li> </ul>
ORGANIZATION	<b>Direction</b> <ul style="list-style-type: none"> <li>• Business Situation</li> <li>• Mission/Vision</li> <li>• Strategy</li> <li>• Structure</li> <li>• Goals</li> </ul>	<b>Systems</b> <ul style="list-style-type: none"> <li>• Planning</li> <li>• Policy/Procedure</li> <li>• Support</li> <li>• Information Systems</li> <li>• Budgeting</li> <li>• Monitoring</li> </ul>	<b>Results</b> <ul style="list-style-type: none"> <li>• Success Measures</li> <li>• Profitability</li> <li>• Competitive Position</li> <li>• Stakeholder Satisfaction</li> </ul>
PEOPLE	<b>Values and Beliefs</b> <ul style="list-style-type: none"> <li>• Ideal Values</li> <li>• Actual Values</li> <li>• Climate</li> <li>• Objectives &amp; Demands</li> <li>• Expectations</li> <li>• Politics</li> </ul>	<b>Leadership/Management</b> <ul style="list-style-type: none"> <li>• Practices/Behaviors</li> <li>• Selection/Development</li> <li>• Reward/Recognition</li> <li>• Skill/Knowledge</li> <li>• Motivation/Feedback</li> </ul>	<b>Productivity</b> <ul style="list-style-type: none"> <li>• Performance Levels</li> <li>• Morale</li> <li>• Empowerment</li> <li>• Loyalty/Commitment</li> <li>• Business Awareness</li> <li>• Continuous Improvement</li> </ul>
WORK	<b>Resources</b> <ul style="list-style-type: none"> <li>• Workload</li> <li>• Schedules/Cycles</li> <li>• Tools/Equipment</li> <li>• Data/Information</li> <li>• Physical Environment</li> </ul>	<b>Methods</b> <ul style="list-style-type: none"> <li>• Work Processes</li> <li>• Resource Allocation</li> <li>• Process Monitoring</li> <li>• In-Process Correction</li> <li>• Standard Operating Procedures</li> </ul>	<b>Products/Services</b> <ul style="list-style-type: none"> <li>• Product/Service Delivery</li> <li>• Customer Satisfaction</li> <li>• Quality</li> <li>• Quantity</li> <li>• Service Levels</li> </ul>

**Figure 13: Organizational System Scan Model**

(Carleton & Lineberry 2004)

The benefits of this organizational system scan model are to provide the management with a profound diagnosis of the status quo of target company's intangibles and, if information is available, to match results with one's own company if long-term integration is intended. Areas which most effectively boost organizational development can be isolated to set priorities for organization-



al transformation. Whether the organization is ready for change or prone to risk could thus become clear before the deal is sealed. After the letter of intent has been signed, the information would provide a basis for DD with a more detailed insight. Of course a DD on intangible assets cannot replace but only complement a thorough investigation on tangible, such as financial, legal and tax assets. Nevertheless, it would help to indicate risk factors that later on might turn out to be cost factors.

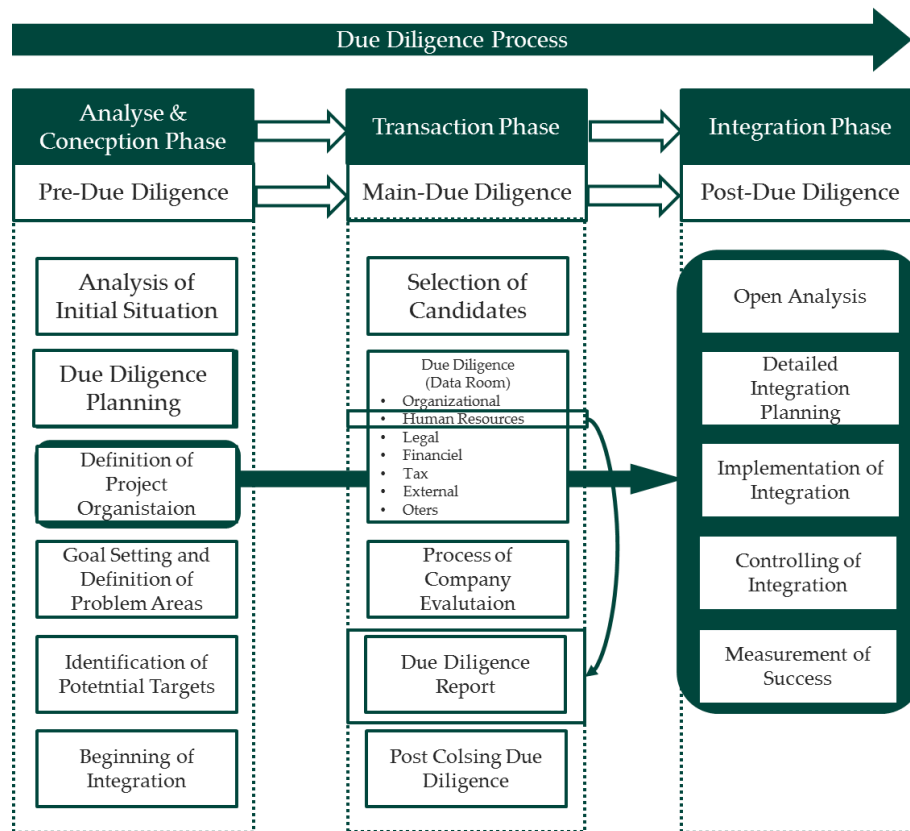
## 3.2 HUMAN RESOURCES DUE DILIGENCE

### 3.2.1 Conceptual Design

DD can be defined as “the investigation of one party by another party to gather information that will assist in decision-making and risk analysis” (Carleton & Lineberry 2004: 51). It is done in the course of a transaction between two parties, mostly an acquisition or a merger with the buyer trying to gather information that helps defining the value of the object of purchase. Traditional DD includes information on tangible assets, such as corporate and management issues, industry, market and competitor assessment, the financial situation, assets and facilities, intellectual property, contingent liabilities, tax and legal conditions, insurance, sales, marketing, customers and strategic alliances plus everything else that might be relevant to estimate the value of the organization (Carleton & Lineberry 2004: 52–53). Although German law strongly protects the buyer, a thorough investigation is believed to be helpful and can prevent severe financial loss (Grave 2010: 45).

There is no agreed concept of how exactly DD has to be conducted or which analysis objectives to choose, but the expected outcome is to provide reliable and concrete information on areas of interest. The intention of any DD is to proactively detect potential risks before they can become crucial obstacles during the actual M&A transaction or afterwards. Any kind of DD can be carried out according to a phase model which corresponds to the merger phases. In the pre-merger phase a pre-DD includes the analysis of information and the conception. The main DD takes place in the merger phase itself and the integration phase is accompanied by the post-DD. A DD can therefore last from weeks to months or even years if the integration phase is included.

There are two different approaches of how to carry out a DD that can be differentiated. Some experts believe in the traditional one which includes only certain fields, is timely restricted and thereby less cost- and time-consuming. Others go for the holistic approach which is a continuous process that goes along with the whole M&A transaction from the very beginning until the end of the integration phase (Strähle 2004: 31–32). As there is a continuous increase in information in the course of events, the base line for decisions might need to be changed. Ongoing monitoring diminishes risk potential and is therefore reasonable. If taken as an ongoing cyclical process, key performance indicator (KPI) once set up serve as constant measurement for the present condition of the company. To identify, define, install, follow-up and adjust to KPIs is challenging in terms of resources, time and costs. They need to be constantly reviewed during management meetings to ensure long-lasting results. Referring to the model below, a holistic approach should be taken and include HR in all phases of an enlarged HR DD.



**Figure 14: Due Diligence Phase Model**

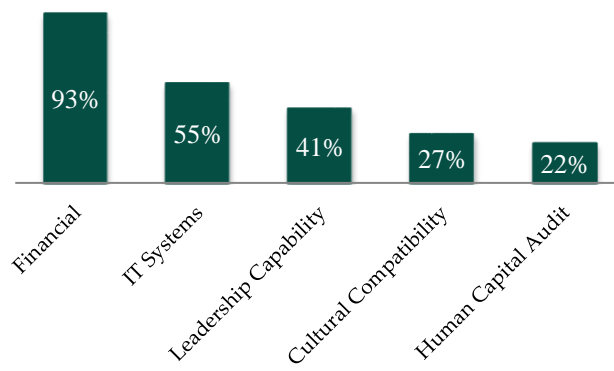
(Acc. to Strähle 2004: 32)

The model above already highlights HR's role in the DD process. Pre-DD starts with the situation analysis. It would be best if an HR responsible was already involved for the definition of areas of analysis. In the planning phase, all aspects have to be examined and sorted. When the project organization is set up, internal and external project participants including HR should be defined. The project team sets goals in line with the overall company strategy and defines areas prone to any kinds of risks. Eventually, potential targets have to be identified and chosen. This could already be defined as the beginning of the integration because at this stage first integration plans are being considered. Main-DD is done in the transaction phase. The core process consists of taking the most promising candidate and opening up a data room for those kinds of DD necessary. At this point of time HR almost always becomes involved if not been addressed before. After all relevant areas have been evaluated the DD report is prepared and serves as the bottom line to set up the purchasing price. From a traditional point of view, no more analysis would be necessary once the deal is closed. Owing to the high risk potential for integration failure in certain areas, however, an open analysis could catch up on respective audits done so far. The result could be used to draw up a detailed integration plan and operationalize it. Implementation should be monitored and controlled on the basis of previously determined key performance indicators in order to give evidence to success. The post-DD integration phase is almost always supported by HR which has to handle organizational change with respect to HR-relevant issues. But it would be more effective if HR had already been involved in pre-DD and was actively driving main-DD by indicating HR risk potential and could have prepared the integration in advance.

### 3.2.2 Objectives

According to a major study on the success of M&A transactions, a broad foundation is needed to provide a solid structure for a successful integration (HayGroup 2007: 5–9). Besides strategic, financial, legal and tax DD, political, technical and cultural aspects become more and more important (Grave 2010: 40–45). Political conditions include power balance, as well as possible corruption or upheavals that endanger peace and may lead to civil wars. Technical conditions relate to production machinery, technology etc. Culture includes both the influence of corporate and national cultures. The intangible assets to be checked are organizational, relational and human capital. Organizational capital comprises culture and market convergence, governance, agility, communication and teaming, energy and clarity, structure, tacit know-how and innovation. Relational capital includes the brand, client intimacy and loyalty, external and internal networks. Human capital con-

sists of leadership, employees, development and management, engagement and productivity (HayGroup 2007). A reality check on which assets are generally investigated is disappointing. The bar diagram presents the main categories that are taken into account for a thorough investigation. The most important categories are financial and IT systems followed by leadership capability, whereas cultural compatibility and human capital are less frequently considered. Unfortunately, 70% of business leaders struggle with or even evade a DD on intangible assets. This restriction to only certain areas prevents the management to have a holistic view on the transaction (Hinchliffe 1999: 2–3).



**Figure 15: Due Diligence Priorities**

(Acc. to HayGroup 2007)

Future assessment of intangible assets seems to be unavoidable and value-oriented concepts will have to be extended by intangibles. Early-warning systems and risk models have to add qualitative data input. These pieces of information have to be processed in order to make use of them for financial accounting and controlling. Brand discussion will come up again and will be calculated on the basis of both tangible and intangible assets. An intangible score for investors to quickly estimate the value of an object of purchase is in question (Schneck 2003: 7). Following these speculations, assessment of intangible assets is likely to become an inevitable element to determine economic success, not only in the case of M&A.

The list of HR DD objectives can be very long in terms of volume and intensity. Human capital can be subdivided into structured, individual and dynamic (Aldering & Högemann 2011). Structured human capital includes the political surrounding, the formal company structure, staff structure with volume, composition and changeability, as well as staff costs comprising total costs, cost

structure and flexibility. It also comprises volume, content and convertibility of legal regulations as well as organizational structure. As far as the individual human capital is concerned, societal and economic surrounding as well as social and economic setting are important. The informal social structure and leadership as well as HR employees play a role. Staff quality and number, deployment, behavior, competence and recruitment of key players are object of thorough investigation, also norms and values lived out by management and employees. When it comes to dynamic human capital, workflows with systems and processes are relevant. These relate to information, communication, co-operation, decision-making and leadership. In terms of HR strategy, processes, systems and tools are part of the DD and the corporate culture with its code of conduct and symbols (Aldering & Högemann 2011).

The objective for a HR DD is to display risk and cost factors to help evaluate pros and cons of the deal and can be summarized in an HR DD checklist in order to not leave out important items. Those objectives are workforce and personnel structure, personnel costs and expenses, remuneration, organizational structure including HR, people development, culture and innovation (Scharfenkamp 2002). A checklist for HR DD should pinpoint overall management and employee data. Amongst others, overall issues can be labor contracts, collective bargaining and union agreements, an employee benefit plan including insurance, annuities, pension, funding, internal revenues and tax exemptions, medical plans etc. plus those not subject to a benefit plan, a summary of liability for termination payments to employees, bonuses, severance packages, options, equity participation plans. As far as management is concerned, overall employment contracts with respect to consulting and non-competition or golden parachutes, a list of executive employees and those with top annual compensation, a description of any order or decree senior executives are subject to. With respect to employees, an organizational chart by area, number of employees and average tenure and a list of employees including both active and inactive are helpful. According to M&A projects, other and more detailed information has to be considered (Digital Data Room 2013).

### 3.2.3 Risk Factors

If the expected profit is not achieved and the company suffers from the M&A without recovering as expected, the transaction has probably failed. Therefore proper risk management could help to identify and evaluate actual risk potential of the M&A in advance. There are various concepts to define risk management which will not be discussed in this context. Instead a definition

is chosen to underline the need for risk analysis in the context of a DD in order to prevent any kind of loss. Thus risk management can be defined as “the identification, analysis, , control, and avoidance, minimization, or elimination of unacceptable risks. An organization may use risk assumption, risk avoidance, risk retention, risk transfer, or any other strategy (or combination of strategies) in proper management of future events” (WebFinance Inc. 2009a).

Common reasons of failure can indicate risk factors that a company should better be aware of. But it is crucial if top management is misled and holds a number of wrong convictions about possible M&A failure reason, because this could distract the attention from the real danger. For example, staff resistance is believed to be the greatest barrier of integration, but instead the biggest challenge is really a lack of know-how and competence. Another misbelieve is that the transaction should be completed as fast as possible. It is true that a speedy and efficient time management is very helpful, but not at the expense of the staff facing excessive demands and uncertainty (Duda & Pham 2009). Every fourth German manager is of the opinion that the type of transaction highly influences integration success, but whether it is a cross-border M&A or a merger of equals does not simultaneously rise or diminish the chances for success. M&A strategy and management decide on rise or downfall (Gerds & Schewe 2009). Some studies suggest that culturally disparate companies have higher chances to benefit from synergy effects (Chakrabarti, Gupta-Mukherjee & Jayaraman 2007). There are no standard solutions to M&A since it is a highly complex transaction and dependent on numerous factors.

Reasons for failure may be strategic, be it corporate goal conflicts, missing integration strategy, or financial, such as over-estimated prices, empire building or organizational, e.g. cultural barriers, poor communication, staff frontiers (Furtner 2011). Corporate goal, strategy and mission conflicts show very drastically that the transaction has not been thoroughly prepared before the M&A. Over-estimated prices can stem from an inaccurately done financial DD, either due to lack of information or false evaluation of assets. In 2006, the value of Chinese M&A was \$ 18.2 billion. Nevertheless, China repeatedly made six major mistakes and three of them were associated with cultural issues. Apart from obvious wrongdoings, e.g. buying unprofitable businesses, not testing the acceptance of unknown products and services in the Chinese market or skipping crucial steps in the M&A process, there were also less self-evident mistakes. For example to neglect systems, peo-

ple, processes and brand value which are hard to be transferred across national borders and bring up major integration issues (Williamson & Raman 2011).

In 2007, a study with over 200 major European M&A taking place over three years came to the conclusion that 91% of M&A transactions failed due to culture shock. Only 22% of the acquiring companies did a culture audit although 38% of the business leaders expressed dissatisfaction with the takeover. Another 22% described the first months as culture shock, and 16% even used the term trench warfare to describe the climate (HayGroup 2007). Many experts would agree that cultural DD on top of financial, legal, strategic and tax DD tremendously contributes to the success of transactions. But it is most obvious that there is a lack of relevant and profound concepts of how to do this. Researchers increasingly proclaim the necessity of cultural assessment before the deal is done. Still, the need for taking action is obvious, but it is rarely requested by those responsible for the M&A transactions (Wollersheim & Barthel 2008). Numerous empirical studies give evidence of the lack of awareness of cultural issues during a merger (Strähle 2004). This may partly come from the ignorance of one's own corporate culture characteristics, strengths and weaknesses, and the cultural gap between merging companies. Another reason might be that DD teams lack cultural expertise and cannot consider risks properly. Moreover, speed and confidentiality of deal-making lead to a concentration on tangible assets. Intangible assets might be neglected as well which will result in a miscalculation. These pre-merger left outs accumulate in the integration phase and could lead to intercultural conflicts, rising fluctuation, low motivation, less confidence, slower unfolding of synergies etc.

The fatal mismanagement of communication is one of the most crucial risk factors for integration success. It goes along with a properly set up integration management by an internal project organization relying on a team to take a common approach in order to isolate risk factors and avert harm. Poor communication increases staff frontiers which arise due to cultural clashes, fear and misunderstandings. Company members get the impression decisions and actions are arbitrary and get suspicious. Good prospects for success come from a clear strategy that is communicated and followed decisively and in a committed way (Mitchell 2010). Guidelines given by credible role models provide trust and security which is desperately needed in a critical phase of change. Experienced integrators have very clear initial ideas, act immediately, communicate continuously, and follow through determinedly until realistic objectives are met. Unfortunately, these steps are often not followed consistently and management just waits instead of communicating actively. The inte-

gration is perceived to move on half-heartedly which is shown by dropping profits and dissatisfaction. Merger management is at risk to underestimate the power of a communication strategy in line with the integration phases. Information mismanagement evokes fear instead of trust. Thus a clear information strategy is most decisive to have good prospects for success.

Business models to analyze and categorize possible risks substantially raise the chances to eliminate severe integration obstacles. According to the biggest European PMI database with 42,000 data sets, the most prevalent risk categories are synergy, structure, people and project risks (Gerds & Schewe 2009). Synergy risks originate from a bad quality of figures, the complexity of synergy goals or poor implementation concepts. As far as structure is concerned, organizational design and processes might not always match. This may either be due to differences in organizational and leadership structure or in core business processes. People risks come from resistance to the integration and project risks derive from wrong project management in the integration phase. To calculate risk potential, a PMI risk index could be set up comprising financial and non-financial KPI. By this method, failure risks can be predicted already before the closing is done. At least there is a very clear starting position which can be discussed and the decision is taken by being aware of the high risk for failure. What remains a mystery is why those responsible still far too seldom resort to such a tool to at least decrease high-risk potential. Of course, a DD is a very complex and time-consuming undertaking, but time and effort might justify the outcome.

Elaborating on risk factors, the question remains: what leads to success? In a recent survey, the overall project success factors were isolated and divided into business and HR success factors which verifiably contribute to overall M&A project success (Deutsche Gesellschaft für Personalführung 2007). Besides business factors like financing market and product strategy, HR-relevant factors play a significant role in M&A projects. In this context, business factors are necessary but not sufficient and early consideration of HR aspects like cultural awareness, information and communication, leadership and collaboration and integration management tremendously contribute to overall success and help bringing the M&A project forward (Deutsche Gesellschaft für Personalführung 2007).



### 3.3 POST-MERGER INTEGRATION

#### 3.3.1 The Blues

The term post-merger blues describes the mood of those suffering from an unsuccessful M&A scenario. They regret these changes and believe that it was to their disadvantage because the inner change scenario was not followed to the end. At first, shock and denial determine the inner state of mind, then anger and fear rise and at the lowest point should turn into acceptance and finally commitment (Kübler-Ross 1977). Due to reorganization in the post-merger phase the company focus is likely to turn inward instead towards customer and marketplace. Depending on the circumstances low morale and motivation can affect performance and service levels. Key employees are tempted to leave due to uncertainty or unsatisfactory integration efforts (Fletcher 2008). Numerous different sources claim costs to skyrocket in various fields relating to M&A. Consequently, this brings loss to not only involved units but also other group divisions because the system as a whole is affected (Carleton & Lineberry 2004). What M&A can contribute to the company growth is obvious, but what if promises are not kept and result in costs which make the situation worse than it was before? Even if pre-merger analysis has been done properly, the ongoing process can be a difficult and critical undertaking.

After the integration, companies face a lot of business challenges making it a stressful situation for an organization. To merge two or more organizations means to bring together complex systems which so far have existed on their own. Even if it was a friendly takeover, there is a long and critical phase of assimilation until all parts have been integrated fully into the new system. A system is "a regularly interacting or interdependent group of items forming a unified whole" (Deming & Morgan 1987: 1). What makes a system hard to control is the multitude of connections between its individual elements. These interdependencies do not simply add up to a predictable result, but may multiply in a hardly foreseeable way. Therefore awareness of and sensitiveness to the system is vital. Even the individual can be seen as a performance system, combined with a team, a department, a unit and the corporation as a whole. Culture itself is a product of the system, but not a component (Carleton & Lineberry 2004: 31–33).

According to a Virginia Commonwealth University study, M&A cause not only short- but also long-term instability in the target company's management up to more than 10 years after the

acquisition took place (Kurg & Schill 2008). Research provides a lot of examples where M&A projects failed, but hardly gives profound information about financial loss arising from it. One of the most promising mergers in history took place between Daimler and Chrysler in 1998. The defeat for the company became obvious when in 2007 the former Chrysler business unit was offered for sale on the market. Intercultural divides heavily impacted product ranges, the work environment and management style (Fletcher 2008: 2–3). The incidents and reasons for M&A failure differ, but often consequences could have been anticipated and possible gaps eased so that the effects would have been minimized in advance. When analyzing M&A failures between North-American and European parties, eight incidents were identified which all triggered another sequence of negative events: missing staff communication, unclear roles, responsibilities and authorities, reasons for the transactions were not understood, top management did not find agreement on issues, key people left, leadership style changed, unrealistic team frames were set up and local cultures were ignored (Hinchliffe 1999: 9). To underestimate the challenges that arise from cultural differences and not assess cultural background of merging parties can lead to culture clashes. The divide deepens because confidence is lost and opinion leaders draw back on their own peer groups. This chain of negative events could be interrupted by holding key people, leaders and managers responsible to actively support communication. Cultural gaps in terms of corporate or local differences could have been analyzed in the DD in order to anticipate reactions. In case there is a lack of cultural sensitivity for cross-border mergers, cultural competence can be trained beforehand. Information can be transformed by internal or external experts in order to be understood on the basis of different intercultural background. If both companies have been doing international business before, the chance for acculturation is higher due to intercultural skills which also help to overcome corporate culture differences (Barmeyer & Mayrhofer 2008).

Another vicious circle might start when key people leave because recruitment is costly, present workforce is overloaded and on-boarding takes time. A company solved this issue by calculating the cost of attrition and calling the leader's attention to the consequences if key people would leave unexpectedly. They did a simple calculation by listing the number of people and the amount of time that is needed to do the job of present key people. For such a calculation the average compensation rate on an hourly or yearly basis would be taken to determine the total annual amount of money that would have been needed for recruitment and hiring. The number of people hired per year is to be divided by this to get a total cost per new hire (Kee 2003). Once leaders and managers

have calculated this cost and realized that a person's performance can be represented in money, they are likely to change their attitude. In this case, bad consequences were prevented because leaders were aware of the possible risks. To foresee and avert risks by cost calculations is not always as simple as in this case. Nevertheless, the seriousness of merger failure could be stressed by opposing costs to risks and presenting the result those involved before the M&A is going to take place. Risk potential calculation has to be geared to the strengths and weaknesses of the company.

The chance for success is believed to be higher if a matching or related business is chosen to increase competitive advantages. Sensitivity towards people and cultural issues is one of the major success factors. Moreover, a detailed merger plan and early integration process planning as well as setting and communicating clear goals also contribute. Key managers and reward systems as well as quick gain areas have to be identified. Communication channels must be adapted to target groups, employees and customers. System integration has to be speeded up and cultural issues have to be tackled in a sensitive way (Milner 2010).

### 3.3.2 Cultural Awareness

Employees with intercultural sensitivity have better chances to ease not only local but also corporate integration dynamics. The concept of a raised intercultural awareness and openness is transferred to corporate culture. Therefore multinational companies are more likely to soften M&A-related integration conflicts in advance and prepare employees in terms of intercultural competence if necessary (Deutsche Gesellschaft für Personalführung 2007). Cultural intelligence is to be defined as "the capability to deal effectively with people from different cultural backgrounds, a multifaceted competency consisting of cultural knowledge, the practice of mindfulness, and a repertoire of cross-cultural skills" (Thomas & Inkson 2010). Mindfulness provides the basis for cultural sensitivity, an affective component of cultural intelligence. It is an emotional state of awareness of the values and norms of others. Whereas cultural intelligence and sensitivity are preconditions to develop intercultural competence, competence is a behavioral ability which can be learned. Cultural intelligence relies on the concept of an emotional intelligent quotient as a part of genuine intelligence.

In this context, cultural alignment is to be understood as the process of slowly integrating different corporate cultures in order to raise productivity in the long run. First, the merging parties

have to recover and adapt to the new situation. After having come to terms, different entities have to be interlocked. A cultural integration in terms of a homogenous corporate culture and a heterogeneous national culture has succeeded if differences between the merging companies have been integrated to the extent that they can coexist but do no longer raise conflicts (Grave 2010: 129). The experience of consulting companies is similar to research findings with regard to the success probability for M&A transactions. To merge companies of the same size and similarly strong cultures is a challenge and companies which meet each other's strategic goals seem to be better off (Milner 2010).

Nevertheless, experience in driving M&A projects does not guarantee cultural integration success. The complexity of the transaction and the broad variety of unforeseeable determinants remain strong risk factors (Grave 2010: 89). This is why M&A strategy and action plans always have to be worked out individually along the cultural DD. Moreover, they continuously have to be enhanced and stay flexible in order to align with changing conditions in the course of events. What should not be prone to change is the goal for cultural integration which is to be a homogenous corporate culture allowing national culture individualism. Therefore both corporate as well as national cultures of the merging companies have to be analyzed and reflected upon before an idea of the target culture can be developed. When defining the target, cultural strengths and weaknesses have to be balanced. Integration managers also have to be able to drive change, implement proper communication strategies, establish cultural comfort zones and help develop intercultural competency. They continuously have to control progress and results in order to immediately adapt measures to actual developments. A major task is also to ask for feedback at all stages of the integration to be sure that the results match the goals also in the perception of staff and management. Leadership and communication, performance management combined with reward systems as well as business processes and corporate governance are key factors. While most M&A-involved parties would probably agree that leadership is greatly important, communication may only be perceived as of minor importance. Knowledge about how to steer communication processes may be low. But since information is the basis for opinion-making, it has paramount influence on post-merger processes (Fletcher 2008: 4–7). Closely linked to leadership and driven by HR are performance management and reward systems. Especially if nations from different continents based on contrary basic beliefs and assumptions have to agree on a combined performance management and reward system this may be really crucial. If a system cannot be harmonized, it needs at least to be made transparent in

order to be justified. If employees feel they are not treated fair, commitment and motivation decrease.

There are also pitfalls to evade if corporate culture is very strong. When the business environment changes and values have become obsolete the company has to adapt its values and finally its behavior. Another severe restraint for successful integration is when managers behave inconsistently with regard to corporate values. By not adhering to the officially promoted set of values they undermine the strength of the culture and employees start questioning the credibility of management and company values (Deal & Kennedy 2000: 34–36). Organizations with weak cultures, on the other hand, may also get into trouble. They are characterized by the absence of values or beliefs which provide directions to business success or they cannot agree on the most important ones to follow or there may be subgroups which show fundamentally different beliefs. If so-called “company heroes”, i.e. those who are highly respected and celebrated by others, do not adhere to corporate values or there are no common rituals supporting corporate values the situation gets even worse. The symptoms to identify a company with a cultural illness are inward or short-term focus, emotional outbursts or morale problems and fragmentation. Actually, an upcoming merger is a good reason to get things right before the hostile environment can make problems even worse (Harding & Rouse 2007: 126). If subgroups do not integrate into common corporate culture they may become ingrown, could undermine each other or label themselves as exclusive and feel superior over other subgroups or individuals. To determine whether a company’s subgroups live out their group cohesion in a healthy way is not easy since not all individuals act the same way and may be out of balance from time to time. But in the long run subgroups should be connected to each other and root their behavior in the same value set (Deal & Kennedy 2000: 135–139).

The more congruent preferred modes of acculturation, the more successful the implementation of the merger (Grave 2010: 79–81). During the process of acculturation different cultural standpoints have to be actively negotiated and helpful cultural elements should be combined and integrated. These negotiations have to take into account the organizational culture, strategy, leadership, and structure of both firms (Nahavandi & Malekzadeh 1993: 59–64). There are different forms of acculturation. Assimilation is characterized by giving up one’s own, mostly weak, culture. Separation is characterized by a lack of cultural exchange due to ignorance towards other cultural backgrounds. Often one’s own culture is believed to be the better one because it is most familiar. Deculturing is based on disinterest towards one’s own and a lack of acceptance of the other one’s cul-

ture which leads to disorientation. During the process of integration, both cultures perceive the other one as attractive and are prepared to negotiate new behavioral patterns.

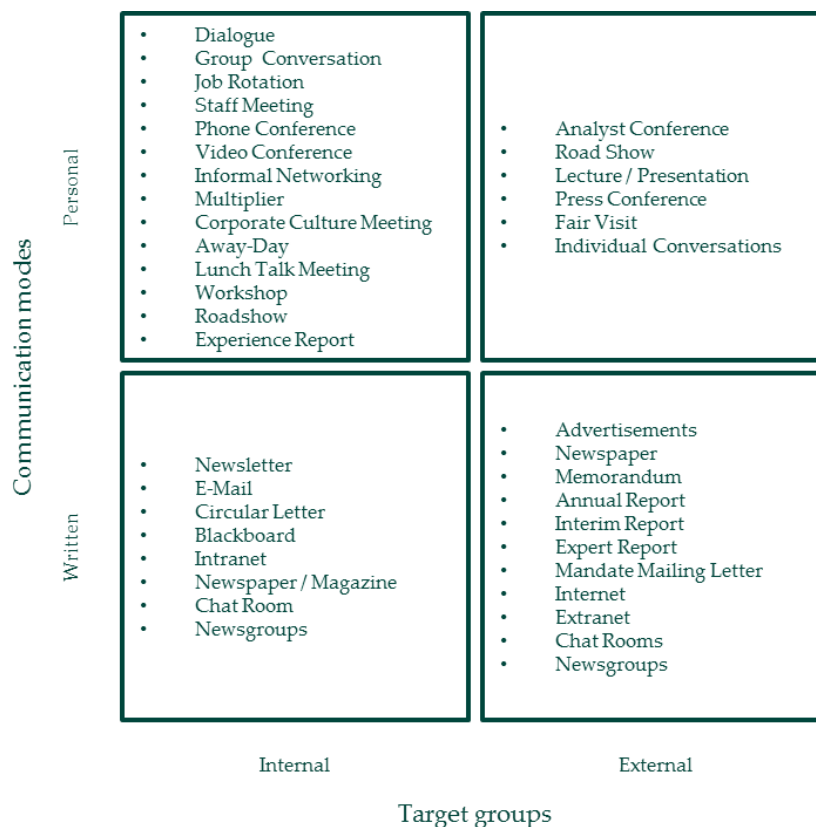
Organizational performance is positively influenced by a strong corporate culture based on shared values because managers take decisions on the perception of those and are less likely to fail (Deal & Kennedy 2000: 33). Successful companies go wrong when the modes of thinking and working that initially brought success stay the same while business conditions change. This happened with an organization where leaders got stuck in active inertia which kept everyone going without questioning. Recipes of success turned into processes-undermining developments. Hallmarks that could be observed were assumptions of how to do business the best way and the way things were done became routine. Relationships to employees, customers, suppliers, distributors and shareholders rooted in values turned into dogmas and eventually into a rigid repetition of the status quo (Sull 2002: 83–106).

