EXAMINING THE ROLE OF HUMAN RESOURCE MANAGERS IN MERGERS AND ACQUISITIONS IN THE MALAWIAN BANKING SECTOR: A CASE STUDY OF AB BANK

MASTER OF ARTS (HUMAN RESOURCE MANAGEMENT AND INDUSTRIAL RELATIONS) THESIS

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EXAMINING THE ROLE OF HUMAN RESOURCE MANAGERS IN MERGERS AND ACQUISITIONS IN THE MALAWIAN BANKING SECTOR: A CASE STUDY OF AB BANK

MA (Human Resource Management and Industrial Relations) Thesis

By

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Submitted to the Faculty of Social Science in Partial fulfilment of the requirements for the award of the degree of Master of Arts (Human Resource Management and Industrial Relations)

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DECLARATION

I, Mrs. Joan Kaunda Mwakipunda, hereby declare that this thesis is my original work which has not been submitted to any other institution for similar purposes. Where other people's work has been used, I have appropriately acknowledged them.

JOAN KAUNDA MWAKIPUNDA

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Full Legal Name

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Signature

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Date

CERTIFICATE OF APPROVAL

The undersigned certify that this thesis represents the student's work and effort and has been submitted with my approval.

Signature: ________________________ Date ___________________

Mustafa Hussein, PhD (Professor)

Supervisor

DEDICATION

This work is dedicated to my dear husband, Maxwell Walusungu Mwakipunda, and our children Amazing Lughano and Isabella Amanda Mwakipunda; to my nephew Romeo Mtuma, and my late mother, Marion Tosca Thindwa Kaunda. You all inspired me.

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ABSTRACT

The role of Human Resource (HR) managers in mergers and acquisitions has not adequately been explored in most of the existing literature. This paper analyses the role of Huma Resource Managers in mergers and acquisitions (M&As). It also assesses the processes and factors as well as challenges facing mergers and acquisitions in the context of the banking sector with Malawi‘s AB Bank as a case study. Based on desk research supplemented by key informant interviews the study using role set theory reveals that Human Resource Managers play five critical roles in the mergers and acquisitions process, namely: employee advocacy role, human capital development role, functional expertise role, strategic partnership role, and HR Leadership role. The rationale for the acquisition is motivated by the desire to increase market share, acquisition of a new product and infrastructure to gain competitive advantage, and acquisition of new skills and expertise through the integration. The major challenges of mergers and acquisitions include changes in the organization structure that led to job losses, synchronization of compensation systems, and stress management. The study recommends that Human Resource Managers should be involved in all the stages of the merger and acquisition process which includes the premerger‘s due diligence stage, during the merger, and after the merger as this increases the chances of success of the M&A process

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ABBREVIATIONS

AOL	America Online
ATMS	Auto Teller Machines
CEO	Chief Executive Officer
DCO	Dominion Colonial Overseas
HR	Human Resource
HRM	Human Resource Management
I.E	For Example
YZ	YZ Bank
MSE	Malawi Stock Exchange
M& A	Mergers and Acquisitions
R&D	Research and Development
RBM	Reserve Bank of Malawi
US	United States of America
USA	United States of America

CHAPTER ONE

INTRODUCTION

1.1 Introduction

This study examines the role of Human Resource Managers in mergers and acquisitions in the Malawian banking sector, a case study of AB Bank. Its major aim is to analyze the linkage between Human Resource Management (HRM) role in Mergers and Acquisitions (M& A's) in the Malawian Banking Sector, the case study of AB Bank. This entails analyzing the factors behind Mergers and Acquisitions, the Mergers and Acquisition process, assessing the involvement of Human Resource Managers in the merger and acquisition process, and exploring the challenges of Mergers and Acquisitions on Human Resource Managers. This chapter provides a background to the study, the problem statement, the objectives of the study, the justification for the study, and the structure of the thesis. To respect the privacy of the bank involved in this research, this study uses the terms AB Bank standing for the acquirer and YZ in place of the acquired bank.

1.2 Background to the Study

Corporate firms are operating in a highly competitive and rapidly changing global environment which requires firms to aim for competitive advantages through creative and innovative business strategies for their long-term sustainability (Hill & Jones, 2009). It has become nearly impossible in the global environment for firms to compete with others without growing and expanding through deals that result in mergers or acquisitions (Nayyar, 2015). Even though financial and strategic issues are dominant in the process, the importance of the ―human‖ capital in the Mergers and Acquisitions cannot be ruled out as they include financial transactions as well as processes that significantly affect the working lives of employees (Cartwright & Cooper, 1992).

According to Cartwright & Cooper (1992) and Marks & Mirvis (2001), the failure of Mergers and Acquisitions to consistently live up to expectations is often blamed on the neglect of people issues during the M & A process. Apikula (2005) highlighted the importance of considering and strategically addressing human resource issues with financial issues before, during, and after the Mergers and Acquisition process. According to Marks & Mirvis (2001), there is a strong direct correlation between Human Resource professionals' involvement in Mergers and Acquisitions and the success of Mergers and Acquisitions. This is because changing an organization trickle down to changing practices, attitudes, and behaviors of the people who compose it and Human Resource professionals are an essential component of change management (Cartwright & Cooper, 2000).

Giffin and Schmidt (2002) argues that low involvement of Human Resource Managers especially in the initial stages of Mergers and Acquisition i.e., the pre-deal and due diligence stages, lead to people-related issues not being identified properly and/or even being ignored. However, Human Resource Managers have always played multiple roles in organizations (Ulrich, 1997). Antila (2006) emphasizes the importance of Human Resources and the various roles linked with the Human Resource Managers during Mergers and Acquisitions. Antila (2006) argues that the many roles of Human Resource Managers cause them to have multiple responsibilities. For instance, they support the firm‘s business units on the transactions needed, ensure internal Human Resource practices are integrated into the organization while at the same time they play a strategic role for the company-wide integration. Bramson (2000) observed that the failures associated with Mergers and Acquisitions are attributed to the disengagement of Human Resource Managers from demonstrating knowledge and skill in the management of human capital during Mergers and Acquisitions. Human Resource Managers must therefore be viewed as an important part of the integration team in any Merger and Acquisition because of its ability to evaluate the compatibility of corporate cultures and different options for combining enterprises (Bramson, 2000). This study focuses on the role of Human Resource Managers in Mergers and Acquisitions in the Malawian Banking sector. The literature above shows the role that Human resources plays in any Merger and Acquisition. For instance, Human Resources should be the trusted source of information for employees on any information regarding Mergers and Acquisitions (Adomako et al, 2013), especially when managing a big change like the Mergers and Acquisition process.

According to The Economist.com (2018), mergers and acquisitions announced for the 2018 year have been worth around $1.1trillion. This is 42% more than the value of deals made in the first three months of 2017 and is set to be the strongest first-quarter result on record. This is due to the improved global growth and rising business confidence as well as reduction of the United States‘s (US) corporate tax rate. The biggest deal so far, for 2018 is the acquisition by Cigna, an American insurer, of Express Scripts, a pharmacybenefit manager, for $70bn. Furthermore, the American Telephone & Telegraph company‘s $108bn bid for Time Warner, announced back in 2016, still awaits completion pending the outcome of a court case. Studies were done by Weber & Drori (2011), Marks & Mirvis (2001), Aguilera & Dencker (2004), Shane & Singh (1998), and Cartwright & Cooper (1993) on the Human Resource issues in mergers and acquisitions all focused on American and European firms and none on African firms or from the African context.

According to Malaba, Shaw & Hogen (2018), mergers and acquisitions activity in the past two years have increased in Africa. There were 19 Mergers and Acquisition deals in South Africa, followed by Nigeria, Egypt, Ghana, Morocco, and Kenya who had two deals each. Studies were done by Adomako et.al (2013) focused on examining Human Resource involvement in Mergers and Acquisitions in Ghana. This study revealed that Human Resource professionals' involvement in all the stages of the Mergers and Acquisition process including the pre-merger and due diligence stages leads to the success of the Mergers and Acquisition.

1.3 Problem Statement

Corporate mergers and acquisitions frequently fail despite optimistic expectations, at best, only half of all mergers and acquisitions meet initial financial expectations (Cartwright & Cooper, 1993). However, mergers and acquisitions are undertaken on the assumption that the combined entity will have a greater value than the two companies alone (Marks & Mirvis, 2001). For example, American Online (AOL) was the leader in dial-up internet access; the company pursued Time Warner for its cable division as highspeed broadband connection became the wave of the future. However, as its dial-up subscribers dwindled, Time Warner stuck to its Road Runner Internet service provider rather than market AOL (Dumont & Drury, 2021).

According to Schuler & Jackson (2007), Human Resource Managers play a critical role during mergers and acquisitions. They state that HR Managers are responsible for developing key strategies of the merger and acquisition activities that include providing arguments against the merger. In addition, Human Resource Managers play a critical role in managing the soft due diligence activities, providing input into managing the change process as change champions, creating transition teams, overseeing communication and developing communication plans, managing the learning process, recasting the HR department itself and identifying and embracing new roles and competencies for the leaders among others.

Furthermore, Schuler & Jackson (2007) suggests that there are many human resource issues at the pre-merger, merger, and post-merger stages of the M&A process and these include: identifying reasons to initiate the activity, acquisition of key talent, identifying teams and leaders, and planning for the merger process. As a result, for the merger and acquisition to succeed, Human Resource Managers need to be involved at this stage to ensure dissemination of knowledge and understanding, the establishment of leadership and teams, systematic and extensive pre-selection, cultural assessment, and planning for the merger among others.

Similarly, there are human resource issues at the integration or during the merger stage of the process and these include: selecting the integration manager, designing/implementing teams, creating new structure and strategies for leadership, retaining employees, motivating employees, managing the change process, communicating with stakeholders and deciding on HR policies and practices among others. Human Resource Managers should therefore be involved at this stage to select the appropriate candidate, creating team design and selection of transition team, communication, deciding on who stays and who goes and establishing a new culture, structure, HR Policies and practices among others (Schuler & Jackson, 2007).

On the same, there are also human resource issues at the post-merger stage of the process and these include: solidifying leadership and staffing, assessing the new strategies and structures, assessing the new culture, assessing the plans, assessing concerns of stakeholders, revising as needed and learning from the process. For the M&A to succeed, Human Resource Managers should be involved by: ensuring leadership and staffing, creating and evaluating a new structure, melding two cultures needs assessment revision, addressing and satisfying concerns of all stakeholders, and helping the organization learn from the process (Schuler & Jackson, 2007).

According to Schuler & Jackson (2007), mergers and acquisitions fail due to among other things, underestimation of people issues. Dixon (2002) states that high-speed deals that move too fast through due diligence often fail and can be described ―as changing the tire whilst driving down the road‖.

In their research, Hapeaslgh & Jeminsons (2004) drew together elements of Human Resource issues from the entire spectrum of merger literature. They argue that acquisition managers choose to focus on quantifiable financial issues and ignore the messy human dimensions resultantly oversimplifying key issues and failing to develop creative solutions. For instance, due to mergers, many employees lose their jobs, some get transfers and their job descriptions change; almost all employees are affected in one way or the other (Hapeaslgh & Jeminsons 2004).

According to Hunt (2003), in one-third of the mergers and acquisitions he studied, the company management failed to acknowledge the Human Resource functions and roles, which resultantly caused the merger to fail. For instance, Human Resource issues like expecting employees to carry out their work without any break during and after the merger; expecting them not to worry about the threats of their jobs or rumors. Mostly, the thoughts and feelings of employees are not put into consideration (Hunt, 2003). However, Cartwright & Cooper (1992) explain that one of the important reasons behind the success or failure of an acquisition is the organizational culture and people management practices. The importance of considering and strategically addressing human resource issues with financial issues before, during, and after mergers and acquisitions was highlighted by Apikula (2005).

Surveys done by various consulting firms Hewitt, (2002); Accenture, (2006) and researchers Apikula, (2005); Cartwright & Cooper, (1992) put the failure rate of mergers and acquisitions anywhere between 30-70%. There are several reasons for these failures and one of the most significant reasons is a lack of understanding of people issues involved. Other studies focusing on Human Resource issues or the role of Human Resource Managers in Mergers and Acquisitions in Africa focused on firms in countries like South Africa (studies done by Rathogwa, 2008) and many more. Schuler & Jackson (2007) stated that mergers and acquisitions fail due to unrealistic expectations, poor planning, and strategy, unskilled execution, inability to unify behind the message, talent mismanagement and loss, power and politics, culture clashes, underestimating people issues, and underestimated costs among others.

Studies by Accenture (2006), Garrow & Holbeche (2002), Marks and Mirvis, (2001), and Cartwright & Cooper (1992) all focused on mergers and acquisitions and the role of Human Resource Managers in the USA and European companies. None of the studies focused on the African Continent, the Southern Part of Africa, or specifically on the Malawian context. For instance, the sample for the study by Accenture which was done to explore the aspirations and best practices of companies that engaged in serial Mergers and Acquisitions activity comprised 151 Finance and strategy executives from across 12 countries representing 21 industries. The research focused on respondents that hailed from companies that recorded between US$ 500 million and US$50 billion in revenues during their previous fiscal year (Accenture, 2019) but none was done in Africa or Malawi. The study revealed that while other functions in the organization play important roles in an integration process, the role that Human Resource managers play is critical for the success of the integration and these roles include organization and appointments, headcount synergies, and employee communication among others (Accenture, 2013). It is for this reason that this study wants to examine the role of Human Resource Managers in Mergers and Acquisitions. It seeks to analyze the role that Human Resource Managers played in the

M&A between AB and AZ bank in a different continent, Africa and country like Malawi, in a small organization in terms of size with estimated revenue of US$ 30 million in annual revenue (Natbank, 2017) and the link between the role of Human Resource Managers and Mergers and Acquisition in the Malawian Banking Sector. The study seeks to find the role that Human Resource Managers played in the acquisition of YZ Bank by AB Bank and how their involvement contributed to the success or failure of the Mergers and acquisitions.

1.4 The Research Questions

1. What was the rationale for the merger and acquisition of YZ Bank by AB Bank?
2. How was the merger process conducted?
3. What was the role of Human resources in both the pre-and post-merger stages of the Merger process in AB Bank?
4. What factors influenced the success or failure of the merger.

1.5 Research Objective

To analyze the linkage between Human Resource Managers' role and Mergers and Acquisitions in the Malawian Banking Sector, the case study of AB Bank.

1.5.1 Specific Objectives

a. To analyze the Merger and Acquisition process
b. To analyze factors behind the Merger and Acquisition process
c. To assess the involvement of Human Resource Managers in the merger and acquisition process.
d. To examine challenges of Mergers and Acquisitions on Human Resource Managers.

1.6 Justification of the Study

This research is important as it will help fill the gap that exists because of not having studies on the role of Human Resource Managers in Mergers and Acquisition in the Malawian context. The study will similarly help improve the understanding of the topic to the existing body of knowledge. In addition, other researchers will build on this study to expand the body of knowledge. It will also help inform policymakers about mergers and acquisitions from a Malawian context and implementers of mergers and acquisitions will learn from it.

1.7 Structure of the thesis

Chapter one highlights the introduction, problem statement, research questions, research objectives, and justification of the study amongst others. Chapter two focuses on a literature review on mergers and acquisitions and the role of Human Resource Managers in the Mergers and Acquisitions process including the theoretical and conceptual frameworks. Chapter three describes the methodology used in collecting and analyzing data while chapter four presents and discusses the results of the study. Chapter five provides a conclusion and implications of the study on stakeholders and recommendations for further study.

1.8 Summary

This chapter has presented the background to the study by exploring issues concerning mergers and acquisitions and the role of Human Resource Managers in Mergers and Acquisitions. It has highlighted the study‘s problem statement, research objectives, justification, and structure of the thesis.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discusses the various studies and literature that have been written on Mergers and Acquisitions and the role of Human Resource Managers in the Mergers and Acquisitions process. It starts by looking at the definition of Mergers and Acquisitions, followed by the discussion on the merger and acquisition process and the factors behind mergers and acquisitions. It further analyzes the involvement of Human Resource Managers in Mergers and Acquisitions and the effects of Mergers and Acquisitions on Human Resource Managers. It later examines the literature on the challenges of mergers and acquisitions on Human Resource Managers. Finally, it discusses the theoretical and conceptual framework of mergers and acquisitions. It concludes by acknowledging that even though a lot of literature has been written on mergers and acquisition but no study was found by the researcher on the role of Human Resource Managers in Mergers and Acquisitions in the Malawian context.