Management is often unclear about how to take advantage of corporate culture and implement it accordingly. The degree of implementation of a defined company culture is estimated to be only mediocre although it is seen as main influence factor for employer branding and marketing, especially in M&A. Corporate culture needs to be influenced systematically and constantly. The most accepted but only occasionally implemented tool to generate information is the employee survey. Nevertheless, results in terms of corporate culture are far from sufficient. HR needs an ongoing process of obtaining and evaluating information so that measures can be derived. As culture influences the way a company responds to challenges and acts in crisis, basic trends like changeability and innovation become more important (Kienbaum 2009).

### **3.3.3 Change Communication**

As explained before, M&A is a change, and consequently, M&A communication is change communication. However, only few companies build and keep up an intensive staff dialogue. To have a communication concept and inform employees early in order to create program transparency are HR success factors in an M&A. The starting point for internal communication would ideally be before the public is going to be informed. Timing and integration of internal and external communication are as much important as a two-way communication system (Deutsche Gesellschaft für Personalführung 2007). A study with German, Swiss, American and Australian senior executive

managers on politeness strategies and face work during international encounters proved that an effective communication strategy eases tensions (Burek 2010: 13–15). A lack of communication exacerbates the situation because employees are unsettled and do not focus on necessary assignments (Grave 2010: 112–117). Internal communication channels have to provide motivation and reasons for the M&A, a new strategy, status quo reports on the actual course of measures and above all details about “the other company”. Trust and acceptance have to be generated in order to change a suspicious attitude into a positive one. The figure below gives an overview of tools for a communication mix, either written or personal, addressing internal and external target groups. This list is not complete, and especially modern communication tools like WhatsApp, Skype, Facetime etc. could be integrated as well. The communication mix and timetable have to be strategically planned and be in line with the integration project plan. The overall communication concept has to be in the hand of the steering committee and those responsible workstreams for consulting with communication experts. As it can be seen from the figure below, there are various examples for written internal communication: newsletters, email, circular letters, blackboard, intranet, newspapers and magazines, chat rooms and newsgroups.

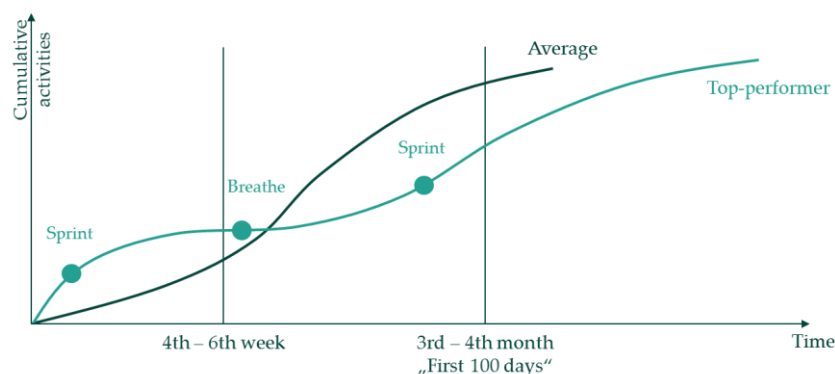


**Figure 16: Communication Instruments**

(Acc. to Grave 2010: 117)

Newsletters, circular letters and newspapers or magazines are published regularly and are thus suitable for more comprehensive and general information. Blackboard and intranet can complement these communication channels by giving current and more specific pieces of information. Email, chat rooms and newsgroups are useful for dialogue and a remote two-way communication. This may allow the writer to remain anonymous and disclose questions or remarks which he or she would not dare to ask directly. These platforms may disclose what those concerned really feel and need and display a more realistic picture of staff engagement. But apart from one-way information spreading or remote two-way communication, a personal dialogue is crucial in order to get solid and profound information about what employees presently feel or think. Change communication intends to win the staff over to the merger and actively influence people's mindset and get feedback by internal and personal communication tools such as listed in the figure above. Leaders have a key position because they are role models and can hold staff meetings, assign job rotations and foster dialogue in video and phone conferences. Informal networking is done by change agents whereas networkers and multipliers contribute to unofficial conversation and might influence staff positively. Employees might feel more comfortable with peers and open up more easily. If the M&A project management does not ensure that the information is processed as intended, change resistant employees may slowly endanger the whole project.

If the communication mix is set up professionally, it can support the post-merger process perfectly. Starting with "day one", information content and channels are amended in the course of time. At the beginning, employees feel very insecure, but profound information about unknown M&A parties, circumstances and consequences helps to ease the tension.



**Figure 17: Top-Performer's Double-S Curve**

(Acc. to Brunswick Group 2010)



This critical situation is to be absorbed by building up trust in order to keep the staff grounded. A consistent flow of information is very helpful during the so-called sprinter phase in the very first weeks. Nearly all communication channels serve to spread information, but leadership communication and written one-way tools are indispensable. Once the need for information has been satisfied, more specific needs come up. Now the organization has time to breathe and recover from the first shock.

Communication may change to more personal, two-way channels to allow discussion. Simultaneously, discussion with change agents or multipliers in a more private atmosphere helps to process what has happened. Workshops, group conversations, road shows and experience reports can help to provide a deeper insight into the merger. Best-performing companies sprint at the beginning, breathe after four to six weeks and sprint again before the first 100 days are over. In contrast the others have a slow start, increase activities including communication only steadily as the moderate S-curve shows, and miss out on intensively working on employee reactions in the crucial first weeks. Their curve is countercyclical to that of top performers, who set up the integration project, connect the leadership organization, establish a leadership team, adjust employee behavior and integrate operational business activities (Gerds & Schewe 2009: 21–27). Organizational system alignment has been prepared and action is taken on day one of the integration. PMI can last up to three years depending on the scope and intensity (Barnett 2005: 3). There may be training needs for leaders, managers and coaches to ease critical situations coming from cultural gaps. Key people or “knowledge hubs” share information about key business processes. Local differences are integrated into global culture. Global communication gives freedom for local adaptation and is a two-way road. Team constitution values a diverse workforce and feedback is given recently and respectfully on all staff levels (Fletcher 2008: 10).

In a multinational company, the timing has to be planned thoroughly because of the time shift between operations and preference towards different communication channels. Undoubtedly, no communication is a worst-case scenario, but to work out a communication concept is a delicate task to do. Clear messages have to be sent and leaders have to play a central role because the personal approach is the most effective part of the communication mix (Brunswick Group 2010: 4–5). Apart from communication, the internal or external project organization needs to design an action plan for the organization to process the change bit by bit. Cumulative activities have to be planned thoroughly because mood and morale are going to alter in the course of events.

### 3.3.4 Employee Participation

Globalization requires taking advantage of diversity and learning from innovative approaches which strongly change the work environment. Flexibility and differentiation increasingly dominate the labor market. More and more working processes get organized like projects with the help from external specialists, outsourced service units or part-time employees. Change architectures need to be adapted and resort to new ways of organizing. Power influence no longer relies on hierarchical structures and physical presence, but is replaced by virtual means of communication and an increase in trust in the co-worker (Capgemini 2012: 11). The ability to change has advanced to a core competence in the new work environment. Changeability refers to a system's capability of rapid and efficient self-adjustment to changing requirements. The system realizes the need for change and accepts to generate alternative solutions itself (Universität Potsdam 2014). Leadership is a strong catalyst for change projects, but in a work environment with growing individual responsibility and self-reliance, collaboration is comparably decisive. Interdisciplinary teamwork is expected from leaders but also key players and multipliers and only with the help of these change can become viral and spread (Deutsche Gesellschaft für Personalführung 2007).

As described before, the possible future segmentation of German business landscape into three kinds of enterprises entails intense cooperation on various levels (PricewaterhouseCoopers 2014b). In the "blue" enterprise, corporate is king, the "green" enterprise cares for sustainability and the environment, and the "orange" enterprise is people-centered and individual. In the "blue" world, skills and experience to adapt to changing business needs are the rule and learning and development is closely aligned to objectives and performance measures. For the "green" world, motivation is the key for professional development. In the "orange" world, individuals develop their own skills which will be certified alongside online references and performance rankings. In all three enterprise settings, learning and development will become a fast-selling item or just reject those who are not interested, thus decreasing the influence of traditional leadership.

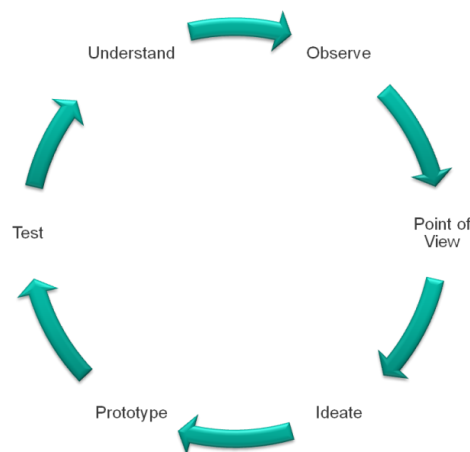
If the work environment is going to change as discussed in further chapters, traditional change methods also have to adapt. Employee participation is ensured by a transformational change that comes from the inside and alters day-to-day thinking of community members resulting in different decisions and actions. Transformational change can be initiated to reach a certain goal, but along the process, unforeseen events can redirect the way individuals take because they assume

another approach would better solve the original problem (Bushe 2013). Another way to trigger participation is to apply dialogical change. Dialogical change defines a new approach in which the paradigm of programmatic change is been replaced by emergent change. The idea of programmatic change is characterized by linear thinking. It is hierarchical and top-down focusing on rationale issues and trying to eliminate opposition. The project is planned and controlled with a detailed action plan, roadmap and milestones. The principle is to change by learning and learn from change. The change consultant takes an expert and operational role. Emergent change on the other hand relies on systemic thinking and divergent energies in the system. It may start everywhere within networks and communities like a snowball effect. It changes attitudes and relationships from within and the principle is learning from a future image. The change consultant takes a moderating role helping those involved to reflect (Roerig 2014). Emergent change can be evoked by an inner process of individuals involved. The so-called U-Theory is one of the most prominent theories in this context. "U" stands for a turnaround after a five-step process of co-initiating, co-sensing, co-inspiring, co-evolving and co-creating. Co-initiating means to become aware of the situation, co-sensing is to listen carefully to those involved, co-inspiring is the U-turn point and stands for the inner source of inspiration. Co-creating is to develop new prototypes by exploring the situation. Co-evolving is to put new ideas into context so that it is possible to take a look at the whole picture. During this process, the level of attention changes from listening as a matter of habit to concentrating on facts until the next level which is empathic listening and finally creative listening. At this point, a person opens up and starts to accept new ideas and thoughts, being able to see the world through the eyes of others and reassess previous opinions (Scharmer 2009).

This inner process can be induced, but not controlled by others and change can only take place with the approval of those involved. The above mentioned theories go with the idea of participation which needs this kind of consent if people are to be moved successfully in the long run. The critical issue for management is that it has to give up control and trust in the system to evolve in the right way which might not necessarily go with economic principles. A shared vision and a value-added proposition can be extended if the awareness is raised to the now with mindfulness, transparency and open feedback on the basis of a common meaning and orientation. This takes place in the context of a performing organization with a strategy, structure, processes and tools and a cultural setting based on identity, values, norms and competences (Roerig 2014). The most crucial success for sustainable innovation are motivated and qualified employees and a corporate culture

embracing change. Successful innovation is based on four core principles. First, innovation is built around experiences and the user is in the focus. Secondly, innovations must be considered as systems and structured and planned. Thirdly, a culture open to innovation and fourthly, a disciplined innovation process in order to measure and refine scientific approaches (Kumar 2013).

According to these principles, responsibility is given to each and every individual, i.e. leaders, managers and employees likewise. This does not interfere with their roles, but allows them to take part in the process irrespective of their position instead of just being driven by a few change representatives. The idea is not to convert an M&A project into a democratic change process without a defined goal, but to win those concerned by getting them out of shock mode and putting them in a position to take responsibility for themselves. Not a replacement for change agents or project managers, a helpful tool to reach these goals is Design Thinking, a human-centered approach that comes from “[...] the nature of design work: a project-based workflow around ‘wicked’ problems” (Dunne & Martin 2006: 512). Interdisciplinary co-operation is not new nor rocket science and has already been practiced since the 1970s, but it has not always been conceptualized. Design Thinking is a modern terminology for an old-fashioned, but highly useful way to breakthrough ideas (Norman 2010).



**Figure 18: Design Thinking Process**

(Acc. to Meinel 2014)

The process starts with a challenging question which is reframed and finally leads to a prototype solution. It consists of six stages: understand, observe, develop a point of view, ideate, prototype and test as shown in the figure (Meinel 2014).

Design Thinking is discussed controversially, because it brings together two organizational principles which are innovation and efficiency. The integration of both could bring up a new design of business and lead to the most competitive edge. Design Thinking follows the core principles of successful innovation because it builds innovations around experiences. Furthermore, it induces to think of innovations as systems, cultivate an innovation culture and all this by having a defined process. Innovation and to shape corporate culture accordingly is a strong challenge for an organization (Kumar 2013). Especially in a volatile, uncertain, complex and ambiguous (VUCA) environment change responsibility cannot be laid on the shoulder of leaders but on the whole organization including a number of change agents. The term VUCA first came up in a military context before it was incorporated into the discipline of organizational development (Townsend 2002). A social or business context is called volatile one cannot rely on long-existing and committed behaviors or structures because the context is prone to fast change. Due to this, a constant dialogue of all those involved is needed to define the ground for actions and procedures. Dialogic change relies on the intelligence of the whole system instead of a few chosen to represent the business or the organization. From the viewpoint of managers or leaders, an unpleasant aspect could be that there is less direct influencing and the need to trust in the goodwill and motivation of their staff. Design Thinking also falls back on the intelligence of the system and the trust that a common approach will result in best-case solutions. Employees are actively involved and change blockers can be identified and evaded (Tannenbaum & Schmidt 1958). An M&A project could take advantage of Design Thinking as a tool to nurture participation. As a stand-alone method Design Thinking would fall short of sustainable results. It needs to be put in a broader context and concept where results can be put into practice systematically and continuously. Project management provides a framework to implement innovation and ensure sustainable results. Design Thinking could be of help to the integration project group by consolidating the strategy and placed in each phase, ideally already in the pre-DD phase (Ehms 2014).

### **3.3.5 Implementation of Measures**

In the implementation phase, all the individual workflows and contents have to be orchestrated by the project integration team so that the business can run as smoothly as possible. Since a test run is not manageable realistically, a vast experience and a high-quality skill-set help project managers to reach the goals in line with strategy. A defined strategy and an experienced project group with a senior leader are M&A success factors. Best if there is an M&A department in order to

harmonize the HR concept accordingly because it can provide resources and has the respective competences (Deutsche Gesellschaft für Personalführung 2007). Project management is defined as the application of knowledge, skills and techniques to execute projects effectively and efficiently. A project is a temporary group activity designed to produce a unique product, service or result. Each project is unique in contrast to a routine activity and has five process steps: initiating, planning, executing, monitoring or controlling and closing. Project management knowledge refers amongst others to the management of costs, risk, integration, quality, communication, stakeholder and human resources (Project Management Institute, Inc. 2005).

Project management refers to several work levels which vary from macro to micro. The interaction context, arrangement of social interaction and the process structure have to be regarded in order to proceed successfully (Königswieser & Exner 1999). The project architecture is to create a chance for new viewpoints, induce reflection, allow decision loops and thereby break with conservative patterns of thinking and acting. Elements of the project architecture are project goals, project organization, communication concept, work packages and workflow. Project goals including milestones, KPI and a timeline need to be defined before the project starts. For the project organization, roles and responsibilities must be clearly defined. There is the project owner who oversees the strategic direction and project resources in the steering committee. The project leader coordinates all activities with the project team. The core project team consists of the project leaders of the individual workstreams and the steering committee. The different project teams report to the project leaders and may include specialists. Decision-takers who are affected by the project but do not belong to the project team can be helpful to give reasonable feedback in the course of the process and function as a sounding board. The communication concept defines who has to do what with whom and when and in which manner. It refers to internal and external communication and is ideally set up by communication specialists. The work packages include any kind of information such as analysis, surveys, studies, KPI etc. which are relevant to the final results. The workflow shows which interventions take place as a basic communication element to those involved and when. (Fröhlich 2005)

It was not until the early 80s that project management was upgraded from a rather technical to a more profound method of planning when the International Organization of Project Management (IPMA) discussed it in their congresses. From then on, trends came up and the view of project

success changed. A multi-project view developed suggesting that the project needs to be regarded from different angles. Furthermore, the corporate strategy was implemented with the help of projects and soft skills of project staff became increasingly important. The project focus shifted to agile concepts and a differentiation according to project modes and types (Schelle 2014). Multi-project management refers to program and portfolio management for a bunch of different projects at the same time, often controlled with the help of Project Management Offices. Additionally, the selection of projects nowadays goes with the company strategy in order to bring economic benefit. Project success is therefore defined by actively benefiting the company strategy and delivering sustainable results. International project management standardization continues and also increasingly demands social skills for project teams. In remote control situations, virtual project teams have to rely on software solutions in order to ensure proper communication. Unfortunately, knowledge management for projects is a neglected discipline and a dialogue rarely opens up. Before a project is embedded in an organization, the stage of maturity needs to be defined. The number of professional project managers rises and many companies have therefore opened up career paths for talented employees. Apart from the project manager's perspective, the view of other parties involved may differ with respect to the evaluation of results and how to drive the process. These multidimensional perspectives have to be discussed and aligned since those involved have to find a certain minimum agreement in order to complete a project successfully. These trends show that project management is no longer in its infancy and become a serious stand-alone discipline.

A possible pitfall in projects may be an unscheduled change of role expectations in the course of the process which could lead to misunderstandings and endanger the whole project setting. It is also problematic if the project owner has undeclared expectations towards the setting of a project architecture. He or she might be suspicious towards the process-oriented procedure or impatient with regard to the timeframe. On the other hand, excessive bureaucracy in project coordination is disadvantageous as it impedes flexibility and speed of the project (Fröhlich 2005). A study investigated the positioning of those involved in a change project in terms of success factors, actual roles and expectations (Kienbaum 2011). It became evident that a common understanding and agreed goals in the change process contributed to overall success. Consequently, executives, line and project managers have to develop a common idea for change and define targets accordingly. Success factors are participation, co-ordination and communication, feedback and monitoring, people development and available resources. The study revealed that at the beginning of a change project all

groups have the same role expectations towards each other, but the evaluation of the role behavior differed strongly. Executives were less self-critical, whereas line and project managers had a more realistic view of themselves. Thus development needs varied according to groups. Project managers are expected to fight more strongly for the project and to ensure sustainability. Line managers are supposed to improve coaching and development skills and executives have to be role models and display vision and goals.

In fluid organizations, there is a stronger need for networking which in turn ensures cost efficiency, improves product quality and ensures sustainability, and has an impact on project management. Co-operative networking structures in and between organizations also demand fluid project networking und specific management skills alike. Project controlling has to adapt and teamwork must change to teaming, which means an agile and dynamic interaction of experts and all those involved. Characteristics of teaming include that members are authentic, that there is a high tolerance for errors and that a retrospective view is practiced to learn from mistakes. Furthermore, members are open towards changes and other disciplines and a variety of perspectives is to be integrated. The project manager is required to have comprehensive networking and leadership competence with respect to international and virtual teams (Weßels 2014b).

The project management triangle of cost, time and scope represents basic pillars for the project framework. Project management as a discipline can be applied to any project and delivers solutions for all sorts of task assignments. When delivering solutions for similar purposes, it can be tailored to the specific and reoccurring needs. Although every M&A project is different, there are similar process steps to follow in order to identify risk or success factors. Frequently repeated M&A scenarios could be eased by a prototype framework to be complemented by individual case elements. Due to the complexity and duration of M&A projects there is no standard framework, but there are certain elements that have shown to improve the outcome.

### 3.4 INVOLVEMENT VARIETY

In this chapter, possible ways of involvement of the Human Resource function with regard to the M&A process have been discussed. Different frameworks exist and the volume as well as the



intensity of HR involvement varies. The question which setting should be chosen needs to be linked to the individual case and M&A strategy, but also HR formation and reputation. The point of involvement can be at the very beginning before the target company has been chosen or after the closing when PMI starts. If HR is expected to support in the HR DD phase, some approaches opt for an enlarged HR DD, i.e. for HR to take a more competent and influential role, whereas others favor an HR DD involvement only and see HR as a reactive service delivery partner. In PMI, at the latest, it is likely that HR will eventually become involved more strongly, since it has to fully operationalize M&A strategy for HR-relevant products, services and processes. Post-merger blues can affect a company, respectively the employees, if the change is not welcome and staff tends to cling on to the past. In this case, HR has a hard job to drive integration. Nevertheless, a selection of elements in the process can function as catalysts for M&A success in the PMI phase. These are cultural awareness, change communication, participation and implementation competence. Companies active in multinational markets have a higher chance to cope with cultural change due to the concept of cultural awareness. This applies to intercultural and corporate culture issues. A cultural mismatch is one of the most underestimated deal breakers.

In this context, change communication only focuses on internal communication and on the dynamics of change and considers the individual situation of M&A projects. Although strategic communication seldom falls under HR responsibility, it is an important success factor and must not be neglected. If HR does not arrange for strategic communication, this might slow down or also hinder the integration. Leaders, talents and other key players without doubt contribute tremendously to the human capital value of a company. In contrast, if employees are not motivated to change, the project might be doomed in the long run. Apart from workers' council cooperation, another way to avoid this could be a staff buy-in. If employees actively process information and hold a dialogue with those responsible, it will become more probable that they take responsibility and engage in shaping the process. This might also require top management to abandon unsuccessful approaches falsely promising that "change can be made" and instead start relying on the power of emerging change. As far as implementation is concerned, all loose ends have of course to be tightened and controlled with respect to strategic goals. In this respect, project management provides a framework to integrate all these elements and drive the process. Since M&A are complex projects, the list of influence factors to be considered is endless. Usually, HR has only restricted resources and therefore has to make sure that the main success and risk factors are in the focus. HR

can take responsibility if given the mandate by top management to become deeply involved in M&A and consider the whole variety of elements necessary to bring the project to a successful end.

## 4. PERCEPTION OF HUMAN RESOURCE MANAGEMENT

### 4.1 RESEARCH APPROACH

#### 4.1.1 Research Question

The research question is how HR can add value to top management in the context of an M&A. Failure or success of M&A projects partly depend on the strategy and thorough preparation before the deal is closed. M&A management needs to rely on a profound information basis. The DD is supposed to identify risks and success potential before the target company is chosen and to verify it in the course of the buying process. When the deal is closed and the PMI phase starts, additional risk factors can emerge. If these have not been considered or have been underestimated before, they can become stumbling stones to overall success and diminish economic outcome. Especially human capital is subject to certain constraints and needs to be evaluated adequately. Perfect HR DD data delivery and HR risk potential analysis is not sufficient to ensure a smooth and frictionless integration phase. While this is often the minimum expectation, added value is to be generated by other means. The research question is based on basic and secondary assumptions suggesting conditions which are closely interlinked with the research question.

#### 4.1.2 Research Assumptions

The first basic assumption is that HR departments in general play a minor role in an M&A process. If that is true, what are the reasons for this, how can they be eliminated and the role be strengthened? The second basic assumption is that after an M&A process, HR has realized its mistakes and areas of low performance. If so, how can performance be analyzed, measured, improved and sustained for the future? These basic assumptions allow secondary assumptions which suggest interdependencies that might uncover root causes behind the obvious. Therefore, the first secondary assumption is that HR is no sparring partner to the executive team due to poor performance. If so, which criteria would have to be met for HR to become a suitable sparring partner? Thus it is assumed that HR has to analyze the gap between HR performance and management requirements and defines HR-related success factors. The second secondary assumption is that HR is not aware of future challenges for the organization. If so, what are future challenges to the market environment and the business model? Therefore it is presumed that HR has to define a strategy in line with

the overall business strategy, deduce actions and measure the progress in order to align continuously with the progress of the organization. The third secondary assumption is that HR lacks competence according to the challenges ahead. If so, how can it improve its competences? Consequently, HR is assumed to analyze the gap and up-skill accordingly or buy in missing resources. This is the theoretical construction the research is based on.

### **4.1.3 Research Method**

The purpose is to empirically verify these assumptions which are the foundation of a three-fold-solution model to drive M&A successfully from an executive and an HR point of view. To find detailed and reliable information the research method is to conduct qualitative expert interviews in order to support or falsify secondary assumptions which lead to the respective model (Diekmann 2012). The research phase shows the line of action and is subdivided into sub phases. The overall time span was four months from July until October 2014 after an intensive literature research phase. After the research method had been decided, the interview form was generated and the interviewees selected, contacted and dates fixed. Next was the core interview phase, followed by the transcription and results analysis and finally the consequences for research.

## **4.2 RESEARCH DESIGN**

### **4.2.1 Interview Setting**

The interview setting was either a face-to-face situation or a telephone interview according to preference and availability of the interview partners. When the interviews were conducted by telephone, the interview partners assured an undisturbed surrounding and a line which allowed to be understood clearly so that the interview could be recorded as well. The interviewee was informed if the recorder was switched on and off. There were no discussions of content outside the recording phase in order not to falsify statements, and once the interview had started it mostly continued without interruption, except for outside disturbances. Although the interviewees were given the questions in advance, they sometimes switched to another part because they thought it to be relevant. The interviewer introduced each question by reading it out loud and tried to keep to the orig-

inal order of the questions, but did not interrupt the interviewees when they jumped to other questions.

#### 4.2.2 Target Group

The expert target group consisted of consultants, HR directors, executives and line managers. Some of those had taken up several roles in the course of their career and their viewpoints sometimes mixed due to their job experience. Nevertheless, their current position was considered relevant. The table below shows the list of experts in line with the course of the interviews taken.

No.	Origin	Age	Education	Graduation	Role	Function	Industry	Size	Years	M&A
1	German	61	Macroeconomics	Diploma	Director	M&A	Steel & Technology	DAX	10	international
2	German	44	Economics	Diploma	Director	HR	Banking	DAX	6	national
3	German	56	Philosophy Education	Diploma	MD Consultant Director	M&A HR	Steel & Technology Electronics Others	DAX SME	15	International
4	German	48	Economics	Diploma	Consultant Director	HR Marketing	Electronics Internet Pharamaceuticals Aerospace	DAX	15	International
5	German	56	Economics	Ph.D.	Consultant MD CFO	Finance M&A	Steel & Technology Others	DAX	25	International
6	German	41	Physics Master of Science	Diploma Master	Director Consultant	IT	Telecommunication	DAX	10	International
7	German	52	Education	Diploma	Director	HR	Telecommunication	DAX	3	National
8	German	44	Education	Diploma	MD HR	HR	Internet Outsourcing Banking	DAX	3	International
9	German	59	Engineering	Ph.D.	Consultant Director Advisor	Technical HR Venture Capital	Telecommunication	DAX	10	National
10	Austrian	63	Social Sciences	Ph.D.	Director	HR Communication Compliance	Chemical Phamaceutical Steel & Technology	DAX	24	International
11	German	59	Economics Education	Ph.D.	Director	HR	Steel & Technology	DAX	15	International
12	German	54	Economics	Diploma	MD CFO	Finance	Energy Kitchen & Office Equipment Industrial	SME	20	International
13	German	54	Law	State Exami- na	Director	HR	Food Trade & Services	SME	10	Inter / National
14	German	42	Geography Economics	Diploma	Director	HR Strategy	HR	DAX	15	International
15	German	36	Psychology	Ph.D.	Principal Consultant	HR Development	All industries	DAX SME	3	National

Figure 19: Overview of Interviewees

The whole sample comprised 15 German-speaking interviewees, 14 of which were of German and one person of Austrian origin. The participants were aged from 36 to 63, the average age being 51. For education, sometimes multiple answers were given, since some of the study participants had pursued more than one field of study. It was six times Economics, four times Education and one entry each for the following subjects: Macroeconomics, Philosophy, Natural Sciences, Psychology, Engineering, Social Sciences, Law and Geography. Graduation refers to the highest degree achieved – any other degrees were not taken into account. Eight interviewees hold a Diploma, five had a Ph.D., one person had a master's degree and another person had passed a state exam. All participants had at least a director's role, i.e. they reported directly to the executive team. Six interviewees were consultants at the time of the interview. Four participants had been promoted to Managing Director. Function refers to special knowledge of participants apart from M&A. Multiple answers were given concerning the functional role, since some of the study participants had held different roles in the course of their career. The variety of functional roles ranged from four times Finance with the focus on M&A, nine times HR to five times business units such as Technical Functions, IT, Communication, Compliance and Marketing.

The interview partners had experience in various industries and since all study participants had at least once or more often changed the industrial field of their activity, there were also multiple references. It was five times steel & technology, four times telecommunication and IT, two times pharmaceutical industry, banking and electronics each. Furthermore, there was one entry each for the industrial sector, chemical industry, food, trade and services, energy, aerospace, internet, outsourcing, kitchen and office equipment. The company size indicates the M&A scope and extent of expert responsibility. It was thirteen times DAX and two times SME where DAX may also include SME, but SME excludes DAX. M&A expertise stands for the M&A complexity and the number of years the experts were involved in M&A projects. This ranged from 3 to 25 years while the average expertise was twelve years. Twelve participants had been involved in cross-border M&A. The expert viewpoint defines the background against which an expert regards M&A. The perspectives were consulting, financial, HR or those of internal customers, e.g. any business unit which is not actively driving the M&A and is neither HR nor Finance. 7 out of 15 participants provided mixed viewpoints since they had changed their role at least once or more. Multiple answers were given: six times consulting, four times financial, nine times HR and five times business unit viewpoints relating to IT, Technical Functions, Marketing, Communication and Compliance.

The target group consisted of experts with profound management and specialist know-how in national or international M&A projects. In this context an expert is to be defined as an authority with special knowledge in the field in question. Due to this special knowledge the expert is very competent and experienced and has a deeper understanding of M&A. Main expert focus is on the overall experience instead of single projects which may, nevertheless, be quoted. Depending on the expert role the viewpoint taken may be consulting or managing. If managing, the functional role was either business or HR-related. The business units which are involved in M&A take either a driving, supporting or customer-oriented role. Examples for driving business departments in an M&A context are the Finance or M&A or Strategy Department. All other business units without a mandate or the power to actively drive change are summarized as supporting business units, such as such as HR or others.

The experts were chosen according to their experience and role in the context of M&A. There are three categories of experts. A consultant does not belong to any of the companies involved, he or she is not part of the system and performs in line with his or her project goals generally given by the merger management. The second group of experts comes from business units which are not HR, but are involved in the M&A project. Either it is a process driver, such as the Finance, Strategy or M&A departments, or it is involved because it is the target of the process and has to align with other units. In this case it will normally also be part of a project organization and be responsible for a workstream, and possibly also belong to the steering committee. But this unit will rather be the implementation guide instead of the project lead. If the business unit is the driver, the view of the managing part is important since it belongs to the merger management and represents the expectation of the top management. According to the Principal Agency Theory, the information decline can be strong, because in order to perform adequately the drivers are provided with comprehensive and complete information (Coase 1937). HR has a split role because the business unit is affected by the M&A project and it has to drive processes for all other units, too. Since HR is in the focus of research, the third group of experts recruits from HR. Depending on the role HR takes and the kind of M&, strategy and tasks can vary.

The target group was promised confidentiality and assured that all information will remain with the survey owners. Demographic information, if chosen to be displayed, was taken as confidential and not shared with anybody unless acknowledged. Personal data, e.g. company names,

departments or colleagues remained anonymous and every interviewee received a transcription of the interview.

#### 4.2.3 Interview Form

The interview form consisted of three parts, i.e. the introduction, participant and M&A-related specifics and finally, the interview questions. The introduction was intended to create a common basis and define the terms “M&A”, “HR” and “expert”. The definitions were based on literature research and complemented by explanations due to its very specific use.

Mergers & Acquisitions (M&A) are legal transactions in which one party takes over another, or two or more parties merge. The following questions refer to M&A projects which aim at long-term integration. M&A projects may vary in terms of volume and internationality. The HR Due Diligence describes the analysis of human resource capital in order to determine the buying price and risks that go with it.

The term Human Resource (HR) is a synonym for the Human Resources Department, which is an integral part of and permanent institution within the company. This business unit consists of members who take care of HR-related issues for the business. Excluded are interims from other business units as well as external or internal consultants who act on a part-time basis.

An expert is to be defined as an authority with special knowledge in the field in question. Due to this special knowledge the expert is very competent and experienced and has a deeper understanding of M&A. Depending on the expert role, the issue is seen from different angles which may be consulting, financial, executive or HR-related. Main focus is on the overall experience instead of single projects which may, nevertheless, be quoted.

**Figure 20: Introduction of Interview Form**

Participant and M&A-related specifics refer to the vita and experience of the candidates. The interview form was sent before the appointment as a guideline to specify further details with respect to the research questions and helped to clarify the content.

- Interviewee: age, nationality, education, work experience and present job role
- M&A involvement: kind, volume, phases, role and years
- M&A responsibility: leadership, project, job title and tasks

**Figure 21: Participant and M&A-related Specifics of Interview Form**



The list of interview questions was generated according to research assumptions and elements of the model, but neither the assumptions nor the model were mentioned or presented. The interview form structure consisted of three parts and started with basic and general questions (questions one to six) such as HR's role, involvement, influence, strategy, functions and tasks and also executive expectations towards HR. Especially the first question regarding the role of HR in the context of M&A projects was intended as a "door opener" and to give an overview of the generic question categories allowing it to be a starting point for further discussion. The middle part started with the question about HR-related success factors (questions seven to ten) regarding HR controlling, competences, and general optimization potential. The last part (questions eleven to sixteen) went into more detail and asked specifically about issues or M&A phases based on HR-related success factors previously defined. It concluded with the question on HR-related failure factors and finally, the chance to add anything important in this context which hadn't been addressed before (question 17). Questions seven (HR-related success factors) and 16 (HR-related risk factors) had the same central theme but with a different point of view.

1. Which role does HR take in the context of M&A projects?
2. At which point of time and how is HR involved in the course of M&A?
3. What does the top management expect from HR in M&A projects?
4. How does HR take influence in the course of M&A?
5. Which are the HR-related functions and tasks in the context of M&A?
6. What are HR strategies in M&A and how are they implemented?
7. What are the HR-related success factors concerning M&A?
8. How does HR monitor and measure M&A project success?
9. What kind of competences does HR need to have to successfully drive M&A projects?
10. How can HR improve in order to effectively drive M&A projects?
11. In which way are HR Due Diligence results exploited in the integration phase?
12. How does HR control M&A communication for interest groups?
13. Which role does HR take in the project organization in the integration phase?
14. How does HR consider corporate culture issues in the integration phase?
15. At which point of time and how is employee co-operation supported actively?
16. What are HR-related risk factors in the context of M&A?
17. Do you see other crucial points which have not been mentioned yet?

**Figure 22: Interview Questions of Interview Form**

None of the interview partners corrected or questioned the definitions, so they remained the same throughout the interview phase. The order of the interview questions as well as the interview form design stayed and proved to be reliable and valid. The only exception was question 17 which

naturally came up after all other questions had been asked and the interview partner raised a topic or further details which had not been mentioned before. These additional remarks were included and added to the end of the interview. All answers were examined with the help of an anchor analysis in order to identify and allocate themes and topics to respective questions. This was to make sure that all relevant data has been taken into account for each question. Interviewees were only navigated if the answer given did not relate to the question, but not if repeating themselves on purpose because they felt a topic was important and needed to be mentioned several times.

#### 4.2.4 Research Phase

The research phase started with the pretest in July 2014. The first interview partner chosen was a highly specialized M&A strategy expert with long-term experience in this field. The interview form was given before the interview in order to verify if the interviewee matched the criteria and felt competent to answer the questions. The location suggested by the interviewee was a hotel chain which was supposed to be a neutral environment where the interview could take place undisturbed. At the end of the interview, the interviewee was asked for feedback. The closing of the interview section was introduced by one last question to cover those issues which had not been mentioned before. After the research phase, the final interview form was set up as master copy. The interview partners were contacted directly after the pretest and 15 finally accepted to do an interview. In case the interview had been accepted, the approval came within few days up to a week. If agreed, a date was set. The interview phase took place from July 31st until October 7th, 2014. The figure below shows the interviews which were conducted personally and those done by phone.

Interview Setting																
Interviews	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	All
Phone Call	no	no	no	yes	yes	no	no	no	yes	yes	yes	yes	yes	yes	yes	9

**Figure 23: Interview Setting**

Six out of 15 interviews were conducted face-to-face and nine out of 15 via telephone. The process before and after as well as the interview procedure itself remained exactly the same. In all cases, the interviewees were contacted beforehand via email or phone and received the interview form in advance. If possible, interviewer and interviewee preferred to meet in person. In two cases

the distance between workplaces did not allow a face-to-face meeting. Therefore the phone call after the briefing replaced the meeting and two phone calls took place. In a first step, the reason for the interview and its procedure were explained and then the appointment for the actual phone interview was set. The figure below shows the duration of each interview as well as the average time. There was no limitation in advance, e.g. interviewees were given as much time as they wanted. But in order to not steal too much of their time it was agreed upon to not spend more than two hours.

Interview Time																
Interviews	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Average
Minutes	52	75	63	39	52	58	55	26	48	54	30	31	52	53	65	50

**Figure 24: Interview Time**

The shortest interview took 26 minutes and the longest 75, with an average of 50 minutes for all interviews. If the results of figure 23 and 24 are combined, it can be resumed that the interview length was not affected by the decision for a phone call or a face-to-face session. All interviewees, apart from one, had thought about their answers in advance and some had prepared notes.

#### 4.2.5 Research Analysis

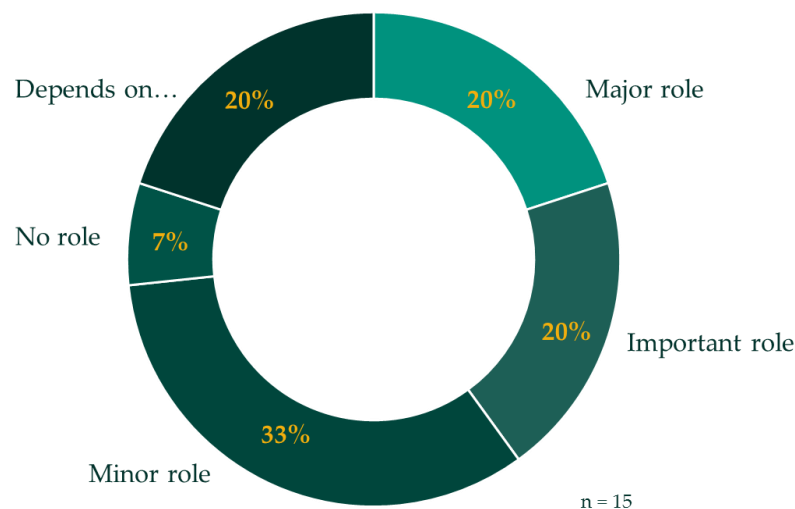
The answers were analyzed per question and by using the anchor method. For example, the answers given to question one were analyzed and, additionally, the rest of the transcriptions according to keywords like “the role of HR” and similar ones. The evaluation was partly done quantitatively and in other cases from a qualitative point of view. Since all findings related to M&A projects, in the following chapters, where the findings are displayed, the additional term “M&A project” has been skipped in the headlines.

### 4.3 RESEARCH FINDINGS

#### 4.3.1 Positioning

##### 4.3.1.1 Role Understanding

The role of HR was seen differently. While 20% said HR plays a major role in all phases except for decision-taking, one fifth said HR plays an important role. Two of those interviewed said the role is technical since the focus lies on data delivery and one person mentioned HR does not fully meet the expectations although it plays an important role. 33% said HR takes a minor role because it only delivers data, is not a member of the executive team and does not position itself strategically. One interviewee said HR plays no role at all, because HR issues are subordinate in the M&A process. 20% said that the role HR takes depends on the business strategy and cultural understanding, reputation and its seat in the executive team and is defined differently according to merger phases and it becomes more important over the course of time. With the exception of one interviewee, who said HR only plays a subordinate role, all the others agreed that HR should be involved in the pre-deal phase and have an impact throughout all phases. But HR is involved too late and behaves passively. The figure below shows the answers given.



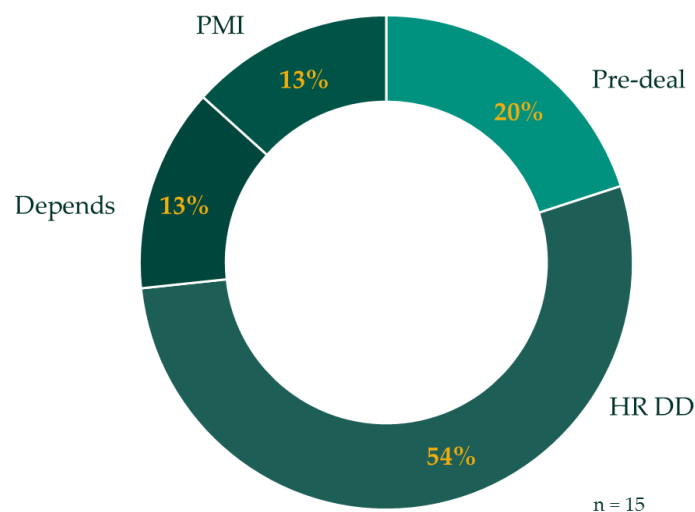
**Figure 25: HR Role**

If HR had a seat in the executive team, this would be an important precondition to get the mandate to drive M&A and have the competences and resources to act accordingly. HR has to recommend itself because HR reputation is low, and so are its involvement and responsibility. Role

awareness is a central factor in M&A business, because HR might be affected by restructuring, even if it is on the buyer side. Therefore, HR has to clearly define its own position before acting (No.2). HR must be able to handle various role requirements at the same time, e.g. being a role model for the staff but devil's advocate to merger management (No.6). HR does not take the role of a change agent or drive cultural change (No.6). But it has to consult, provide expert knowledge, be mediator and above all get leaders and key player to accept the responsibility for change (No. 14). HR is expected to technically integrate organizations thereby proving to be a master of its trade (No.15). HR-related issues have become more strategic and therefore the importance of HR is increasing, but it needs to be given a mandate and clear assignment in the context of an M&A project (No.15).

#### 4.3.1.2 Involvement

Almost half of the interviewees said that HR is involved for HR DD in the merger phase at the earliest and mainly acts as a support function to deliver technical data for HR DD. One fifth said that HR is involved in the pre-merger phase before the decision is taken. Two interviewees said that HR's involvement starts with PMI at the earliest, while two others said it depends on the case. All experts agreed on HR's involvement in an M&A project, but one mentioned HR might be replaced by the legal department.

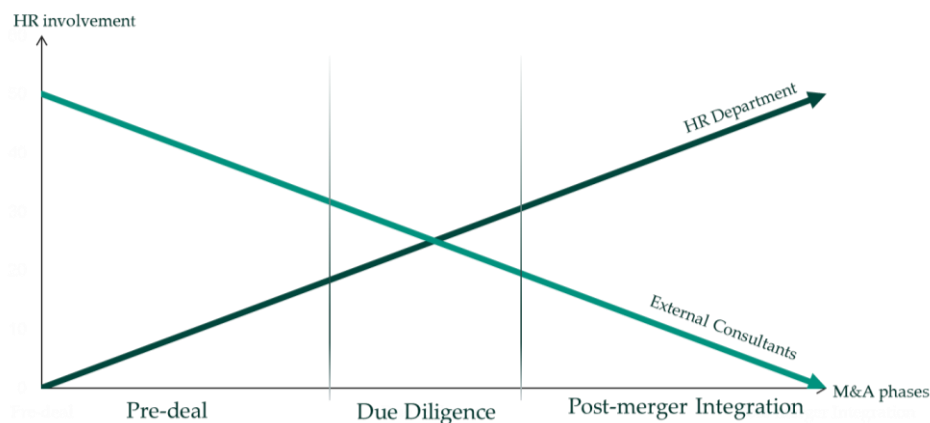


**Figure 26: HR Involvement**

All said that HR's involvement increases in the course of the process. The activity level varies from none in the decision phase to passive involvement by just delivering data, up to an active in-

involvement in the implementation phase. At the same time, involvement of external consultants decreases.

One HR executive said that “In the pre-merger phase HR relevance is 10-15%, in the merger phase the relevance is 50-60% and in the implementation phase it is 80 to 90%.” A consultant stated that HR’s involvement increases in the course of M&A phases, i.e. it is rare in pre-deal, likely in DD, and sure in PMI - contrary to consultants’ involvement, which is the opposite. HR should be involved in pre-deal in order to compare the status quo with the future business model and consider organizational and cultural aspects. Core HR capabilities in the integration phase are talent management, staffing, organizational structure, job description and evaluation, compensation & benefits, people development, communication and change management. Another consultant stated that, if the HR strategy is clearly defined and deducted from the business strategy, the HR department is more integrated. If not, HR remains reactive and passive. It is to be discussed whether HR has to position itself more strongly or the executive team has to define HR’s role differently and increase its responsibility.



**Figure 27: HR Involvement According to Phases**

#### 4.3.1.3 Management Expectations

Two thirds explained that HR has to deliver HR DD data accurately and three of those said that HR has to point out risk potential. Slightly more than half of the interviewees stated that in terms of data delivery for HR DD and PMI, top management expects HR to act professionally and

handle the whole deal smoothly. Almost half of the interviewees thought that top management expects HR to ensure the organizational migration in PMI concerning HR-relevant issues.



**Figure 28: Top Management Expectations**

Of those who said HR is responsible for accurate data delivery, one consultant explained that top management expects HR to create transparency and provide the management with all necessary elements of evidence for taking decisions. The indication of risk potential for HR DD mainly refers to human risk factors or deal breakers such as pension liabilities, labor contracts or compliance issues. For one former business unit executive the ultimate challenge for HR is to deliver quality profiles of regional key players. Of those who said that HR has to handle the whole deal as trouble-free as possible, a business unit representative was of the opinion that HR also has to care for cultural alignment. Moreover, HR is required to be master of its trade so that no complaints arise from any of the stakeholders. A consultant interview partner added that HR has to integrate workforce and systems as fast and as straightforward as possible, especially a joint compensation and benefit system and everything that belongs to personnel administration has to run smoothly. The focus is on HR's core competences like FTE management, workers' council issues and administrative processes and professional execution of all tasks. Those who declared that top management expects HR to ensure organizational migration in PMI concerning HR-relevant issues, said that HR has to ensure labor peace by co-operation with the workers' council. Moreover, HR needs a holistic approach to drive change through internal communication. HR has to ensure that target company employees are paid as usual and without any loss. But HR should also deliver a migration plan of a future organization including leadership positions and inform multipliers who enjoy trust. HR needs to integrate the parties involved successfully and as soon as possible and make sure that the culture of the target company is appreciated and both cultures are integrated. HR has to drive change and transformation.

But there was also a long list of other responses defining more clearly why HR in general does not fulfill the expectations of the merger management (isolated mentions): top management expectations vary strongly according to HR reputation and HR often lacks stimulation and a proactive approach to embrace the challenge; instead it complains and demands a clearly defined assignment of tasks. Furthermore, HR does not take an active role and does not manage the process together with the strategy and finance departments. HR does neither provide transparency of the process nor information on the next steps or a communication schedule. HR fails to deliver value creation which in the long run turns out to be business crucial and costly. Especially talent pools strongly add to it and HR does not integrate employees in a participative way and is not fully committed to whatever the situation will be. One consultant thought that the executive team is not aware of the additional value or helpful information HR could deliver, such as cultural aspects or compatibility of business models, methods, processes and structures. The consultants' view was that HR should have a business plan and an integration perspective, but the executive team is not aware of this right away. When it comes to PMI, HR's performance rises because operational doing and execution tends to be easier for HR than strategic and theoretical thinking. This goes with another statement that involvement of HR can be strategic or operational and depends strongly on the kind of deal and the competence of HR.

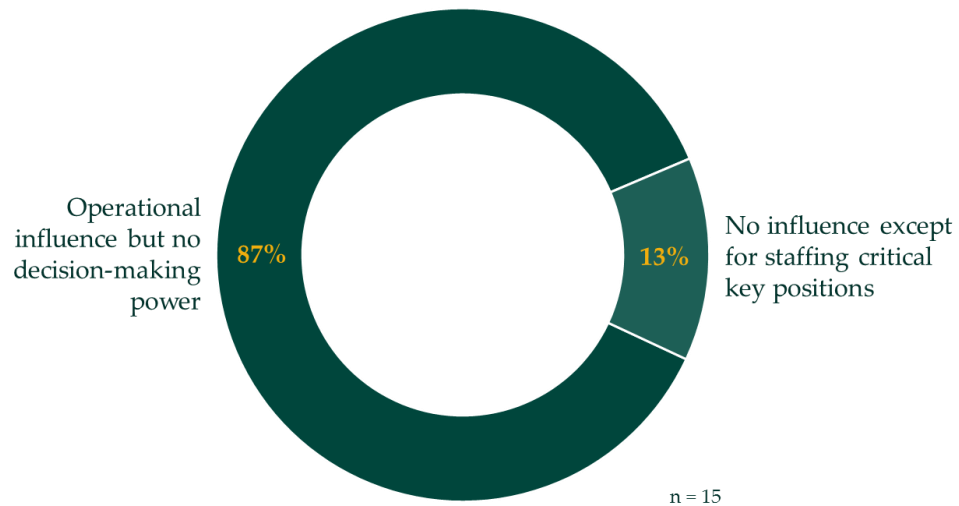
#### *4.3.1.4 Level of Influence*

The overall consensus was that HR has no decision-making power but operational influence instead. If HR is given power, it is for staffing critical key positions. Nevertheless, HR is expected to pinpoint risk potential and drive the implementation. According to the phases there is no influence in the pre-deal phase but it is growing in the DD phase and even stronger so in PMI.

Especially finance and strategy executives took the position that HR is part of the project organization, should deliver data and give advice, but has not decision-making influence. The same applies to the implementation phase, where HR is responsible for the smooth integration of the merger parties in terms of HR-relevant issues. One HR executive held the view that HR is seen as a support function, and that it strongly depends on other business units which are to be consulted if basic processes or structures are changed. This is supposed to be easier if the HR director is part of the managing board. Another HR executive thought the influence HR is allowed depends on the HR reputation, i.e. the more strategic involvement, the more decision-taking power. An interview-



ee who was responsible for organizational development said it has to be “the right influence” and strongly related to the value proposition HR could deliver in terms of financial KPIs. All expected HR to strongly influence the workers’ council to avoid a standstill due to unsolved labor issues.



**Figure 29: Top Management Expectations**

A business unit leader saw HR as a central communicator in the context of change, but doubted that HR is able to effectively develop and implement a communication strategy. Moreover, the business units, i.e. leaders and managers responsible for change, missed HR support and transparency and felt left alone. Another consultant backed this up by agreeing that HR would be perfect to drive change with the help of feedback loops and a participative approach. Employees need information to continuously process change steps, which is crucial in all phases, but especially at the beginning. Therefore, HR has to feed the network and prepare information accordingly. Two business unit leaders said that HR must support and influence leaders to take responsibility for change, but that HR does not meet the expectations. One HR executive pointed out that if HR does not succeed in moving leaders and managers to take responsibility for change, the whole integration success is endangered. The consultants’ view was that HR should be involved as early as possible and have a seat in the decision-making board, but that, actually, HR’s influence is small and mainly functional, focused on FTE management and organizational structure in terms of span of control and unit allocation. HR does not address human capital questions such as key player integration to be in line with the future business model. Consequently, a high staff turnover can be ob-

served at the beginning of the integration phase which is due to a lack of transparency regarding the management of cultural differences and change communication.

All in all, the interviewees saw many fields, apart from technical integration, where HR could take the opportunity to have a decisive impact. But reality shows that HR is either not given the mandate or does not accept it. None of the interviewees specified any further reasons for this.

#### *4.3.1.5 Discussion of Findings*

The factors role understanding, involvement, influence and executive expectations (questions 1, 2, 3 and 4) correlate and therefore the interpretation of the answers is combined. Almost half of the participants said that at the earliest, HR is involved with the DD in the merger phase and mainly acts as a support function to deliver technical data. These results coincide with executive expectations to accurately deliver HR DD data, indicate risk potential and handle the deal frictionless concerning data delivery for HR DD. Furthermore, the interviewees concluded that the top management expects HR to ensure the organizational migration in PMI concerning HR-relevant issues. All said that HR's involvement increases in the course of the process. The activity level varies from almost none in the decision phase to passive when delivering data and switches to active in the implementation phase. At the same time, all interviewees consented that HR is not involved in the decision making.

Expert viewpoints vary in terms of evaluation of data delivery. Whereas finance and strategy business unit leaders as well as HR representatives said that HR DD data delivery is highly important, non-financial business unit leaders were of the opinion that financial aspects come first and HR-relevant issues are of secondary interest, unless HR is regarded as a strategically relevant partner and not only an administrative expert, which is mostly the case. Thus HR involvement strongly depends on the reputation HR has in the company. Actually, HR should play an important role, but hesitates to fully come up to expectations. This results in "lost leadership" and a lack of transparency, to the detriment of the business units. The consultants even went one step further and saw the reason in a lack of strategic positioning and the fact that HR has no seat in the executive team or merger management to increase power of influence. The consultants' view was that HR should be involved in the pre-deal and have an impact throughout all phases, but HR is involved too late and behaves too passively. HR has to recommend itself in order to increase its

impact, provided that it has the competence and resources available. Nevertheless, it has to be given the mandate for early involvement. Consultants and non-financial business unit leaders demanded that HR take the initiative and take on responsibility, whereas HR representatives wanted to be given the mandate in advance. The expert groups agreed on the role HR should take, but views differ as to how this can be realized or who is responsible to turn the situation around.

### 4.3.2 Human Resources Organization

#### 4.3.2.1 *Function and Tasks*

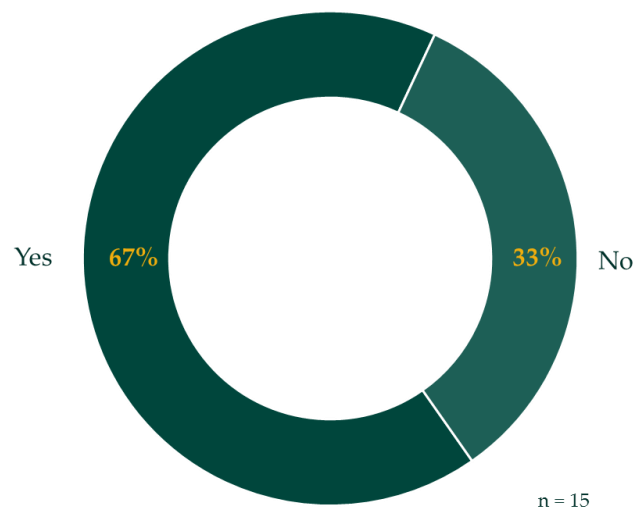
In the pre-deal phase, the HR function is to advise merger management. Overall HR involvement is low anyway. In the DD phase, the scope and intensity of the tasks grow drastically and HR has a support function. It has to deliver technical information for the data room within a short period of time and usually there is no time to prepare accordingly. When it comes to PMI, the scope and intensity of the tasks reach the highest level. The HR-relevant parts of the process are to be supervised by HR who is responsible for migrating the parties and has the project lead role. The kind and depth of involvement depend on the reputation HR has and which additional value it can create, but also on former experiences the managing board has had with HR. Several interviewees highlighted the process understanding which is necessary in order to carry out a successful implementation. An M&A project was defined as a slow-moving change project with long-term implications and the business units have to align accordingly. The change activities should be embraced through all three phases and can be divided into central or strategic and local or operational tasks. It would be better for the organization to develop competence for growth and change processes internally and build up task forces beyond normal business instead of buying in consultants.

The tasks in PMI (isolated mentions) are FTE management and headcount planning, restructuring measures and costs, legal services, contracting including severance packages, organizational design and migration, cultural alignment, internal communication, town-hall meetings with the executive board, ensuring labor peace by building an alliance with workers' council, employee surveys and feedback, talent management, retention management, performance management, job evaluation linked with compensation & benefits, leadership development und teamwork, diversity and inclusion. Again, the overall minimum requirement is competent and professional handling of HR-relevant issues and integration. In the merger phase assessment of human capital potential and costs are in the focus in order to create efficiency. During the PMI HR has to adjust processes and

systems and take responsibility for communication policy in line with the executive board. The consultants' view was that strategic realignment, new organizational design, HR-framework and structure, employer branding, change and communication, talent management as well as workers' council involvement are developed by headquarters and translated into HR programs, retention plans, development programs and recruitment measures which are implemented in local units. All this is directly interlinked with IT and information systems. Another interviewee explained that in DD, the tasks are of an administrative nature concerning legal and workers' council issues, but in the PMI, tasks are operational with respect to driving change and ensuring employee integration. The interviewee criticized that HR does not actively manage the organizational change from a political and legal point of view. This is related to FTE management and job evaluation and thereby stresses the lack of alignment of the HR-related tasks to the future business model.

#### 4.3.2.2 Strategy Implementation

Two thirds of the participants said there is no individual HR strategy in an M&A whereas one third argued a strategy does exist. If HR has a Chief Human Resources Officer (CHRO) reporting to the strategic board, the HR strategy is likely to correspond with the overall business strategy. In these rare cases, HR has a blueprint to align the structure and processes of the HR organization, be it corporate or local HR, to the new business model.



**Figure 30: Individual HR Strategy**

The finance unit leaders' viewpoint was that there is no need for an HR strategy because M&A motives are of an economical nature and human capital plays a subordinate role. HR's view

was that if HR strategy does not exist, HR is acting reactively instead of future-oriented. Those who said HR strategy is defined according to M&A, thought that HR has to know the overall strategy and blueprint in order to devise the future organization and manage integration successfully. It was further mentioned that HR is only able to translate corporate into HR strategy if it is close to operations and participates in management meetings of the business units. Again the importance of line management was highlighted, because HR is a mediator and must translate M&A and HR strategy with the help of line management. This is to ensure sustainability when the merger project fades to day-to-day line operations. Another interviewee remarked that HR is expected to translate and important topics into a detailed HR strategy so that these can be transferred into HR programs. HR would be expected to understand corporate strategy and market environment and to network with other economic disciplines. Moreover, HR should continuously provide HR-relevant information based on numbers, data and facts to the executive board and be aware of success factors.

Talent, leadership and retention management, as well as employee relations, are supposed to be slow-burners for every M&A project. Nevertheless there is no universally valid HR strategy. It has to be developed individually in line with the specific M&A project, but is crucial to success. HR and business strategy could also be identical if HR contributes measurably to business performance and business strategy comprises HR-relevant KPI. Instead of defining its own strategy, HR could also focus on ensuring sustainable success for the organization. The consultants' view was that HR strategy depends on the overall business model. If the business strategy has not been defined in the pre-deal phase, even though the business case is a Fair Deal, HR is not able to devise a HR strategy accordingly. A clear definition of the buying motivation, such as target market position, product portfolio fit and match of strategic core business is a precondition. M&A projects are economically driven and HR has to understand the future operating model in order to know the implications for the organization and define HR initiatives accordingly.

A correlation between HR strategy definition and HR structure can be observed. The existing HR portfolio determines strategy involvement since the definition of role and function strongly depends on the organizational setting. If the HR function is restricted to the core business such as payroll, recruitment, employee relations and development, it is hard for HR to deliver added value. If HR also embraces other disciplines and can fall back on HR-related controlling, organizational development, communication, change and culture management etc., strategy definition and implementation is more likely to be in the focus. Almost all interviewees agreed on the importance of

an integrated HR strategy concerning all relevant merger issues; it was even seen as a success factor. One consultant opened up a fundamental discussion whether the importance of strategic HR-relevant issues is increasing in M&A or if HR takes a more strategic role. From his point of view HR subjects should become more strategic and top management awareness of these should increase. This does not automatically go with pushing the HR organization in a more powerful role. Moreover, the top management's requirement and mandate in all three phases should become clearer. It does not always need a CHRO to effectively fulfill role expectations, but it definitely helps in the interviewee's opinion.

#### 4.3.2.3 Competences

The answers as to what kind of competences HR needs in order to drive M&A projects successfully, can be subdivided into three categories. 28 of these answers referred to professional skills, eleven to social skills and seven to individual skills. Multiple answers were possible.



**Figure 31: HR Competences Required in M&A Projects**

In conjunction with professional skills change management as well as communication management occurred six times, project management four times, technical know-how and experience as well as organizational development three times, reporting skills including IT and information systems two times, talent and leadership development two times, risk management one time and culture management in terms of awareness and sensitivity towards different value systems one time. With regard to social competence, conflict management skills were indicated three times and negotiation skills twice. The following skills were indicated once each: leadership skills, moderation skills, networking skills, feedback processing skills, strategic and conceptual skills. Individual competence was mentioned seven times. HR is expected to be aware of its own role, to be courageous, responsible, enduring and analytical. Furthermore, it needs to build trust by listening and

showing empathy (two times) and has to understand the business strategy in order to get a broader view (two times).

All interviewees were of the same opinion that HR needs a mix of different competences according to various M&A phases and projects. All in all, HR handling was described as a patchwork with a lot of gaps. HR understanding has to change towards the delivery of a value proposition which needs to be defined by HR in accordance with the business partner model and strategic focus. HR should actively drive change instead of only focusing on technical integration. Furthermore, HR should be a part of the executive board and have access to data and facts concerning the M&A.

#### 4.3.2.4 Discussion of Findings

The strategy, competences, function and tasks of HR (questions 5, 6 and 9) relate to the HR organization including the operating model and HR performance. Two thirds of the interviewees said there is no specific HR strategy in an M&A, whereas the other third said a strategy does exist. A non-existent HR strategy in M&A shows itself in a lack of added value delivery and HR positioning. Without a defined HR strategy HR's actions are reactive instead of. The existing HR portfolio determines strategy involvement since the definition of role and function strongly depends on the organizational setting. If HR only provides core processes, such as payroll and recruitment, it is hard to deliver economic value. Nonetheless a state-of-the-art HR department is not automatically in line with the company's strategy and the post-merger business model but has full accountability in all phases. The experts agree that HR has to understand the strategy and the future business operating model in order to know the implications for the organization and define HR's initiatives accordingly. Even if it comes down to an overall minimum requirement of competent and noiseless technical handling of HR-relevant issues and integration, HR needs to know where the journey goes. Only on the basis of strategic and economic landmarks HR is able to assess human capital and risks properly and act efficiently.