2.2 Definitions

According to Campbell et al, (2012) even though the terms mergers, acquisitions, and takeover are sometimes used interchangeably to indicate the same thing, they are different. The merger involves two or more companies combining from which a third company emerges. The shareholders of each company become shareholders in the new one (Campbell, et al, 2012). On the other hand, an acquisition involves two or more companies in which the buyer (acquiring) acquires the assets and liabilities of the seller (acquired) in exchange for stock or cash (Campbell, et al, 2012; DePamphillis, 2003). The shareholders of the target (acquired) cease to be owners of the enlarged company unless payment to the shareholders is paid partly in shares in the acquiring company (Scott, 2003). On the contrary, willingness differentiates acquisition from takeover, when the acquiring firm is un-welcomed by the directors of the acquired (target) firm: the term hostile take-over describes the deal (Alarfaj, 1997).

According to Halibozek & Kovacich (2005), mergers and acquisitions are the purchase of a company, in a whole or part, or the sale of a company, in whole or in part. Each transaction differs in size and complexity. Some transactions are very large, involving whole companies and billions of dollars, sometimes referred to as mega-mergers. Some transactions are very small, perhaps involving only the purchase of a product line, a startup company, or a new technology, often gaining little notice or attention (Halibozek & Kovacich 2005). Similarly, according to Sudarsanam, (2003), Mergers occur when two companies combine their operations and participate as equal partners to achieve strategic and business objectives

On the other hand, acquisitions occur when one organization buys and takes over the operations of another organization (Ahern & Weston, 2007). Acquisitions are characterized by the actual takeover of one firm by another where the buyer obtains the ownership and maintains control over the new organization (Schraeder & Self, 2003). Horwitz et al., (2002) similarly state that acquisition occurs when one firm acquires enough shares to increase the level of control and gain ownership of another organization. In addition, Hagedoorn & Duysters (2002) state that mergers and acquisitions refer to cases of joint activities where a minimum of two or more, separate legal entities convert into a single entity.

2.2.1 History of Mergers and Acquisitions

The history of mergers and acquisitions can be traced back to the 19th century which has evolved in different phases and waves. Every wave was dominated by a kind of merger and acquisition transaction and ended with a significant macroeconomic event (Federal Trade Commission, 2016). According to Lipton (2006), history has seen six merger waves so far. These merger waves do not have a specific duration and starting point. However, the ending point of these waves is more definite as most of them have ended in war or financial disaster (Lipton, 2006).

First Wave was from 1893 to 1904 and was dominated by horizontal mergers in mining, steel, oil, and telephone and railroad industry in the USA. The USA Anti-trust laws and First World War ended this wave (Belyh, 2019). The Second Wave was from 1919-1929 and was dominated by vertical mergers in the same industry which initiated the first merger wave (Federal Trade Commission, 2016). Ford Motors was one of the best examples of an organization created during this wave that owned steel mills, railroads, ore boats as well as iron and coal mines. This wave ended with the stock market crash of 1929 and the great depression (Lipton, 2006)

The Third Wave was from 1955-1969 and was dominated by the creation of conglomerate organizations in America (Lipton, 2006). Companies like LTV, Litton, and Teledyne accepted the conglomerate concept and diversified to emerge as some of the major conglomerates of the period. This wave ended with the crash of conglomerate stocks in 1969-70 and the concept of diversified companies never achieved the heights it was supposed to achieve (Belyh, 2019). The Fourth Wave was from 1980-1989 and was characterized by hostile takeovers (Lipton, 2006). Cross-border horizontal mergers in Europe also took place. Junk bond financing and the use of leveraged buyouts were prevalent during this wave (Belyh, 2019). But, it ended with the collapse of the junk bond market, along with the collapse of the savings and loan banks and the capital problems of the commercial banks (The Federal Trade Commission, 2016). The Fifth Wave was from 1993-2000 and was characterized by deals of an enormous amount (Lipton, 2006). The deal size increased from $300 billion of deals in 1992 to $3.3 trillion worldwide in 2000. It ended with some great scandals, like Enron, which gave rise to the revolution in corporate governance that is continuing today. The Sixth Wave was from 2003 to date and has been characterized by consolidation in metals, oil and gas, telecoms, banking, healthcare sector, and deals of enormous amounts. During this period, private equity has played an important role and deals were cash financed (Lipton, 2006; Belyh, 2019).

Figure 1: Mergers and Acquisitions Worldwide in the last decade
(Source: www.econimist.com)

As per the figure above, mergers and acquisitions announced for 2018 are worth around \$1.1trillion. This is 42% more than the value of deals made in the first three months of 2017 and is set to be the strongest first-quarter result on record. This is due to the improved global growth and rising business confidence as well as the reduction of the US corporate tax rate. The biggest deal so far, for 2018 is the acquisition by Cigna, an American insurer, of Express Scripts, a Pharmacy-Benefit Manager for \$70bn.

2.2.2 Types of Mergers and Acquisitions.

Haspeslagh & Jemison (1991) list the following types of Mergers and Acquisitions: absorption, symbiotic, preservation, and holding. In the same way, Cartwright & Cooper (1993) identify the following types of mergers and acquisitions: extension, collaboration, and redesign. In addition, Aguilera & Dencker, (2004) identifies overcapacity Mergers & Acquisitions; geographic roll-up Merger & Acquisition; Product or Market extension; Merger & Acquisition as Research and Development, and Industry Convergence Mergers & Acquisitions as types of Mergers and Acquisitions. On the other hand, Marks & Mirvis

(2001) extend the terms used by Haspeslagh & Jemison which are absorption, symbiotic, preservation, and holding to include a fifth element which is the reverse takeover as types of mergers and acquisitions. This study mainly uses the five types of Mergers & Acquisitions as identified by Marks &Mirvis (2001) as they seem to be the most used terms according to literature.

Absorption is when the acquired company is absorbed by a parent company and is assimilated into its culture. The lead companies normally bring in new management and conform to the target to a corporate reporting relationship. Transformation is when both companies undergo fundamental change following their combination. The best of both happens when the optimal result is full cultural integration i.e. the blending of both companies' policies and practices (Marks &Mirvis, 2001). Preservation is an end state where the acquired company faces a modest degree of integration and retains its way of doing business. The reverse takeover is where the acquired firm dictates the terms of the combination and effects of cultural change in the lead company (Marks &Mirvis 2001).
Similarly, according to Gaughan (1960), mergers and acquisitions may take three forms and these are horizontal, vertical, and hybrid. Horizontal mergers happen when two firms in the same line of business combine into one. Horizontal mergers take place in firms that are large and are complementary to the current business. On the other hand, vertical mergers bring about a combination of two companies that have a buyer-seller relationship (Gaughan, 1960). While a hybrid merger and acquisition deal, a large public corporation takes a stake typically 10 percent to 50 percent in a smaller company public or private. Horizontal mergers are for market dominance and economies of scale, vertical mergers for channel control, hybrid mergers for risk spreading, cost-cutting, and synergies
(Nayyar 2015).

Some scholars classify Mergers and Acquisitions into either intra-regional, neighboring domestic, distant domestic, or cross-border. Mergers and Acquisition is neighboring domestic when an acquirer is in the neighboring region of the target's site. It is distant domestic when an acquirer is in another region than a target and is not in the neighboring region. Mergers and Acquisitions are cross-border when an acquirer is in another country than the country of the target (Lehto, 2006). Domestic mergers are another class of mergers and a good example is a merger between AB Bank & YZ Bank of Malawi. Domestic mergers are good as they ease communication, there is a better utilization of assets, and easier internalization of potential synergies (Lehto, 2006).

Other scholars classify Mergers and Acquisitions into cross-border or international mergers. As seen above, acquisitions and mergers are increasing in magnitudes like the merging of FMB Bank of Malawi and Capital Bank of Botswana in 2008; and Barclays Bank of Zimbabwe in 2017 which are a few examples of cross border or international mergers involving Malawian banks (FMB, 2018). However, there is little information in the literature on both the domestic and cross-border mergers on the role of Human Resource Managers in the Malawian context hence this study. This is because the literature above and a lot of studies done on this topic were based on research done on foreign firms and do not address the Malawi context of mergers and acquisitions and the role that Human Resource Managers play in Mergers and Acquisitions. As seen above,

Human Resource Managers' involvement is usually influenced by both internal and external forces. This study is carried out, therefore, to examine and understand the role that Human Resource Managers play in Mergers and Acquisitions in the Malawian context.
For this study, the definition of mergers and acquisitions by Schraeder & Self (2003) describes the acquisition as being characterized by the actual takeover of one firm by another where the buyer obtains the ownership and maintains control over the new organization will apply in this study. The acquisition of YZ Bank of Malawi by AB Bank is worth researching it is applied in this case as AB Bank bought and took over the operations of YZ Bank of Malawi in 2015. This study will use the terms mergers and acquisitions interchangeably because the result is the same i.e. one company takes control over another (Halperin & Bell, 1992) and will be referenced to as Mergers and Acquisitions.

2.3 Merger and Acquisition Process

Boland (1970) divided the Mergers and Acquisition process into two stages which are premerger and post-merger whilst Schweiger (2002) & Weber (2011) divided the process into pre-merger and implementation. Appelbaum et al. (2000) structured the merger process into three phases, pre-merger, merger, and post-merger which is like how Salus (1989) structured the process. Marks & Mirvis (2001) states that the merger process includes the following stages; the pre-combination phase, the combination phase, and the post-combination phase also referred to as the pre-merger, integration (during the merger), and the post-merger. Similarly, Aguilera& Dencker (2004), suggest that the Mergers and Acquisition process includes the pre-announcement, the pre-merger, and the integration stages. He further states that the main area in which Human Resources can influence Mergers and Acquisitions is in the integration stage when practices and policies are being implemented.

Yet according to Carpenter and Sanders (2007), there are four phases to a merger and these are idea, a justification which includes due diligence and negotiation, acquisition integration and results in appraisal. Similarly, Vance et al. (1969) state that there are four stages and colorfully describe them: The courtship stage which is the time, when possible to familiarize the management of the acquired company with the advantages to both companies of the proposed marriage and how you envision these advantages to be brought about. At this stage, the management philosophies, company policies, objectives, and strategies of both companies should be discussed (Vance et al. 1969). The second phase of the process according to Vance et al. (1969) is the marriage ceremony which is primarily a legal step. All the key management are brought together, the top officer of the acquired firm announces the marriage and the reasons for it, after which an announcement to the employees of both companies is made as well as the public announcement. The honeymoon stage is when the deal is made and real management and personnel integration begin. After the honeymoon is the final stage which is the adjustment phase and the philosophical infusion starts to take effect.

Giffin & Schimdt (2002) states that most mergers and acquisitions follow a four-stage process, and includes: the pre-deal stage, due diligence stage, integration planning, and the implementation stage. The pre-deal stage involves the acquirer searching for an appropriate target or partner and assessing and developing a plan for executing the deal. The Human

Resource managers can help define the cultural aspects by analyzing what kind of culture would best suit the acquirer. On the other hand, due diligence involves the acquirer ensuring that the deal is strategically and economically sound and that it has a high likelihood of success (Galpin & Herndon, 2007).

The Human Resource Manager can help assess the culture of the target, whether the firms drastically differ in management styles and whether there are potential Human Resource financial issues. The integration planning stage involves the acquirer creating a comprehensive plan for integrating the two organizations (Galpin & Herndon, 2007). The Human Resource Manager helps execute that plan by developing employee communication strategies, programs to retain key talent, and organizational and staffing plans. The final stage is the implementation stage and involves putting into action all the planning that has gone before, and this can take months or years depending on the complexity of the deal and the size of the merging firms (Schmidt & Griffin, 2002).

On the other hand, according to Farley and Schwallie (1982), the Mergers and Acquisition process has six stages and these include integration with the strategic plan; intelligent screening; evaluation of targets through creativity and analysis; understanding value and price; anticipating the post-acquisition phase and efficient implementation. Whereas according to Kazemeck and Grauman (1989) the Mergers and Acquisition process has seven phases and these are: assessment, joint planning, issues analysis, structure selection, securing approvals, final planning, and implementation.

This study will apply the three-process model as suggested by Appelbaum et al. (2000) which is the pre-merger, integration (during), and the post-merger process as it will help analyze better the role that Human Resource Managers played and their involvement in all the three stages of the acquisition process and will help the researcher to be more focused as the phases are not complicated but easy to follow.

2.4 Factors behind Mergers and Acquisitions

They are several explanations for why Mergers and Acquisitions occur, Seth et al. (2002) argue that understanding these motives is key for understanding the reasons why mergers fail or succeed. Porter (1985) states that the primary reason for Mergers and Acquisitions is to achieve synergy by integrating two or more business units in a combination with increased competitive advantage. Yet according to Kruger & Muller and (1994), Deiser, (1994), Mergers and acquisitions are driven by various motives ranging from marketaccess, expansion, diversification, distribution network, sustainable competitive advantage, response to revolutionary change in the industry, and or acquisition of knowledge of other businesses.

Marks & Mirvis (2001) have observed that the merger of separate entities into a new form or the acquisition of a firm by another has become a regular component of the managerial decision-making process. On the contrary, other mergers and acquisitions can be defensive moves to protect the market share in a declining or consolidating industry (Marks & Mirvis 2001). Other motives for Mergers and Acquisitions according to Carpenter and Sanders (2007) and Seth et al. (2000) are managerial self-interest and hubris. The hubris hypothesis implies that the average increase in the target firm‗s market value should then be more than offset by the average decrease in the value of the bidding firm (Roll, 1986).

According to Campbell and Goold (1998), synergy is a word that is derived from the Greek word *synergies* which means ‗working together. Rachel Calipha et al. (2010) state that in business usage, synergy refers to the ability of two or more units or companies to generate greater value working together than they could be working apart. Further to this, Carpenter and Sanders (2007) mention five sources of synergy and these are: reducing threats, increased market power, cost savings, increased financial strength, and leveraging capabilities.

Similarly, Campbell and Goold (1998) identified six forms of synergy and these are shared know-how where units or companies benefit from sharing knowledge or skills; shared tangible resources where units or companies save a lot of money by sharing physical resources or assets; pooled negotiating power where units or companies combine their purchases thereby gaining greater leverage over suppliers, reduce costs and improve the quality of the goods they buy; coordinated strategies by aligning the strategies of its businesses, coordinating responses to shared competitors thereby gaining a competitive advantage and countering competitive threats; vertical integration where coordination of goods or services from one unit or company help reduce inventory costs, speed product development, increase capacity utilization and improve market access and finally; combined business creation. Berkovitch & Narayanan (1993) suggests that there are three broad motivations for mergers and acquisitions and these are synergy, private benefits, and hubris. The synergy hypothesis suggests that the value of the combined firm is higher than the sum of the individual firm (Bradley et. al, 1988) as was likewise stated by Seth (1990) as discussed above.

According to Nayar (2015) most frequent reasons for Mergers and Acquisitions include horizontal mergers for market dominance and economies of scale; vertical mergers for channel control; hybrid mergers for risk spreading; cost-cutting and synergies. In addition, mergers are for growth for world-class leadership; survival; acquisition of cash, deferred taxes, and excess debt capacity; flexibility; bigger asset base to leverage borrowing, gaining core competencies, financial gain, and personal power among others (Schuler, 2007).

On the other hand, the managerial self-interest or private benefit hypothesis as a motive for managers look at mergers and acquisitions as an activity driven by personal interests where the management obtains and maximizes its welfare at the expense of acquirer shareholders (Mitchell & Lehn, 1990, Berkovitch & Narayanan, 1993). Concerning the above literature, this study will look at the motive behind the acquisition of YZ Bank and why AB Bank chose YZ Bank from amongst the many banks in the sector.