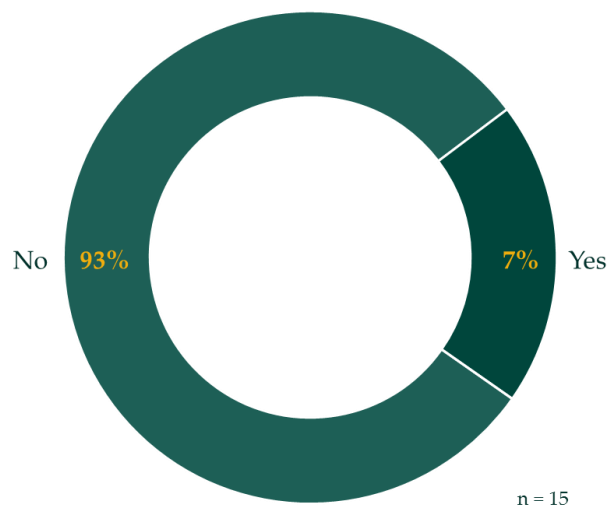
Quality and output of HR's performance predominantly depend on the overall strategy. If the goal is not transparent, it is hard to adjust processes and systems and take responsibility. This applies to the communication policy in line with the executive board in order to create added value as well. Besides the blueprint for the overall business model and the business unit re-organization, the HR project organization or workstream can only be established with existing resources and a mix

of different competences. HR's actions are described as a patchwork with a lot of gaps and some interviewees complained that HR just works through its tasks like item on a list instead of actively driving change. HR's understanding has to change towards delivery of value proposition and HR should define the value proposition in accordance with the business partner model and focus strategically. HR has a project lead function and has to migrate parties in close co-operation with line management for which it acts as a mediator to translate M&A and HR strategy. Eventually, sustainability needs to be ensured when the M&A project fades into day-to-day line operations. Line management responsibility was not mentioned by those interviewees who were line managers or executives at the time of the interview.

### 4.3.3 Performance Measurement

#### 4.3.3.1 Project Controlling

Almost all interviewees said there is no standard HR reporting for M&A KPI known or available. The dominating opinion was that HR cockpits are rarely available and HR-relevant KPIs with relevance to M&A-projects are not provided. Technical and quantitative KPIs are prevalent whereas qualitative KPIs are recommendable but not the rule. State-of-the-art controlling should give economic output including cultural aspects and not only raise statistics, numbers and cost factors.



**Figure 32: M&A Project Success Monitoring**

The categories for HR-relevant KPI for M&A are people-, process- and cost-related. There were nine cost-related mentions, such as personnel expenses, headcount targets, compensation &



benefits, alignment speed for key player grading, individual target achievement, goals set in social compensation plan, number of lawsuits and parachutes, vacancies, voluntary and wanted fluctuation, average age of leaders and staff.



**Figure 33: KPI for M&A Project Success Monitoring**

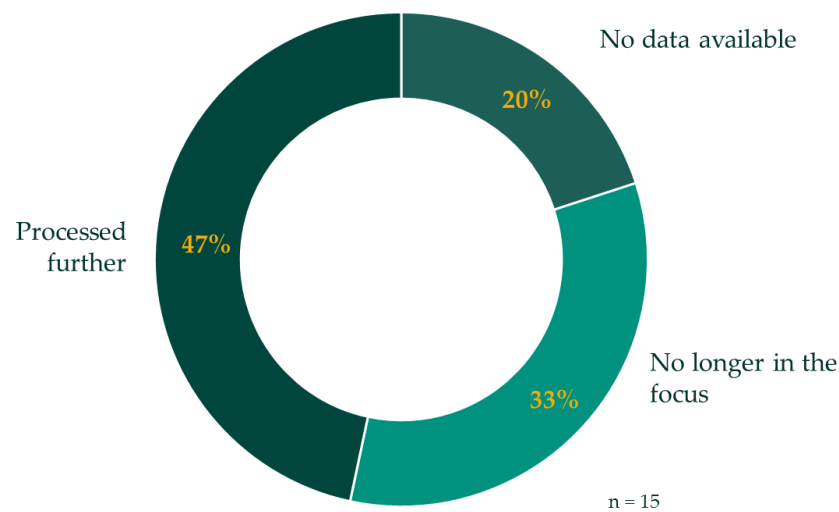
The five terms 'leadership behavior', 'talent pipeline and fluctuation', 'employee survey indices', 'people motivation', 'communication and feedback' that were mentioned fall under the people-related category while 'integration and target achievement', 'implementation degree of different programs' as well as 'cultural alignment initiatives' are process-related.

#### 4.3.3.2 Due Diligence Data Exploitation

Concerning the exploitation of data analyzed in the HR DD, 7 out of 15 interviewees said that the results are further processed in the implementation phase. The HR DD results are a baseline for strategy and integration planning where KPIs are defined, monitored and adjusted continuously with the help of HR information systems. Five participants said that HR DD data is no longer in use afterwards and not in the focus anymore in the migration phase. One interviewee remembered numerous legal restrictions that come along with an M&A, especially data protection which is important in Germany. Some of the interviewees hinted at German Labor Law which, in a European and also more global context, is very strict as far as employees and employer relations are concerned. In Germany, § 613a Bürgerliches Gesetzbuch (BGB) (German Civil Code) often applies in M&A scenarios, stating that employees are legally transferred to the new buyer (Scharfenkamp 2002). Finally, 3 out of 15 said there is no HR DD at all.

Those who said that HR DD data is further processed mentioned headcount planning and FTE management, which is analyzed and serves as a baseline for HR controlling, but also individual talks with the staff. Frequent reviews of action plans which were based on HR DD data are done

by HR information systems in order to objectify. HR DD data serves as a basis for the technical payroll integration and accounting. If HR DD data is processed further, the following examples for KPIs were given: attrition rate, severance packages, key player retention, headcount planning, FTE management, absenteeism, contracting, staff structure, personnel expenses, demographic situation, compensation and benefits, budget, assessment results. Those who said that HR DD data is no longer used explained that KPIs are forgotten soon and no longer in the focus in the migration phase.



**Figure 34: Exploitation of HR DD Results in PMI**

#### 4.3.3.3 Discussion of Findings

HR controlling relies on a data basis which is defined in the HR DD and could be followed or amended in line with the strategic factors and KPIs. Therefore, these two aspects are combined in the following results analysis (questions 8 and 11). Although the experts saw the need for success monitoring in M&A projects, a standard HR-related KPI reporting is hardly available or, if it is available, is reduced to only few simple figures and facts. Thinking of HR reporting in general, most interviewees said that HR cockpits and a profound reporting in line with strategy goals is not the rule. While a mixture of qualitative and quantitative KPIs would be recommendable, technical KPIs are prevalent. Controlling categories are mostly cost-related, partly also people- but only in a few cases process-related. The overall opinion was that state-of-the-art controlling should provide a guideline for strategy alignment. Furthermore, cockpits should include qualitative factors, such as

cultural aspects for example, and not only raise statistics, numbers and cost factors. Taking into account the full HR repertoire to drive the business, this functional role seems to be the most obviously neglected one although it possibly easily adds tremendous benefit in the eyes of executives.

In less than half of the cases the results of the HR DD data exploitation are further processed and taken as a baseline for strategy and integration planning with defined, monitored and continuously adjusted KPIs. HR DD data is the basis for technical payroll integration, compensation and benefits handling as well as severance packages. HR controlling relates to personnel expenses, headcount planning and reviews of action plans. Furthermore, a number of relevant KPIs were given, but interviewees admitted that they are not always applied, e.g. attrition rate, key player retention, absenteeism, contracting, staff structure, demographic situation, and assessment results. These results prove that KPIs in the implementation phase are deducted from HR DD only in every second case and are mainly cost-related.

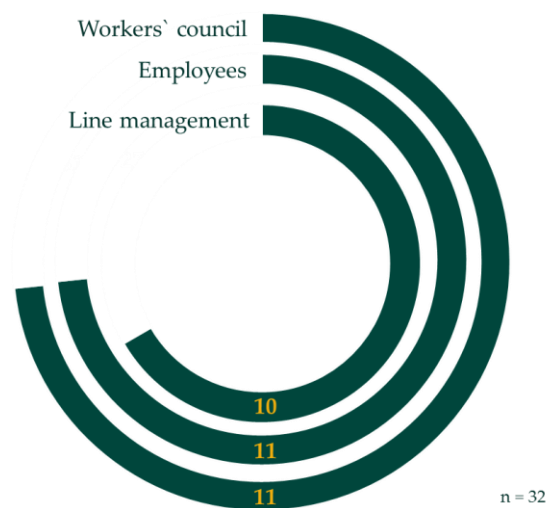
Other process- and people-related or strategic and qualitative KPIs are rarely chosen and followed. Consequently, success is only monitored on the cost-side, but it is neither transparent nor related to added value. It is even more striking that efficient and effective standard reporting related to the business strategy and the business model is frequently neglected. This shows a strong potential for optimization, especially if HR wants to contribute to successfully achieved business goals. This applies to day-to-day business and even more to M&A projects.

#### **4.3.4 Post-merger Integration**

##### *4.3.4.1 Communication*

All experts agreed that communication is decisive in the course of an M&A project, and that HR is responsible for or at least should contribute to internal communication whereas external communication is done by other departments or external specialists. Communication to internal target groups primarily refers to the workers' council and employees and 11 out of 15 interviewees saw this task to be fully assigned to and carried out correctly by HR. When HR had been responsible for workers' council communication, no other specialists were involved. In those cases where HR was responsible for employee communication, it had been supported three times by specialists, i.e. Corporate Communication or Public Relations departments.

In those cases where HR was expected to do management communication, it was supported four times by communication specialists. Communication was seen as an important tool in the M&A project. Some interviewees went into more detail and said that a communication strategy should have a roadmap addressing all stakeholders and be in line with the executive board. It should be developed by specialists, e.g. the internal communication department and resort to a media mix consisting of emails, individual talks, town-hall meetings, briefings and brochures and other online tools. HR and Corporate Communication should set up a communication roadmap for HR-relevant stakeholders, such as line management and employees, and should define when to inform whom about what and via which channel. Of course, internal and external communication has to be aligned and to be closely synchronized with the executive team.



**Figure 35: HR Communication**

Those who mentioned investors said all external communication is done by specialists, e.g. by the Finance department, Investor or Public Relations, who have a leading function and integrate all other communication workstreams. One HR director mentioned that investors are informed first, next is the market and the press, done by Public Relations, then management and the workers' council and finally the employees. One HR responsible said that a target-oriented communication concept done by specialists can only deliver reliable results with the help of feedback from multipliers of the company.

Another interviewee said HR had to market itself and keep an eye on it that communication plans consider the relevant channels and messages in accordance with the executive team. A business unit leader pointed out that HR does not communicate proactively and in time but instead is prompted by management, which is in need of employee communication. A two-way communication was mentioned frequently stating that it is not only important to inform the workers' council, line managers and staff, but also to process this information actively and get answers in return. Some interviewees stressed the importance of top management alignment with the communication plan. HR is expected to give feedback to the executive team and process opinions and comments of employees and line managers accordingly. Another interviewee stated that asking questions, listening and giving feedback are core competences of HR, as well as openness, curiosity and remaining in the dialogue. A consultant's standpoint was that feedback and dialogue are very important, especially processing feedback, working out new standpoints and keeping up the dialogue with employees. HR has to identify crucial issues and point them out to those in lead of the merger project, but project leaders then have to assess their relevance.

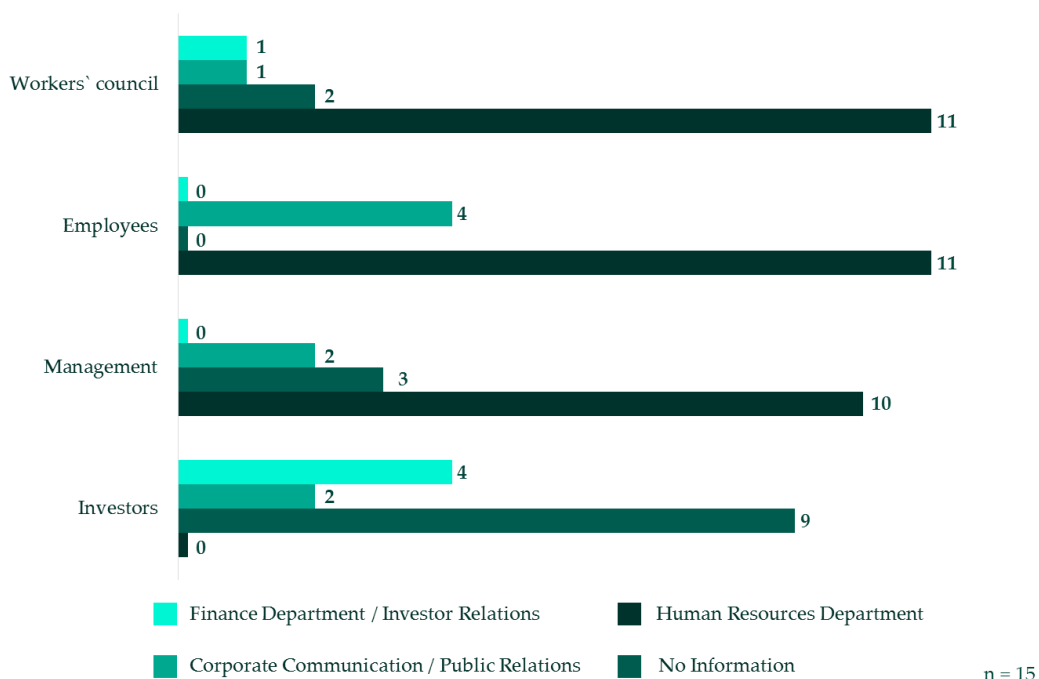
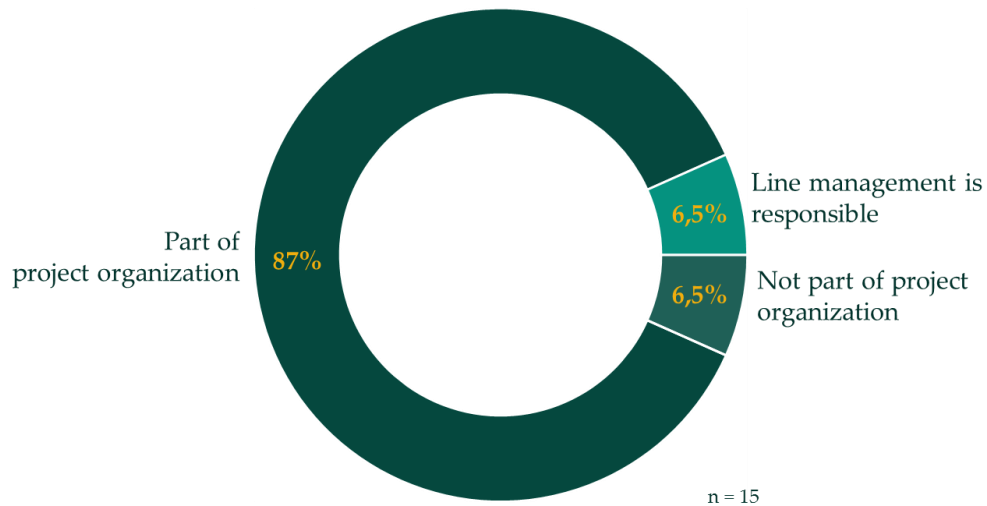


Figure 36: Communication according to Target Groups

#### 4.3.4.2 Project Integration Team

As far as the implementation phase is concerned, the majority said HR is responsible for the implementation of HR-relevant core business and part of the project organization, but it has no leading function. One interviewee answered that HR is not part of the project organization but has to deliver HR-relevant information and co-ordinate workers' council issues.



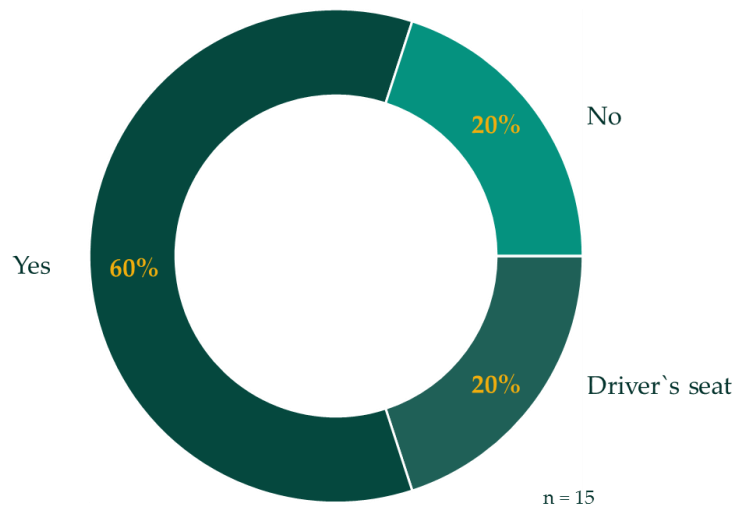
**Figure 37: HR Role in PMI**

One consultant was of the opinion that, on request, HR has to iron out accumulated problems which have not been solved by the project organization before the implementation phase. Another consultant said that HR has to see to it that processes run smoothly by creating a sense of urgency and activating employees as early as possible. As ambassadors of cultural growth HR has to initiate and keep going feedback processes and help by processing information. This is to be reached by planting a virus of change and trust that must be cultivated and nursed so that two units can grow together.

#### 4.3.4.3 Corporate Culture

Only three participants said that HR drives change strategically and proactively, is in the lead for translating corporate into HR strategy, and implements HR-relevant systems and tools to shape culture accordingly. The majority, 9 out of 15 interviewees, said HR is involved in cultural change but has no defined mandate, strategy or concept. Instead, culture seems to be an umbrella term for various definitions. Nevertheless, all stressed the importance of cultural change. Also 3 out of 15

claimed that HR is not involved in cultural change. Three experts answered that HR does not take over the responsibility for cultural change. One assumed that cultural change is given up due to other priorities in the implementation phase. The other two had no other explanation than that HR does not feel competent enough to drive cultural change.



**Figure 38: HR Involvement in Cultural Change**

One consultant said that HR is not aware of corporate culture and could stumble over many risk factors in the course of the process if expectations were not clearly communicated by the executive team. Often HR is not able to define cultural indicators which therefore have to be identified in a requirement analysis. Four HR experts stressed the role of leadership and believed that the help of leaders acting as role models in the context of cultural change is highly important. One interviewee argued that it is the executive team that has to address cultural issues and that HR is not in the position to control the cultural consolidation of merger parties.

One interviewee stated that the term 'corporate culture' is hard to define and understood it as the value system from which corporate visions are derived and corporate values are identified. Furthermore, there were numerous false assumptions about cultural change, as for example that cultural change could be completed quickly and managed like a project. Fundamental cultural change, however, takes seven to ten years and cannot be forced upon staff. Instead HR can provide a framework to nurture learning and growth with the help of managers and leaders who have to act as role models. Other participants referred to corporate culture as soft factors, e.g. openness, assignment of responsibility, open feedback culture, hierarchical thinking, code of conduct and

performance management. Cultural clashes can arise from generational conflicts, e.g. agile versus old technologies, regional and language differences, or when cultural change lacks a transparent information management and a communication strategy in line with company guidelines. One HR director pointed out that the mission statement makes value orientation clear and serves as a framework for cultural development. In this context HR is an integral part of setting up culture-shaping messages, e.g. training programs and subprojects for leadership. A consultant backed this up by saying that cultural programs need to be introduced top-down by pilot groups and role models. Later on, these examples can be adapted to other target groups so that culture can evolve faster due to common learning processes. A HR representative warned that employees must not be overstrained and that is important to first understand the history before staff is expected to adjust to upcoming changes.

#### 4.3.4.4 Employee Co-operation

As far as the starting point for collaboration is concerned, 7 out of 15 interviewees said it starts at Day One when it is made public or even before and 5 mentioned mixed teamwork which is organized by line management. 12 out of 15 said that employee communication starts with the closing of the deal and official announcement of the M&A parties going together. Of those, three said partly even before Day One as far as legal restrictions allow.

Five out of 15 interviewees said that as collaboration drives the business units and the management have to prompt and organize working in mixed teams. Moreover, a consultant regarded it as crucial for success to initiate collaboration immediately and create synergies by developing best practices out of new modes of working and configuring teams in a constant learning environment.



**Figure 39: Employee Co-operation**

One HR director believed that HR can only recommend and provide a framework for employee dialogue, but that it is up to the management to prompt and nurture employee co-operation



starting as early as possible. Some mentions considered suspicion versus trust towards colleagues and the following statements relate to this. One HR director, for example, said that new team members have to be activated by management in order to handle emotional and mental change very early in the process. Another one believed competition in support functions may arise due to job positions that mirror each other. In these cases, social compensation may provide severance packages. If there is no overlapping in non-support functions, co-operation is not crucial. Even if employees are animated to get to know each other before the deal is going to be closed, suspicion and fear of losing their job can prevent them from being open and communicating with each other. A business unit leader was of the opinion that employees have to be caught emotionally with the vision at town-hall meetings at Day One. The mission statement and strategic goals have to provide a framework in case the change curve goes from euphoria to the valley of despair. Employee co-operation is nourished in the integration phase when the two organizations merge. Nevertheless, this may be too late since DD results could already have been taken to coordinate working processes in order to make job placements and people development transparent.

The conclusion is if early information management and collaboration are crucial for success, a concept of how collaboration could be organized from Day One or even before needs to be available. HR could be held responsible to set up a concept in close co-operation with business units for informing, introducing and aligning working groups, processes and systems. Instead it lacks awareness, plans and tools. Only one interviewee stated that collaboration is driven and organized by the project team, which is not HR. Management would probably need help for a pragmatic approach to organize first weeks unless they have former merger experience.

#### *4.3.4.5 Discussion of Findings*

In the post-merger phase there is a strong emphasis on the project organization, corporate culture, co-operation and communication (questions 12, 13, 14, 15). First of all, the interviewees referred to culture as corporate and in a few cases as local and foreign. Throughout the interviews there was a strong indication for the need of communication on several levels. HR is the intermediary between employees, line managers, the workers' council and top management and has to address all target groups accordingly. While workers' council communication is almost completely left to HR, it gets help from the communication department to address line management and employees. Apart from a proper and professional internal and external communication strategy in line

with all stakeholders, it becomes clear that information needs to be processed and reframed by management and employees. Most experts saw HR in the position to be a catalyst for feedback processes, especially between staff and the executive team. Since the information flow is top down, the executive team always has a lead over line managers and employees. HR is expected to inform but also stimulate a dialogue between HR and staff or staff and the executive team. A two-way communication is extremely important and HR is expected to be the devil's advocate and reveal so far undetected aspects of the change process the executive team is not aware of. If the integration does not run like a clockwork, the key players, which are often leaders and change multipliers, may not sit in the right positions. The above results go with formerly discussed research results revealing that change project success factors for executives, line and project managers are participation, communication, feedback, co-ordination, monitoring, people development and having enough resources available.

### 4.3.5 Contribution and Outcome

#### 4.3.5.1 Success Factors

The categories given for HR-related success factors are *Talent Management*, to be understood as HR identifies, rewards, develops and retains key players, *Data analysis and controlling* to ensure data review and smooth execution, *Added value* to leverage human capital with respect to the business model, *Cultural alignment* with HR establishing surveys and feedback to process cultural change, *Communication* to all target groups, *Change Management* to have change agents and task force, *Workers' council co-operation* in order to ensure labor peace, *Internal stakeholder* management for HR to buy-in relevant target groups and *Depends on Goals set* because the success relies on strategy set.

In the category *Talent Management* (8 mentions in total), talent identification, development and retention of key players was listed, coming from all expert groups, i.e. business unit leaders (5 mentions), consultants (1 mention) and HR directors (2 mentions). In the category *Added value* (5 mentions in total), the comments given by consultants (4 mentions) were to compare performance factors and value systems of organization and leverage potential by matching human capital (i.e. qualification, experience, potential, personality) with organizational capital in the light of the business model., Furthermore, HR success factors are to be transparent and identify the need for devel-

opment and strategic positioning. One HR director mentioned the importance of the strategic value of HR BPs who have to be close to operational units by providing all-time information about HR workstreams. In the category *Data analysis and controlling* (5 mentions in total) it business unit leaders said that it should be carried out in time and within the financial framework, HR DD must be executed smoothly and the integration driven successfully. Smooth handling of HR-relevant legal issues, review of numbers, data and facts in order to identify tendencies and deduct actions and business key performance indicators like growth, profitability, customer satisfaction, employee satisfaction were given by HR directors (3 mentions).



**Figure 40: HR Success Factors**

In the category *Cultural alignment* (4 mentions in total), consultants (2 mentions) commented that performance factors and value systems of organizations need to be screened. Also important in their opinion was to take culture as a change success factor, i.e. leadership and management style with regard to the market. A business unit leader (1 mention) said that cultural alignment has to be assured by people surveys. And an HR director (1 mention) said employee surveys and feedbacks about culture and career perspectives are important. In the category *Communication* (4 mentions in total), consultants (3 mentions) and one HR director (1 mention) agreed that communication to all target groups such as employees, line manager and the workers' council is an important change success factor. In the category *Change Management* (4 mentions in total), consultants (3 mentions) said that agents and task forces are necessary to get a buy-in of those who are concerned and to

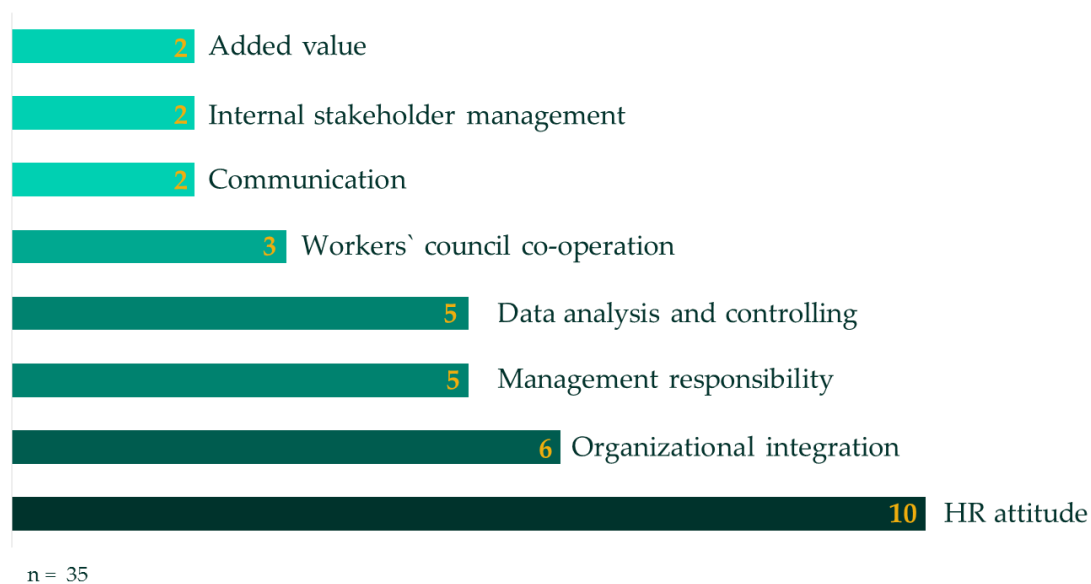
motivate them. And they also said that being aware of change factors helps to diminish fears and insecurity. An HR director agreed that change agents and task forces are needed.

In the category *Workers' council co-operation* (3 mentions in total), one business unit leader (1 mention) and two HR directors (2 mentions) agreed that labor peace by handling workers' council issues successfully is extremely helpful. In the category *Internal stakeholder management* (2 mentions in total), HR directors agreed that the by-in of business units has to be ensured by HR and new colleagues are to be trusted; also a close alliance with HR colleagues is important. In the category *Depends on goals set* (2 mentions in total), a business unit leader and an HR director believed that success factors relate to the goals defined. Most mentions in the categories *Talent Management*, *Added value*, *Cultural alignment*, *Change Management*, *Communication* came from business unit leaders and consultants, whereas the categories *Data analysis and controlling*, *Workers' council co-operation* and *Internal stakeholder management* were mainly referred to by HR directors.

#### 4.3.5.2 Risk Factors

The following remarks emerged when talking about HR-related risk factors: HR attitude can impact change in a negative way if HR does not secure organizational integration or demand management to take responsibility. The M&A project is endangered if HR fails to do an accurate data analysis and controlling or does not ensure workers' council co-operation. But it is also endangered if HR does not provide proper communication, is unable to build trustful relationships or does not deliver a value proposition. In the category *HR attitude* (10 mentions in total), consultants (5 mentions) said that HR is risk-averse, does not give critical feedback to the executive team, has fear of losing power or influence in the future organization, waits and sees and hopes that things get done by themselves, does not value other cultures and thereby lacks esteem towards employees. HR directors (3 mentions) criticized that HR has not learned from former mistakes in M&A projects and has no courage to admit mistakes and adjust and understand M&A projects as its administrative duty. Business unit leaders (2 mentions) believed that if HR is unmotivated, not acting as a role model or ambassador of culture, and if HR is not visible and the management and employees feel left alone, insecurity rises. Mentions in this category are given by all three interview groups. The graph shows the categories.

In the category *Organizational integration* (6 mentions in total), business unit leaders (3 mentions) stated possible risks are if HR fails to ensure technical integration and especially payroll does not run smoothly. Also if HR has not prepared transformation properly and problems delay integration. Finally, if HR does not manage to integrate merger parties accurately and competition arises. Consultants (2 mentions) saw risk factors in case HR does not succeed in technical integration of business units, such as leadership, cultural fit, but also compensation & benefits. Especially false or no grading may affect overall costs. An HR director (1 mention) considered it a risk factor if HR does not deliver a new organizational design for migration. The mentions in this category predominantly came from business unit leaders and consultants, only one HR director also commented on this.



**Figure 41: HR-related Risk Factors**

In the category *Management influence* (5 mentions in total), HR directors (4 mentions) believed the project is at risk if HR only aligns processes and leaves the responsibility with the business units. Additionally, if HR does not demand management to take over responsibility for their units and guarantee results by employee feedback, or if HR does not prompt management to take responsibility for merging two units into one. Furthermore, in their opinion it is risky if HR does not isolate leaders and managers which oppose the merger and change. A consultant (1 mention) said it is crucial if HR allows key players to leave. The mentions in this category exclusively came from HR directors except one consultant.

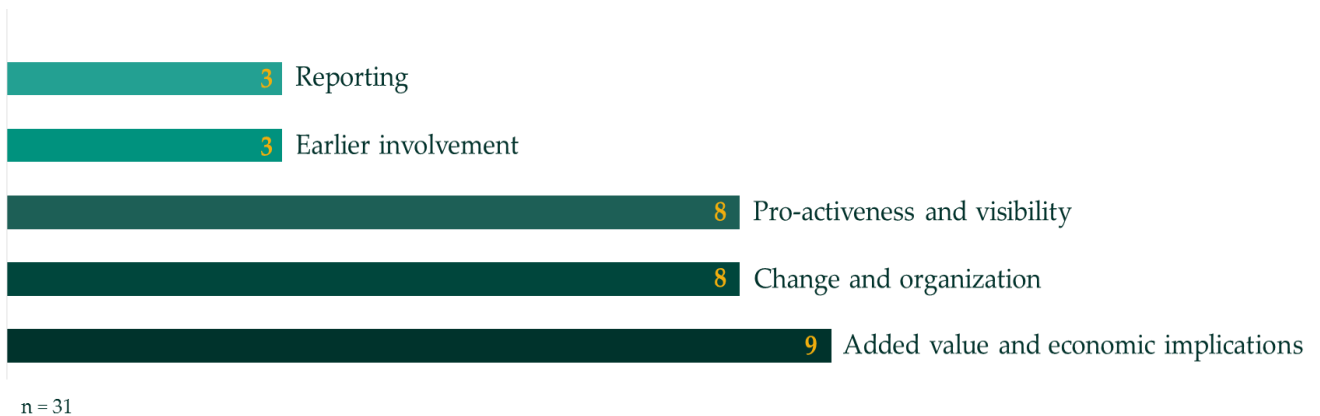
In the category *Data analysis and controlling* (5 mentions in total), only HR directors commented on risk factors: if HR cannot provide transparency, especially as far as legal issues are concerned, or if HR has no experience with M&A projects, and does not up-skill or take input from consultants. Also if HR delivers wrong technical data in the DD phase and the prognosis is wrong because HR has not analyzed risk factors accurately in terms of pensions, lawsuits, age structure etc. Furthermore, if HR is not given additional resources this may lead to low quality and misinterpretation of data in DD.

With regard to the category *Workers' Council Co-operation* (3 mentions in total), again only HR directors contributed by saying that if HR does not co-operate well with the workers' council, the undertaking might be at risk. The same applies to the category *Added value* (2 mentions in total) where HR directors said that if HR cannot make a clear value proposition in terms of economic figures and if HR does not contribute to business strategy success by leveraging business KPIs, the risk factor rises. In the category *Trustful relationships* (2 mentions in total), one HR director commented that if HR does not build a trustful relationship between HR and employees; and a business unit leader stated that if HR is not believed to be trustful it cannot move management. In the category *Communication* (2 mentions in total), one consultant said the project is in danger if HR does not communicate change in a professional way. A HR director believed that if HR communication does not work out and relevant target groups are not reached. In the categories *Workers' Council Co-operation*, *Data analysis and controlling*, and for one exception *Management influence*, only HR directors considered these to be risk factors. In contrast, neither consultants nor business unit leaders came up with the above listed issues, but focused on the category *Organizational integration*, while only one HR director commented on this as well.

#### 4.3.5.3 Improvement Needs

Five answer categories were identified with respect to how HR can improve in order to effectively drive M&A projects. Multiple answers were possible and most answers could be assigned to the answer category *Added value and economic implications*. Next came *Change and organization* as well as *Pro-activeness and visibility* and, finally, *Earlier involvement* and *Reporting*. *Added value and economic implications* was referred to as the need for a defined value proposition and the expertise to deliver it, but also to add value by positioning oneself strategically and to rely more strongly on qualitative strategic assessment. The answers were that HR must come up to the executives' expectations and

support the executive board as far as HR-relevant issues are concerned. It has to better understand economic implications for other business units and look at the world beyond the rim of their tea-cup. Economic success factors have to be disclosed in order to be taken seriously and risk potential should be identified to point out critical questions if necessary.



**Figure 42: Room for HR Improvement**

The category *Change and organization* comprises awareness and competence with reference to cultural alignment, understanding agile transformation approaches and putting these before programmatic approaches. But it also refers to clearly defining organizational design according to employee spans and levels as well as the number of leaders. Furthermore, setting up organizational structures and integrating HR systems accordingly, interlinking tasks and adjusting resources. HR needs to deliver a blueprint for organizational design including first leadership levels and head-count targets, plus it has to create a framework for leaders to follow and operationalize project goals. It is recommendable to have a change management refresher training before any M&A project as well as having an overall strategic concept for Day One and the next 100 days. In terms of *pro-activeness and visibility* HR is expected to have a strong presence in the business units, take the driver's seat and move ahead. At the first stage of the process HR should predominantly be proactive, and at later stages HR is expected to focus more on sustainability. HR needs to position itself as a proactive element in the value chain and be transparent through clearly defined processes and systematic development approaches. Smooth interfaces on a horizontal and vertical basis are to be ensured and HR substream leaders should at least be partly released from day-to-day work in favor of the project organization. Finally, internal and external self-marketing is supposed to be highly relevant.

The category *Earlier involvement* stands for having a better overview, being able to define HR strategy and setting up a structured integration plan including checklists. Additionally, HR should improve in *Reporting* and deliver qualitative goals and at the same time reach quantitative goals. HR controlling should be completely embedded in corporate controlling. There were other individual remarks indicating that it is important to separate different roles from one another enlarge roles and improve one's skill-set such as networking, communication, feedback, coaching and moderation. One consultant summarized the need for HR improvement by saying that HR has to indicate the strategic relevance of HR issues and get a seat in the management board. Plus, HR's role, responsibility and decision-making power have to be defined and ensured before success indicators and HR competences, qualification and experiences are considered.

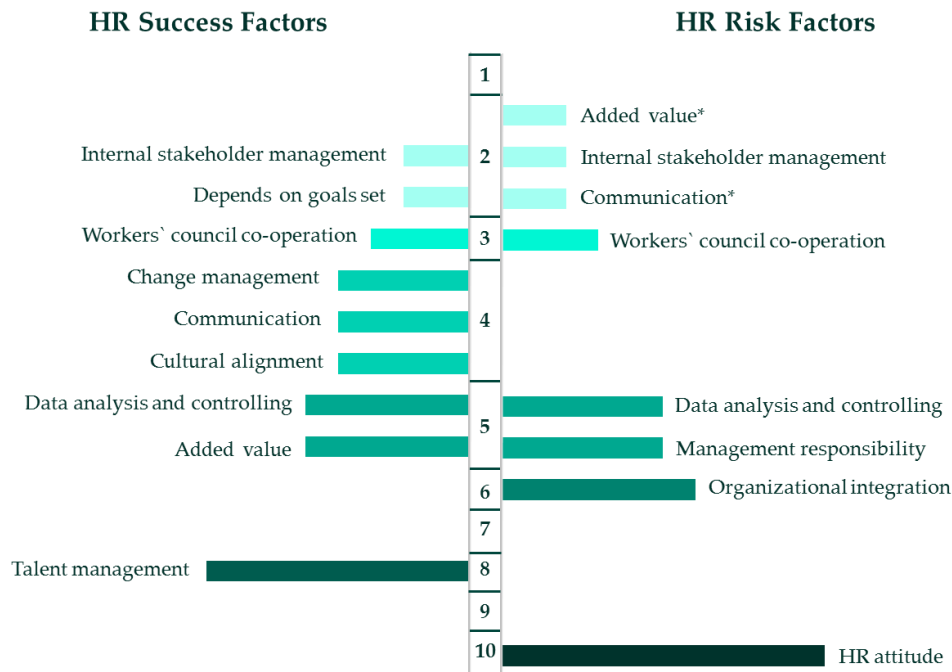
#### 4.3.5.4 Discussion of Findings

HR success and risk factors are combined with the HR optimization potential which might give an insight as to whether HR is already able to fully analyze and cope with the current situation (questions 7, 10 and 16). It can be seen that some risk and success factors match, but they are not the frontrunners. While HR attitude was believed to strongly increase the risk of failure, talent management was quoted as top success factor. Not only were risk and success factors assigned different levels, categories also differed tremendously. Talent management was believed to be a core competence and in the focus of executives, management and consultants. In contrast to this, HR attitude is a mindset that is derived from HR's self-concept and not from the competences it develops. Both categories were supported by all expert groups. The graph below shows the opposing answer categories including the numbers of mentions.

Next on the list of risk factors is *Organizational integration*, quoted by business unit leaders and consultants, but not HR representatives. Organizational development may not be the core competence of the HR department and thus responsibility could be given to other business units or be outsourced, especially if HR lacks competences or resources. Nevertheless, executives and consultants believed it to be an essential element to be considered with respect to risk management. If organizational development is combined with the next risk factor *Management responsibility*, which was strongly promoted by HR, but not quoted by other expert groups, new questions might be raised, but are not part of this survey. The category refers to the management taking over responsibility for the M&A project instead of leaving it to other parts of the organization including HR. Ob-



viously, HR sees the need to jointly clarify expectations and communicate responsibilities and mandates for the process to the M&A players involved.



**Figure 43: Comparison of HR Risk and Success Factor**

The category *Added value* is second on the success factor list and needs to be specified in the individual M&A context. The parties involved clearly thought that besides *Talent management* also *Added value* is a driver for success. This would be a strong message to HR if it wants to improve its reputation: value creation and talent management could be a strong catalyst for a change of view. The success factors *Cultural alignment*, *Communication* and *Change management* were mainly promoted by business leaders and consultants, and merely *Communication* was also related to failure.

It can be concluded that HR has a different focus in M&A projects although these categories are commonly thought to be key issues. It is a striking insight, that the answers for the categories *Talent Management*, *Added value*, *Cultural alignment*, *Change management* and *Communication* were mainly given by business unit leaders and consultants, whereas *Data analysis and controlling*, *Workers' council co-operation* and *Internal stakeholder management* were predominantly quoted by HR di-

rectors. The view of HR representatives clearly differed from that of the rest of the business and might give a clue to misalignment of expectations and best practices approaches.

Although *Data analysis and controlling* achieved equal votes and was believed to be important for both risk and success, it becomes clear that there is plenty of room for improvement. The analysis of question eight referring to project controlling (see chapter 8.3.8) gives evidence that HR cockpits are rarely available and HR-relevant KPIs with reference to M&A projects are often non-existent. However, an HR DD is undertaken in almost all cases and provides a data basis which is not followed-up and supplemented with additional KPIs in the course of the project, despite the fact that HR and non-HR experts agreed this would be important. Another research recently undertaken underlines these findings: due to growing business complexity and dynamics the management badly needs highly effective controlling systems in order to interpret information and control HR-relevant KPIs (Deutsche Gesellschaft für Personalführung e.V 2007b).

The mentions for *Workers' council co-operation* were considered equally decisive, be it risk or success factor. Workers' council co-operation is a slow-burner in M&A projects and the one competence which was clearly assigned to HR by all expert groups as well as HR itself. All agreed that it was crucial if labor peace could not be maintained in the process. Nevertheless it was regarded as a rather technical skill because it is rooted in labor law and long-term relations with the workers' council.

Next is *Internal stakeholder management* which ranks low for risk and success factors alike. Evidently this was a point worth mentioning, but was not elaborated on further. The definition, identification and influencing of internal stakeholders could also be part of further research since it could be of help to HR to navigate through this complex scenario. Finally, success is supposed to *Depend on the goals set* which makes perfect sense and points at the deduction of strategy according to the individual project. *Added value* ranks lowest on the risk factor side, but is second on the list for success factors. It can be concluded that HR is expected to add value to an M&A project, but the interviewees also believed that the absence does not automatically lead to failure. All in all, it can be said that HR cannot neglect the technical handling of M&A (*Data analysis and controlling, Workers' council co-operation* and *Internal stakeholder management*), but that at the same time success also depends on *Talent management, Added value, Cultural alignment, Change management* and *Communication*. The utmost danger to an M&A project is perceived to be the *HR attitude*, a lack of *Management*

*responsibility* and a failing *Organizational integration*. Consequently, these factors must be addressed before M&A projects in order to clarify the role understanding of the different stakeholders involved. These could be merger management, executives, line and projects managers, external specialists and HR and need to be continuously aligned in the course of the process.

If the results for risk and success factors are combined with the need for HR improvement (question 10), the results clearly indicate that the frontrunners correlate. On top of the list for HR improvement are *Added value and economic implications*, next comes *Change and organization* followed by *Pro-activeness and visibility*. The latter goes with the risk factor category *HR attitude* and the need for improvement in *Change and organization* corresponds with the risk factor category *Organizational integration*. The HR success factor *Added value* refers to the HR improvement need *Added value and economic implications*. It becomes clear that top list risk and success factors comply with the need for HR improvement. The expert interviews confirm what has been discussed in former chapters: HR is poorly prepared to drive M&A projects successfully. As far as talent management is concerned, numerous studies prove that it ranks top in present HR development needs (The Boston Consulting Group 2011). Surprisingly, a lack of management responsibility does rarely come up as a stumbling stone, although research literature points out that it is an integral part in M&A projects. According to research, business units and top management complain about HR not taking responsibility.

Hence it can be concluded that HR's role understanding has to change towards taking a strategic focus and the definition of a value proposition. HR has to accept the driver's seat and not just concentrate on technical integration. Even if HR is not part of the M&A steering committee, it must be aware of its own role, has to take responsibility, become courageous, build trustful relationships, has to understand the business strategy to get a broader view and ensure sustainable results. It seems as if up-skilling is the easiest of all challenges. It is much more critical to take the perspective of other stakeholders in order to be able to change its self-concept. Studies prove that HR has a problem with its self-concept since the internal customers' view of HR differs (Kienbaum 2014b). Possibly the first step for HR is to become aware of own gaps and incompetence and admit that the business environment raises other issues than HR thought it would.

The idea of its self-concept has to sharpen and converge with outside viewpoints in order to clearly define and successfully fill the development gap for performance improvement in M&A projects.

#### 4.4 RESEARCH SUMMARY

Throughout the interviews it became clear that the individual statements remained valid and only differed slightly despite different influence factors, such as varying M&A project strategy, business size and industry. In general, the results are in line with research literature, especially with respect to the congruence of project success factors in terms of participation, co-ordination, communication, feedback, monitoring, people development and resources, but also the misaligned self-concept of the change project parties involved (Kienbaum 2011). Research findings strongly comply with other study results revealing that business success factors are necessary, but not sufficient without HR-relevant success factors. These are early consideration of HR aspects, cultural awareness, information, communication, leadership, collaboration and integration management (Deutsche Gesellschaft für Personalführung 2007). Moreover it has become apparent that HR's self-perception and internal customers' view differ which likewise is backed up by further research studies (Kienbaum 2014). Although the research findings are not representative due to a very small sample, the key message statements conform to current research literature and studies available.

Having a closer look at the results of the individual assumptions of this research part, it becomes clear that they have been validated. The first basic assumption is relevant for research and states that HR departments in general play a minor role in an M&A process. Research findings have confirmed the first basic assumption. Moreover, ways to strengthen the role of HR have been suggested. The second basic assumption is that HR has provided low performance in the M&A process, which has also been verified by research findings. Some interviewees gave examples of how HR performance could be analyzed, measured, improved and sustained. From these two basic assumptions, secondary assumptions have been deduced which likewise have been confirmed by research findings.

The first secondary assumption is that HR is no sparring partner to the executive team due to poor performance. Research findings confirm this assumption and offer answers to the questions which criteria would have to be met and what are HR-related success factors. HR's involvement increases in the course of the M&A project, and so does HR's influence. HR is rarely involved in decision-taking in the pre-merger phase, mostly asked to deliver and analyze HR DD data in the merger phase and almost always given responsibility for HR-related issues in the PMI. Top management expects HR to handle the deal smoothly and professionally with respect to HR DD and

PMI. Main risk factors are if HR has the wrong attitude, does not ensure organizational integration, does not hold management responsible, and cannot deliver data analysis and controlling. Major success factors are talent management, added value, as well as data analysis and controlling, but also change, communication and culture management. Data analysis and controlling are reported as risk and success factor likewise.

The second secondary assumption is that HR is not aware of future challenges for the organization concerning the business model in the respective market environment. Research findings confirm this assumption and provide answers to the question if HR has to define a strategy in line with the business strategy, deduce actions, measure progress and stay in line with goals and KPI set. Very often HR is neither involved in developing the strategy before possible targets are chosen, nor consulted when taking the final decision. Only in one out of three cases, an HR strategy does exist once the deal is closed. HR's role understanding has to change towards strategic focus and the definition of a value proposition in order to change from a reactive to a future-oriented line of behavior. The existing HR organization and its portfolio determine to what degree HR is involved in the development of a strategy and the mandate that HR gets for the M&A transaction. HR's quality and output should be related to HR's strategy, but if non-existent or not transparent neither HR nor the employees know where the journey goes. Consequently, most HR departments have a hard time to meet the expectations, because they lack fundamental information on the M&A transaction. It is discussed controversially whether top management should hold HR accountable for the HR part of the M&A project, or if HR has to take the initiative and claim responsibility.

The third secondary assumption says that HR lacks competence to deal with the challenges ahead. Research findings confirm this assumption and show that HR has to do a gap analysis, up-skill or buy in competences. Major HR optimization needs lie in creating value, understanding economic implications, driving change and organizational transformation, but also in being pro-active and visible. HR's role understanding has to change towards taking the driver's seat and understand M&A as a project which requires more than just technical integration. The foremost step to take is to become aware of its own low performance and deviating role expectations by top management. Since the lack of pro-activeness and visibility seriously questions HR's reputation and its self-concept, a gap analysis in terms of skills and competences, and actions to up-skill if possible, or just buy in would be helpful before defining the next steps. M&A-relevant skills also include strategic and business understanding, value creation and controlling. HR has to understand the princi-

ples of change including communication and culture, and needs project management skills. Therefore, it is uncritical if HR is supported by other business units or external specialists to provide a communication concept. The change needs to be driven by an overall concept and the storyboard should be transparent to line management and employees alike, thus taking advantage of their participation in the process.

All in all, the research findings show that, at present, HR is rarely a sparring partner to the executive team. If HR wants to be taken seriously, economic implications must be understood and HR business has to be managed as professionally as other business units which are outcome-driven by nature and understand facts and figures. Only then would top management listen and possibly allow HR to exert more influence on human capital issues with direct impact on the strategy and business model.

## 5. INCREASING IMPACT

### 5.1 A FRAMEWORK FOR SUCCESS

According to the research findings, HR self-perception often differs from that of internal stakeholders, especially top management. If this is the case, the first step would be to take a critical inventory of the requirements of what is expected from HR in M&A scenarios. Following the research findings (first research assumption), HR plays a minor role in an M&A scenario. Thus standpoints need to become clear in order to manage expectations. Once HR has identified top management's expectations and detected blind spots, HR would need to come to terms with the role that is suggested. If HR believes that the role assigned is not appropriate for some reasons, basic parameters might need to be renegotiated to make HR's standpoint clearer. Again, referring to the research findings (second basic research assumption) HR has realized its low performance in M&A projects or similar scenarios. The only way out is to admit and specify the reasons for failure in order to realign and demonstrate this to top management. Given that within a complex M&A scenario, at the beginning not all answers will be evident, not even to top management, it might turn out that HR needs more information about the strategic background, more resources and other competences in order to be successful. It would be a first milestone to have a realistic view of the starting situation and be fully aware of the risk factors for this individual M&A scenario. Moreover, it could prompt top management to also readjust its view and realign expectations. According to the research findings (first secondary assumption) HR is probably not seen as a sparring partner to top management because it does not meet the HR-related criteria for success. In this case, HR could come up with facts and figures making clear what the success factors are, e.g. pro-active HR involvement right from the beginning before the deal is closed. If top management demands a thoroughly done HR DD and a smooth integration, HR could call attention to more holistic merger-related success factors, such as organizational integration and management responsibility. Of course HR has to provide facts and figures in order to back up its statements and apply these to the specific case of the organization it deals with. As HR's attitude is supposed to be one of the most crucial risk factor, there is no way around revealing which attitude HR holds and what its vision is in the context of this M&A. This might be a point of discussion if perspectives differ, but HR has to position itself for the good or the bad. What turned out to be both, risk and success factor, is data analysis and controlling. As this is closely related to a thoroughly done HR DD and a smooth PMI, HR should suggest a cockpit including a choice of highly relevant qualitative and quantitative

KPIs. Either HR starts off with KPIs belonging to HR DD, which might be easier, and suggests and discusses KPIs for PMI in a follow-up, or it comes up with an integrated solution right from the start. Which route to take depends on the level of information HR already has at that point of time. Only if the route to take and the milestones are defined, HR performance can be measured and agreed upon on a common basis. HR has to work out the added value it can offer and make sure that top management sees it the same way. HR needs to highlight crucial and so far unanswered or even undiscovered questions that go with the current M&A project and create transparency with regard to the complexity of the process. Looking at the next finding (second secondary assumption), HR is not aware of future organizational challenges relating to the market and the organizational business model. If HR wants to be regarded as a sparring partner, it has operationalize the overall M&A strategy and convey HR-relevant measures and KPIs in line with the strategy. Further research findings (third secondary assumption) show that HR needs to oversee which set of competences is available in order to tackle the challenge ahead. Again, a gap analysis should reveal the need for optimization in areas such as creating value, understanding economic implications, driving change, how to transform the organization, being pro-active and visible. Depending on the role HR has taken in former M&A projects, these might be too excessive demands. Nevertheless, becoming aware of the gaps and admitting the lack of competencies might be discouraging in the first place, but there is no way around.

As there is no perfect proceeding as to how to start off an M&A process, these explanations can only be a guideline, and are neither complete nor the only way of how to become a sparring partner to top management in an M&A scenario. At the same time, there is no overall M&A strategy which is applicable, it depends on numerous different factors and therefore has always to be developed individually. Nevertheless, merger management including HR need to understand and be aware of the strategy chosen in order to align proceedings.



## 5.2 BASIC PARAMETERS

### 5.2.1 Integration Strategy

It has become evident that well-performing HR departments are aware of the need of an HR strategy which is aligned to the M&A strategy. The strategy is to be understood as a line of action drafted on the results of the situation analysis and is finally to be translated into actions which are implemented by allocating resources and controlled in the course of operationalization (Wirtz 2012: 140). It implies that management is willing to discuss and HR is able to understand business strategy. According to the research results, this is the first stumbling stone, because HR's involvement in strategic thinking is low. HR is requested to be pro-active, call for strategy explanation and should have the competence to develop a HR strategy. Top management on the other hand is requested to invest in HR and accept a leap of faith. This might become a common approach between top management and HR representatives which could also strengthen the relationship.

It is necessary that merger management displays the motives for the M&A, be it strategic, financial or personal (Wirtz 2012: 63–78). Strategically driven motives, in particular, refer to synergy effects with increasing value and relate to the market, performance or risk and are largely long-term oriented. If strategic and market-driven, M&A is to preserve or strengthen power, market expansion or competition. If strategic and performance-driven, M&A are to integrate functional units alongside the value chain by using common resources and skills. In case of strategic and risk-driven transactions, diversification is intended to reduce risk potential and can be short- or long-term. Financially driven M&A often have short- or mid-term goals and reasons are profit increase or tax reduction. A wide field of problematic transactions are induced due to personal motives of which the principal agent theory is the underlying theoretical approach. HR needs to start off a discussion with top management and get a deeper understanding of the it because the consequences HR has to face will mainly depend on the strategic motives of the M&A. In order to be able to provide adequate merger support, these effects need to be anticipated. If personal motives are in the foreground of an M&A, it might be difficult to motivate staff in case they do not benefit from it. If financial reasons are in the focus, staff needs to be informed about how this is contributing to the overall business and how they can be a part of it. Strategic goals might be the most complex ones, but widely accepted because they are often supposed to add to the long-term survival of the organization. Irrespective of which M&A strategy is taken, HR should act according to it.

There are various integration scenarios which need to be approached differently by HR and would also affect HR to a certain extent. One of the relevant concepts in this context refers to the criteria of organizational autonomy and strategic interdependency (Wirtz 2012: 313). If both are low, a holding would normally be generated which allows the target to remain legally independent, but discretionary power remains with the buyer. Reasons might be that profitability is low and therefore only management know-how is transferred. Changes are restricted to financing, and improvement of the quality of personnel and resources as well as management skills. HR might become involved and get a mandate to support, but remains rather detached from the organization itself. If the need for organizational autonomy is high but strategic interdependency low, a stand-alone model should be chosen. This might for example happen if the target is acquired by financial investors and supposed to remain legally independent so that buyers can profit from high value creation of the object being bought. In the case of a holding structure and a stand-alone, organizational changes are marginal and a full integration scenario is not indicated. Consequently, HR's responsibility and involvement could be low.

In case the need for organizational autonomy and strategic interdependency is high, partial integration similar to a symbiosis is usually chosen. A symbiosis aims at a full release of synergy potential. Profitable target business parts are integrated, but also preserved to be harmonized with the buying organization. Other target functions are either maintained if viable for those integrated or liquidated. This is a greater challenge for HR because the target is torn into bits and pieces but the individual business parts are maintained. The standardization of those individual parts includes product and market development as well as research, but also salary adjustments of which HR would be responsible. Furthermore, the liquidation of non-key functions and remaining parts is prone to harm employee motivation. (Wirtz 2012: 314). The highest level of integration is by absorption. If the need is high for strategic interdependency and low for organizational independence, the target would be absorbed. All activities of both companies are consolidated and a new strategy and organizational redesign is developed. Full integration will demand the highest effort from HR in terms of challenge, resources and competencies. Standardization, coordination and harmonization do not only have to be carried out for some parts of the organization, as is the case with a symbiosis, but for all organizational processes. Interferences with customers and suppliers can lead to serious incidents. Hence all integration measures are planned along daily business of both organizations in order to ensure smooth business processes. If the focus lies on a continuous

business operation, the integration speed is decisive. This also demands the highest level of competences and resources from HR because it is the most complex scenario to manage. (Wirtz 2012: 315).

The following approach mainly focuses on an absorption scenario in which the integration is to be managed using a long-term strategy supported by an HR project organization. Since strategy options are manifold and must be tied to the business context, a situation analysis could generate information on a HR-relevant business environment as well as competencies and resources. However, the project organization will be a core element of the integration strategy. Depending on the strategy and the current setup of the HR department at that time, it might become evident that HR also has to transform. If this is the case and HR is no longer just the driver for HR-relevant issues, but also part of the transformation, it adds much more complexity to the situation. There are numerous concepts existing of how HR could re-design itself, but the revised HR BP concept is the most well-known and established one. Despite its popularity a thorough examination should be done if and how it could be applied to the organization. HR transformation according to the HR BP concept is supposed to start from the outside and needs a clear understanding of the business context to provide the basic principles for the future organization (Ulrich et al. 2009). Nevertheless, there are some pitfalls to be aware of. Action should not come before rationale which goes hand in hand with the idea that strategy and transformation have to be based on the business requirements of the future business model. Furthermore, HR strategy must not be developed in isolation from the business strategy and has to focus on adding business value instead of solely optimizing HR. Another pitfall to watch out for is if there is resistance to transform in some parts of the HR organization, because the benefits are not seen. Eventually HR transformation must be tied to the overall business success and this means agreement with top management. HR transformation should not be an end in itself but instead be for the sake of the organization. In case the HR department has not yet met top management's expectations in terms of strategy and business model alignment, this could be a chance to reorganize in the course of the M&A project. The HR project organization, which is responsible for the M&A implementation and organizational change, could be set up as a prototype of a new HR organization as there is a high risk that the present HR organization will become overstrained. To transform itself and at the same time drive the transformation of the organization might overburden HR staff.

Therefore, it would be less risky to not transform itself at the same time, but instead focusing on the M&A project first. HR could see the M&A through by setting up an HR project organization

along the project. The creation of a time-limited HR project organization could be designed in line with top management's expectations leaving enough room for the rest of HR to handle day-to-day business. If this HR project organization has proven to be successful at the end of the PMI phase, it does not need to be dissolved, but could be re-integrated as part of the existing HR organization and be completely absorbed in it. In this way the HR department would also be transformed, but at a later point of time. The project organization could either be given new goals or start with the transformation of HR, if required. Apart from successfully driving the M&A project, HR would have created a new organizational part which has proven to come up to top management's expectations. This could serve as a draft of how to further re-design HR.

### 5.2.2 Project Organization

The existing structure of many HR operating systems needs an additional element in order to address the challenges produced by the complexity and rapid change of an M&A scenario. The solution is a second operating system, i.e. a project organization, devoted to the design and implementation of the M&A strategy and characterized by an agile, network-like structure and a more flexible set of processes. The new operating system should continually assess the business and the organization and reacts with greater agility, speed, and creativity than the existing HR department could do at that point of time. It complements rather than overburdens the traditional hierarchy, thus freeing the latter to do what it's optimized to do. By this, strategic change can be accelerated (John P. Kotter 2012).

Depending on the strategy, HR would have to define drivers and supporters for the M&A scenario to be of an independent project organization for the time of the M&A project. A project organization functions as a timely restricted network with a common goal and is officially over after the project has come to an end. A network is "an arrangement of intersecting horizontal and vertical lines: a spider constructs a complex network of several different kinds of threads" and a support network is "a group of people who exchange information and contacts for professional or social purposes" (Oxford University Press 2014). A project network allows access to complementary resources, risk sharing and cost reduction. If applied in an M&A scenario, usual risks can be neglected, such as to lose competence, to yield control and become dependent (Vanini & Borchert 2014: 218–219). To set up a project network, the project members have to be selected, resources and responsibilities have to be allocated, actions have to be adjusted by tools and information channels

and the outcome has to be evaluated accordingly. Above all, it is crucial to evade opportunistic behavior which could endanger project success (Vanini & Borchert 2014: 221).

Before the organization comes into effect, a business case should be built to give management full insight into risks and chances. Beforehand, the question must be answered why transformation is to be driven by a project organization for the benefit of the whole organization and the HR department at the same time. In the next phase, the stakeholders' view is taken to define value creation. Next comes the design of the project organization with respect to structure, products, processes and service to be considered by line managers as well (Ulrich et al. 2009). This project organization is intended to be in effect as long as the integration has not come to an official end, sometimes even longer. This might be months or years and the longer it is intended to exist, the more stable and long-term oriented it should be. It includes allocation of resources such as time, money and people. Taking part in a project organization might eat up more time and effort than the original work of the present job role. If M&A tasks were allotted to members of the HR department without giving them a special project mandate, backup facilities should be provided in case day-to-day business does not allow HR employees to spare time for such tasks. Notably in the case of line managers, these issues have to be discussed and agreed upon with business unit leaders. Nothing speaks against diverse forms of labor division if flexibility is given and the desired output is reached. This could be role or job sharing, full or part-time, the involvement of external and internal specialists, upon request or fully assigned to the project, and virtual or local inclusion. Most important is the fit of the individuals to the team working efficiently and matching the demand for work assignments (Nachbagauer 2014).

It is important that the project organization is composed of an interdisciplinary team and project members have 'x-shaped' project management skills. These include the disposition and ability to network and build up trustful relationships, courage and openness towards interdisciplinary teamwork, being self-organized and self-reflective and creating not only a network but also a framework for the project (Weßels 2014a). The setup of the project organization is crucial for the success of the project and bears a high risk in terms of mismanagement if not chosen carefully. As mentioned before, management responsibility has to be addressed and clearly defined. If the views of board, line and project managers differ significantly and this does not become apparent before the project is started, it might diminish the success of the merger drastically and will not cast a positive light on HR performance due to a lack of transparency (Kienbaum 2011). Even if role expecta-

tions of executives, line and project managers are agreed upon at the beginning, the evaluation of these may deviate in the course of the M&A project. Both line and project managers are requested to get a more realistic view of the key players including themselves. The project manager is expected to be a strong fight for the project and ensure sustainability. In the context of an M&A project, this means line management and HR would have to align the role expectations at the beginning and the evaluation of these in the course of the project in order to minimize risk potential. When the project organization has been set up and goals as well as tasks and responsibilities are agreed upon, content becomes relevant. The integration competence of individual contributors and external resources which is crucial in the course of an M&A project are communication, change and project management skills as well as the ability to network and co-operate.

### 5.3 INTEGRATION COMPETENCE

#### 5.3.1 Project Management

A project management approach has proven to be highly effective for integration because it has the necessary institutional, functional and instrumental dimension. The institutional dimension comprises the project group constitution and the individual roles to take. The functional dimension describes responsibilities and tasks and the instrumental one relates to the tools used for implementation (Wirtz 2012: 121–122). Change project management differs from the traditional approach in which a thorough analysis is done, goal and milestones are clearly defined, workstreams allocated according to time and owner. Once the goal is set, the proceeding needs can be discussed on a regular basis and project members can work in loose co-operation. In contrast to this, change projects are situated in a complex and dynamic environment and influence factors strongly interact. A comprehensive situation analysis is a challenge, the goal is hard to measure and the ideas and perception of the individual project partners vary significantly. These conditions do not allow detailed planning because they become obsolete due to time pressure. In addition, change processes are extraordinary and stressful for all those involved (Streit 2013). Accordingly, change management tools differ from traditional ones. Those limited to change projects relate to communication, team development, conflict management and change resistance, others can be applied to both kind of projects and can be adapted. The starting analysis in a change project is less comprehensive and

should involve different stakeholders. A target corridor is created instead of clearly specified goals. In the course of the project, the focus lies on co-operation, the alignment of views and proceedings due to ongoing change of variables relevant for project success. The controlling cockpit must include only the most important KPIs in order to be measured fast and easily. Milestones are content-related instead of time-limited. Even more than in traditional project management, goals have to be transparent and clear to management and employees because success heavily depends on their commitment (Streit 2013). The project architecture is to ensure transparency, efficiency, management and controlling of the project by defining workstreams, owners and time frames. Project members constantly have to share information, align and possibly re-negotiate goals and alter workstreams. The team also has to inform the sponsor with multiple consultation loops to assure alignment (Streit 2013).