2.5 Involvement of Human Resource Managers in Mergers and Acquisitions

The success or failure of a merger or acquisition deal depends to a large extent on the involvement of Human Resource Managers and the critical role they play in Mergers and Acquisitions (Singh, 2012). Many mergers fail to achieve their objectives when Human Resource Managers are not involved or are involved at a later stage in the Mergers and Acquisition process (Giffin & Schimdt, 2002). Johnson (2000) states that Human Resource professionals play a very important role in mergers and acquisitions from the due diligence phase, going beyond their traditional administrative roles by assisting in workforce planning, in terms of numbers, jobs, and roles and reviewing, evaluating, and integrating compensation and benefits. Fontaine (2014) on the other hand states that 65% of mergers and acquisitions fail because of people-related issues of culture and communication among others. Stahl et al. (2005) state that Mergers and Acquisitions are disruptive events in the lives of employees and lead to an increase in stress and dysfunctional outcomes as such Human Resource Managers should play an active role to help employees manage the change.

Studies were done by Adomako et.al (2013) focused on examining Human Resource involvement in Mergers and Acquisitions in Ghana. This study revealed that Human Resource professionals‘ involvement in all the stages of the Mergers and Acquisition process including the pre-merger and due diligence stages leads to the success of the Mergers and Acquisition. Studies done by Rathogwa, (2008) on Vodacom acquisition of Smartcom revealed that employees of Vodacom were dissatisfied with the acquisition of Smartcom by Vodacom mainly because they did not trust management as the change management process was not done well as some of them were demoted to lower positions, there was no job security and some argued that the culture of Vodacom was difficult to adapt to. This affected the success of the Mergers and Acquisition and confirmed what Schuler & Jackson (2007) stated that mergers and acquisitions fail due to unrealistic expectations, poor planning, and strategy, unskilled execution, inability to unify behind the message, talent mismanagement, and loss, power and politics, culture clashes, underestimating people issues and underestimated costs among others. This study will therefore analyze the involvement of Human Resource Managers in the Mergers and

Acquisitions process by applying the three-phase model of Mergers and Acquisitions by Appelbaum et al. (2000) structured into pre-merger, merger (during the merger), and post-merger.

According to Appelbaum et al. (2000), Marks and Mirvis (2001), and Salus (1989), the Pre-Merger phase is the first stage in the Mergers and Acquisition process. Giffin and Schmidt (2002) argues that low involvement of Human Resource professionals especially in the initial stages of Mergers and Acquisition i.e., the pre-deal and due diligence stages, lead to people-related issues not being identified properly and/or even being ignored. Other researchers like Ulrich et. al., (1989), Schuler & Jackson (2007) and Marks and Mirvis (1992) have similarly argued in favor of according importance to people issues during mergers and acquisitions particularly involving the Human Resource function of the two merging companies early in the Mergers and Acquisition process. The Strategic Human Resource Management literature as seen above indicates that Human Resource involvement in upper levels of management would allow it to contribute to the formulation of corporate goals and strategy and develop appropriate strategies to accomplish these goals (Schmidt 2002). There are several human resource issues in this first stage of the merger. Most significant Human Resource issues include identifying reasons for the merger which requires Human Resource managers to have knowledge and understanding of the reasons for the merger. Human Resource Managers should be involved at this stage to put in place key strategies for a firm‘s Mergers and Acquisition activities and manage the soft due diligence activity (Galpin & Herndon, 2007). This can mean: gaining knowledge of the make-up and motivation of the two workforces, assessing the management team of the other firm, conducting analysis of its organizational structure, comparing benefits, compensation policies, and labor contracts of both firms, and assessing the cultural match between the two firms (Schuler & Jackson, 2007).

The Human Resource issues identified during this phase can best be addressed by Human Resource Managers‘ involvement through comprehensive planning and follow-through (Galpin & Herndon, 2007). In addition, the due diligence process has critical Human Resource implications even though priority is assigned to Human resources and

communication in due diligence is comparatively slow (Schuler & Jackson, 2001). This means that due diligence is a key activity in the merger and acquisition process as it helps the acquiring firm understand what they are buying and how they should create the right strategies to obtain the desired value from a merger or acquisition. Resultantly, this process is used to decide whether to proceed with the merger or not (Galpin & Herndon, 2007).
Apart from hard due diligence which includes due diligence on functions like strategic business development, finance, operations, marketing, and sales, soft due diligence which involves human resource-oriented audits should also be done (Schuler & Jackson, 2001). The soft due diligence includes cultural assessments which involve describing and evaluating the two company‘s philosophies and values regarding issues as leadership styles, time horizons, risk tolerance, and the value of teamwork versus individual performance and recognition among others (Schuler & Jackson, 2001). This means that before starting the merger process, Human Resource Managers are responsible for the preparation of the due diligence report which includes a thorough audit of the human resources (Galpin & Herndon, 2007). Issues related to recruitment, training, performance appraisal, compensation, labor relations, and legal compliance should be discussed beforehand (Dixit, 2016). Human Resource Due diligence includes culture, employee demographics, and competency analysis, key talent analysis, benefit, and compensation structure and how it compares with that of the parent company, any legal issues relating to outstanding employee litigation, workers compensation, and union contracts, and related issues (Dixit,2016).

Furthermore, Human Resource Managers should be involved at this stage to create teams that include members from both companies, gather and analyze information about talent, employee benefits plan and liabilities, compensation programs, employment contracts, and programs, and legal exposure (Christensen et. Al, 2011). The teams are trained to develop negotiation and interpersonal skills and implement the change accordingly (Galpin & Herndon, 2007). Human Resource Managers also help provide insights into the value of a property and its workforce thereby decreasing the likelihood of unhappy and expensive surprises once the deal is complete (Carwright & Cooper, 1992). In addition, a review of the acquired company‘s legal position should be done in collaboration with Human

Resource Managers. This time, all people-related policies, plans, practices, and programs should be scrutinized to ensure compliance with applicable employment laws and regulations (Galpin & Herndon, 2007). At this stage, Human Resource Managers should also be reviewing the retirement benefits of the target and do a full analysis of the target company‘s health care benefits and costs as well as its workers‘ compensation liabilities (Christensen et. al, 2011).

The merger or during the merger or integration is a phase after the deal is done (Galpin & Herndon, 2007). Human Resource Managers play an imperative role during a merger as the integration process cannot be completed without their presence (Dixit, 2016). As stated by Dixit (2016), the major reason for the failure of any Mergers and Acquisition process is as a result of neglecting important Human Resource Managers who are either not involved or are involved at a very late stage when the harm is already been done. This is because, during this phase, Human Resource Managers‘ role should be more strategic to align structures, rules, and policies, pay structures, and employee designations. This also includes developing a new vision and mission for the merged entities. As such, Human Resource Managers are responsible for fine-tuning the mindset of the employees for developing synergy by having proper and clear communication (Galpin & Herndon, 2007). This proper and clear communication can be achieved through the development of a communication plan so that information is collected and delivered to the right people at the right time (Angwin et.al, 2014). Given this, Human Resource Managers are responsible for overseeing the communications and developing a communication plan aimed at realizing a vision of the new organization through assessing issues re: audience, timing, method and message, information delivery, information gathering, change galvanization, and helping employees cope with change (Nayyar, 2015).

Additionally, during the change process, Human Resource Managers are responsible for developing new policies and practices that are consistent with the vision of the new organization; they also develop the Human Resource structure and staffing and determine the service delivery model (Schmidt & Griffin 2002), and this should be in line with the merged entity‘s new strategy (Schuler & Jackson, 2001) (Galpin & Herndon, 2007). This creation of the organizational structure is done together with the creation of transition systems that include the blueprint of the new Human Resource Systems like compensation and performance appraisal systems to avoid confusion after the merger (Schuler & Jackson, 2001).

Additionally, Human Resource Managers are responsible for providing input into the change managing process (Carwright & Cooper, 1992). This is because Human Resource Managers‘ function is a change champion role that provides change management skills by aligning the right people with the appropriate knowledge and skills to meet the shared goals of the firm (Schuler & Jackson, 2001). As seen in the first phase of the pre-merger, Human Resource Managers are also responsible for creating transition teams, especially those that develop infrastructure for the new organization, process, and design systems, address cultural issues, provide training, manage the activities associated with staffing developing and overseeing selection processes, retention strategies, separation strategies (Schmidt & Griffin 2002).

Human Resource Managers‘ involvement after the merger or during the post-merger phase of the Mergers and Acquisition process includes conducting surveys and interviews with stakeholders and working on the feedback provided by them (Marks &Mirvis, 2001). Human Resource Managers also address employees‘ queries and manage the actual amalgamation of the two cultures to develop synergy within the new entity (Schuler & Jackson, 2001). During this phase, the Human Resource Manager‘s knowledge about the human side of the employees for example motivation, leadership, staffing, and concerns from all stakeholders are very essential (Schmidt & Griffin 2002). During the pre-merger, integration, and post-merger phases of the mergers and acquisition process, Human Resource Managers are involved in different capacities and assume many roles including the role of a partner, change facilitator, strategy formulator, innovator, and collaborator amongst others (Marks &Mirvis, 2001), (Schuler & Jackson, 2001). To understand the role that Human Resource Managers play in mergers and acquisitions especially during the merger and acquisition of YZ Bank, this study will apply the Ulrich model on the roles of Human Resource Managers as proposed by Ulrich & Brockbank (2005).

2.6 Effects of Mergers and Acquisitions on Human Resource Managers

In mergers and acquisitions, plenty of attention is paid to the legal, financial and the operational, and general management of an organization (Cooper & Gregory, 2000). However, the executives who have been through the mergers and acquisition process recognize that in today‘s economy, the management of the human side is the real key to maximizing the value of a deal (Nayyar, 2015). Nonetheless, in mergers and acquisitions, even those organizations that recognize the importance of the human element in mergers and acquisitions, the role of Human Resource Managers is greatly affected by top management, line management as well as external and internal factors (Cooper & Gregory, 2000).

As seen above, Human Resource Managers should actively be involved in the pre-merger phase of the Mergers and Acquisition process which includes due diligence (Marks &Mirvis, 2001). This process nevertheless, is sometimes rushed through due to lack of time thereby limiting investigations of the acquired firm which could resultantly create problems for the merging entities (Schuler & Jackson, 2001).

Human Resource Managers are also faced with the challenge of lack of a clear framework for human resources which can prevent Human Resource Managers from adding value to the Mergers and Acquisition process (Marks &Mirvis, 2001). This is because line managers have huge expectations of Human Resource Managers during this process which consequently leaves a big burden on the Human Resource Managers to deliver (Nemanich & Keller 2007). Furthermore, Human Resource Managers are required to deliver regardless of their skills, abilities, and competencies. On the other hand, the power balance is likely to change for more senior employees including Human Resource Managers who stand to lose more power and influence (Cartwright &Cooper, 1992).

Mergers and Acquisitions make people on both sides of the transaction nervous (Nemanich & Keller, 2007). In most cases, employees are uncertain what the deal will mean. They wonder whether and how they will fit into the new organization (Brief, 2009). Employees generally view organizational changes as a threat, so that mergers and acquisitions which are particularly stressful forms of organizational reconfiguration, often generate significant trauma and uncertainty about the future for employees (Moran & Panasian, 2005). Human Resource Managers must therefore prepare employees for change, identity and overcome resistance to change, and inspire flexibility and adaptability in their personnel (Nemanich & Keller, 2007). This is because negative employee reactions to a merger or acquisition may lead to other negative outcomes such as lower levels of job security, lower levels of job satisfaction, and less favorable attitudes toward management (Buono & Bowdotch, 1989), (Nemanich & Keller 2007), lower commitment (Fulmer & Gilkey, 1998), high levels of anxiety and stress, fear of a decline in status or career prospects and feelings of being sold out (Blake & Mouton 1982). Resultantly, Human Resource Managers have a big role to play in change management that includes how to deal with anger and turmoil during periods of change.

In the same way, employees may watch their co-workers laid off and might face uncertainty, employees from the two organizations may be competing instead of working together, employee morale may suffer because of merging two corporate cultures and employee motivation may drop as frustration with new roles and new co-workers (Schmidt & Griffin, 2002). Human Resource Managers need to face these challenges head-on by being open and honest through every step of the process. Employees should not be left uncertain about their future but communicated about their new roles and layoffs as quickly as possible to minimize uncertainty (Christensen et. al, 2011). Furthermore, Human Resource Managers should be upfront about the merged corporate culture and what will be expected, employee training and education, and a focus on employee engagement to avoid one culture overtaking the other (Schuler & Jackson, 2001). Mergers and Acquisitions, therefore, affect Human Resource Managers considerably.

2.7 Challenges of Mergers and Acquisitions (success and failures of Mergers and Acquisition)

The research on mergers and acquisitions is full of examples of mergers that failed. According to Tungekar (2021), the $2.6 billion eBay acquisition of Skype in 2005 failed because eBay miscalculated its customers' demand for Skype's product which resulted in a sale again four years later with a $500 million loss. The $164 billion America Online acquisition of Time Warner in 2000 went sour by the year 2002 because both companies suffered from cultural issues and too much short-term orientation as a result, AOL did goodwill write off of $99 billion. Daimler-Benz acquisition of Chrysler with a $36 billion stock-swap failed and firms parted ways in 2007 due to a culture clash as the two organizational cultures were too different to be integrated successfully. All these failures are contrary to the fact that Mergers and Acquisitions are undertaken on the assumption that the combined entity will have a greater value than the two companies alone (Mirvis & Mark, 1992). Mergers and Acquisitions frequently fail despite optimistic expectations, at best, only half of all mergers and Acquisitions meet initial financial expectations (Cartwright & Cooper, 1993). Schuler & Jackson (2007) state that mergers and acquisitions fail due to unrealistic expectations, poor planning, and strategy, unskilled execution, inability to unify behind the message, loss of talent and mismanagement, power and politics, culture clashes, underestimating people issues, and underestimated costs among others.

According to Hunt (2003), in one-third of the mergers and acquisitions he studied, the company management failed to acknowledge the Human Resource functions and roles, which resultantly caused the merger to fail. For instance, Human Resource issues like expecting employees to carry out their work without any break during and after the merger; expecting them not to worry about the threats of their jobs or rumors. Mostly, the thoughts and feelings of employees are not put into consideration.

During Mergers and Acquisitions, Human Resource Managers face many challenges including attempting to maintain an internal status quo, or to effect change; attempting to guide upper management from a people perspective as to whether organizational goals will be better fulfilled in the Mergers and Acquisition process or by making internal changes (Christensen et al., 2011). Dixon (2002) states that high-speed deals that move too fast through due diligence often fail and can be described ―as changing the tire whilst driving down the road‖. If a merger has been approved, Human Resource Managers face a daunting task of discerning all aspects of the two separate organizations and the one combined organization that will be affected; communicating with employees at every step in the

Mergers and Acquisition process with both an appropriate level of confidentiality and devising ways to meld the two organizations most effectively, efficiently and humanely for the various stakeholders (Christensen et al., 2011).

In addition, Human Resource Managers are faced with the challenge of creating trust which plays a key role in the integration process following Mergers and Acquisition (Stahl and Sitkin, 2005). Research on the importance of trust for Mergers and Acquisition success has shown that trust can improve communication, problem-solving and can enhance employee commitment (Jones &George, 1998, Dirks & Ferrin, 2001).

Furthermore, Human Resource Managers must deal with the reality that Mergers and Acquisitions usually result in layoffs of employees under the combined organization. This reality entails coordinating separation and severance pay issues between the combining organizations and proactively avoiding legal issues for violation of legislative requirements (Christensen et al. 2011).

Cartwright & Cooper (1992) explains that one of the important reasons behind the success or failure of an acquisition is the organizational culture and people management practices. For example, Human Resource Managers must manage and minimize communication problems. Communication problems arise if the human aspect is ignored from the entire process. Christensen et al. (2011) state that employees may fear about their jobs, roles, or about the new process as such psychological barriers like ignoring employees‘ questions, fears, expectations, and reservations develops an environment of ambiguity. Consequently, employees tend to develop resistance to change which is one of the major reasons for the failure of Mergers and Acquisitions. Effective communication between employees and management is, therefore, necessary for Mergers and Acquisition success (Galpin & Herndon, 2007).