Agile change methods can also be applied in project management. Basic principles are frequent and intensive co-operation and interruption of working processes in order to redefine the standpoint, if necessary, and realign goals accordingly. The framework for these negotiation processes in the course of the project should include the following elements. The role description for the team lead and those involved defines the scope of responsibilities and competences. In order to keep up a continuous sponsor dialogue this task could be transferred to a team member to avoid coordination problems. The next step is to set up regular team or workstream meetings on a reasonable basis so that necessary adjustments can be dealt with in due time. And finally, stakeholder communication to discuss goals and proceedings thoroughly has to be taken care of. Project managers must have a high level of self-responsibility, flexibility and communication. There are cultures which are more open to agile change projects than others. These are characterized by frequent communication regardless of official reporting lines, an open feedback culture and the willingness to accept criticism. Line managers have a strong sense for co-operation towards each other and focus on the issue instead of playing power games (Streit 2013). Traditional project managers have to be tested for their change competence because project management skills are helpful, but not sufficient for success. As mentioned before, the project manager is held responsible for creating a common understanding of project goals, change processes and roles, which are the foundations for team development and ensure rules of co-operation that focus on success-crucial behavior and risk factors (Kienbaum 2011).

There are areas where HR needs to take action and which have not been handled properly before in general. Regular status quo meetings help to reflect and keep up a common understanding of the current project situation. Project management has to ensure that resources and time investment is defined and provided, but also commitment and time buffers if things turn out differently than planned. Key role allocation should be combined with full or at least partial release from day-to-day routine business, especially if the members belong to another core business unit. Furthermore, project management has to ensure coordination and communication between project team and line management. In many cases this is neglected and reduced to just one agenda point in regular meetings where the importance and urgency might get lost. This is crucial because the biggest part of the transformation needs to be carried out by staff and management. Project management also has to guarantee that implementation measures are feasible and tested or evaluated by line managers in advance. Furthermore, focus groups, chosen from different business units and levels, would help to assess solutions and provide early feedback if implementation obstacles should occur. Personnel development for focus roles, such as HR BP and leaders, in terms of coaching and facilitating career perspectives for key persons, is likewise crucial.

Apart from the handling and proceedings with regard to project management experience, role expectations have turned out to be most crucial (Kienbaum 2011). Executives, line managers and project leaders have different roles according to their position which have to be clearly defined and agreed upon. The role of executives, for example, is to present a change story in order to get staff and line managers on board and coach them. One method to start discussions and integrate different views would be a round table, inviting a small group of employees and top managers to answer frequently asked questions. Executives have to take care that their perception is in line with other stakeholder groups, irrespective of what they believe is right or wrong in terms of measures. Line managers should be convincing role models and develop their change competence in order to consult and coach. Regular and frequent communication cascades get and keep staff on board. It needs to be a dialogue because one-way communication is not sufficient. The role understanding of project leads should be to develop and coach others to build up change competence, e.g. for key players of the project.



### 5.3.2 Team Transformation

An M&A scenario can trigger stress factors and cause insecurity, anxiety or even fear in employees intensified by the imagined or real loss of control. Each organization, team or individual experiences critical phases in a change situation and the reactions naturally follow what is perceived and interpreted. The phases shock, resistance, insight, acceptance, exploration, reflection and integration outline a change loop. They can lead to motivational deficits and attitude changes which finally manifest in behavioral changes that are likely to impede the M&A integration, e.g. nurturing low performance due to a lack of interest, absorbing peer communication at work, starting unproductive discussions about work assignments and infighting or key player layoffs (Scharfenkamp 2002: 192). The "merger syndrome" is traced back to four psychological consequences which can be observed at the behavioral level e.g. decreasing work quality and motivation, dissatisfaction, inner resignation and termination of work contract, increasing absence rate, upward fluctuation and falling productivity (Fischer & Wirtgen 2000). Not all employees will be concerned with the M&A. Some might be impartial, they wait and see and can be influenced positively by an early and meaningful information management. Others might end up in a vicious circle because change is not seen as opportunity but as a threat. Behavioral and value sets of employees could be questioned and this might lead to psychological restraints such as insecurity, fear of losing independence and identity as well as disorientation (Wirtz 2012: 122–123). In general 50% of staff members are impartial, 30% are open for a change and 20% might be change-resistant (Aldering & Hutten 2008: 313–329). Team transformation of change-resistant staff members is crucial since they could strongly influence those who are still of two minds about the M&A project. After the groups have been identified, active opinion leaders could be identified and actively involved as multipliers to change mindsets (Gut-Villa 1997).

An organization can only be successfully transformed if the majority actively co-operates and accepts change. Since self-determination of those involved is a strong indicator for success, the teams including leaders have to take responsibility for change. HR can provide a setting which eases change and instruct and train leaders how to enable change. Those who drive the change process, apart from the project team, e.g. line managers, key players, multipliers and change agents, need to be resilient. The new work environment faces change more frequently, work-related tasks have become more interdependent and knowledge work has increased. Frequent change implies that ambiguity will impede productivity unless managers help staff to anticipate, contextualize,

prioritize and respond to frequent change which in turn results in more agile employees accepting change more quickly. A work that has become more interdependent implies that the organization must enable and encourage a broader network at different levels with an integrated workflow supported by technology and providing clear direction of how to make use of it. Networking has to be encouraged likewise and should be perceived as being helpful for the organization. Furthermore, knowledge work requires access to relevant information to ease decision making and use information technology effectively. Thus, in a change scenario teams need to adapt quickly and behave pro-actively. Good collaborators work well with and through others throughout the whole organization and on all levels thereby influencing stakeholders and contributing to cross-functional projects. The rise in knowledge requires strong analytical skill to prioritize work, assess problems and make decisions (CEB 2012). In an M&A scenario, employees with these characteristics are suited as role models in order to change people's minds and open up new perspectives. Especially network performance can boost business outcomes, increase revenue and profit. It is no longer only individual task performance, but network performance that contributes to the enterprise. Network performance is to be understood as an employee's effectiveness at meeting their own performance goals and contributing to the performance of others (CEB 2012: 26).

Integration speed has to be considered carefully because harmonization of all processes takes place parallel to day-to-day business. Either a revolutionary or an evolutionary approach is chosen, some M&A experts opt for a combination of both approaches (Gerds & Schewe 2009). A revolutionary approach is at high speed and risk potential lies in wrong decision-making due to complexity of the project and excessive demands towards staff. Advantages are that the organization can refocus faster on the market and management competences and responsibilities are clearly expressed to avoid uncertainty. The strongest argument for a revolutionary approach is that value enhancement potential is boosted. Evolutionary approaches are fertile ground for innovation which needs an organizational framework to be anchored properly (Bieger, Knyphausen-Aufseß & Krys 2011). For example the knowledge funnel is to provide a reliable formula for success that can be applied constantly or adapted to renewing circumstances (Martin 2009). Organizations tend to shy away from innovations and rather stick with standard processes. Knowing without reasoning seems frightening and intuitive acting is still a little suspicious to some line managers. Analytical thinking does not have to be given up, but it can be enriched by the exploration of knowledge and

both methods can coexist in a balance to bring out the best of business performance (Lafley & Charan 2008).

Peer coaching within the network as a temporary support by those who have previously been involved in change initiatives and have built up competences, could support others who are not as experienced. Although coaching is a broadly accepted development tool in a business context, it is rarely applied to change situations (Sackmann 2013). It could help building up coping strategies, speed up the change loop in order to ensure integration of new behaviors and finally increase sustainability. It helps line managers to find their roles in the change context more easily and is worth the investment as they are role models for their team. Moreover, they are in charge of organizational change as representative of the organization (Winkler, Lotzkat & Welpel 2013). As a line manager is the functional interface between individuals and the organizational system, his or her contribution to change is crucial (Fatzner 1996). A concept that has come up recently is that of the enterprise leader, i.e. someone who has profound analytical skills, takes different perspectives and generates a mindset that includes networks or alliances which helps to create and deliver stakeholder value. This kind of leader focuses on the success of the whole enterprise, even if only responsible for one out of several business units. This type of leadership includes strategic, business, people and organizational skills (Gerard Seijts et al. 2008).

Cross-enterprise leadership capability is a construct that is comparable to the hybrid thinker meaning key players who act as catalysts and provide the glue for an organization to stick together by the way they motivate and perform. It is the role modeling, not just the individual skill-set, that drives the change. The organization, especially HR, needs to watch out for these individuals, interconnect them and make them key driver of change. Other research shows that enterprise leaders not only manage individual tasks (task performance) or lead their teams to fulfill their collective tasks and assignments (team task performance), they also improve the performance of others and use their contribution to improve their own performance (leader network performance) and lead their teams to be network performers outside of the immediate team (team network performance). Teams with enterprise leaders are supposed to reach a 12% revenue increase, 20% higher customer satisfaction, 23% more innovations and a 30% rise in engagement (CEB 2015). Today's enterprises are complex adaptive systems and which many managers are unaware of. So far organization, assets and processes have been the pillars for enterprise leadership, but newly social networks, media, and applications also count to it (Colabria 2015). Relating these findings to team transfor-

mation, the only way to transform a team is by engaging networkers, hybrid thinkers and enterprise leaders to drive change. They will have the highest rates of individual turnarounds of those who are reluctant to change. As team transformation is not about putting a plan in practice but about how to change people's minds. These mind-setters need to be identified and given the power of implementation. All goals and actions must clearly be in line with project management and communication strategy. HR needs to identify and motivate individuals from within the organization to support their ideas and measures. In return, management will be held responsible for the transformation of their team and will not feel left alone because they get a framework of how to proceed and can fill it with actions relevant for their business unit.

### 5.3.3 Information Dialogue

Professional internal communication can be a value driver and success factor for a company and shape organizational change, especially in M&A context (Zerfaß & Piwinger 2014). It can be specified as a "two-way process of reaching mutual understanding, in which participants not only exchange (encode-decode) information, news, ideas and feelings, but also create and share meaning. In general, communication is a means of connecting people or places" (WebFinance Inc. 2009b). According to the "Four Ears Model", communication can be disturbed because a message has four connotations, i.e. to inform, to appeal, to reveal oneself and to address the relationship. The recipient unconsciously chooses the predominant one, puts the information in a context and interprets it in a subjective way (Schulz von Thun 1984). The term information can be defined as "data that is accurate and timely, specific and organized for a purpose, presented within a context that gives it meaning and relevance, and can lead to an increase in understanding and decrease in uncertainty" (WebFinance Inc. 2009a). In case media are used in a business environment, such as emails or phone, and both sender and recipient are located a different social environment or business context, the pieces of information are to be interpreted and cannot be objectively decoded. Every interpretation might also be a misinterpretation if the message was understood incorrectly. Therefore staff is answered open questions, but the sender has to be sure that the information is processed in the intended manner. Communication is an entity of selected information, messages and interpretation. These create a social system which is interlinked with the psychological one and is kept up as long as the communication loop is stable (Luhmann 2010). With respect to communication, the focus lies on HR-relevant internal communication towards executives, management and

employees. Legal information closely connected to the works' council and external communication to investors or the public are not part of the discussion.

Change communication is subject to certain restraints and especially in the context of an M&A project, the opinion, attitude and behavior of employees and leaders or managers can be critical. The situation in an M&A could be that employees are suspicious towards new owners, and they might fear to lose their jobs. But also misunderstandings and assimilation problems due to cultural differences might arise. Leaders and employees all of the sudden find themselves in a competition because they might have to prove that they are competent at their jobs they have done so far. It is unclear whether they will find career opportunities ahead or individual restraints. The new business model in comparison to the old is in question. What comes on top for both interest groups is that there might be a relocation or even restructuring coming up (Pfannenbergs 2013: 93–103). Change communication would have to anticipate these fears and set up a communication concept which strategically and systematically addresses these fears by means of a communication tool mix. Thus the term information dialogue is chosen on purpose, because it implies that after the information is given, a dialogue should be started. It seems contradictory since a dialogue already includes information and most information models have a recipient and sender. But the double effect is intended in order to stress that information has to be processed in a dialogue instead of only being spread. Internal information dialogue demonstrates continuity, creates transparency and builds trust and thereby can keep management and staff on the ground. Besides information, the goals of internal communication in the post-merger phase are to cool down emotions, ensure loyalty and support and integrate cultures (Pfannenbergs & Müller 2013).

The communication concept and media mix have to ensure that all issues are directed at the relevant target groups right from the beginning of Day One. If HR does not have communication experts at hand, it needs to involve specialists who have the skills to set up a communication concept and implement it according to the needs of the M&A project. Just as project management is a skill that cannot be learned within a short period of time and in the setting of a complex M&A environment, communication is a skill that is an integral part of the M&A project. The competencies to manage a complex project and communicate accordingly do not need to come from within the HR department. They can be delivered by other internal or external resources. This has to be pointed out to merger management as well and HR has to make clear what can and cannot be delivered so that it has to be contributed by third parties. M&A goals, strategy, content and measures must be

translated into a long-term communication concept considering the first 100 days of the M&A. Since digital transformation is advancing, the media concept must include communication channels according to target groups. While some employees may use mobile phones and the Internet, others may still prefer letters to process the information. However, channels have to be chosen carefully and HR needs to act as an advisor on how to best reach different target groups. Communication specialists should take over the design, set up and implementation of the communication concept, which is a different area of expertise and therefore will not be part of the discussion in depth. Apart from information dialogue, the implementation efficacy is important and HR needs to give proof that it steers the process continuously and successfully. As top management is the target group, HR has to come up with a language that is familiar to top management. In general top management is used to make decisions and follow-up measures on the basis of facts and figures. The best way for HR to make itself understood is to express progress in the same way and give a high-level executive summary with key performance indicators about what is going on in terms of M&A.

## 5.4 IMPLEMENTATION EFFICACY

### 5.4.1 Controlling

Discussions about HR value creation automatically lead to the question how HR should give evidence of the results once the value has been defined. There are numerous categories of KPI reporting available, from complex financial calculations to a simple record of personnel expenses. But the direct connection between investment and HR practices combined with the business strategy is often neglected (Ulrich 1997b). The number of upcoming studies about empirical evidence that the company's and HR's performance are interrelated has increased in recent years. Strong HR systems will promote the emergence of an organizational climate arising from collective perceptions of employees. Therefore HR management systems processes can enhance organizational performance and make employees collectively focus on strategic goals of the organization. Productivity, market value and sales rise significantly with the quality improvement of HR practices supported by KPIs. All these relate to business strategy and thereby prove that HR can have a measurable impact on economic outcome (Bowen & Ostroff 2004). Another study explored progressive HR practices, such

as staffing selectivity, training and incentive compensation and revealed a strong connection with perceptual measures of organizational performance, e.g. productivity, turnover and financial results (Delaney & Huselid 1996). But the development of reliable and valid measures of HR management systems remains a major challenge because there are no two studies that measure HR practices in the same way. Obviously, there is no standard measurement system to compare HR efficiency to each other. Performance always has to be linked to the economic outcome of a company and research would have to rely on a sample of similar companies in terms of industry, size etc. to at least provide valid and reliable data for a comparison.

Most financial departments need numbers and figures from HR. For a start it would help to enrich data with further KPIs to measure the operationalization of HR's strategy and performance. HR controlling is supposed to inform, control and manage by giving systematic, early and user-friendly information on HR management to be made available to all decision-takers and stakeholders. Controlling is to evaluate HR management in terms of efficiency and target achievement. Management refers to the identification of reasons for inefficient HR instruments and the elaboration of alternatives (Holtbrügge 2005: 251 ff.). In most companies, the main tasks for HR controlling are to prepare strategic decisions (74%), disclose personnel expenses (63%), add to corporate reporting (48%) and be an early warning system for future developments (36%). Only then comes HR's value contribution to overall business success (24%) and the efficiency of the HR department (24%) (Deutsche Gesellschaft für Personalführung e.V 2007b). This shows that HR controlling could, but normally does not deliver information on HR value creation. By taking advantage of existing controlling tools and adapting relevant ones to the M&A scenario, the situation could change.

The majority of enterprises make use of the same range of controlling instruments. These are quantitative and standardized reports on planned versus actual facts and figures relating to internal or external benchmarking, or both. Fewer take advantage of qualitative KPIs (53%), process analysis (33%) or controlling and cockpits (28%). Human capital evaluation is at the bottom of the list (2%). Common data sources are payroll, accounting, personnel information systems, employee surveys, target achievement documentation etc. (Deutsche Gesellschaft für Personalführung e.V 2007b). During HR DD numbers and figures have already been collected to prepare the buyer's decision. This profound information basis offers a broad variety of data to be exploited for PMI controlling. Depending on HR's strategy these data have to be sorted out with respect to usefulness

and importance. HR has to define value creation in line with the business strategy and thereby determine a mix of qualitative and quantitative information to cover most important HR-relevant areas. These data should be presented to top management in order to show project success on a regular basis. Thus a management cockpit which provides a clear basis for decision-taking is helpful. The cockpit setup has to be agreed by top management before the integration starts. Even better, it is already a product of the HR DD phase or HR has already been using such a cockpit before. Nevertheless, HR should rely on the controlling instruments which are available.

Project networks should undergo performance measurement, which is an approach to quantify the achievement of individuals and the project organizations by means of a central measurement variable, which is the KPI. A multifunctional measurement is needed because, in this case, success is not only financially-driven but also showing in qualitative and quantitative KPI relating to non-financial project goals. The interdependency of cause and effect has to be monitored closely. To this effect, the Balanced Scorecard (BSC) would be a suitable tool to measure the success of a project network because strategic goals can be operationalized and assigned to workstream owners. (Vani ni & Borchert 2014: 228–230). In the context of organizational learning it can be an important element assuming that corporate culture provides a nourishing ground. Criteria for organizational learning are if members are motivated to learn and self-develop and if customer expectations and satisfaction are analyzed. Another criteria is, if synergy potential is created by know-how transfer of interdisciplinary teams and diversity of opinions and experiences are integrated in an atmosphere of constructive debate. Members should be capable and willing to reflect on experiences along the value chain and be open to benchmarking. It needs a future-oriented, optimistic but realistic tenor, and a permanent improvement of one's own performance with respect to organizational structure, value-creating processes, technological infrastructure and competence profile of employees (Kunz 2001: 289–294). One characteristic of the BSC, which promotes cross-functional learning processes, is that it focuses on core areas of strategic relevance, such as finance, markets and customers, processes, innovation and learning. Furthermore the BSC links up strategic goals with operational KPIs and creates transparency. Action plans are steadily redefined and updated so that they constantly relate to prioritized performance in the value chain, milestones are clearly defined and a time frame is set. Finally goals can be interconnected with sub-scorecards that are interlinked with individual performance management systems. If not seen as a rigid controlling instrument but



a flexible tool to fit into the organizational context, the return on investment can be high in the long run (Kunz 2001).

Given the context of complex system, a BSC, once designed for the M&A, can serve as a baseline, but needs to be adjusted and supplemented in order to reflect a changing environment in the long run (Colabria 2013). It might occur that after a while different KPIs are available which make more sense, or they could be illustrated in a more precise and outcome-oriented way. Therefore, the BSC should be checked continuously with respect to crucial figures and facts to ensure that M&A project goals will be reached. A BSC is no rocket science, but to set it up for a complex project and keep it updated in the course of a long-term action plan is a challenge. With respect to financial know-how HR should take advantage of financial specialists or external consultants in order to define the right criteria. There is a huge selection of KPIs available and the challenge is to define the exact measurement criteria that connect to the outcome to be achieved.

#### 5.4.2 Work Approach

In an M&A project it is important to give guidance to employees and it would be fatal to ignore negative individual attitudes. HR and line managers have the responsibility and power to navigate employees through this change process. If the HR system and practices are weak, the message that comes across might be even more subject to individual interpretation. Recipients may unintentionally construct their own version of this message and justify their own behavior. HR has no chance to take immediate action and to guide these processes (Bowen & Ostroff 2004). Successful change initiatives rely on the co-operation of line management or even on building project teams of leaders as in the case of a large automotive company. This company intended to become strategic market leader in a special field and their change initiative was intended to make the 8000 employees understand and become a part of it. The main pillars for this project architecture were to get line managers on board and to assign responsibility, to qualify and trigger dialogue, to mobilize staff, to evaluate target achievements and make them transparent, and to create awareness and understanding for change. This example shows that the principles of participation were successfully applied (Forster & Wiegand 2013).

In order to ensure systemic learning and sustainability, there are some conditions that should be considered in the implementation phase. Line managers and employees have to be integrated

early in order to get their consent. Already during the starting period, a mixed team representing staff from different hierarchies and business units should be involved. It is crucial that management and staff believe in the strategic development of employees on the basis of innovative and creative potential. Customer satisfaction should be part of milestones and KPIs and be taken as a serious indicator for progress. Constant and regular reviews help to align those involved and from time to time relevant business units should be asked to join. The BSC is to be controlled and managed by business units and must not be delegated to staff functions because this could endanger commitment and closeness to business. After the implementation phase has been completed successfully, which may approximately last up to one year or more, the process has to be evaluated accordingly. In the end, it will not be the perfect design and implementation of a BSC that will create value to the organization, but the stakeholders and players with their motivation, learning attitude and perseverance (Kunz 2001: 284–294).

There are some key conditions to be considered for dialogic change. Above all, a trustworthy sponsor is needed to make resources available and support emergent change. The sponsor should be kept in the information loop about the progress. The goal should relate to a meaningful future so that those involved can identify even better with the change. Work meetings allow socializing to engage commitment and plan actions. Emergent change cannot be forced upon the team members. There must be room for the team to provoke new thinking and catalyze self-generated change (Bushe 2013). These criteria apply to a number of dialogic change tools. In an M&A scenario the DT work approach could trigger the interplay of change initiatives on different integration levels. It harmonizes perfectly with project management and could be the kick-off for the HR workstream part. DT takes up the idea of the U-Theory with its process of inner transformation. At the same time, it is a project-based workflow around complex problems and goes with the conditions of a change situation. Also the idea of interdisciplinary co-operation is taken up, because the HR-related workstream should fall back on non-HR members, such as workers' council, line managers and key players of different business units, external and internal specialists and consultants, etc. Size and composition of the group has to be adjusted to the business strategy, organizational context and resources available. As early as possible, but shortly before the deal is closed at the latest, HR should present the concept to its sponsor, i.e. M&A management, and have it approved. Any substreams to the HR workstream should proceed the same way, but need to be explained and guided by an experienced trainer or project manager. DT relies on the project team's empathy, creativity

and rationale to find a solution on how to approach a problem. The question has to be defined clearly upfront by the project manager who also has to provide profound information material and first insights into the problem. In the case of an M&A integration kick-off, for example, this could be how to implement the BSC. Strategy and goals need to be set by M&A management in coordination with those responsible for HR.

As there is no default solution to the problem, change environments generate a fertile ground for innovation processes. Innovation is hard work and teams must be willing and able to undergo such a process. Innovative organizations develop innovation ability on the basis of three creative elements: friction, decision-taking and agility. Creative friction is the ability to develop ideas through discussions and debates. Creative agility is the ability to test ideas fast and to analyze and adapt results accordingly. Creative decision-taking is the ability to integrate diverse and contradictory ideas. Team spirit, consisting of three elements – common goal, values and rules – is fostered to encourage the willingness for innovation. The goal provides a sense-making reason for the team, values provide a framework for what is important to the team, and rules define how to approach conflicting situations. The problem with innovation in some organizations is that the principles of traditional leadership do not allow planting this framework into an organization without having one's leadership skills put into question. Some principles may look awkward. Especially the phase of creative agility with try and error, prototype developing and fast lifecycle testing are common in certain areas of research, but typically not part of a team process. Project leaders see themselves confronted with certain paradox leadership ideas, e.g. support but confront at the same time, experiment but ensure performance, improvise but structure, be patient but also put pressure on others, reinforce bottom-up initiatives but also intervene top-down. This contradictory leadership behavior is essential to build and keep up an innovative team spirit as well as readiness to innovation (Brandeau et al. 2015). The project lead has to be experienced in these kinds of processes in order to guide the team through the M&A project. Culture must allow this approach and the proceeding needs to be backed up by the sponsor respectively M&A management. By applying these principles of innovation, the project team members are multipliers for an innovative culture which vice versa fuels change.

A major critique of this approach is that it is time-consuming, costly and dependent on the process owner. The group has to reserve time and resources and has to stay together until the process has come to an end. In a business context this might be hard to realize. Instead of falling back

on a method, individuals with the right mindset could replace the process of DT. The idea of hybrid thinking replaces the group process and assigns the ability to be empathic problem-solvers of complex intellectual difficulties to individuals on the basis of an interdisciplinary approach. Hybrid thinkers would act as a catalyst and multiply the effect, especially if put into key positions (Patnaik & Mortensen 2009). DT has been rightly discussed controversially, because it is not a groundbreaking new idea and has been practiced under different names in similar ways before. Nevertheless it allows a structured approach and takes into account the internal customers' and stakeholders' views (Gürtler & Meyer 2013). In the end it is not the method which will ensure a successful work approach, but the culture of being open to innovation and change. M&A are of such a complex nature that the interplay of all facets can raise the probability to come to the desired result. Still there are numerous risks which could arise and make it a challenging journey. This journey does not start after the deal is closed just because it has become official. A thorough preparation of the project organization is necessary beforehand and the work method must be defined clearly if the project organization is to be successful.

## 5.5 LEVERAGE MODEL

### 5.5.1 Prototype

A leverage model for M&A can only be a prototype focusing on the most crucial, generally known M&A success factors. It needs to be amended or supplemented by other relevant indicators for success since every M&A is different. The foremost task is to know the organizational strategy and define HR's own strategy in line with it. It has to be agreed upon with top management and HR has to commit to it. Depending on the strategy, the project organization will have to be set up allowing access to the common knowledge of the organization. The project organization should also have been discussed in advance, because individuals are human capital resources who have to be at least partly set free from their usual tasks in order to participate. Led by HR, the project organization should also include hybrid thinkers, enterprise leaders and networkers from other relevant business units. HR functions as an interface to stakeholders from different hierarchy levels and should have selected members for the project organization in the pre-deal phase. The HR project organization must not solely consist of HR representatives since different perspectives of the

organization are needed. As a matter of fact, there is no rule as to how many seats should be allocated to HR or to business units. It has to be decided on the basis of the strategy, but it is essential that relevant competences and resources are provided and all is tailored to the particular M&A needs.

As described before, *Information Dialogue* and *Project Management* are foremost dependent on skill-sets in order to guarantee success. *Information Dialogue* may be strongly driven by communication specialists. If so, there should be at least one seat to be filled with someone who can make sure that communication is carried out properly and to the full extent. Furthermore, contact points need to be defined and integrated both in the information stream and the project organization. *Team Transformation* refers to organizational change as transformational competence is essential, but at the same time implementation efficacy is also crucial. As hybrid thinkers, enterprise leaders and networkers have to fully understand the project goals and outcomes some of them should be an integral part of the project organization. The workstream can include numerous members of the organization. In contrast to *Information Dialogue*, one person would not be sufficient and several multipliers are recommended to ensure that knowledge transfer takes place throughout the organization. Leads should be generated for every group as main point of contact. Nevertheless, it is not sufficient if only the leads take part in the project meetings, instead participants should rotate in order to make use of the full potential of those involved. Apart from the lead, further subgroup members have to be available so that the group is able to take decisions in line with organizational needs. These group members should be chosen according to their interconnectedness with the organization, because they are role models to the organization and have the power to influence. HR can, but does not need to be part of this group.

Finally, the *Project Management* should be driven by a highly competent lead as it is a demanding, long-lasting and complex project structure. Under no circumstances should this responsibility be given to someone with only little experience as this could foredoom the project to failure. As the workstreams *Information Dialogue* and *Project Management* mainly rely on competence instead of organizational transformation, these leads need to be given further resources, such as a team consisting of other specialists, in order to ensure success. It would be best to allocate individual specialists to their fields of expertise. Substream leads make sense for *Project Management* specialists, e.g. allocated to different business units, either content- or matrix-wise to *Team Transformation* and *Information Dialogue*. Furthermore, other specialists should give support in the course of

the project. In order to be efficient and effective all leverage factors relevant to M&A and HR must be considered and completed by transparent economic KPIs to be measured during the process.

On the basis of the M&A strategy, HR's strategy has to be clear and the project organization set up. Depending on the M&A project the specified model could also integrate other elements, *Information Dialogue*, *Team Transformation* and *Project Management* are success-critical. HR should take the lead for HR-related project management in order to ensure that all HR-related success drivers are analyzed and taken into account. *Information dialogue* is highly important to actively engage staff and guide employees along the process. *Team transformation* includes early teamwork, leadership influence and key player retention with respect to cultural alignment. The elements shown in the model below are believed to be most critical in M&A scenarios, but enterprises are challenged to adapt the model to their individual M&A project needs.

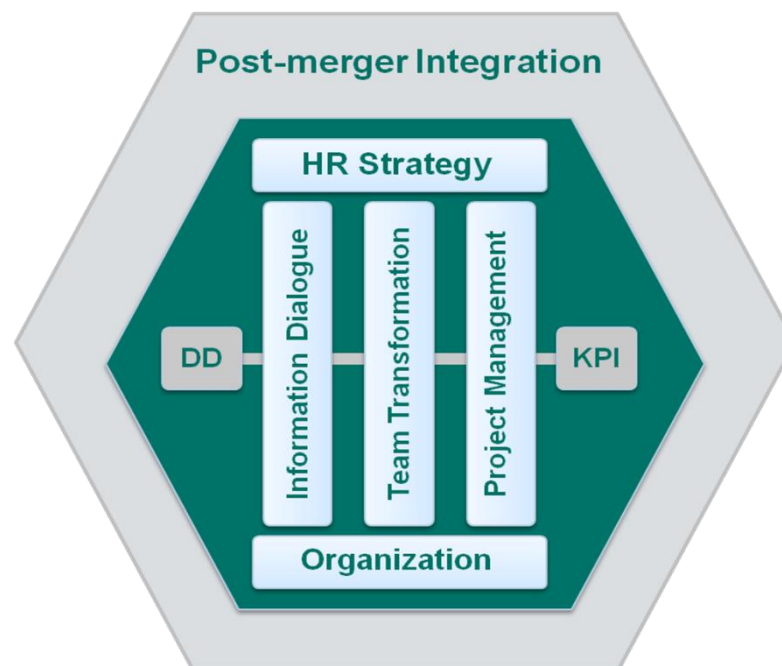


Figure 44: PMI Leverage Model

As discussed before, the organizational transformation process would become much harder if HR was part of the transformation process itself. But even then, HR would have to begin at some point, and what might start as the establishment of an HR project organization could later be inte-

grated into HR structure. Either helpful practices could be transferred into daily business, or parts of the project organization, e.g. a so far non-existent change management department. The genesis of an “auto-poetic system” could be a crucial turning point in the history of an HR department (Zeleny 1981). The term “auto-poetic system” stems from system theory suggesting that communication is more than the addition of single elements. Instead it is embedded into a strong environmental context with reciprocal effects. An auto-poetic system exclusively consists of communication instead of subjects and individuals and operates in a constant and self-renewing cycle (Luhmann 2010). HR is challenged to rebalance its own business and constantly reshape its own processes.

Apart from the organizational structure, HR organizes workflows that could induce irreversible changes. It has responsibility to guide and up-skill line managers along the M&A project in order to drive *Team Transformation*. The natural decline of information density during the M&A project from top to bottom has to be managed by digital transformation tools addressing the target groups by media channels. In the digital age, it is not only the message but the wrapping it comes with. The more genuine the media, the more likely the message is to be accepted and understood. Modern communication goes a the choice of communication tools and channels resulting in a communication mix which certainly must be compliant with data security confidentiality levels. Modern media, such as messenger, twitter, apps, etc., would instantly provide pieces of information so that the recipient is well-informed and up-to-date. Especially in the case of M&A, rumors spread very fast, but modern communication tools could be faster. Younger generations might appreciate this information policy which, of course, would not replace dialogue and debates in order to process information. But if this was combined with an open-feedback culture and supportive management, the chances are high to turn the situation into a less fearful one. Change can take place on different levels, either operational or organizational. Whereas organizational changes, e.g. the 3-pillar model, have proven to be difficult and not always successful, the changes of processes and workflows that start off with a project organization being set up for a specific purpose in a limited period of time, offer much more freedom for try and error. If not successful, the project structure could be given up after the project is completed and the original HR organization would stay the same. If proven to be successful, parts or processes of the project organization could support the HR department and be integrated. It might become evident that the whole organization has

accepted the project organization as an integral part of the whole organization. In this case, it might not be dissolved afterwards, but given other goals and contents.