According to Huang & Kleiner (2004), the differences between the two merging entities may cause cultural barriers or cross-cultural conflicts which is one of the main reasons for the failure of Mergers and Acquisitions. Buono & Bowditch, (1989), Cartwright (1997), and Krug & Nigh, (2001) all argue that organizational and national cultural differences can be the main source of hostility and distrust between the two merging organizations and that they are responsible for the high failure rates of mergers and acquisitions (King et al., 2004). Christensen et al. (2011) on the other hand states that leadership style is one of the challenges of mergers and acquisitions as poorly defined and unclear leadership style may lead to failure of Mergers and Acquisitions. This is because, in any change, leadership is an important element that provides the direction to move into an uncertain future. Hyde & Paterson (2001) states that leadership is crucial in merging organizations due to the leaders' unique ability to shape an organization's culture. Similarly, Lind & Stevens (2004) states that leaders need to match their styles with the type of merger and acquisition undertaken. As a result, the success of mergers and acquisitions is affected where real leadership is dominated by a few or there is a clash of leadership styles.

The importance of considering and strategically addressing human resource issues with financial issues before, during, and after mergers and acquisitions was highlighted by Apikula (2005). Surveys done by various consulting firms (Hewitt, 2002; Accenture, 2006) and researchers (Cartwright & Cooper, 1992) put the failure rate of mergers and acquisitions anywhere between 30-70%. There are several reasons for these failures and one of the most significant reasons is a lack of understanding of people issues involved. It is given this that this study examines the Role of Managers in Mergers and Acquisitions in the Malawian Banking Sector.

2.8 Theoretical and Conceptual Framework

The theoretical and conceptual framework part of this chapter firstly looks at the approaches to mergers and acquisitions. It then analyzes the change management approaches to help examine the people's side of change. It will later examine the role of Human Resource Managers in Mergers and acquisitions and how they are affected by the merger process by analyzing the theories on the roles of Human Resource Managers and will conclude by analyzing the five-step Ulrich model by Ulrich & Brockbank (2005).

2.8.1 Approaches to Mergers and Acquisitions

There are several approaches and theories that can be used to understand mergers and acquisitions as will be seen below. These approaches are used to understand or determine why companies should attempt integration either as mergers or acquisitions or some other combinations (Lund & Whitt, 2017). The merger and acquisition models should fit with the overall strategy of an organization if the Mergers and Acquisition is to achieve its purpose and expected desires as every company has different cultures and follows different strategies to define their merger (Roberts, 2002). It is for this reason that this study applies the strategic and cultural approach to analyzing mergers and acquisitions as it will help analyze the merger and acquisition from a strategic as well as people perspective.

2.8.1.1 The Strategic Approach

The strategic approach to mergers and acquisitions centers on understanding the companies that are about to combine (Lund & Whitt, 2017). It analyses mergers and acquisitions rationally by looking at what a merger is, what attributes the merger consists of and how the merger is analyzed and understood to look for success or failure (Lund & Whitt, 2017). Mergers and acquisitions motives include economic reasons like market access, expansion, diversification, gaining synergies, and sustainable competitive advantage among others (Deiser, 1994), (Kruger & Muller-Stewens, 1994). All these aims are strategic. Roberts (2002) suggested the Strategic Focus Wheel. According to Roberts (2002), this wheel is used to focus the efforts and resources of organizations on delivering their intended strategic objectives and has four core elements: strategic planning which revolves around identifying the options available to an organization, and selecting the most appropriate. If the strategic position selected is poor or inappropriate, even the best implementation capability is unlikely to compensate; making strategies work is a process for connecting the high-level strategic plan to the day-to-day activities that are critical to its delivery; project management of change ensures completeness and control over the physical realization of the chosen strategy (Roberts, et al, 2016).

Project management provides a comprehensive set of tools and techniques that enable managers to plan and implement change effectively and increase the likelihood of achieving the various objectives of the change process and finally the strategic risk management which concerns the identification, monitoring, and management of the risk profile of the organization (Roberts, 2002). Strategic risk management covers four primary risk areas or levels which are strategic risk, change or project risk, operational risk, and unforeseeable risk. In implementing mergers and acquisitions, the Strategic Focus Wheel can therefore be used to plan the merger and make the transition work (Roberts et al, 2016). Similarly, Lund & Whitt (2017) propose the strategic approach to managing mergers and acquisitions and this includes; the strategic management approach, the capital market approach, and the economic performance approach. The Strategic Management Approach as already explained above helps to understand the strategic match between the two companies that are about to combine and that match is the strategic and financial possibilities of engaging in the combination (Lund & Whitt, 2017). Companies join forces to increase their market share, reinventing the whole business model or getting new knowledge or products into the portfolio. This approach helps to analyze the benefits from both logical and financial points of view (Bower, 2002).

The Capital Market Approach looks at how a merger or acquisition performs based on stock market-based measures (Lund & Whitt, 2017). Mergers and Acquisitions are viewed as investments that require a financial return to the investor. These Stock-market based measures are also called ‗‘event studies‖ and are used to measure how the market perceives the deal within a short period after a Merger and Acquisition is announced (Stahl & Mendenhall, 2005). On the other hand, the Economic Performance Approach examines accounting-based methods to measure the long-term performance of the Merger and Acquisition to determine the success of the merger (Lund & Whitt, 2017).

2.8.1.2 The Cultural Approach

The Cultural Approach to analyzing mergers and acquisitions looks at organizational mergers from a people perspective (Stahl & Mendenhall, 2005). Morosini et.al (1998) states that even though the financial approaches to mergers and acquisitions are not blind to the people factor of a combination but the people factor is not pivotal in the strategic approach. Similarly, a Cultural Approach does not only look at the people side of mergers and acquisitions but takes a more systematic look at the way an organizational combination works (Stahl & Mendenhall, 2005).

The Cultural Approach has two theories: the organizational theory and the human resources perspective. The organizational theory looks at how two previously independent entities are combined into a cohesive whole. It focuses on how two companies integrate their structures, systems, and cultures to achieve synergy. Stahl & Mendenhall (2005) state that the underlying premise for the organizational theory approach is that integration is the mediating mechanism that ensures that potential in an acquisition is turned into actualized performance. Mergers and acquisitions can impact an organization and the people working in it in various ways from whole organizational structures to working relationships (Shanley and Correa, 1992).

The Human Resources perspective emphasizes the psychological, communication, and leadership issues in Mergers and Acquisitions (Lund & Whitt, 2017). The focus is on the actual individual or employee that will be affected by the change within the organization. Management often neglects the people side of mergers and acquisitions and focuses on strategic and financial issues (Birkinshaw, Bresman & Hakanson, 2000). Cartwright & Cooper (1992) explains that one of the important reasons behind the success or failure of an acquisition is the organizational culture and people management practices. The importance of considering and strategically addressing human resource issues with financial issues before, during, and after mergers and acquisitions was highlighted by Apikula (2005). Schweiger and DeNisi (1991) focused on employee stress following the announcement that a merger and acquisition process is ongoing. The very change itself is stressful even if what will come from the change is positive.

It is for this reason that this study will apply both the strategic approach as well as the cultural approach to Mergers and Acquisitions as suggested by Lundi & Whitt (2017). This is because, through the Cultural Approach which is people-centered, the merger and acquisition transaction results in many employees losing their jobs, getting transferred, their job descriptions changing among others. Almost all employees are affected in one way or the other by the merger and acquisition process and greatly affected are the Human Resource Managers who are to manage the people side and changes of the merger process. On the other hand, the strategic approach will help examine how it would make sense to combine two companies that exist in a similar market but have different products.

2.8.2 Change Management Theories

Moran and Brightman (2001) define change management as the process of continually renewing an organization‘s direction, structure, and capabilities to serve the everchanging needs of external and internal customers. How people manage, respond, and adapt to change can determine whether a deal delivers on or fails to meet expectations (Schar & Manning, 2017). The merger and acquisition should not only be seen from the financial perspective but that it is a union of two different companies and two different cultures which are bound to bring some anomalies (Kansal & Chandani, 2014). During Mergers and acquisitions, leaders of both companies may face many challenges including; cultural management, stress management, redundancies, Human Resource restructuring, resistance to change, job insecurity, talent drainage, low motivation, and many more (Kansal & Chandani, 2014). KPMG (1998) found 80% of the mergers and acquisitions that failed were due to improper handling of change management. The figure below shows a list of companies that failed because of poor change management.

Each organization that is merging brings a culture with itself and when merged with another, is bound to affect each other (Kansal & Chandani, 2014). In merging organizations, change is inevitable because of system dynamics as each organization consists of systems that constantly exchange ideas with each other for example, technology, legal system, and internal politics; structure focused change which can include downsizing and decentralization among others; person-focused change which is concerned with human resource planning, employee competence and performance among others; government policies and profitability issues like revenue, market share and productivity (Kansal & Chandani, 2014).

Table 1: List of Failed Mergers and Acquisitions

Source: KPMG, 1998

List of Failed Merger and Acquisitions	Year
AOL/Time Warner	2000
HP/Compaq	2001
Alcatel/Lucent	2008
Daimler Benz/Chrysler	1998
Novell/Word Perfect	1994
National Semiconductor/Fairchild Semiconductor	1999
JDS Uniphase/SDL	2000
Mattel/The Learning Company	1999
Borland/Ashton Tate	1991
Excite/@Home	1999

Several change management theories help analyze and examine the process of change. Lewin (1947) proposed in a three-phase model that the behavior of any individual in response to a proposed change is a function of group behavior. Any interaction or force affecting the group structure also affects the individual's behavior and capacity to change therefore, the group environment or field must be considered in the change process (Porras & Robertson,1993). The three-stage model of change describes the status quo as the present situation, but a change process- a proposed change- should then evolve into a future desired state. To understand group behavior, and hence the behavior of individual group members during the change process, we must evaluate the totality and complexity of the field (Cummings & Worley, 2003). This model spends a lot of time-fighting resistance to change (Smith, 2013). On the other hand, McKinsey's 7-S framework helps an organization to analyze how well it is positioned to achieve its intended objectives (Fox, 2001). The basic underlying argument is that the organization needs to align its 7 internal aspects if it wants to be successful.

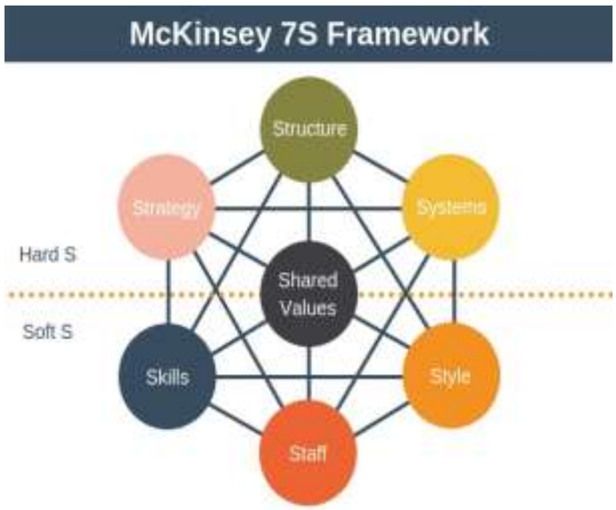

Figure 2: *McKinsey 7S Framework***. Source:** *www.intology.co.uk*

Even though this model is open-ended, it cannot be used for this study as it is ambiguous and confusing.

Kotter's Eight-Step Model is another change management approach. It focuses on establishing and driving up the urgency for needing change, building a team dedicated to change, creating a vision and goals for change, communicating the change, empowering staff to implement the changes themselves, creating short term goals, sustaining the acceleration, and finally refreezing as suggested by Lewin by making changes permanent (Stragalas, 2010) as seen in the diagram below

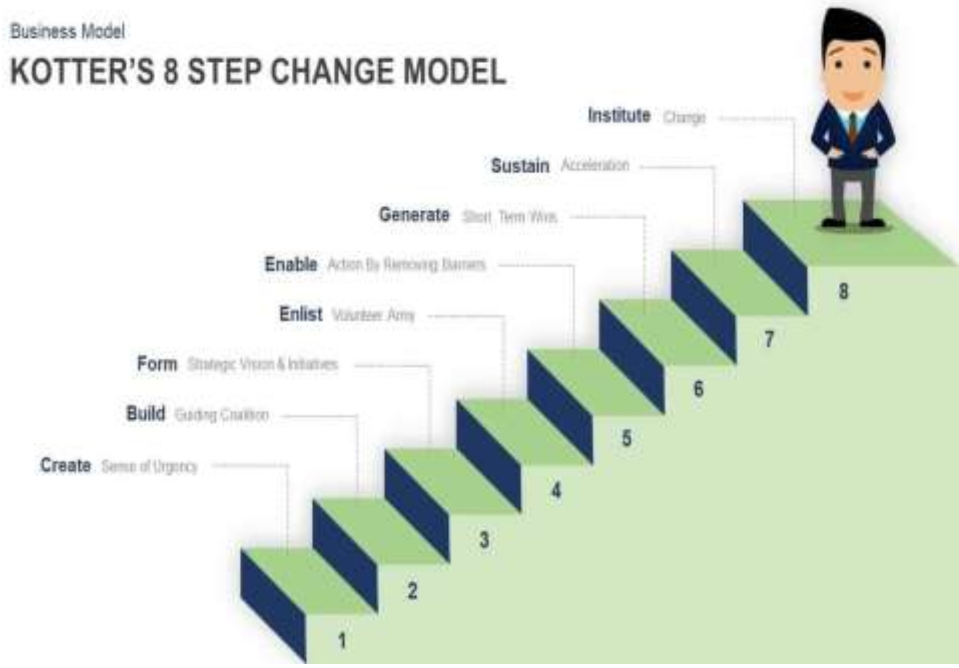

Figure 3: Kotters 8 Step Change Model*Source:* ***Slidebazaar.com***

This model however is limited in that skipping a single step may result in serious problems. In addition, it can build frustration and dissatisfaction among employees if the individual requirements are given due attention (Juneja, 2015).

2.8.2.1 The Prosci Change Management Approach

Mergers and Acquisitions make people on both sides of the transaction nervous. In most cases, employees are uncertain what the deal will mean. They wonder whether and how they will fit into the new organization (Brief, 2009). In the absence of information and clear communication, they feel insecure, stressed, and less motivated. According to Olie (1994), Mergers and Acquisitions as a change make organizational performance to be affected, negative impact on the physical and mental wellbeing of employees, power conflicts, identity conflicts, more negative reactions such as increased levels of employee uncertainty, worries about job insecurity. Furthermore, there is poor retention of employees post Mergers and Acquisition indicating anxieties and conflicts among employees. What makes integration such a challenge are its complexity and ambiguity arising for example from differences in organizational culture (Olie 1994).

Similarly, during Mergers and Acquisitions employees have to be ready for the change. One of the most important factors in change management is employees‘ initial support for change initiatives as such readiness for change is very important in change management (Armenakis & Harris, 2009). Readiness for organizational change refers to individuals‘ beliefs, attitudes, and the organization‘s capacity to successfully undertake these changes (Armenakis et.al, 1993). Individual readiness can change the direction of any proposed organizational change, as in most cases individuals that have been prepared will end up supporting it (Holt et al., 2007). What‘s more, the implementation of change will be smoother and quicker when change agents are working with these employees(Armenakis, et. al, 1993). Readiness for change begins with an individual‘s perception of the benefits of change (Prochaska, 1994), the risks of failing to change (Armenakis et. al, 1993), or the demands of externally imposed changes (Pettigrew, 1987). The change readiness perceptions are believed, in turn, to promote behavioral change (Holt et al., 2007).

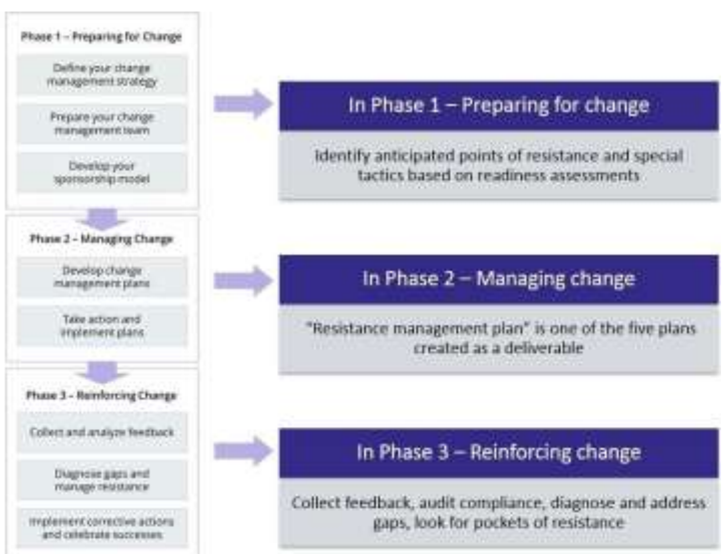

Figure 4: Three Phase Process: A structure for organizational change.
Source: **(www.prosci.com)**

As seen on the above diagram, Prosci (2008) proposes the Prosci Change Management method. He states that the first step in managing any organizational change is by understanding how to manage change with a single individual. Prosci‘s model of individual change is called the Prosci ADKAR Model, an acronym for awareness, desire, knowledge, ability, and reinforcements (Lund& Whitt, 2017). An individual change includes an awareness of the need for change, desire to participate in and support the change, knowledge on how to change, and ability to implement required skills and behaviors, and reinforcement to sustain the change (Prosci, 2019).

Prosci's Change Management method is developed based on research with over 3400 participants over the last twenty years (Prosci, 2008). It comes from real project leaders and teams and reflects on what worked, what did not, and what they would do differently on their next projects. This study, therefore, applies the Change Management Approach by Prosci (2008). This is because proper change management helps before; during and after the Mergers and Acquisition process is completed. The change Management Approach by Prosci has the tools to handle all elements of the stages of the Mergers and Acquisition process (Lund& Whitt, 2017). As already seen above, the 3-phase merger plan consists of the pre-merger planning, merger, and post-merger integration which fits well into the 3 stage Prosci change management of preparing for change, managing change, and reinforcing change hence being chosen for this study.

2.8.3 The Human Resource Function and Role Set Theory

Both academic and empirical typologies differentiate between the two main roles of Human Resource Managers (Truss, 2009). The first role is more traditional and administrative, where the Human Resource department is seen primarily as the administrator of functions such as payroll and benefits (Beer, 1997). In addition, the administrative role of Human Resource Managers also focuses on the function of promoting employee welfare (Beer, 1997). This thinking arose from the (Mayo, 1945) human relations movement. The other role of Human Resource Managers is more strategic. This includes the participation of senior Human Resource Managers in the strategic planning process (Truss et. al, 1997). Human Resource matters are also discussed at a senior or strategic level (Storey, 1995).

Various theories have tried to explain or analyze factors that determine whether the role played by Human Resource Managers in an organization is more administrative or strategic (Truss, 2009). The analysis is done by looking at various theoretical frameworks such as the contingency theory, the strategic choice, and the role set theory amongst others. Contingency and institutional theorists argue that contextual factors and pressures from both internal and external factors determine the role that Human Resource Managers play in organizations (DiMaggio & Powell, 1983). These external pressures include labor markets, legislative statutes, and unions (Kochan & Cappelli, 1982). However, in recent years the literature on the role of Human Resource Managers has focused on strategic human resource management (Ulrich, 1997). Research on the conditions that influence the strategic integration of the Human Resource function focuses on macro-level factors outside the control of the organization such as unionization and legislative statutes (Beaver and Jennings, 2001) amongst others. Other factors, however, focus on internal factors to the organization such as the type of business strategy employed (Bowen et al, 2002). This study however adopts the strategic role that Human Resource Managers play as suggested by Ulrich (1997) in his Urich Model on the roles of Human Resource Managers as the model enables Human Resource Managers to take a proactive role towards their internal as well as external customers.

According to (Katz & Kahn, 1978), the role-set theory focuses on the roles played by individuals or sets of individuals engaged in similar jobs, such as departments, and are socially constructed through the perceptions and attitudes of role-set members. That is, the role of the Human Resource Managers is reliant on the expectations that others within the individual‘s role set have about the rights and duties associated with that role. Human Resource Managers, therefore, need to perform well against current anticipations of the role to achieve reputational effectiveness (Tsui, 1984). Role theory is mainly helpful in showing ways of measuring the outcomes of role performance with expectations. Role expectations are formulated in a dynamic social context with a strong emphasis on interaction, communication, and expectation. Although the key components of role set are role expectation, role perception, and role behavior, the perception of expectation is as important as the communication of expectation (Katz & Kahn, 1966). These two components influence subsequent behavior and such behavioral outcomes are also influenced by the ability of Human Resource Managers to shape the expectations of others in the role set.

2.8.3.1 The Ulrich Model

As seen above, the model by Ulrich will be applied to examine the roles of Human Resource Managers in the Mergers and Acquisition process. Ulrich & Brockbank (2005) updated the 1997 Ulrich model which previously had four roles and identified five roles of Human Resource Managers and these are employee advocacy role that ensures that the employer-employee relationship creates reciprocal value; human capital development role that sees the Human Resource is responsible for building capabilities in the future workforce; functional expertise role through designing and delivering Human Resource practices that ensure individual ability and create organization capability; strategic partnership role seen by bringing business, change consulting and learning know-how to line managers and helping them reach their goals and Human Resource leadership role that embodies the previous four roles and collaborates with other functions as well as ensuring corporate governance and monitoring the Human Resource community.

On advocacy Role: Ulrich & Dulebohn (2015) describes the advocacy role of Human Resource Managers as a role that ensures that the employer-employee relationship creates reciprocal value. In this role, the Human Resource Managers help enhance employee contributions for instance through a commitment to the organization as well as the firm paying attention to employee needs (Ulrich, 1997). According to Cartwright & Cooper (1992), professional counseling and support and proactive support for employees are very important in ensuring employee commitment during the Mergers and Acquisition process. On Human capital development role: Schultz (2003 as cited in Dashs, 2021) defined the term ‗human capital‖ as a key element in improving firm assets and employees to increase productivity as well as sustain competitive advantage. Dass (2008) stated that mergers and acquisitions are more likely to fail than succeed with failure rates estimated to be as high as 75% and that the neglect of human-resource-related issues has been identified as a major reason why the failure rate is high. These Human Resource issues are largely neglected until after the deal is closed. In human capital development, Human Resource Managers are responsible for building capabilities in the future workforce (Ulrich & Brockbank 2005).

On functional expertise role: Schmidt & Griffin (2002) states that consistent with the vision of the new organization, Human Resource Managers' function is responsible for developing new policies and practices, Human Resource structure, staffing, and determining the service delivery model. According to Ulrich (1997), Human Resource Managers play the functional expertise role through designing and delivering Human Resource practices that ensure individual ability and create organization capability.
Strategic Partnership Role: according to Ulrich (1997) the purpose of Human Resource business partnering or Human Resource's strategic partnership role is to achieve the objectives of the business by supporting with their expertise and competence to increase efficiency and effectiveness. Given this, Human Resource Managers should act as business advisors on what should be done to improve the organization's profitability (Jerjawi, 2011). Mathis & Jackson (2007) state that Human Resource Managers should analyze and evaluate the financial position of an organization and give possible ideas to be implemented in the business. Human Resource Managers should be advising managers on what decisions to be made and on what basis (Jerjawi, 2011). Ulrich et al (2008) state that the main goal of Human Resource Managers should be to ensure that there is greater efficiency in the organization. Human Resource Managers ensure that decisions are made quicker and on a sound basis, available resources are utilized appropriately to reduce costs and that a certain amount of labor should yield a particular amount of production (Jerjawi, 2011). In other words, Human Resource Managers as Business Partners should ensure that profits are maximized and costs reduced.

However, Purcell (2001) states that whereas the organizational representation of the Human Resource function in the hierarchy of the corporation can be viewed as an indicator of its corporate status and its possibility to participate in decision making during formal meetings, a more valid indicator of its real strategic impact is the extent to which the function influences the outcome of strategic decision making. According to Truss et. al (2002), Human Resource Managers rather than being centrally involved in strategy formation, mostly are called upon to advise on the people implications of business strategies once they are formulated.

Human Resource Leadership Role: the success or failure of a merger or acquisition deal depends upon to a large extent on the involvement of Human Resource professionals (Singh, 2012). When Human Resource Managers are not involved or are involved at a late stage in the merger process, many mergers likely fail to achieve their objectives (Giffin & Schimdt, 2002).

This research will therefore apply the Role Set theory by using Ulrich‘s model to examine and analyze the Human Resource Manager‘s role and involvement in the formulation of corporate goals and strategy as well as the pre-and post-merger stages of the Mergers and Acquisition process as the model guides in the strategic role that Human Resource Managers play in organizations. It will also use the Prosci Change Management Approach to examine how change was managed during the Mergers and Acquisition as the Prosci 3 step Change Management Approach fits well with the three phases of mergers and Acquisitions adopted in this study. To analyze mergers and acquisitions and the role that Human Resource Managers can play to achieve the reason behind them, this study will use the Strategic and Cultural Approach. As seen above, a lot of literature has been written on mergers and acquisitions but the researcher found no study on the role of Human Resource Managers in Mergers and Acquisitions in the Malawian context hence this study.

2.9 Conclusion

This chapter has discussed the various studies and literature that have been written on Mergers and Acquisitions and the role of Human Resource Managers in the Mergers and Acquisition process. It started by looking at the definition of Mergers and Acquisitions, followed by the discussion on the merger and acquisition process and the factors behind mergers and acquisitions. It further analyzed the involvement of Human Resource managers in Mergers and Acquisitions and the effects of Mergers and Acquisitions on Human Resource Managers. It later examined the literature on the challenges of mergers and acquisitions on Human Resource Managers. It then discussed the theoretical and conceptual framework of mergers and acquisitions.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methodology adopted for this study and justifies this choice. The chapter sets out the various stages and phases that were followed to complete the study. The chapter identifies the procedures and techniques that were used for data collection, processing, and analysis. The chapter also discusses the research design, population and sample size, data collection methods, data analysis management and methods used in the research, ethical considerations, and limitations.

3.2 Research Design

The purpose of a research design is to generate a plan of producing a study, once the goal is defined or chosen. It describes a practical understanding of the central challenges related to the design of a social or economic study (Hakim, 1987). Cooper & Schindler (2003) define a research design as the blueprint for the allocation, measurement, and analysis of research data. It is like an architectural blueprint. Similarly, Merriam (1998) describes a research design as a plan for assembling, organizing, and integrating information (data), and it results in a specific product (research findings). The thesis was based on the model of the research design presented in Fig 5 below.

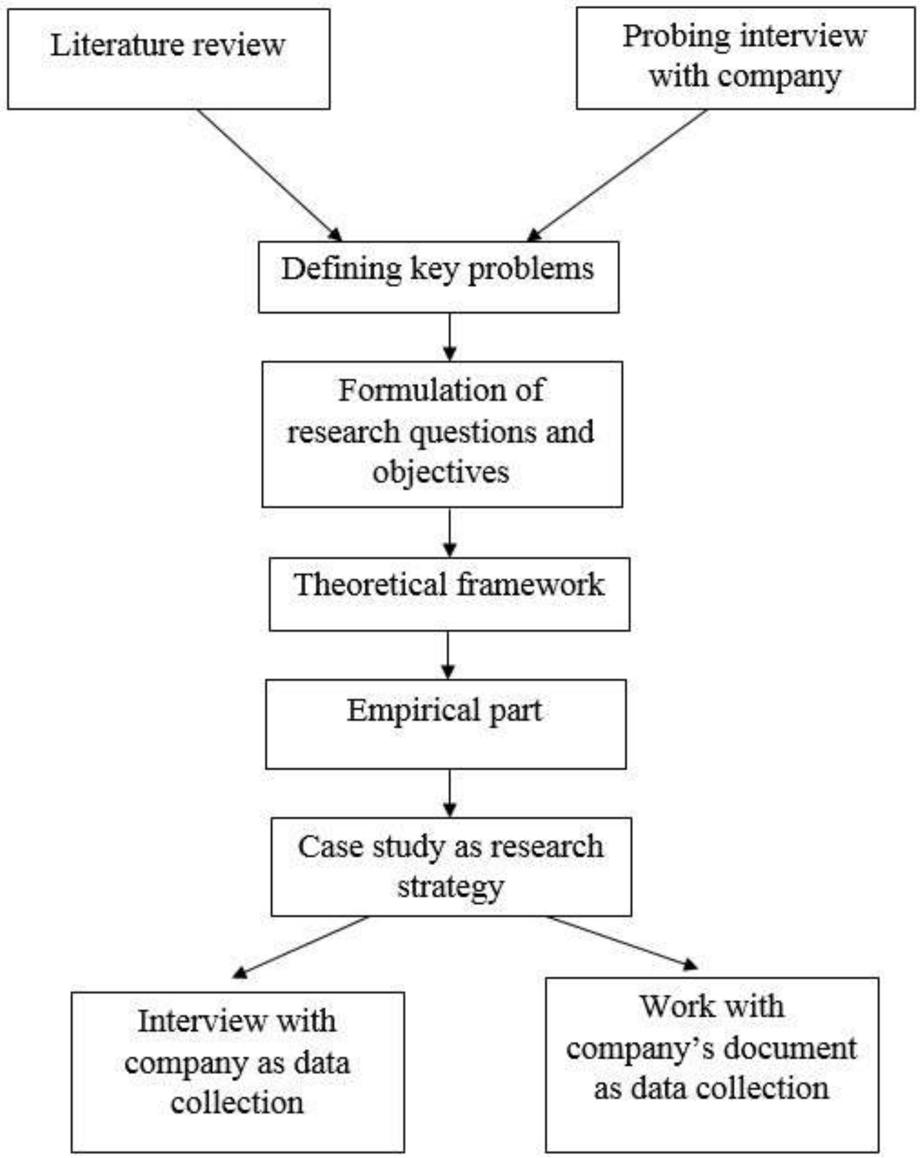

Figure 5: *Research Design.* ***Source:*** *creswell (2004)*

Our choice of methodology for this study is qualitative research. Qualitative research is defined as an inquiry process of understanding a social or human problem, based on building a complex, holistic picture, formed with words, reporting detailed views of informants, and conducted in a natural setting (Creswell, 1994). McMillan & Schumacher (1993) describes qualitative research as a naturalistic inquiry, the use of non-interfering data collection strategy to discover the natural flow of events and process and how participants interpret them. Smith et.al (2011) states that qualitative research is a general term that refers to groups of methods and ways of collecting and analyzing data that are distinctively different from quantitative methods due to lack of quantification and statistical analysis.

3.2.1 Case Study Research

Case study research is an investigative approach used to thoroughly describe a complex phenomenon, such as recent events, important issues, or programs, in ways to unearth a new and deeper understanding of the phenomena (Moore et al, 2012). According to Benbasat et al (1987), a case study examines a phenomenon in its natural setting, using multiple methods to collect data and gather information from one or more entities. It is intended to gain an in-depth understanding of the concerned phenomenon in a real-life setting (Dobson, 1999). Perry (1998) states that within qualitative research, case studies contribute to the comprehensive understanding of a specific social phenomenon. They are especially relevant when the aim is to understand, solve or improve a procedure performed in the professional field (Larrinaga & Rodriguez, 2010). Since the purpose of this study is to examine the role of Human Resource Managers in mergers and acquisitions. Qualitative research using the case study method would be more appropriate in this case as data would be collected by exploring the process of mergers and acquisitions as well as the role of Human Resource managers in mergers and acquisitions.

3.3 Study Site

AB Bank and YZ Bank merger has been chosen for this case study because AB Bank is the biggest private bank in Malawi in terms of assets and human capital. According to (Nat bank, 2017), AB Bank was established in 1971 as the result of a merger of Barclays Bank DCO and Standard Bank, which had its origins in the Republic of South Africa. The merger of the two banks brought together complementary operations to provide a countrywide spread of financial products and services (Natbank, 2017). The Bank was listed on the Malawi Stock Exchange on 21st August 2000 with an oversubscription of 3.4 times. On the other hand, YZ bank was incorporated in 1972 as an investment and development bank. Its original shareholders were ADMARC and development financial institutions (DFIs). It was converted into a commercial bank in 2001. In 2005 the DFIs exited by selling their shareholding to a consortium comprising Press Trust and Trans-Africa Holdings Limited who acquired 30% and 41.38% shareholding respectively. In 2010, Trans-Africa Holdings Limited sold its entire 41.38% shareholding to the Government of Malawi. The Bank had made strides in growing the retail base; increasing retail‘s contribution to the Bank‘s business from around 18% in 2010 to 27% in 2015, however, even at this level, the Bank continued to rely heavily on wholesale deposits to fund its assets. The top ten borrowers accounted for up to 40% of the Bank‘s loan and advances, whilst the top twenty depositors (wholesale depositors) made up 60% of the Bank‘s deposits. The Bank‘s cost of funds was therefore very high (PPP Commission, 2015).