### 5.5.2 Cockpit

According to secondary assumptions, HR strategy and performance criteria measured by indicators need to be defined and followed up. Future people and organizational demands as well as HR's competence have to be taken into account. The BSC provides a strategic approach to rely on all the above mentioned aspects and adds financial factors. Looking back at the starting point of an M&A, it becomes clear that if KPIs have not been set up properly, HR has no evidence to prove its success to top management in the end. Therefore, it is not sufficient to just set up a project organization. Instead, a cockpit needs to be developed and handled throughout the whole process. The tool has to fulfill at least two criteria, i.e. providing transparency for management and being easy-to-handle. Complicated financially-driven model kits would be of no help to HR because it often does not have the competence to master those properly. However, the illustrated BSC provides a framework that is genuinely understood and can be applied more easily by non-financials. HR success drivers in M&A perfectly match the four fields of the BSC, i.e. financial, customer, process and development perspectives.

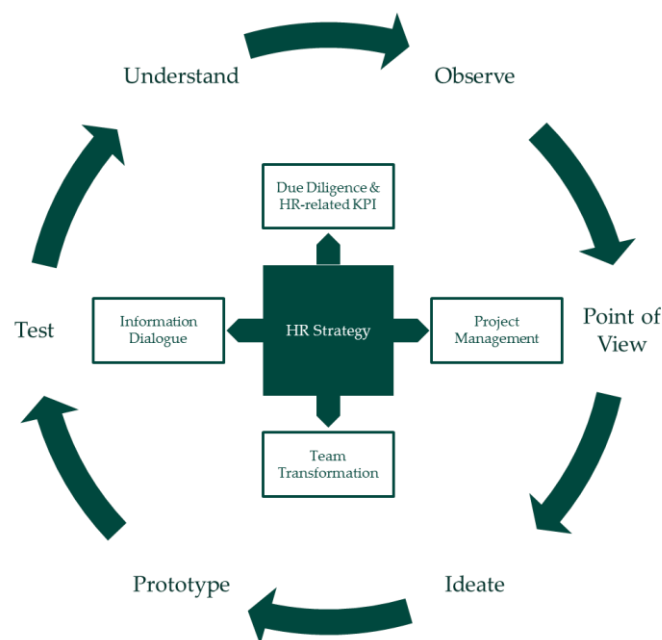


Figure 45: PMI Cockpit



The figure shows the combination of the *Leverage Model* elements, BSC and DT process. The financial perspective relates to the data collected in the DD and other HR-relevant KPIs. It also includes KPIs for *Information Dialogue*, replacing the customer-oriented perspective, *Project Management* corresponds to the process-oriented perspective, and *Team Transformation* refers to both organizational and individual development. Once set up and continuously tracked, the BSC provides verifiable results with respect to HR's effectiveness and efficiency and is a basis to improve HR's reputation. Thorough planning done by HR project management combined with a work approach bringing flexibility and constant realignment during the process could finally increase economic outcome.

An easy-to-handle combination of accurately chosen HR-relevant KPIs measuring the success of the M&A project gives proof of the progress that is made by HR. On the one hand, the model needs to provide transparency for top management, and on the other hand, KPIs have to be operationalized and based on HR-related processes. Assuming that HR cannot fall back on a financial specialist with immediate access to HR-related KPIs at hand, those have to be defined at the beginning of the M&A project. It is recommended that HR makes use of a financial specialist who could either be the person who has been in charge of HR controlling before the M&A started, or it could be an M&A specialist, either internal or external. Regardless of which option is chosen, HR-related KPIs have to be identified. The KPIs already available can be compiled and finally the most crucial ones are to be interlinked in order to set up a cockpit. The number of KPIs depends on the strategy and the size of the M&A, but a choice of five to ten is recommended. With respect to the financial perspective of the BSC, HR DD data serve as basis for financial KPIs, but the data volume has to be checked and selected according to strategic goals with the focus on value creation. If the selected KPIs are not sufficient, others should complement the collection. It is the idea to finally come up with a significant cockpit which gives project and M&A management the chance to quickly and easily understand the situation on the basis of financial performance indicators.

The part of the BSC which refers to the process-oriented *Project Management* perspective focuses on milestones, time frame, working packages, meeting attendance, integration and constant re-alignment of the views of project members, sponsor information obstacles etc. thereby relying on change tools and methods. The development-related BSC perspective corresponds with *Team Transformation* and refers to the idea of participation and change mechanisms including learning processes and innovation. These have to be defined thoroughly for the integration and non-HR line

managers, professionals, etc. are asked to provide input. HR may have some thoughts or ideas, but at this stage customer orientation is most important. The same applies to *Information Dialogue* which is actually the customer-oriented part of a BSC. The organization or other business units, but also HR, should be supplied with a professional M&A communication concept aligning all key messages and media on a timeline. Various feedback loops should be planned in order to start and keep a dialogue as honest as possible. Information comes first, but the messages sent should be processed intensively by means of a two-way communication. A multi-faceted approach is helpful by addressing as many employees as possible with regard to their individual way of listening and understanding. The communication concept must include a broad variety of media which are sent simultaneously in order to not lose time and be more effective. The HR department should rely on internal or external communication specialists and must not stop emphasizing the importance of the dialogue and feedback intention of all communication measures.

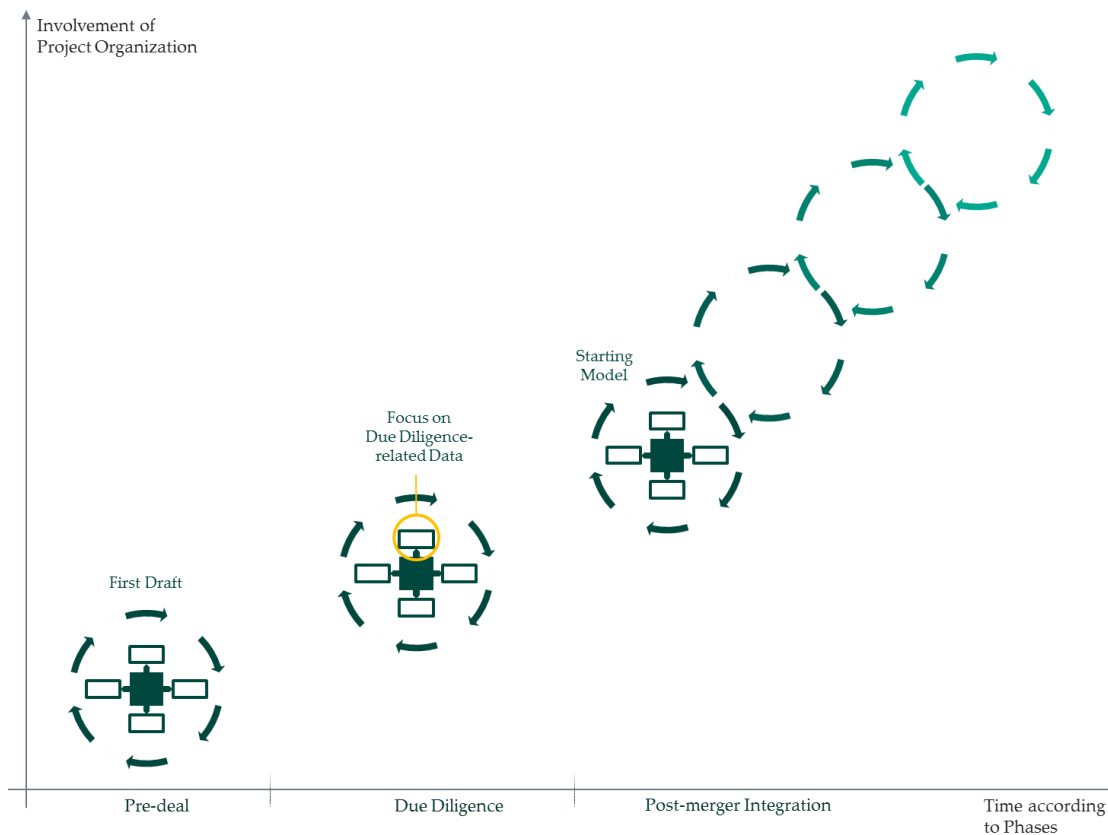


Figure 46: PMI Cockpit according to Phases

After the goals for all separate parts have been defined, relevant KPIs need to be designed. This is also part of the DT approach and when the whole concept is approved, measures and actions follow, e.g. how to fill the BSC in more detail. The implementation phase is as important as the design phase and the project manager has to focus on development and relevant milestones. After all project members have understood the situation and agree on the basic question, its intention and the challenges this might bring, the DT process could continue until the prototype BSC is finished. After being approved by M&A management, it is handed over and tested by substream leaders. They repeat the process with their team, and, if necessary, with the help of the project lead or another trainer who is able to guide them according to the DT method. After all subgroups have undergone this process, BSC outcomes are to be integrated. This is the responsibility of the HR workstream lead. It is a continuous and iterative process and the implementation must be in line with the organization. Once main and sub-BSC are final, which should ideally not take longer than a few weeks, the project lead is to measure results constantly by having operations meetings with the top management. The idea is to involve different business units and hierarchy levels by a participate process that is guided by line managers and transparent to the whole organization. The communication department should repeatedly inform about progress and align the various communication tools. The DT process helps to revive the momentum for change after the project has begun and keeps it going by means of participation. Starting the project kick-off with the help of DT would offer a chance to integrate all relevant parties and cascade it down from top to lower management levels and finally employees – and bottom up in return to make it a permeable and consistent approach.

Of course, the *Leverage Model* elements are the placeholder for the elements each organization has to choose in line with their own individual M&A project. They only represent the success factor fields which have to be verified in the present organizational context and should be substituted if believed to be unhelpful. The first draft of the BSC should be developed early in the pre-deal phase. Since the confidentiality level is high, only few members of the M&A management might be allowed to be involved. HR has to initiate and follow-up the process on a very high strategic level, most probably by the CHRO who could be the only one to be informed about the M&A ahead. In addition to this small group of insiders, a handful of those who have a stake in the long-lasting organizational development and are available at that point of time should also be involved. The first draft has to be agreed upon by M&A management. When the DD phase starts, the circle of insiders

is opened up to specialists who collect DD data of various kinds. In this phase, the HR project lead should emphasize the financial part of the BSC or HR-related DD data that determine the buying price. If postponed to PMI, it will become even harder to set up this part of the BSC. Those who join the process at a later stage in PMI have no information about the intentions and ideas of the merger management and the knowledge might be at risk to get lost. Preferably DD data is collected at the very beginning of the PMI phase in a kick-off with the HR integration project team and followed up in the course of the process. Certainly the data has to be aligned with M&A strategy and be acknowledged by M&A management. If HR has the lead and is part of the steering committee at the same time, all actions can be harmonized. Despite thorough planning unexpected risk factors may arise and become stumbling blocks to the project management team. These constraints could be tackled by the innovative approach which expects the unexpected without neglecting analysis or structured planning. Other tools supporting employee participation could also be helpful.

Sustainable results are highly important for a long-term strategy. The leverage model and the cockpit alone cannot guarantee successful integration since it lies in the hands of those setting up and implementing it. Furthermore, the adaptation to the individual business case, business model and strategy is crucial to success, even if there may be many other obstacles. The change process is complex and dynamic so that constant alignment is needed. Even if it works for one M&A project, it cannot be taken as a blueprint for the next one. Instead it has to be deliberately prepared anew by those involved. Constant dialogue during the change process is one success factor and copying the model would neglect this. In the end, success is evaluated by M&A management and the sponsors of the project. If not agreed upon very early or if overall business goals happen to change, the model is no longer reliable. If corporate culture allows change, it will be easier to buy-in and get commitment from staff and line managers as well as workers' council. The success of the model will be hard to measure as it is, apart from other factors, dependent on industry and company size. Best practice exchange, cross-sectional and long-term studies would help to understand the complexity and dynamics of it.

## 6. CONCLUSION AND OUTLOOK

The starting point of this dissertation was the drama that HR generally becomes involved in M&A only to a minor extent and too late. The course of the M&A with decisions made and actions taken can neither be influenced adequately in time nor revised at a later point of time. This situation strongly correlates with the reputation HR has and how it is perceived by executives. Therefore, HR needs to approach an M&A scenario systematically, i.e. defining a strategy and outcome and thereby delivering additional value to top management. With respect to M&A, various present and future HR challenges were examined and special HR-related aspects illustrated. In the research, the scenario was described from different experts' views with the intention to isolate basic success parameters and develop a model to improve HR's impact on M&A projects in the long run. The following aspects were examined more thoroughly.

The HR function faces drastic changes due to global trends affecting business needs and economic outcome. But compared to other business units, most HR departments are reactive and less progressive. Global trends such as the digital knowledge explosion, fluid organizations and converging cultures are core characteristics of the new work environment. The fast pace of new information technologies turns the work environment upside down. Change has become the rule instead of the exception. Due to globalization, borders have become more permeable so that inflexible organizational systems and structures start to crumble or even break. Navigating through this changing and growing international landscape gets tougher. Additionally, business becomes more demanding. Expert knowledge is no longer sufficient for internal customers who nowadays call for an HR strategy and operating model aligned to business needs. The transformation of the HR function is not an easy undertaking as the implementation into the existing business landscape is very difficult. Successful examples are rare, especially if sustainability and measurable economic outcome are desired results. Often HR is not used to delivering facts and figures, setting up holistic performance measurement systems and creating additional business value. Instead HR functions are overloaded with inherent changes in day-to-day business which they hadn't to deal with in the past for which reason outsourcing HR remains a threat. HR is required to reinvent itself in this fast-changing environment in order keep up the pace and be prepared for multiplex challenges.

One of these multiplex challenges is the increasing number of M&A and HR's involvement in the process. Depending on the nature, size and strategy of the M&A, but also on HR's formation,

competence and reputation, both the time and depth of involvement can vary. HR involvement can start with the buying decision, DD or even just shortly before PMI – all approaches are existent. But in PMI at the latest, it is likely that HR will become heavily involved because it has to fully operationalize M&A strategy for HR-relevant products, services and processes. If the change is not welcomed by staff because it might bring major disadvantages, the organization may suffer from the post-merger blues. In this case, morale is low and HR has a hard time to drive integration. Besides, a cultural mismatch is one of the most underestimated deal breakers. Leaders, talents and other key players contribute tremendously to the human capital value of a company and, if demotivated, the project might be doomed in the long run. Apart from workers' council cooperation, staff buy-in is crucial. Proper change communication can help employees to actively process information and motivate them to take part in shaping the process. Since all loose ends have to be tied up and controlled in line with strategic goals, project management provides a setting to integrate all these elements and steer the process. The list of influence factors to be considered by HR is extensive and therefore the main success and risk factors should be in the focus if given the mandate to bring the project to a favorable end. These findings led to the research question of how HR could increase its level of influence and involvement in M&A projects in order to become a sparring partner to top management.

The basic research question was how HR could add value to top management in the context of an M&A, backed up by two hypotheses. First, that HR plays a minor role in M&A, and second, that after an M&A project has been completed HR has become aware of its low performance and has identified the areas where performance improvement is needed. It was further assumed that HR is no sparring partner to the executives' team due to poor performance. This raised the question what criteria would have to be met so that HR could close the gap and define HR-related success factors. Moreover, it was assumed that HR is not aware of future organizational challenges with regard to the market environment and the business model. This led to the question how to define a strategy in line with the business, deduce actions and measure the progress. Eventually, it was assumed that HR lacks the competence to reach these goals, thus implying that HR needs to improve its competences. Throughout the interviews it became clear that individual statements remained valid and differed only slightly despite varying M&A project strategies, business sizes and industries. Most importantly, HR's attitude was seen as a risk factor, which has been confirmed by other studies in which it is described as a misaligned self-concept of change project parties involved. In

other words, there is not only a gap in expectations concerning business-critical risk factors, there is also a gap between HR's self-perception and internal customers' views, especially top management. HR's involvement increases in the course of the M&A project, and so does HR's influence, nevertheless HR is rarely involved in the decision-taking in the pre-merger phase. It is mostly asked to deliver and analyze HR DD data and is for sure given responsibility for HR-related issues in PMI. Top management expects HR to handle the deal smoothly and professionally with respect to HR DD and PMI. Main risk factors are if HR has the wrong attitude, does not ensure organizational integration or does not hold management responsible. On the other hand, major success factors are talent management, added value, change, communication and culture management. Only data analysis and controlling are given as both risk and success factors. Certainly, HR is required to use its tools properly. However, smooth handling of HR-related issues only serves as basic qualification to be part of the game, but is still far from being accepted as an equal player.

HR's role understanding has to change towards a strategic focus and definition of the value proposition. At the same time HR has to change its behavior from being reactive to driving the project in a future-oriented way. The existing HR organization and its portfolio determine strategy involvement and the mandate HR is given for the M&A transaction. HR's quality and output need to be related to HR's strategy. Nevertheless, mostly HR has a hard time to fully come up to the expectations. It lacks fundamental information about the M&A transaction and competence with respect to the challenges ahead. Therefore, it has to do a gap analysis, up-skill or buy-in competences. A major HR optimization need lies in creating value, understanding economic implications, driving change and organizational transformation, but also in being pro-active and visible. HR's role understanding has to change towards taking the driver's seat and not just focusing on technical integration. The foremost step to take is to become aware of its own low performance and top management's contrasting role expectations. The lack of pro-activeness and visibility questions HR's reputation and its self-concept. The M&A-relevant skills HR should have is strategic and business understanding, value creation and controlling. HR has to understand the principles of change of which change communication, cultural awareness and project management skills are the most crucial ones. It does not matter whether HR operates on its own or is supported by other internal or external specialists as long as it reaches the expected outcome. Change needs to be driven by an overall concept and the storyboard should be transparent to line management and employees alike taking advantage of their participation in the process.

Based on these results, the next steps on the way to strengthen HR's partnership with top management are to show economic implications along M&A with respect to the new business model. Besides HR needs to be outcome-driven and focused on facts and figures. HR has to analyze, revise and adapt its self-perception and identify possible gaps in competence and skills with respect to the present M&A scenario. Apart from taking advantage of external specialists, what does a blueprint for taking action look like? The *Leverage Model* has been developed in order to provide a framework of how to tackle M&A scenarios. It takes up crucial risk and success factors and serves as a prototype on the way to successful integration. Apart from elements such as HR strategy and project organization, the M&A-relevant perspectives relate to financial drivers and transformation as well as project- and communication-related competences. The *Leverage Model* is supplemented by a strategic tool to create value, manage and control M&A project success with the help of a KPI cockpit. This prototype developed for M&A scenarios needs to be adapted and supplemented in line with each M&A case. Model and cockpit are supposed to help HR to better steer the project and meet top management's expectations. It thereby integrates the most crucial risk and success factors which have proven to be stumbling blocks along the process. Each HR department has to find its own way to become a strategic and reliable business partner to top management, but some key aspects are certainly more important than others. If the basis is a realistic self-concept that matches top management's perception as well, it can serve as a profound baseline to see gaps and adjust quickly and connect effectively with the rest of the organization.

HR does not demand too much of itself, but it demands the wrong things of itself. It must face the fact that its self-perception and present performance do not match top management's expectations. In fact, self-perception and present performance are misaligned in major fields. One reason for this misalignment comes from the long way HR has taken over past decades, i.e. from an administrative assistant to a development-focused training provider up to what it is today. The 3-pillar concept is certainly only one piece of the puzzle and obviously not the solution for all HR departments. HR has no long history in being required to be efficient and effective in the way it is doing business and so far there have rarely been harsh consequences. Even more, it seems as if business has resigned with the fact that HR has been a low performer ever since. So the first step is to acknowledge that in many cases HR is neither a strategic business partner, nor does it meet top management's expectations or is courageous enough to start an open dialogue about these issues.



Apart from HR-specific knowledge, HR surely desperately needs entrepreneurial skills, organizational competences and a process understanding in order to meet today's global challenges and guarantee long-term success. Also networking, innovation as well as data analysis and interpretation are necessary. In return, hopefully a new awareness of the HR business will develop and logically entail changes that will be more promising with regard to an improved HR's reputation. Since the *Leverage Model and Tool* are a first draft of a prototype version, they have to be tested, examined, improved and validated in the context of real M&A scenarios. Furthermore, they have to be compared to existing models and amended and aligned to all coming state-of-the-art findings. Assuming that the awareness of the importance of HR's performance will be growing, there is hope that even more substantial tools and solutions will be developed in the near future.

## LITERATURE

- Aguilera, Ruth V. & Dencker, John 2004. The Role of Human Resource Management in Cross-Border Mergers and Acquisitions: *The International Journal of Human Resource Management*. Abingdon: Taylor & Francis Ltd. (Bd. No. 8Bd), 1357–1372. Can be found at: [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=593526](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=593526).
- Aldering, Christoph & Högemann, Bernd 2011. Human Resources Due Diligence, in Berens, Wolfgang, Brauner, Hans U. & Strauch, Joachim (Ed.): *Due Diligence bei Unternehmensakquisitionen*. Stuttgart: Schäffer-Poeschel. (Der Betrieb), 523–547.
- Aldering, Christoph & Hutten, Christina von 2008. Due Diligence and Human Resources, in Berens, Wolfgang, Brauner, Hans U. & Strauch, Joachim (Ed.): *Due Diligence bei Unternehmensakquisitionen*. Stuttgart: Schäffer-Poeschel, 313–329.
- Ball, D. A., et al. 2006. *International Business: The Challenge of Global Competition*. New York, NY: McGraw-Hill.
- Barmeyer, C. & Mayrhofer, U. 2008. The contribution of intercultural management to the success of international mergers and acquisitions. *International Business Review* (Vol. 17), 28–38.
- Barnett, R. C. 2005. *The Executive Perspective on Mergers & Acquisitions*. Minneapolis, MN: MDA Leadership Consulting.
- Belker, Thomas 2013. Warum HR mehr globale Kompetenz braucht. *Human Resources Manager*, 12–13.
- Bieger, Thomas, Knyphausen-Aufseß, Dodo zu & Krys, Christian 2011. *Innovative Geschäftsmodelle*. Berlin: Springer. (academicnetwork).
- Böhlich, Susanne (Ed.) 2010. *Employer Branding 2.0: Strategisches Employer Branding als Basis für erfolgreiches Personalmarketing im Web 2.0*. Neuss.
- Bowen, David E. & Ostroff, Cheri 2004. Understanding HRM-Firm performance linkages: The role of the "strength" of the HRM system. *Academy of Management Review* Vol. 29 (No. 2), 203–221.
- Brandeau, Greg, et al. 2015. Wecken Sie das kollektive Genie. *Harvard Business Manager Spezial* Vol. 37, 44–55.
- Brockbank, Wayne 1999. If HR were really strategically proactive: Present and future directions in HR's contribution to competitive advantage, in Becker, Brian E. & Huseli, Mark A. (Ed.): *Human Resource Management*. Hoboken, NJ: John Wiley & Sons, Inc. (Bd. No. 4Bd), 337–352.
- Brunswick Group 2010. *Talking Points: We announced we're merging... now what?* London: Brunswick Group.
- Burek, C. 2010. *Post-Merger: Intercultural Communication in Multinational Companies. A Linguistic Analysis*. Bern: Peter Lang.
- Bushe, Gervase R. 2013. Dialogic OD: A Theory of Practice. *OD Practitioner* Vol. 45 (No. 1), 11–18.
- Capgemini 2006. *Studie HR Business Partner: Theorie und Praxis: Sichtweisen und Perspektiven*. München: Capgemini Deutschland.
- Capgemini 2011a. *HR at the Executive Table: Linking People Strategy to Business Outcomes. 2011 Global HR Barometer Research Report*. London: Capgemini.
- Capgemini 2011b. *HR-Barometer 2011: Bedeutung, Strategien, Trends in der Personalarbeit. Schwerpunkt Organisationsdesign und -entwicklung*. München: Capgemini Deutschland.

- Capgemini 2012. *Digitale Revolution: Ist Change Management mutig genug für die Zukunft?* München: Capgemini Deutschland.
- Carleton, Robert J. & Lineberry, Claude S. 2004. *Achieving post-merger success: A stakeholder's guide to cultural due diligence, assessment, and integration*. San Francisco, CA: Pfeiffer.
- CEB 2012. Breakthrough Performance in the New Work Environment: Identifying and Enabling the New High Performer. The Corporate Executive Board (CEB). (EXECUTIVE GUIDANCE FOR 2013).
- CEB 2015. Do your leaders miss the big picture? The Corporate Executive Board (CEB). Can be found at: <http://de.slideshare.net/CEB-Slideshare/enterprise-leadership>.
- Chakrabarti, Rajesh, Gupta-Mukherjee, Swasti & Jayaraman, Narayanan 2007. *Mars-Venus marriages: Culture and cross-border M&A*. Atlanta, GA: Georgia Institute of Technology.
- Chalhoub, M. S. 2009. *Employee Growth and Development through Knowledge Management in the Global Environment: Effects on the Competitiveness of Firms in a Multinational Context*. Beirut.
- Chawla, Sarita & Renesch, John 1995. *Learning organizations: Developing cultures for tomorrow's workplace*. 1st ed. Portland, OR: Productivity Press.
- Claßen, Martin & Kern, Dieter 2010. *HR Business-Partner: Die Spielmacher des Personalmanagements*. Köln: Luchterhand. (Personalwirtschaft Buch).
- Clougherty, Joseph A. & Duso, Tomaso 2009. *The Impact of Horizontal Mergers on Rivals: Gains to Being Left Outside a Merger*. Berlin: Wissenschaftszentrum Berlin.
- Coase, Ronald H. 1937. The Nature of the Firm. *Economica* Vol. 4 (No. 16), 386–405.
- Colabria 2013. Enterprise Leadership. Can be found at: [www.colabria.com/enterprise-leadership/](http://www.colabria.com/enterprise-leadership/).
- Copeland, Tom, et al. 1993. *Unternehmenswert: Methoden und Strategien für eine wertorientierte Unternehmensführung*. 1st ed. Frankfurt am Main: Campus Verlag.
- Davenport, T. H. & Prusack, L. 2000. *Working Knowledge: How Organizations Manage What They Know*. Cambridge: Harvard Business School Press.
- Deal, T. E. & Kennedy, A. A. 2000. *Corporate Cultures: The Rites And Rituals Of Corporate Life*. Cambridge: Perseus Books Publishing.
- Delaney, John T. & Huselid, Mark A. 1996. The Impact of Human Resource Management Practices on Perceptions of Organizational Performance. *The Academy of Management Journal* Vol. 39 (No. 4), 949–969.
- Deming, S. N. & Morgan, S. L. 1987. *Experimental design: A chemometric approach*. Amsterdam: Elsevier Science Publishers.
- Deutsche Gesellschaft für Personalführung (Ed.) 2007. *Erfolgreiche M&As - was das Personalmanagement dazu beiträgt: Untersuchungsergebnisse und Handlungsempfehlungen*. Düsseldorf: DGFP. (PraxisPapier, 2).
- Deutsche Gesellschaft für Personalführung e.V 2004. *Wertorientiertes Personalmanagement: Ein Beitrag zum Unternehmenserfolg. Konzeption, Durchführung, Unternehmensbeispiele*. 1st ed. Bielefeld: Bertelsmann. (DGFP-PraxisEdition, Vol. 70).
- Deutsche Gesellschaft für Personalführung e.V 2007a. *Human Capital messen und steuern: Annäherungen an ein herausforderndes Thema. Grundlagen, Durchführung, Beispiele*. Bielefeld: Bertelsmann. (DGFP-PraxisEdition, No. 82).
- Deutsche Gesellschaft für Personalführung e.V 2007b. *Personalcontrolling: Status quo und Perspektiven: Ergebnisse einer Tendenzbefragung*. Düsseldorf. (PraxisPapier, No. 5).

- Deutsche Gesellschaft für Personalführung e.V 2012. *DGFP-Langzeitstudie Professionelles Personalmanagement: Ergebnisse der PIX-Befragung 2012*. Düsseldorf. (PraxisPapier, No. 4).
- Deutsche Gesellschaft für Personalführung e.V 2013. *Personalcontrolling für die Praxis: Konzept - Kennzahlen - Unternehmensbeispiele*. 2nd ed. Bielefeld: Bertelsmann. (DGFP-PraxisEdition, No. 92).
- Deutsche Gesellschaft für Personalführung e.V. 2014. *DGFP Ansatz: Personalmanagement als Wertschöpfungsmanagement*. Düsseldorf. Can be found at: <http://www.dgfp.de/wissen/themen/wertschoepfungsmanagement/neupage> [2015-02-04].
- Diekmann, Andreas 2012. *Empirische Sozialforschung: Grundlagen, Methoden, Anwendungen*. 6th ed. Reinbek: Rowohlt Taschenbuch Verlag.
- Digital Data Room 2013. *HR Due Diligence Checklist*. Can be found at: <http://www.digitaldataroom.com/DUE-DILIGENCE-DATA-ROOM-CHECKLIST.pdf> [2015-01-07].
- Dowling, Peter J., Welch, Denice E. & Engle, Allen D. 2008. *International Human Resource Management*. 5th ed. Hampshire: Cengage Learning Emea.
- Droese, Alexa 2006. *Integrationsmanagement bei Mergers & Acquisitions: Kulturelle Aspekte bei Unternehmenszusammenschlüssen*. Saarbrücken: VDM Verlag Dr. Müller.
- Dröhse, A. 2006. *Integrationsmanagement bei Mergers & Acquisitions*. Saarbrücken: VDM Verlag Dr. Müller.
- Drumm, Hans J. 2006. *Personalwirtschaft*. 5th ed. Heidelberg: Springer.
- Duda, C. & Pham, H. 2009. Human and Culture Integration in Mergers & Acquisitions. Master Thesis. Mälardalen University Sweden.
- Dülfer, E 1988. *Organisationskultur: Phänomen - Philosophie - Technologie*. Stuttgart: Schäffer-Poeschel.
- Dunne, David & Martin, Roger (Ed.) 2006. *Design Thinking and How It Will Change Management Education: Academy of Management Learning and Education: An Interview and Discussion*. Toronto: Joseph L. Rotman School of Management, University of Toronto.
- Ehms, Angelika 2014. *How HR can drive post-merger Integration with the help of Design Thinking*.
- Fatzer, Gerhard 1996. *Organisationsentwicklung und Supervision: Erfolgsfaktoren bei Veränderungsprozessen*. Köln: Humanistische Psychologie.
- Ferrell, O. C., Fraedrich, J. & Ferrell, L. 2005. *Business Ethics: Ethical Decision Making and Cases*. 6th Ed. New York, NY: Houghton Mifflin Company.
- Fischer, Johannes & Wirtgen, Jörg 2000. *Post merger integration management*. Berlin.
- Fletcher, A. 2008. *Avoiding post-merger blues*. Frankfurt: BearingPoint.
- Forster, Barbara & Wiegand, Vera 2013. Im Dialog zur Strategieumsetzung.: Ein Change Projekt im Entwicklungsbereich bei BMW. *OrganisationsEntwicklung* (No. 3), 71–79.
- Fröhlich, Casper 2005. Werkzeugkiste für Berater und Change Manager.: 3. Projektarchitektur. *OrganisationsEntwicklung*.
- Furtner, Sabine 2011. *Management von Unternehmensakquisitionen im Mittelstand: Erfolgsfaktor Post-Merger-Integration*. 2nd ed. Wien: Linde Verlag. (Management und Unternehmensführung).
- Gehra, Bernhard & Samtleben, Michael 2005. Beyond Balanced Scorecard: Was hat die Balanced Scorecard erreicht und wohin wird sich das Konzept entwickeln?: Ein Interview mit Dr.