The Reserve Bank of Malawi in 2014 implemented the Basel II capital accord in Malawi and to fully comply with requirements under Basel II, YZ Bank needed to raise additional capital by 31st December 2013. However, all shareholders advised that they would not be able to raise the required additional capital, and were ready to have their shareholding diluted by any potential new investor that would be willing to inject the additional capital. As a result, the PPP Commission had been engaged to determine the appropriate mode of bringing in private sector participation in the Bank as a process for recapitalizing the Bank to the required minimum levels. Following the recapitalization process carried out by the PPP Commission, structured negotiations took place in April 2015. Bidders were requested to submit their best and final bids, the Commission approved AB Bank to be designated as the preferred bidder for equity investment in YZ Bank hence the merger and acquisition process (PPP Commission, 2015).

3.4 Study Population and Sample

McMillan & Schumacher, (1993) defines a study population as the individual who participates in the study and a sample as a group of individuals participating in the study. In Malawi, registered include AB Bank, First Capital Bank, FDH Bank, Nedbank, My Bucks, NBS Bank, Standard Bank, and FINCA.

Amin (2005) stresses the need to properly define a sample population by stating its composition, size, and the target population with its justification. The target of the study was the biggest bank in terms of revenue, branches, and several employees. AB Bank was thus chosen for the study as it has the highest number of employees and branches across Malawi.

A sample consists of individuals selected from a larger group of persons, called the population. A sample is also defined as a subset of the whole population that is investigated by a researcher and whose characteristics will be generalized to the whole population (Bless & Higson-Smith, 1995). The study‘s sample size was 12. Purposeful sampling was used to deliberately target people who had the information relevant for this research such as senior and middle-level managers with varying experience, education, and gender. It was used to sample who would be interviewed through face-to-face interviews. The researcher, therefore, believes that the sample was representative with varying viewpoints and thus gives a sufficient view of the situation among the leaders at different levels in the chosen organization.

3.4.1 Sample Size

The study used in-depth interviews with 6 AB Bank Managers, 3 of which came from the Human Resource department and 3 from other departments, 3 middle-level employees from service centers, 2 AB Bank ex YZ Bank employees who survived the merger, 1 former YZ Bank employee who lost a job after the merger representing a sample size of 12. The research reached a saturation point as no new information was coming out hence the researcher settling for a sample size of 12 against a target of 20. This in a way limited the researcher as the target could not be met however the research reached a saturation point as no new information was coming out hence the researcher settling for a sample size of 12.

According to Neuman (2011), it is important in qualitative research to get a deeper understanding of larger processes, relationships, or social scenes which give valuable information or perhaps new aspects. Flick, (1998) in Neuman (2011) states that in qualitative research, it is their relevance to the research topic rather than their representatives which determines how the people to be studied are selected. The participants were selected because of the contribution they could make to the study. They were chosen according to their level of function to get an understanding from different levels about how the merger might have affected each of them differently.

3.5 Study Period

The study period commenced with fieldwork activities in January 2019 and continued through March 2020. During this time, different components of the study designs as described above were implemented which included proposal development, departmental approval, desk review, interviews, analysis of data, and writing, and submission of the research.

3.6 Data Collection Methods

The research used both primary data and secondary data for the study. According to Neuman (2011), primary data is data from primary sources that are still present or in the past who were directly involved in the events setting whilst secondary data is from historical research that is reported or written by others who were not directly involved in the events setting. Thus, qualitative data collection methods include observation, interviews, documents, and Audio-Visual Materials among others (Creswell, 2015). In this study, primary data was collected qualitatively through semi-structured face-to-face interviews with some of the most strategic members of the case study. The face-to-face interviews were digitally recorded. The interview had an interview guide for the Human Resource and other line managers and the employees.

Qualitative data was also collected through secondary sources in form of articles, journals reports from AB Bank, and financial reports. The interviews were done in a space of one month as in some cases the researcher had to go twice to meet the participants. Since the research was examining the role of Human Resource Managers in Mergers and Acquisitions, to go into the depth of the participant‘s minds to get a detailed view of their thoughts and attitudes through face to face interviews and observation with follow up and probing questions asked in response to participant‘s responses. The face-to-face interview allowed the researcher to be flexible in asking questions and could pick nonverbal communication from the participants as well as get details of sensitive and difficult themes. As seen above, the study used in-depth interviews with 6 AB Bank Managers, 3 of which came from the Human Resource department and 3 from other departments, 3 middle-level employees from service centers, 2 AB Bank ex YZ Bank employees who survived the merger, 1 former YZ Bank employee who lost a job after the merger representing a sample size of 12 against a target of 20.

Purposeful sampling was used to deliberately target people who had the information relevant for this research such as senior and middle-level managers with varying experience, education, and gender. It was used to sample who would be interviewed through face-to-face interviews. In addition, their relevance to the research topic determined the selection of the people to be studied. The participants were therefore selected because of the contribution they could make to the study. They were chosen according to their level of function to get an understanding from different levels about how the merger might have affected each of them differently.

3.7 Data Analysis and Management

Mourton & Maraise (1996) describes data analysis as the resolution of a complex into parts and state that two types of data analysis are deductive data analysis and inductive data analysis. A deductive approach is where the researcher begins with a conceptual definition, then specifies indicators of the behavior to be observed, and then standardizes and validates the resulting instrument. An inductive approach is used in qualitative research especially in case studies (Strauss & Corbin, 1990). The inductive approach aids an understanding of meaning in complex data through the development of summary themes or categories from the raw data. This study used both deductive and inductive analysis. The researcher used a hybrid approach of both deductive and inductive. Deductive because the study objectives were used to analyze the data and inductive because some of the themes were not pre-determined as they came out of the data from the participants. Marshall& Rossman (1995) identified five modes of inductive data analysis and these are: organizing the data, generating categories, themes, and patterns, testing the emerging hypothesis against the data, searching for alternative explanations of the data, and recording the finding.

In this study, the semi-structured interviews were done in English, and data were collected using a digital recorder and thereafter the research assistant was hired who transcribed the data. The interviews were both deductive and inductive because some questions were structured according to the objectives of the study while some could flow from the participants‘ answers. After the collection of data, the transcribed interviews were analyzed, sorted, and arranged into different types depending on the source of the information. The data was read through to obtain a general sense of the information and to reflect on the overall meaning. This helped the researcher gain familiarity with the text in terms of making sense of what the general idea the participants were saying is, the tone of their ideas, and the credibility of the information. After careful reading and re-reading the transcripts, the ideas that came to mind were jotted down. The most interesting interview was picked to make sense of its underlying meaning and the thoughts were written down in the margins. After jotting down notes in the margins of all the participants, a list of all the topics was made based on the study‘s objectives. The data was then coded using alphabet letters. Coding is the process of organizing the material into chunks or segments of text before bringing meaning to information (Rossman & Rallis, 1998 in Cresswell, 2015).

The researcher reviewed the transcripts and kept a table of emerging concepts and findings. The coding process was used to generate themes based on the research objectives. Under each research objective, themes were identified, described, and discussed as findings. The themes were analyzed across the case study and descriptive information was conveyed about each participant using a table. A codebook was developed which was a table of the themes that were expected to come out of the research. Lincoln & Guba (1985) in Cresswell (2015) describes that making interpretation or meaning of the data is about asking ―what were the lessons learned?‖ captures the essence of this idea. According to Cresswll (2015), these lessons could be the researcher‘s interpretation, couched in the understanding that the enquirer brings to the study from his or her own culture, history, and experience. This could also be a meaning derived from a comparison of the findings with information gleaned from the literature or theories (Creswell, 2015). As a result, the findings can either confirm past information or diverge from it, as well as suggest new questions that need to be asked, questions about the data that the researcher had not foreseen earlier in the study (Creswell. 2015).

3.8 Ethical Considerations

The study followed the Belmont Report (1979) for ethical considerations. It focused on informed consent. It ensured that participants in a study were made aware of the purpose of the study and their rights as participants. It assessed the risks and benefits by focusing on the nature and scope of risks and benefits of participants thereby giving them a choice of whether to participate in the study or not. It used purposive sampling to select the participants.

Validity refers to a need to gain an accurate or true impression of the phenomenon one is studying (Stebbins, 2001). Validity can both be internal and external where internal validity refers to the relationship between treatment and effect in experiments whilst external validity refers to representativeness and ability to generalize (Blaikie, 2010). According to Fisher, (2010) validity refers to how one writes about and treats universals which can be done through different positions. The researcher ensured validity by gaining accurate impressions of the topic. However, the elements examined were not tangible and might not reflect the true picture. To minimize this, open-ended questions were used combined with interviews with confirmatory results from the secondary data.

3.9 Limitations of the Study

Baldwin (1992) states that all research has limitations to the interpretation of the results and other issues that need to be considered when trying to generalize or analyze broader issues of interest. The researcher recognizes the following research limitations to this study: The Human Resource Department at AB Bank and other respondents considered some of the information sensitive and confidential. They, therefore, limited the researcher in obtaining the required information. The researcher sought permission from the bank through an introductory letter from the College and assurance to the respondents that the information being collected was purely for academic purposes and that information would be treated with a high level of confidentiality.

The researcher was only allowed to interview middle-level managers and not senior-level managers as they were engaged with other activities. Appointments were made in good time but the researcher could not be given access. The senior managers selected for the researcher which managers and employees could be interviewed. This limited the choice of the researcher as guided by the sample. However, the managers that were selected to be interviewed were equally beneficial to this study as they provided the required information. The target for the respondents was 20 but the researcher only managed to interview 12 respondents due to limitations placed by the respondent bank. The limitations in terms of the choice of research methodology, the process was time consuming as qualitative research is not statistically representative. In addition, it was difficult to verify the results as the data was qualitative.

3.10 Summary

The chapter has covered the research process from the design, population size and sample, data collection methods, data analysis management, ethical considerations, and limitations of the study.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents and discusses the results of the study. It will start by presenting and discussing the findings on the objectives of the study which were to analyze factors behind the Mergers and Acquisition, to analyze the Mergers and Acquisition process, to assess the involvement of Human Resource Managers in the merger and acquisition process, and to examine challenges of Mergers and Acquisition on Human Resource Managers. It will then conclude with what has been covered in the chapter.

The study was aimed at examining the role of Human Resource Managers in Mergers and Acquisitions in the Malawian banking sector, the case study of AB Bank. The main objectives were to analyze factors behind the Mergers and acquisitions, to analyze the Mergers and Acquisition process, to assess the involvement of Human Resource Managers in the merger and acquisition process, and to examine the challenges of Mergers and Acquisitions on Human Resource Managers. The paper adopted an interpretive approach anchored in qualitative research. The main topics discussed that were arrived from the research objectives include The Merger and Acquisition process, factors behind Merger and Acquisition, involvement of Human Resource Managers, and challenges of Mergers and Acquisitions on Human Resource Managers. All the participants have either worked for AB Bank or YZ Bank. The respondents were easy to talk to and on for deeper explanations the respondents could comprehend the topics.

Some of the findings might slip into each other since the questions in the interview guide were related to each other as a result the respondents sometimes answered two or more questions at the same time. All the quotations are written in Italic font and the interviews are kept on the digital recorder. In addition, the findings of this research apply to this research only and cannot be generalized as the research was carried to understand the role of human resource managers in the banking sector, a case of AB Bank.

Table 2: Summary of Respondents

Division	**Total Respondents**	**Target Respondents**
Human Resource/Admin	3	6
Credit/Finance	2	3
Asset and Risk/Legal	1	4
Service Centers	3	3
AB Bank ex YZ Bank Employee	2	3
Ex YZ Bank Employee	1	1
Total	12	20
Response Rate	60%	

According to Table 2, 12 people were interviewed out of the target of 20 representing a response rate of 60%. The interviews were done among 6 managers at different levels in AB Bank, 3 middle-level employees, 1 AB Bank manager ex YZ Bank, 1 AB Bank ex YZ Bank junior employee, and 1 ex YZ Bank employee representing a sample size of 12. The target for the respondents was 20 but the researcher only managed to interview 12 respondents due to limitations placed by the respondent bank.

4.2 The Mergers and Acquisition Process

This part includes findings on firstly, the model for the Mergers and Acquisition process, secondly, the integration team in terms of who was involved in the pre-merger and who launched the process thirdly it focuses on Human Resource involvement in the premerger to see whether Human Resource Managers were involved at the beginning of the strategic planning stages of the merger and lastly on whether due diligence was done or not.

4.2.1 Model for the Mergers and Acquisition

The participants of the study were asked a question on whether AB Bank followed a model for the Mergers and Acquisition process, the majority of the respondents reported that AB Bank did not follow any particular model. A few other respondents however indicated that they were not sure. One respondent of the study said that

> *no! I don't think so. There was an offer in the newspaper about YZ Bank sale and the requirements outlined by the government for one to follow to acquire it and we followed those requirements and not any model* (Participant 9, 2019).

One of the employees interviewed stated that

> *Yes, yah. I remember there was a team that was set aside to do the implementation but not sure about the model that was followed* (Participant 4, 2019).

Still another one said, *"Yes, it wasn't a model per se but a process that was clearly outlined in the bid document* (Participant 1, 2019).*"*

4.2.2 The integration Team

The respondents in this study were asked a question on who launched the merger and acquisition process and who was involved in the initial stages of the merger. One respondent stated that the CEO and the executives plus the senior management team were involved (Participant 6, 2019). One employee interviewed said that *"I can't recall"* (Participant 4, 2019). Another reported that the Chief Executive, his deputy, and the board were part of the integration team. Employees interviewed indicated that in the premerger stage of the acquisition, the board, senior management, and the executives were involved and were the ones responsible for compiling the bid documents. According to another respondent of the study, the Risk Division was involved. One employee interviewed for this research stated that

> *the Departmental heads formed the steering committee and were the ones involved from the initial stages of the acquisition process* (Participant 3, 2019).

Similarly, one respondent of the study stated that *a consultant was not hired but the Head of Human Resource and other heads formed the committee. This committee comprised the legal, operations and representatives from service centres* (Participant 3, 2019).

4.2.3 Human Resource Manager's involvement in the Pre –Merger Stage

There are quite a few human resource issues in this first stage of the merger. Most important Human Resource issues include gaining knowledge of the make-up and motivation of the two workforces, assessing the management team of the other firm, conducting analysis of its organizational structure, comparing benefits, compensation policies, and labor contracts of both firms, and assessing the cultural match between the two firms (Schuler & Jackson, 2007). In terms of whether Human Resource Managers were involved at the beginning of the strategic planning stages of the merger respondents interviewed for this study said that Human Resource Managers were not involved but only the Head of Human Resource who was part of the steering committee and represented the Human Resource function of the bank. According to one interviewee

> ―*Yes, they were involved in terms of looking at the structure of the bank in terms of staff, the organogram to see how best employees from both banks could be treated during the integration stage of the merger* (Participant 9, 2019)*."*

One employee interviewed commented that the head of Human Resource was part of the merger committee as he is the most senior manager in Human Resource department. According to one informant

> *"the line managers and middle-level managers were not involved in the premerger. They were only involved during the merger as they were not part of the steering committee* (Participant 2, 2019)*."*

One employee interviewed stated that ―*yes, they were involved; they looked at people issues and how to tap human potential from the acquired bank"* (Participant 6, 2019).

4.2.4 Due Diligence

When the interviewees were asked the question of whether the due diligence process was performed, they reported that the due diligence process was followed. According to one informant, ―*Yes it was followed, the steering committee was involved"* (Participant 4, 2019). Another interviewee indicated that they involved the Reserve Bank of Malawi, Ministry of Labour, Ministry of Finance, Fair Trading and Competition Board, and many stakeholders including members of staff for both YZ Bank and AB Bank. Another participant of the study argued that

> *an organization has to do due diligence before acquiring an entity if it has the desire to grow and that includes AB Bank* (Participant 4, 2019).

4.2.4.1 Human Resource Manager's Involvement in Due Diligence

On the question of whether Human Resource Managers were involved or not in the due diligence process before the merger. The participants reported that Human Resource Managers were particularly focused on people issues. One participant stated that

> ―*the bank being in the service industry, people issues are at the center. So they were particularly looking on how best they could tap into the potential from YZ Bank and on how best they could integrate staff from YZ Bank into AB Bank* (Participant 1, 2019).

One interviewee reported that Human Resource Managers had to do skills audits for YZ Bank as well as AB Bank to establish critical skills needs. One participant stated that ―*I am sure our Risk Division was involved in the process"* (Participant 4, 2019).

Another respondent of the study answered that ―*I think it was* (Participant 5, 2019).
On the question on which model was followed and who was involved in the pre-merger and the launching of the process. Findings show that the executive team, the board, and senior management of AB Bank were involved. In addition, the participants of the study were not sure who exactly was part of the integration team but indicated that senior managers and heads of departments were involved.

The composition of the integration team is very important to the success or failure of a merger (Daber, 2013). To have an integration team that is well-functioning and experienced is very important (Daber, 2013). For AB Bank, an integration or steering committee was appointed and assigned to the Mergers and Acquisition project. This integration team included the Head of Human resources. None of the respondents to this research were part of that integration team. The findings show however that the Mergers and acquisitions were acknowledged by the interviewees as a success.

Even though human resource issues are generally under-managed, poorly understood, and often discarded at the outset as irrelevant to the strategic planning process (Napier, 1989), a better understanding of human resource issues in the integration stage of mergers and acquisitions could help the Mergers and Acquisitions to succeed (Buono & Bowditch, 1989). As the literature above suggests, the findings of this study attribute this success to the involvement plus the role that Human Resource Managers both at the Senior level and middle level of management played in all the three stages of the Mergers and Acquisition process. The. The writer is however of the view that even though the makeup and the extent of participation and contribution of the integration team are not very clear, as per the findings, the Human Resource Managers' team was very dedicated and committed to the communication efforts with some limitations on how well communication was handled with employees from YZ Bank.

Nevertheless, the findings are showing that no particular model of the Mergers and Acquisition process was followed as the respondents indicated that the process and requirements set out in the offer and bid documents by the Malawian government were the ones followed. According to Daber, (2013), no integration will ever be the same; the complexity, size, and work involved will always vary from integration to integration, thus making any tool or model created to be just a guidance document and not a process document. As such, even though AB Bank did not follow a model or tools in the Mergers and Acquisition process as suggested by the literature, the findings show that the merger was acknowledged as a success as per the participants.

On the involvement of Human Resource Managers in the pre-merger stage, the study shows that Human Resource Managers were actively involved in communicating issues concerning the Mergers and Acquisition to employees as well as key stakeholders. They used various media to communicate Mergers and Acquisition decisions. These efforts indicate the importance of communication to the success of Mergers and Acquisitions. Clemente & Greenspan (2000) state that failure to communicate with employees could result in the spreading of unfounded rumors and anxiety that may lead to a negative attitude towards Mergers and acquisitions. According to Cartwright & Cooper (1996), the success of Mergers and Acquisitions to a large extent depends on an effective communication from the first minute of the announcement of the deal. The findings of this study did not reveal any major resistance to the Mergers and Acquisition process in AB Bank. This shows the level of involvement of Human Resource Managers and the greater role of communication and change champion that Human Resource Managers played during this process. However, ex YZ Bank employees registered their displeasure on how the communication and change management process was handled. In this regard, while the AB management team had the confidence that the M&A was a success, some pockets of employees felt the M&A was not handled well in terms of managing expectations of employees, communication, and change management process.

On the question of whether due diligence was done and whether Human Resource Managers were involved or not in the due diligence process before the merger, the findings show mixed reactions. The researcher observed that the interviewees indicated that due diligence was done while some were not sure whether the process was done. Literature indicates that the due diligence process is critical to the success of Mergers and Acquisitions especially when Human Resource Managers who focus on strategic people issues are involved in the process. According to Galpin & Herndon, (2007), due diligence involves the acquirer ensuring that the deal is strategically and economically sound and that it has a high likelihood of success. The Human Resource Manager can help assess the culture of the target, whether the firms drastically differ in management styles and whether there are potential Human Resource financial issues.

The integration planning stage involves the acquirer creating a comprehensive plan for integrating the two organizations. The Human Resource Manager helps execute that plan by developing employee communication strategies, programs to retain key talent, and organizational and staffing plans. The final stage is the implementation stage and involves putting into action all the planning that has gone before, and this can take months or years depending on the complexity of the deal and the size of the merging firms (Schmidt & Griffin, 2002). This means that, during the due diligence stage, Human Resource Managers develop key strategies for a firm‘s merger and acquisition activities as well as manage the soft issues (Galpin & Herndon, 2007).

As the study indicated earlier, the Head of Human resources was involved in the premerger process. He was part of the pre-merger steering committee. When asked about the due diligence process, respondents reported of the study that due diligence was done by involving the Reserve Bank of Malawi, Fair Trading board, and Ministry of Labor. The participants indicated that Human Resource Managers were involved in the due diligence process like how best they could tap into the potential from YZ Bank and how best they could integrate staff from YZ Bank into AB Bank.

However, even though the interviewees stated that due diligence was done before the actual merger took place and that Human Resource Managers were involved, they did not go into details on how the process was done. This might be due to the fact the process was done at a very senior and strategic level for which the participants were not apart. This posed a limitation to the quality of information that was presented to the researcher by the interviewees as most of them were middle-level managers. Literature suggests that Human Resource due diligence before the implementation stage of the merger is very critical to the success of any merger. The focus of Human Resource Managers during this process should therefore be on getting information on employee plans, labor relations, benefits, and compensation for both the acquirer and the acquired.

4.3 Factors behind the Mergers and Acquisition

This section is subdivided into three subcategories that include findings on what was the motive behind the merger, and the reason why AB Bank chose to acquire YZ Bank.

4.3.1 Motive for the Merger

The interview revealed that the rationale for the acquisition of YZ Bank was to: increase market share, obtain a new product (YZ Development Bank), and enter into a new market. According to participants of the study, the bank wanted to create a development bank that was going to operate beside or outside the normal banking operations. Another interviewee commented that

> —*YZ Bank was making losses but as AB Bank we saw the potential in YZ Bank that could benefit AB Bank if recapitalized"* (Participant 7, 2019).

However, they also commented that the regulator of Banks does not allow certain undertakings in a commercial bank, this limited AB Bank's quest to grow hence the acquisition of YZ Bank to extend its product range through a development bank. One interviewee indicated that the motive behind the merger was to increase the customer base for AB Bank and to get more talent from YZ Bank (Participant 4, 2019). One participant argued that

> *AB Bank was a commercial Bank before it merged with YZ Bank and it was doing well. But according to the strategic plan, the Bank wanted to add the development aspect hence it is venturing into the process of acquiring YZ Bank*(Participant 2, 2019).

4.3.2 Why YZ Bank

On the question of why AB Bank chose YZ Bank for a merger, the employees interviewed indicated that AB Bank wanted to benefit from YZ Bank's business model which was unique and different from the AB Bank one. In addition, YZ Bank was a development bank that would help increase the market share for AB Bank as well as obtain a new product. Furthermore, AB Bank wanted to get a competitive advantage through the acquisition of new skills and expertise through the integration into AB Bank of YZ Bank employees. One respondent of the study said that

> —YZ Bank *was offered in the Local Newspapers by the Malawi government. For an organization like AB Bank that has the desire for continued growth, it saw an opportunity and made an offer through bidding* (Participant 1, 2019).

Another respondent argued that

—*expanding an organization requires acquiring an entity even if it means going offshore"* (Participant 7, 2019).

One interviewee commented that

Even though YZ Bank was making losses when it was offered, AB Bank saw the potential in YZ Bank and how it would benefit its shareholders if it was recapitalized (Participant 6, 2019).

One participant commented that YZ Bank had the expertise and the infrastructure that AB Bank did not have for instance the building that currently houses the Top Mandala AB Bank Service Centre belonged to YZ Bank hence the choice of YZ Bank (Participant 6, 2019).

The findings of this study show that the motive for the merger was for market growth, acquisition of new products (the development bank), acquisition of expert skills, and acquisition of infrastructure. This is similar to what the literature says about reasons for Mergers and acquisitions. Gupta (2005) states that mergers and acquisitions are for growth for world-class leadership; survival; acquisition of cash, deferred taxes, and excess debt capacity; flexibility; bigger asset base to leverage borrowing, gaining core competencies, financial gain, and personal power among others. Similarly, Nayyar (2015) states that horizontal mergers are for market dominance and economies of scale whilst vertical mergers are for channel control and hybrid mergers for risk spreading, costcutting, and synergies. In addition, absorption is listed as one of the types of mergers by literature. Marks &Mirvis, (2001) describe absorption as when the acquired company is absorbed by a parent company and is assimilated into its culture. In this case, YZ Bank was absorbed by AB Bank through this horizontal merger resulting in increased market share, infrastructure, and diverse and competent skills among others.

Likewise, this deal between AB Bank and YZ Bank that resulted in a merger enabled AB Bank to acquire a new product in the form of a development bank. Through this acquisition, AB Bank moved into a new market, acquired new customers, new employee skills, and infrastructure thereby improving its competitiveness on the market. On the other hand, AB

Bank inherited a lot of bad debts and loans from YZ Bank and even the employee costs associated with the merger. The writer is of the view that the acquisition of the product in the form of a development bank may have challenges of how to please and maintain the new customers. This requires much effort in terms of new skills, product offering, and customer loyalty to the brand. Resultantly, much investment is needed in terms of training and development of the merged employees.

On the question of why AB Bank chose to acquire YZ Bank, (Hill, 2011) states that the most important goal for most firms is to maximize the value of the firm for its owners who are its shareholders. To do this, managers must pursue strategies that increase the profitability of the enterprise over time. The findings show that AB Bank wanted to increase its profitability through market growth and acquisition of new products as suggested by the literature on the motives for mergers.

The global world including the Malawi Banking sector has increasingly been faced with far-reaching regulatory and technological change, shifts in client behavior, and the globalization of specific financial functions and markets (Walter, 2004). AB Bank, therefore, had to strategically respond to the environment when this offer was made by the Malawi government for its survival, relevance, and growth as Gupta (2005) suggested on the reasons for Mergers and Acquisitions. To ultimately drive efficiency and innovation in the financial system, firms may move into new markets. In some industries, firms may work with smaller firms that have developed or are developing new products that they can manufacture and distribute more efficiently, others focus on their internal growths, leadership, and development (Marks &Mirvis, 2001).

4.4 Involvement of Human Resource Managers in the Mergers and Acquisition Process

4.4.1 Human Resource Managers Involvement during the Merger

According to Schuler and Jackson (2007), there are human resource issues at the integration or during the merger stage of the process and these include: selecting the integration manager, designing/implementing teams, creating new structure and strategies for leadership, retaining employees, motivating employees, managing the change process, communicating with stakeholders and deciding on HR policies and practices among others. Human Resource Managers should therefore be involved at this stage to select the appropriate candidate, create team design and selection of transition team, communication, decide on who stays and who goes and establish a new culture, structure, HR Policies, and practices among others.

According to one participant (Participant 8, 2019), Human Resource Managers were responsible for making decisions in terms of identifying numbers and qualifications held by staff at YZ Bank and looking at how best they could be incorporated into AB Bank. Human Resource Managers were involved in the recruitment of staff from YZ Bank, taking on board YZ Bank staff who had the required expertise to work for AB Bank but also helped in the setting up of AB Bank development Bank. Similarly, one interviewee reported that Human Resource Managers were responsible for identifying the right people with the required skills to be integrated into AB Bank and the then coming AB Bank development Bank.

One employee interviewed stated that

> —*as Human Resource Managers, we looked at people issues like how many people should we incorporate into AB Bank, what skills should they possess, what attributes should they have, what history should they have, how many should we pick, how should they be deployed, where should they be deployed. We also looked at the training of these new employees, deployment; we were also at the center stage of informing the Ministry of Labour of the whole process of retrenchment. We looked at the calculation of terminal benefits, writing notice letters and we were also custodians of personal files from YZ Bank* (Participant 2, 2019).

4.4.2 Human Resource Managers' Level of Influence

One employee interviewed commented that even though Human Resource Managers were very influential during the merger process, they were not the overall decision makers (Participant 5, 2019). One respondent of the study reported that Human Resource Managers were responsible for making decisions in terms of identifying numbers, qualifications held by staff at YZ Bank, looking at how best they could be incorporated into AB Bank though they were not the final decision-makers. One respondent of the study stated that ―*I feel that Human Resource Managers' input was valued during the transition and integration phases of the merger even though they were not the overall decision-makers"*(Participant 9, 2019). One participant commented that the Head of Human Resources and other heads formed the committee (Participant 2, 2019). This committee comprised the legal, operations, and representatives from service centers. This committee was responsible for making strategic decisions concerning the merger. One respondent of the study stated that, ―*Human Resource Managers through their Human Resource Head were responsible for reviewing AB Bank structure and how the new organogram would look like after the merger,* (Participant 8, 2019).

4.4.3 Employee's Expectations

The respondents of the study showed that they had certain expectations of the Human Resource Managers during the merger process. One employee who was interviewed stated that

> ―*I had many of my colleagues from YZ Bank retrenched but Human Resource did not offer any help on how to deal with the loss of colleagues whom we had developed relationships with and were a part of us"* (Participant 11, 2019)

One participant said that

> ―*for YZ Bank employees, the whole merger and acquisition process was not transparent; the process was not properly followed" (Participant 12, 2019).*

Another response to the study reported that

> ―*No fair standards were applied; we have since taken AB Bank to court on how we were treated and laid off‖* (Participant, 10).

Another employee interviewed indicated that *"they laid us off without notice, grabbed our properties like cars, frozen our accounts, took our gratuity because of the personal loans that we had with YZ Bank as our employer"* (Participant 12, 2019).

4.4.4 Human Resource Managers' Role

On the question on what was the role of Human Resource Managers in the merger process, one of the respondents of the study stated that the overall role of the Human Resource Managers was to identify suitable staff from YZ Bank to be taken on board into AB Bank, to identify the right numbers to fill the gaps, to come up with the reward and benefits strategy, to compensate employees who were exiting, to manage the change process, and to manage and identify training needs.

According to one interviewee of the study

> ―*as Human Resource Managers, we looked at people issues like how many people should we incorporate into AB Bank, what skills should they possess, what attributes should they have, what history should they have, how many should we pick, how should they be deployed, where should they be deployed. We also looked at the training of these new employees, deployment; we were also at the center stage of informing the Ministry of Labour of the whole process of retrenchment. We looked at the calculation of terminal benefits, writing notice letters and we were also custodians of personal files from YZ Bank* (Participant 1, 2019).

One employee interviewed reported that Human Resource Managers did a skills Audit in both AB Bank and YZ Bank to establish critical skills that were either lacking or were needed for AB Bank‵s competitiveness in the market. One respondent of the study commented that the Human Resource Managers took the role of change and communication champions by managing the change process through orientation of policies and procedures, processes, and systems to the new employees from YZ Bank. Another respondent of the study stated that *"Human Resource Managers were responsible for realignment as the YZ Bank structure was different from the AB Bank one* (Participant 10, 2019).

Ulrich & Brockbank (2005) identified five roles of Human Resource Managers and these are employee advocacy role, human capital development role, functional expertise role, strategic partnership role, and Human Resource leadership role.

4.4.4.1 Advocacy Role

Ulrich (2015) describes the advocacy role of Human Resource Managers as a role that ensures that the employer-employee relationship creates reciprocal value. In this role, the Human Resource Managers help enhance employee contributions for instance through a commitment to the organization as well as the firm paying attention to employee needs (Ulrich, 1997). According to Cartwright & Cooper (1992), professional counseling and support and proactive support for employees is very important in ensuring employee commitment during the Mergers and Acquisition process. Based on the findings of the study, Human Resource Managers played an advocacy role during the Mergers and Acquisition process. The study revealed that Human Resource Managers played a critical role in countering negative feelings of uncertainty, anxiety, and loss of faith, and career doubt by proactively using communication as an effective tool. The roadshows, presentations, orientations, and training helped boost the morale of employees and their understanding of the merger and acquisition process as they were informed of any updates on every step. This in turn made the employees more committed to the organization as well as to the cause.