- Norton, Balanced Scorecard Collaborative. *Zeitschrift für Controlling & Management* Vol. 49 (No. 6), 382–383.
- Gerard Seijts, Mary Crossan & Jeffrey Gandz 2008. *The Cross-Enterprise Leader*. Can be found at: [www.iveybusinessjournal.com/publication/the-cross-enterprise-leader/](http://www.iveybusinessjournal.com/publication/the-cross-enterprise-leader/).
- Gerds, Johannes & Schewe, Gerhard 2009. *Post Merger Integration: Unternehmenserfolg durch Integration Excellence*. 3rd ed. Berlin: Springer.
- Good, Tim, et al. 2015. *Trends Reshaping the Future of HR: Digital Radically Disrupts HR*. Heidelberg.
- Grave, Nils 2010. *Mergers and acquisitions: cultural due diligence: Handlungsempfehlungen für die Entwicklung einer gemeinsamen kulturellen Identität. Integration von National- und Unternehmenskulturen*. Saarbrücken: VDM Verlag Dr. Müller.
- Griffin, Andrew F. & Schmidt, Jeffrey A. 2002. Why HR Can Make or Break Your M&A. *Emphasis Magazine* (Vol. 2), 6–9. Can be found at: [http://www.imaa-institute.org/docs/m%26a/towersperrin\\_04\\_why%20hr%20can%20make%20or%20break%20your%20M%26A.pdf](http://www.imaa-institute.org/docs/m%26a/towersperrin_04_why%20hr%20can%20make%20or%20break%20your%20M%26A.pdf).
- Griffin, R. W. & Pustay, M. W. (Ed.) 2005. *International business: A managerial perspective*. 4th ed. Upper Saddle River, NJ: Pearson Prentice Hall.
- Gürtler, Jochen & Meyer, Johannes 2013. *30 Minuten Design Thinking*. 1st ed. Offenbach: GABAL Verlag.
- Güttges, Michael 2014. *Investitionsgut Mitarbeiter Kongress Bundesverband der Personalmanager*. Berlin.
- Gut-Villa, Cornelia 1997. *Human Resource Management bei Mergers & Acquisitions*. Universität Zürich.
- Hafner, Robert & Polanski, André 2009. *Kennzahlen-Handbuch für das Personalwesen*. 1st ed. Zürich: Praxium. (Praxisinformationen für den beruflichen Erfolg).
- Hall, E. T. 2005. How cultures collide, in Griffin, R. W. & Pustay, M. W. (Ed.): *International business: A managerial perspective*. Upper Saddle River, NJ: Pearson Prentice Hall, 67–74.
- Harding, D. & Rouse, T. 2007. Human Due Diligence. *Harvard Business Review*, 124–131.
- Harmon, Paul 2009. *Balanced Scorecard*. Newton, MA. Can be found at: [http://www.bptrends.com/publicationfiles/spotlight\\_0623091.pdf](http://www.bptrends.com/publicationfiles/spotlight_0623091.pdf) [2015-01-11].
- Harper, D. 2011. *Culture*. Can be found at: [www.etymonline.com/index.php?term=culture](http://www.etymonline.com/index.php?term=culture) [2015-01-14].
- Harvard Business Press 2009. *Managing Diversity, Pocket Mentor*. Boston, MA: McGraw-Hill.
- HayGroup 2007. *Dangerous Liaisons. Mergers and Acquisition: the integration game: Hay Group Study 10/2007*. Can be found at: [www.haygroup.com/Downloads/nl/misc/NL\\_WP\\_Dangerous\\_liaisons.pdf](http://www.haygroup.com/Downloads/nl/misc/NL_WP_Dangerous_liaisons.pdf) [2015-01-18].
- Heilmann, Heidi, Alt, Rainer & Österle, Hubert 2005. *Virtuelle Organisationen*. Heidelberg: dpunkt.
- Hess, Thomas 2002. *Netzwerkcontrolling: Instrumente und ihre Werkzeugunterstützung*. Wiebaden: Deutscher Universitäts-Verlag. (Neue betriebswirtschaftliche Forschung, No. 298).
- Hinchliffe, K. S. 1999. *Early Warning Signals of a Merger Going Awry*: *International HR Journal*, Warren, Gorham & Lamont,. (Vol. 8, No. 3).

- Hitt, M. A., Miller, C. C. & Colella, A. 2006. *Organizational Behavior: A Strategic Approach*. Hoboken, NJ: John Wiley & Sons, Inc.
- Hofstede, Geert 2011. *Culture's consequences: Comparing values, behaviors, institutions, and organizations across nations*. 2nd ed.,. Thousand Oaks, CA: Sage Publications.
- Holtbrügge, Dirk 2005. *Personalmanagement*. 2nd ed. Heidelberg: Springer. (Springer-Lehrbuch).
- Horvath, Peter & Kaufmann, Lutz 1998. Balanced Scorecard: Ein Werkzeug zur Umsetzung von Strategien. *Harvard Businessmanager* (No. 5), 39–46.
- Islam, Z., Ariffin Ahmad, Z. & Mahtab, H. 2010. The Mediating Effects of Socialization on Organizational Contexts and Knowledge Sharing. *Journal of Knowledge Globalization* Vol. 3 (No. 1).
- Jäger, Urs 2003. *Wertbewusstes Controlling: Weiche und harte Faktoren integrieren*. Wiesbaden: Gabler.
- Jansen, Stephan A. 2004. *Management von Unternehmenszusammenschlüssen: Theorien, Thesen, Tests und Tools*. Stuttgart: Klett-Cotta.
- Jansen, Stephan A. 2008. Mergers & acquisitions: Unternehmensakquisitionen und -kooperationen; eine strategische, organisatorische und kapitalmarkttheoretische Einführung. *Mergers & Acquisitions*.
- Jeive, M. 2011. Models and Theories, in Nützi, Ruedi (Ed.): *Negotiating in an international environment: Eight perspectives for business practitioners*. Olten: Dietschi, 15–28.
- Jerrentrup, Rudolf & Terhorst, Stefan 2008. *Bewertung des Humankapitals als Herausforderung an das Personalcontrolling*. Essen: MA Akademieverlag. (Beiträge für die Wirtschaftspraxis, No. 11).
- Kapser, H., et al. 2008. Cross-Site Knowledge Sharing Patterns in Multinational Corporations: The Disparate Effects of Contingency and Globalization. *Journal of Knowledge Globalization* Vol. 1 (No. 1).
- Kee, M. R. 2003. Corporate culture makes a fiscal difference. *Industrial Management*, 16–20.
- Kenton, Barbara & Yarnall, Jane 2005. *HR - the business partner: Shaping a new direction*. Amsterdam: Butterworth-Heinemann.
- Kienbaum 2009. *Unternehmenskultur: Ihre Rolle und Bedeutung. Studie 2009/2010*. Gummersbach: Kienbaum Consultants International.
- Kienbaum 2011. *Change. Points of View.: Change-Management-Studie 2011/2012*. Berlin: Kienbaum Management Consultants GmbH.
- Kienbaum 2012. *HR Strategie & Organisation: Kienbaum-Studie 2012/2013*. Berlin: Kienbaum Management Consultants GmbH.
- Kienbaum 2014a. *HR 4 HR: Professionalisierung von HR-Funktionen durch Kompetenzentwicklung und attraktive Karrieren. Kienbaum-Studie 2014*. Berlin: Kienbaum Management Consultants GmbH.
- Kienbaum 2014b. *HR-Trendstudie 2014: Ergebnisbericht*. Gummersbach: Kienbaum Management Consultants GmbH.
- Klingler, Urs 2007. *100 Personalkennzahlen*. Wiesbaden: Cometis.
- Königswieser, Roswita & Exner, Alexander 1999. *Systemische Intervention: Architekturen und Designs für Berater und Veränderungsmanager*. 3. Aufl. Stuttgart: Klett-Cotta.
- Kotter, J. P. & Heskett, J. L. 1992. *Corporate Culture and Performance*. New York, NY: Free Press.

- Kotter, John P. 2012. Accelerate! Harvard Business Review Vol. 90 (No. 11), 45–58. Can be found at: [hbr.org/2012/11/accelerate/ar](http://hbr.org/2012/11/accelerate/ar).
- Kotter, John P. 2012. *Leading Change*. New York, NY: Harvard Business Press.
- Kraus, G., Becker-Kolle, C. & Fischer, T. 2006. *Handbuch Change Management*. 2nd Ed. Berlin: Cornelsen Verlag Scriptor.
- Krone, Martin (Ed.) 2004. *Personalarbeit bei Mergers & Acquisitions*. Düsseldorf: Hans-Böckler-Stiftung - Mitbestimmungs-, Forschungs- und Studienförderungswerk des DGB. (Arbeitspapier, 91). Can be found at: [http://www.boeckler.de/pdf/p\\_arbp\\_091.pdf](http://www.boeckler.de/pdf/p_arbp_091.pdf).
- Kübler-Ross, Elisabeth 1977. *The Change Curve*. Sherman Oaks, CA. Can be found at: [www.mindtools.com/pages/article/newPPM\\_96.htm](http://www.mindtools.com/pages/article/newPPM_96.htm) [2015-01-28].
- Kumar, Vijay 2013. *101 design methods: A structured approach for driving innovation in your organization*. 1st ed. Hoboken, N.J: John Wiley & Sons.
- Kunz, Gunnar 2001. *Die Balanced Scorecard im Personalmanagement: Ein Leitfaden für Aufbau und Einführung*. Frankfurt am Main: Campus.
- Kurg, J. A. & Schill, W. 2008. The Big Exit: Executive churn in the wake of M&As Journal of Business Strategy (Vol. 29), 15–21.
- Kwon, Dea-Bong 2009. *Human captial and its measurement*. (The 3rd OECD World Forum). Busan.
- Lafley, Alan G. & Charan, Ram 2008. *The game-changer: How you can drive revenue and profit growth with innovation*. 1st ed. New York, NY: Crown Business.
- Lawler, Edward E. & Mohrman, Susan A. 2003. *Creating a strategic human resources organization: An assessment of trends and new directions*. Stanford, Calif.: Stanford University Press.
- Lawrie, Gavin & Cobbold, Ian 2009. *Development of the 3rd Generation Balanced Scorecard: Evolution of the Balanced Scorecard into an effective strategic performance management tool*. Berkshire. (2GC Working Paper).
- Lewin, Kurt 1947. *Frontiers in Group Dynamics: Concept, Method and Reality in Social Science; Social Equilibria and Social Change*. Vol. 1. (Human Relations, No. 5). Can be found at: <http://hum.sagepub.com/content/1/1/5>.
- Luhmann, Niklas 2010. *Soziale Systeme: Grundriss einer allgemeinen Theorie*. Nachdruck. Frankfurt am Main: Suhrkamp. (Suhrkamp Taschenbuch Wissenschaft).
- Martin, Jean & Jacobs, Volker 2014. HR Business Partner: Ein neues Kompetenzmodell ist nur die halbe Miete. *Human Resources Manager*, 102–103.
- Martin, Roger L. 2009. *The design of business: Why design thinking is the next competitive advantage*. Boston, MA: Harvard Business Press.
- Meinel, Christoph 2014. *Design Thinking: Kernelemente. Prozess, Raum, Multidisziplinarität*. Potsdam. Can be found at: [http://www.hpi.uni-potsdam.de/d\\_school/designthinking/kernelemente.html](http://www.hpi.uni-potsdam.de/d_school/designthinking/kernelemente.html) [2015-02-12].
- Menninger, Jutta 2004. Bewertung und Bilanzierung von Immateriellen Werten im Rahmen von Transaktionen Ballwieser, W.: *Munich Workshop for Accounting and Auditing*. München.
- Metzenthin, Ralf 2005. Mergers and acquisitions as gap-closing activities in competence building and leveraging. *Advances in Applied Business Strategy* (Vol. 7), 129–150.
- Miczka, Switbert F. & Größler, Andreas 2004. *Merger Dynamics: A System Dynamics Analysis of Post-Merger Integration Process*. Albany, NY: System Dynamics Society. Can be found at: [http://www.systemdynamics.org/conferences/2004/SDS\\_2004/PAPERS/288MICZK.pdf](http://www.systemdynamics.org/conferences/2004/SDS_2004/PAPERS/288MICZK.pdf).

- Milner, N. (Ed.) 2010. *Success in Mergers and Acquisitions*. Ipswich: Milner Ltd.
- Mitchell, D. 2010. Making Acquisitions work: Business International, London, in Milner, N. (Ed.): *Success in Mergers and Acquisitions*. Ipswich: Milner Ltd.
- Müller-Stewens, Günter 2000. Akquisitionen und der Markt für Unternehmenskontrolle: Entwicklungstendenzen und Erfolgsfaktoren, in Picot, Arnold, Nordmeyer, Andreas & Pribilla, Peter (Ed.): *Management von Akquisitionen: Akquisitionsplanung und Integrationsmanagement: Kongreß-Dokumentation 53*. Deutscher Betriebswirtschaftler-Tag. Stuttgart: Schäffer-Poeschel, 41–61.
- Muralidharan, Raman 2004. A framework for designing strategy content controls. *International Journal of Productivity and Performance Management* (Vol. 35), 590–601.
- Nachbagauer, Andreas 2014. Voll involviert und total flexibel: Entgrenzte Arbeit, in Weßels, Doris (Ed.): *Zukunft der Wissens- und Projektarbeit: Neue Organisationsformen in vernetzten Welten*. Düsseldorf: Symposion Publishing, 37–63.
- Nahavandi, A. & Malekzadeh, A. R. 1993. *Organizational Culture in the Management of Mergers*. Westport: Quorum Books.
- Norman, Don 2010. *Design Thinking: A Useful Myth*. New York, NY. Can be found at: [http://www.core77.com/blog/columns/design\\_thinking\\_a\\_useful\\_myth\\_16790.asp](http://www.core77.com/blog/columns/design_thinking_a_useful_myth_16790.asp) [2015-02-18].
- Oechsler, Walter A. 2011. *Personal und Arbeit: Grundlagen des Human Resource Management und der Arbeitgeber-Arbeitnehmer-Beziehungen*. 9th ed. München: Oldenbourg Wissenschaftsverlag.
- Ouchi, William G. 1981. *Theory Z: How American business can meet the Japanese challenge*. Massachusetts: Addison-Wesley Publishing Company.
- Oxford Economics 2011. The New Digital Economy: How it will transform business: A research paper produced in collaboration with AT&T, Cisco, Citi, PwC & SAP.
- Oxford Economics 2014. The Digital Transformation of People Management: An executive summary produced in collaboration with SAP.
- Oxford University Press 2014. *Oxford dictionaries: network*. Oxford [2015-02-22].
- Pack, H. 2000. Due Diligence, in Picot, Gerhard & Bartels, Eric (Ed.): *Handbuch Mergers & Acquisitions: Planung, Durchführung, Integration*. Stuttgart: Schäffer-Poeschel, 221–254.
- Patnaik, Dev & Mortensen, Peter 2009. *Wired to care: How companies prosper when they create widespread empathy*. Upper Saddle River, NJ: FT Press.
- Persch, Peter-Roman 2008. *Die Bewertung von Humankapital - eine kritische Analyse*. Mering: Rainer Hampp Verlag.
- Peters, Thomas J. & Waterman, Robert H. 1982. *In search of excellence: Lessons from America's best-run companies*. New York: Harper & Row.
- Pfannenberger, Jörg (Ed.) 2013. *Veränderungskommunikation: So unterstützen Sie den Change-Prozess wirkungsvoll*. Frankfurt am Main: Frankfurter Allgemeine Buch.
- Pfannenberger, Jörg & Müller, Markus 2013. Mergers & Acquisitions, in Pfannenberger, Jörg (Ed.): *Veränderungskommunikation: So unterstützen Sie den Change-Prozess wirkungsvoll*. Frankfurt am Main: Frankfurter Allgemeine Buch, 93–103.
- Phatak, Arvind V., Bhagat, Rabi S. & Kashlak, Roger 2008. *International Management: Managing in a Diverse and Dynamic Global Environment*. New York, NY: McGraw-Hill.
- PricewaterhouseCoopers 2014a. *Digitalisierungsbarometer*. Frankfurt am Main.



- PricewaterhouseCoopers 2014b. *The future of work A journey to 2022*. London.
- Project Management Institute, Inc. 2005. *What is Project Management?* Can be found at: <http://www.pmi.org/About-Us/About-Us-What-is-Project-Management.aspx> [2015-01-04].
- Rahman, M. & Mahmud, N. A. 2008. *Towards Developing a Theory of Knowledge Globalization*. Boston, MA.
- Reid, J. & Hubbell, V. 2005. Creating a Performance Culture. *Ivey Business Journal* Vol. 69 (No. 4), 1–7.
- Robinson, Dana G. & Robinson, James C. 2005. *Strategic business partner: Aligning people strategies with business goals*. 1st ed. San Francisco, CA: Berrett-Koehler.
- Roedenbeck, Marc R. & Hildebrand, Dagmar 2012. Die Mäandrierung des HR Business Partners: Was kommt danach?: *Dossier 2: HR - Ein Schlüssel zum Change?* Düsseldorf: Handelsblatt Fachmedien, 4–9.
- Roehling, Mark V., et al. 2005. The future of HR management: Research needs and directions. *Human Resource Management* Vol. 44 (No. 2), 207–216.
- Roerig, Michael 2014. Dialogische OE - mehr als ein Modethema?! *Bundesverband der Personalmanager: Change Management Konferenz 2014*. Köln.
- Rosenberger, Bernhard 2012. *Personal als Business Partner: Führung und Organisation einer Personalabteilung*. Heidelberg.
- Rugman, Alan M. & Verbeke, Alain 2003. Regional Multinationals: The Location-bound Drivers of Global Strategy, in Birkinshaw, Julian et al. (Ed.): *The Future of the Multinational Company*. West Sussex: John Wiley & Sons, 45–57.
- Ruona, Wendy E. & Gibson, Sharon K. 2004. *The Making of 21st Century HR: An Analysis of the Convergence of HRM, HRD, and OD*. Hoboken, N.J.: John Wiley & Sons.
- Sackmann, Sonja 2002. *Unternehmenskultur: Erkennen, Entwickeln, Verändern*. Kriftel: Luchterhand.
- Sackmann, Sonja 2004. *Erfolgsfaktor Unternehmenskultur: Mit kulturbewusstem Management Unternehmensziele erreichen und Identifikation schaffen*. Wiesbaden: Gabler.
- Sackmann, Sonja 2013. Coaching - das Aspirin für Changeprozesse? *OrganisationsEntwicklung* (No. 3), 14–19.
- Scharfenkamp, Norbert (Ed.) 2002. *Erfolgreiches Personalmanagement im M&A-Prozess*. Düsseldorf: DGFP. (PraxisPapier, 67).
- Scharmer, Otto 2009. *Theory U: Leading from the future as it emerges*. San Francisco, CA: Berrett-Koehler.
- Schauf, Malcom 2009. Grundlagen der Unternehmensführung im Mittelstand, in Schauf, Malcom (Ed.): *Unternehmensführung im Mittelstand: Rollenwandel kleiner und mittlerer Unternehmen in der Globalisierung*. Mering: Hampp, 1–30.
- Schein, Edgar H. 1985. *Organizational Culture and Leadership: A dynamic view*. 1st Ed. San Francisco, CA: Jossey-Bass Inc. Publishers.
- Schein, Edgar H. 1992. *Organizational Culture and Leadership*. 2nd ed. San Francisco, CA: Jossey-Bass Inc. Publishers.
- Schelle, Heinz 2014. Aktuelle Trends des Projektmanagements, in Weißels, Doris (Ed.): *Zukunft der Wissens- und Projektarbeit: Neue Organisationsformen in vernetzten Welten*. Düsseldorf: Symposion Publishing. Can be found at:

- [http://www.symposion.de/kapitel44830101\\_WERK0003620.html#Aktuelle\\_Trends\\_des\\_Projektmanagements](http://www.symposion.de/kapitel44830101_WERK0003620.html#Aktuelle_Trends_des_Projektmanagements).
- Schneck, Ottmar 2003. *Cultural Due Diligence oder warum die meisten Fusionen scheitern*. Reutlingen: ESB Business School.
- Schuh, Günther, Millarg, Kai & Göransson, Åsa 1998. *Virtuelle Fabrik: Neue Marktchancen durch dynamische Netzwerke*. München: Hanser Fachbuch.
- Schulz von Thun, Friedemann 1984. *Miteinander reden*. Reinbek: Rowohlt-Taschenbuch. (rororo-Sachbuch).
- Scullion, Hugh & Starkey, Ken 2000. In search of the changing role of the corporate human resource function in the international firm: *The International Journal of Human Resource Management*. Abingdon: Taylor & Francis Ltd. (Bd. No. 6Bd), 1061–1081.
- Senge, Peter M. 1990. *The fifth discipline: The art and practice of the learning organization*. New York, NY: Doubleday.
- Senge, Peter M. 2006. *The fifth Discipline: The Art and Practice of the Learning Organization*. New York, NY: Doubleday.
- Siegenthaler, Paul J. 2011. What role for HR during mergers and acquisitions? *Human Resource Management International Digest* (Vol. 19), 4–6.
- Springer Gabler Verlag 2013. *Gabler Wirtschaftslexikon: Stichwort: Change Management*: Springer Gabler Verlag. Can be found at: <http://wirtschaftslexikon.gabler.de/Archiv/2478/change-management-v9.html>.
- Strähle, Jochen 2004. *Cultural due diligence*. Zugl.: *Jena, Univ., Diss., 2004*. Marburg: Tectum-Verl.
- Strauss, William & Howe, Neil 1991. *Generations: The history of America's future, 1584 to 2069*. 1st ed. New York: Quill.
- Streit, Hans-Ulrich 2013. Veränderung als Projekt: Die Anpassung von Projektmanagementmethoden für Wandelkontexte. *OrganisationsEntwicklung* (No. 2), 47–53.
- Stromquist, N. P. 2005. The impact of globalization on education and gender: An emergent cross-national balance. *Journal of Education* (No. 37).
- Sull, D. 2002. *Why Good Companies Go Bad*. Cambridge: Harvard Business School Press. (Harvard Business Review on Culture).
- Tannenbaum, Robert & Schmidt, Warren H. 1958. How to choose a leadership pattern. *Harvard Business Review* (Vol. 36), 95–102. Can be found at: <http://www.expert2business.com/itson/tannenbaum.pdf>.
- Tata Consultancy Services 2015. *Human Resources: Key to the Organization's Digital Success*. Can be found at: <http://sites.tcs.com/insights/perspectives/digital-human-resources#.VNXTCN90zDc> [2015-01-07].
- The Boston Consulting Group 2008. *Creating People Advantage: Bewältigung von HR-Herausforderungen weltweit bis 2015. Executive Summary auf Deutsch*. Boston, MA: Inc. und World Federation of Personnel Management Associations. Can be found at: [http://www.oswald-hr.ch/downloads/news/bcg\\_zf\\_deutsch.pdf](http://www.oswald-hr.ch/downloads/news/bcg_zf_deutsch.pdf).
- The Boston Consulting Group 2011. *Creating People Advantage 2011: Time to Act. HR Certainties in Uncertain Times*. Boston, MA.
- The Organisation for Economic Cooperation and Development 2001. *Glossary of statistical terms: Human capital*. Paris. Can be found at: [www.stats.oecd.org/glossary/detail.asp?ID=1264](http://www.stats.oecd.org/glossary/detail.asp?ID=1264) [2015-01-11].

- Thomas, David C. & Inkson, Kerr 2010. *Cultural intelligence: Living and working globally*. 2nd ed. San Francisco, CA: Berrett-Koehler Publishers.
- Thompson, Arthur A., Gamble, John E. & Strickland, A. J. 2010. *Crafting and Executing Strategy: Concepts and Cases*. New York, NY: McGraw-Hill.
- Towers, Perrin (Ed.) 2002. *Die Rolle von Human Resources bei Mergers & Acquisitions (M&A): Eine Internationale Studie zu Fusionen und Übernahmen der letzten 10 Jahre*. London.
- Townsend, Nicholas W. 2002. *The package deal: Marriage, work, and fatherhood in men's lives*. Philadelphia: Temple University Press.
- Ullrich, J., Wieseke, J. & van Dick, R. 2005. *Continuity and Change in Mergers and Acquisitions: A Social Identity Case Study of a German Industrial Merger*. Oxford: Blackwell Publishing Ltd. (Journal of Management Studies, 42).
- Ulrich, Dave 1997a. *Human resource champions: The next agenda for adding value and delivering results*. Boston, MA: Harvard Business Press.
- Ulrich, Dave 1997b. Measuring Human Resources: An Overview of practice and a prescription for results. *Human Resource Management* Vol. 36 (No. 3), 303–320.
- Ulrich, Dave 1998. A New Mandate for Human Resources. *Harvard Business Review*.
- Ulrich, Dave, et al. 2009. *HR transformation: Building Human Resources from the Outside in*. 1st ed. New York, NY: McGraw-Hill.
- Ulrich, Dave & Brockbank, Wayne 2005. *The HR value proposition*. Boston MA: Harvard Business School Press.
- Universität Potsdam 2014. *Changeability*. Potsdam. Can be found at: [www.wi.uni-potsdam.de/hp.nsf?Open&ID=894C6CCC455A0F32C1257C60004C6247&Key=7QAFUS&Sel=7QAFUS&Lang=en](http://www.wi.uni-potsdam.de/hp.nsf?Open&ID=894C6CCC455A0F32C1257C60004C6247&Key=7QAFUS&Sel=7QAFUS&Lang=en) [2015-01-14].
- Upadhaya, Bedanand, Munir, Rahat & Blount, Yvette 2014. Association between performance measurement systems and organisational effectiveness. *International Journal of Operations & Production Management* (Vol. 34), 853–875.
- Vanini, Ute & Borchert, Saskia 2014. Ansätze und Herausforderungen des Netzwerkcontrollings, in Weßels, Doris (Ed.): *Zukunft der Wissens- und Projektarbeit: Neue Organisationsformen in vernetzten Welten*. Düsseldorf: Symposion Publishing, 213–223.
- WebFinance Inc. 2009a. *BusinessDictionary: information*. Can be found at: [www.businessdictionary.com/definition/information.html](http://www.businessdictionary.com/definition/information.html) [2015-01-21].
- WebFinance Inc. 2009b. *BusinessDictionary: communication*. Can be found at: [www.businessdictionary.com/definition/communication.html](http://www.businessdictionary.com/definition/communication.html) [2015-01-21].
- WebFinance Inc. 2009c. *BusinessDictionary: human capital*. Can be found at: [www.businessdictionary.com/definition/human-capital.html](http://www.businessdictionary.com/definition/human-capital.html) [2015-01-21].
- Weßels, Doris 2014a. Der X-Shaped-Projektmanager für vernetzte Organisationen, in Weßels, Doris (Ed.): *Zukunft der Wissens- und Projektarbeit: Neue Organisationsformen in vernetzten Welten*. Düsseldorf: Symposion Publishing, 65–96.
- Weßels, Doris (Ed.) 2014b. *Zukunft der Wissens- und Projektarbeit: Neue Organisationsformen in vernetzten Welten*. 1st ed. Düsseldorf: Symposion Publishing.
- Williamson, P. J. & Raman, A. P. 2011. How China Reset Its Global Acquisition Agenda. *Harvard Business Review* (Vol. 3), 109–114.

- Winkler, Brigitte, Lotzkat, Gesche & Welp, Isabell 2013. Wie funktioniert Führungskräfte-Coaching? *OrganisationsEntwicklung* (No. 3), 23–33.
- Wirtz, Bernd W. 2012. *Mergers and Acquisitions Management: Strategie und Organisation von Unternehmenszusammenschlüssen*. 2nd ed. Wiesbaden: Springer Gabler.
- Wollersheim, Jutta & Barthel, Erich 2008. *Kulturunterschiede bei Mergers & Acquisitions: Entwicklung eines Konzeptes zur Durchführung einer cultural Due Diligence*. Frankfurt: Frankfurt School of Finance & Management. (Working paper series / Frankfurt School of Finance & Management, Vol. 94).
- Wright, Patrick 2001. Comparing Line and HR Executives' Perceptions of HR Effectiveness: Services, Roles, and Contributions. *Human Resources Manager* Vol. 40 (No. 2), 111–123.
- Wucknitz, Uwe D. 2009. *Handbuch Personalbewertung: Messgrößen, Anwendungsfelder, Fallstudien für das Human Capital Management*. 2nd ed. Stuttgart: Schäffer-Poeschel.
- Zappa, Marco 2008. The Fundamentals of Strategic Logic and Integration for Merger and Acquisition Projects: A comprehensive introduction for practitioners to assess merger and acquisition activity from an acquiring firm perspective – motives, synergy realization, integration planning. Master Thesis. Swiss Federal Institute of Technology ETH. Can be found at: [http://www.smi.ethz.ch/education/thesis/Zappa\\_MandA.pdf](http://www.smi.ethz.ch/education/thesis/Zappa_MandA.pdf).
- Zeleny, Milan 1981. Autopoiesis: A-theory of living organization. *Behavioral Science* Vol. 27 (No. 3), 298–299.
- Zerfaß, Ansgar & Piwinger, Manfred (Ed.) 2014. *Handbuch Unternehmenskommunikation*. Wiesbaden: Springer Fachmedien.

## **APPENDIX**

- Interview Form "The Role of HR in the Context of M&A" (Ehms 2014)



<b>Introduction</b>
<p>Mergers &amp; Acquisitions (M&amp;A) are legal transactions in which one party takes over another one or two parties merge. The following questions refer to M&amp;A projects which aim at long-term integration. M&amp;A projects may vary in terms of volume and internationality. The HR Due Diligence describes analysis of human resource capital in order to determine the buying price and risks that go with it.</p> <p>The term Human Resources is a synonym for Human Resources department which is an integral part of and permanent institution within the company. This Business Unit consists of members who take care of respective HR-related business. Excluded are interims from other business units or external or internal consultants who act on a part-time basis.</p> <p>An expert is to be defined as an authority with special knowledge in the field in question. Due to this special knowledge the expert is very competent and experienced and has a deeper understanding of M&amp;A. Depending on the expert role the issue is seen from different angles which may be consulting, financial, executive or HR-related. Main focus is on the overall experience instead of single projects which may, nevertheless, be quoted.</p>
<b>Participant- and M&amp;A-related Specifics</b>
<ul style="list-style-type: none"> <li>• Interviewee: age, nationality, education, work experience and present job role</li> <li>• M&amp;A involvement: kind, volume, phases, role and years</li> <li>• M&amp;A responsibility: leadership, project, job title and tasks</li> </ul>
<b>Interview Questions</b>
<ol style="list-style-type: none"> <li>1. Which role does HR take in the context of M&amp;A projects?</li> <li>2. At which point of time and how is HR involved in the course of M&amp;A?</li> <li>3. What does the top management expect from HR in M&amp;A projects?</li> <li>4. How does HR take influence in the course of M&amp;A?</li> <li>5. Which are HR-related function and tasks in the context of M&amp;A?</li> <li>6. What are HR strategies in M&amp;A and how are they implemented?</li> <li>7. What are the HR-related success factors concerning M&amp;A?</li> <li>8. How does HR monitor and measure M&amp;A project success?</li> <li>9. What kind of competences does HR need to have to successfully drive M&amp;A projects?</li> <li>10. How can HR improve in order to effectively drive M&amp;A projects?</li> <li>11. In which way are HR Due Diligence results exploited in the integration phase?</li> <li>12. How does HR control M&amp;A communication for interest groups?</li> <li>13. Which role does HR take in the project organization in the integration phase?</li> <li>14. How does HR consider corporate culture issues in the integration phase?</li> <li>15. At which point of time and how is employee co-operation supported actively?</li> <li>16. What are HR-related risk factors in the context of M&amp;A?</li> <li>17. Do you see other crucial points which have not been mentioned yet?</li> </ol>
<b>Thank you very much!</b>