4.4.4.2 Human Capital Development Role

Schultz (2003) defined the term ‗human capital‖ as a key element in improving firm assets and employees to increase productivity as well as sustain competitive advantage.
Dass (2008) stated that mergers and acquisitions are more likely to fail than succeed with failure rates estimated to be as high as 75% and that the neglect of human-resourcerelated issues has been identified as a major reason why the failure rate is high. These Human Resource issues are largely neglected until after the deal is closed.

In human capital development, Human Resource Managers are responsible for building capabilities in the future workforce (Ulrich & Brockbank 2005). As explained by LISC (2009), Human Capital Development is about recruiting, supporting, and investing in people through education, training, coaching, mentoring, internships, organizational development, and human resource management. This study has shown that on-the-job and off-the-job training and roadshow presentations were done by Human Resource Managers as methods of facilitating change. Orientation programs were conducted for instance to equip new ex YZ Bank employees with skills to change from using YZ Bank‘s core banking system to AB Bank‘s core banking system. Ex YZ Bank employees underwent training to get oriented to AB Bank values, systems, procedures, and culture. Human Resource Managers organized and facilitated the training of ex YZ Bank employees who went to take up various positions in AB Bank some in managerial positions.

In summary, the following interventions programs were used the job soft skills training program, on-the-job technical skills program, orientation programs, and team interventions. This shows that Human Resource Managers were involved in the development of Human capital; they influenced the implementation of some change management programs like orientation, roadshows, and on and off the job training of employees to equip them with the skills that were required for the success of the merger. The Human Resource Managers thus played the human capital development role effectively during the Mergers and Acquisitions process.

This is in line with what literature suggests about the cultural approach to mergers & acquisitions as adopted by this study, which looks at mergers from a people perspective. The cultural approach states that mergers and acquisitions can affect an organization and the people working in it in various ways from whole organizational structures to working relationships (Shanley& Correa, 1992). Literature also suggests that for mergers and acquisitions to be successful, management must not neglect but focus on people issues. According to Galpin & Herndon, (2007) focusing on people issues involves Human Resource Managers developing key strategies for a firm‘s mergers and acquisition activities and managing the soft due diligence activities.

4.4.4.3 Functional Expertise Role

The study sought to examine the functional role of Human Resource Managers in AB Bank which included staffing, managing compensation, and communication after the deal was done. According to Ulrich (1997), Human Resource Managers play the functional expertise role through designing and delivering Human Resource practices that ensure individual ability and create organization capability. According to Schmidt & Griffin (2002), consistent with the vision of the new organization, Human Resource Managers' function is responsible for developing new policies and practices, Human Resource structure, staffing, and determining the service delivery model.

On staffing, the findings revealed that Human Resource Managers organized training, orientation, and coaching to get their workers prepared for their jobs. As findings indicated, Human Resource Managers organized these training, orientation, and coaching to equip their employees with skills to carry out their tasks effectively. The training programs were organized on the job or off the job at AB Bank Training Centre. According to Antila (2006), employee training and development is not only an activity that is desirable but also an activity that an organization must commit resources to if it is to maintain a viable and knowledgeable workforce. This role ensured that AB Bank was equipped with the necessary skills required for the success and sustainability of the merger as well as growth. In addition, the involvement of Human Resource Managers during the merger process ensured that transition teams were created, especially those that would develop the infrastructure of the new development bank and new customers acquired. Furthermore, new processes and design systems that were being implemented required training for both the existing staff as well those coming from YZ Bank as no consultant was hired. Like Schmidt & Griffin, (2002) suggested, during the merger process after the deal is done, Human Resource Managers should address cultural issues, provide training, and manage the activities associated with staffing developing and overseeing selection processes, retention strategies, and separation strategies.

On communication, the findings reveal that Human Resource Managers were actively involved in communicating to employees important information regarding the merger process. Human Resource Managers were responsible for updating all stakeholders every process of the way. Nayyar (2015) states that Human Resource professionals are responsible for overseeing the communications and developing a communication plan aimed at realizing a vision of the new organization through assessing issues, the audience, timing, method and message, information delivery, information gathering, change galvanization and helping employees cope with change. As the literature suggests, Human Resource Managers in AB Bank were responsible for communicating issues likely to affect employees in AB Bank. Findings show that Human Resource Managers sensitized workers about the incoming changes, explaining to employees about the advantages of the acquisition and how employees would positively be affected by it, informing and updating the Ministry of labor on the retrenchments and Reserve Bank of Malawi on pensions concerning YZ Bank employees. This helped defuse any form of fear among employees thereby gaining their support. On the contrary, some respondents reported that communication was not handled well especially for those that were retrenched. They reported that they were not told in advance that they would be retrenched contrary to AB Bank making promises that every YZ Bank employee would be taken on board.

On compensation, the Human Resource Managers were responsible for designing severance packages for affected employees as well as new compensation for YZ Bank employees that were taken on board. For instance, factors like the number of years an employee had worked with the bank, affordability and profitability of the bank, the employees' current salary, their position level, and the number of staff affected were taken into consideration when making decisions regarding rewards.

4.4.4.4 Strategic Partnership Role

Ulrich (1997) states that the purpose of Human Resource business partnering or Human Resource's strategic partnership role is to achieve the objectives of the business by supporting with their expertise and competence to increase efficiency and effectiveness. Given this, Human Resource Managers should act as business advisors on what should be done to improve the organization's profitability (Jerjawi, 2011). Mathis & Jackson (2007) state that Human Resource Managers should analyze and evaluate the financial position of an organization and give possible ideas to be implemented in the business. Human Resource Managers should be advising managers on what decisions to be made and on what basis (Jerjawi, 2011). Losey & Ulrich (2008) state that the main goal of Human Resource Managers should be to ensure that there is greater efficiency in the organization. Human Resource Managers ensure that decisions are made quicker and on a sound basis, available resources are utilized appropriately to reduce costs and that a certain amount of labor should yield a particular amount of production (Jerjawi, 2011). In other words, Human Resource Managers as Business Partners should ensure that profits are maximized and costs reduced.

However, Purcell (2001) states that whereas the organizational representation of the Human Resource function in the hierarchy of the corporation can be viewed as an indicator of its corporate status and its possibility to participate in decision making during formal meetings, a more valid indicator of its real strategic impact is the extent to which the function influences the outcome of strategic decision making. According to Truss et. al (2002), Human Resource Managers rather than being centrally involved in strategy formation, mostly are called upon to advise on the people implications of business strategies once they are formulated. This study, however, has shown that the Head of Human Resources was given a seat at the Steering M & A Committee table during the pre-merger process. Findings from the interviews are showing that many issues related to human resources were discussed in-depth within the executive management group and the Mergers and Acquisition Committee. The Head of Human resources was not the overall decision-maker even though he was involved in corporate strategy.

The research findings also indicate that the Human Resource Managers at middle-level management were involved during the merger process after the deal was done. Responsibilities within the Human Resource department were distributed. Objectives, strategies, policies, and procedures were developed by the Human Resource Managers on how to manage the implementation of the merger. For instance, new systems, training and orientation programs, and communication strategies were developed by Human Resource Managers to effectively manage the change process and the transition.

In addition, Human Resource Managers were responsible for business Human Resource strategies in all areas of the function including recruitment, training, incentives; exit management, employee engagement, and communication just to name a few. Consequently, the Human Resource Managers, through the Head of Human Resource managed the workforce plans thereby ensuring that talent from YZ Bank and within AB Bank was developed and retained thereby contributing to the achievement of the motive for the merger. In addition, Human Resource Managers helped design, and implement innovative and value-adding solutions to AB Bank. For instance, through the integration of the electronic payslips and leave management system into AB Bank‘s operating model.

4.4.4.5 Human Resource Leadership Role

The success or failure of a merger or acquisition deal depends upon to a large extent on the involvement of Human Resource professionals (Singh, 2012). When Human Resource Managers are not involved or are involved at a late stage in the merger process, many mergers likely fail to achieve their objectives (Schimdt & Giffin, 2002). By assuming all the roles discussed above, Human Resource Managers played a leading and important role in ensuring that the merger was a success. They ensured that the employees owned and understood the project.

In summary, the Human Resource Managers in AB Bank played a critical leadership role during the Mergers and Acquisition process even though they were not the overall decision-makers. We have seen them being part of the pre-merger, during the merger and post-merger processes of the overall Mergers and Acquisition process. As Cartwright & Cooper (1992) explains, one of the important reasons behind the success or failure of an acquisition is the organizational culture and people management practices. Management often neglects the people side of Mergers and Acquisitions and focuses on the strategic and financial issues (Birkinshaw et. al, 2000). This study, however, has shown that people issues in AB Bank acquisition of YZ Bank were given attention and that Human Resource Managers played a major role in all three stages of the acquisition process.

4.5 Effects of Mergers and Acquisitions on Human Resource Managers

On effects of Mergers and Acquisitions on Human Resource Managers, the study found that Mergers and Acquisitions made employees on both sides of the transaction nervous as stated by (Nemanich & Keller 2007). Employees were uncertain about what the deal would mean. They wondered whether they would fit into the new organization as stated by (Brief, 2009) and if they would fit, how they would fit into the overall picture.

Employees interviewed indicated that they had viewed the merger and acquisition of YZ Bank as a threat thereby making them feel stressed. According to Moran & Panasian (2005), Mergers and Acquisitions are particularly stressful forms of organizational reconfiguration, often generating significant trauma and uncertainty about the future for employees. Human Resource Managers at AB Bank, therefore, had to prepare the employees for change. They had to develop strategies to identify and overcome resistance to change and also inspire flexibility. According to one respondent of the study,

> ―*there were a lot of rumors circulating on how the merger would cause a lot of employees to be retrenched, this caused a lot of fear and anxiety among the employees. The roadshows and constant communication by the Human Resource department helped dispel these rumors and made people accept the change process.*

Contrary to what Buono & Bowdotch, (1989), Nemanich & Keller, (2007) stated that the negative employee reactions to a merger or acquisition may lead to other negative outcomes such as lower levels of job security, lower levels of job satisfaction, and less favorable attitudes toward management, lower commitment. Similarly, Fulmer & Gilkey (1998) and Blake & Mouton (1982) stated that it may lead to high levels of anxiety and stress, fear of a decline in status or career prospects, and feelings of being sold out. Power et. al (1987) stated that it causes Human Resource Managers to deal with anger and turmoil during periods of change. According to the findings of the study, there was no anger and turmoil and less favorable attitudes during this process of change at AB Bank because of the way the change was managed and the constant communication from Human Resource Managers. However, one respondent of the study indicated that there was a lot of anger and stress at YZ Bank especially on the part of employees who were retrenched as they were previously assured that no one from both YZ and AB Bank would be retrenched as a result of the Mergers and Acquisition process but the opposite happened which bred the anger and created stress on employees.

As stated by Schmidt & Griffin (2002), employees may watch their co-workers laid off and might face uncertainty, employees from the two organizations may be competing instead of working together, employee morale may suffer because of merging two corporate cultures and employee motivation may drop as frustration with new roles and new co-workers. One employee interviewed stated that

> —*the Mergers and Acquisition process caused a lot of stress and trauma especially for ex YZ Bank employees as it was very difficult to see some of the employees whom we had very close ties were retrenched. We faced the task of creating new friendships in a new environment which affected our morale and bred frustrations as the Human Resource department at AB Bank did not offer us any counseling or support in this regard.*

4.6 Challenges of the Mergers and Acquisition on Human Resource Managers

The study generated four themes from the fourth objective and present them as subtopics and these are: Post-merger Human Resource Involvement, Challenges Met, Change Management, and Success or Failure.

4.6.1 Post-Merger Human Resource Involvement

During the post-merger phase of the merger and acquisition process, Human Resource Managers also address employees‘ queries and manage the actual amalgamation of the two cultures to develop synergy within the new entity (Schuler & Jackson, 2001).

Through this phase, the Human Resource Manager‘s knowledge about the human side of the employees for example motivation, leadership, staffing, and concerns from all stakeholders are very essential (Schmidt & Griffin 2002). One respondent stated that the Human Resource Managers were responsible for initiating and implementing changes that were necessary to consolidate a new integrated corporate structure (Participant 3, 2019). One participant stated that

> *Human Resource Managers ensured that scarce skills were acquired and that the combined effort of employees from both banks would bring*

the competitive advantage that AB Bank required to succeed in the market (Participant 7, 2019). One interviewee stated that: *Human Resource Managers did a skills Audit in both AB Bank and YZ Bank to establish critical skills that were either lacking or were needed for AB Bank's competitiveness in the market*(Participant 11, 2019).

According to one informant, Human Resource Managers were responsible for the introduction of the new vision and ways of doing things even though the vision did not change through orientation and training of new staff.

One employee interviewed stated that

—*the Human Resource department communicated to the employees what plans were put in place to envision and also enforced a new AB Bank identity and culture by encouraging the employees to train and welcome the new YZ Bank employees into the AB Bank family* (Participant 8, 2019)

Another participant stated that *"new employees were trained and oriented on the core banking system as the one used by AB Bank was different from the one that was being used in YZ Bank (Participant 10, 2019).*

However, some employees felt the Human Resource Managers did not do a good job post-merger phase in terms of counseling and the welfare of ex YZ Bank employees. As stated by Schmidt & Griffin (2002), employees may watch their co-workers laid off and might face uncertainty, employees from the two organizations may be competing instead of working together, employee morale may suffer because of merging two corporate cultures and employee motivation may drop as frustration with new roles and new coworkers. One employee interviewed stated that

—*the Mergers and Acquisition process caused a lot of stress and trauma especially for ex YZ Bank employees as it was very difficult to see some of the employees whom we had very close ties were retrenched. We faced the task of creating new friendships in a new environment which affected our morale and bred frustrations as the Human Resource department at AB*

Bank did not offer us any counseling or support to this regard (Participant 10, 2019).

4.6.2 Challenges Met

The findings of the paper revealed that the Mergers and Acquisition process came with a lot of challenges especially in terms of integration. The challenges included cultural incompatibility, changes in organization structure which led to job losses, changes in positions and job roles, the challenge of synchronizing compensation systems.

Challenges that were met were dealt with through various interventions, including training, orientation, use of change champions, and roadshows. Even though data in this study revealed culture as one of the challenges of the integration process, the study did not report any negative effect of culture on AB Bank as suggested by the literature. One respondent of the study stated that

> *as YZ Bank was a small bank in terms of the number of employees, the employees who came from YZ Bank were less compared to the number of employees they found at AB Bank, as a result, they were not able to influence negatively on the AB Bank culture*.

This shows that Human Resource Managers had used the right interventions to manage the integration of two different cultures after the Mergers and acquisitions. Another challenge faced by Human Resource Managers during the Mergers and acquisitions was the alignment of the structure. For instance, how to fit YZ Bank employees into the AB Bank structure in terms of salary, positions, level, and pan of control. This was because YZ Bank had a different compensation structure. According to Pande & Krishnan (2007), two Indian firms, Glaxo and Well-done could not merge for 7 years because of high pay differences between their workers. However, the synchronization of the pay structures in AB Bank was implemented without any major effects as reported in the research.

4.6.3 Change Management

On the question of how Human Resource Managers managed the change management process, one employee interviewed reported that some Human Resource systems and procedures from YZ Bank were embedded into AB Bank systems. For instance, AB Bank used to have manual leave applications and payslips but after the merger, AB Bank implemented YZ Bank's automated leave applications and payslips.

According to one respondent interviewed

> ―*each department and service centers had change agents or champions responsible for the integration of the new YZ Bank staff into AB Bank* (Participant 7, 2019).

Similarly, another respondent stated that

> ―*the merger committee played a critical role in ensuring a smooth transition from YZ Bank to AB Bank* (participant 5, 2019).

One participant commented that

> *"Human Resource Managers created an awareness of what would happen and what was happening during the merger. Employees were made aware of what will happen to their salaries, positions, benefits and departments* (Participant 6, 2019).

Another interviewee stated that

> *employees from AB Bank were made aware by Human Resource Managers of who was coming, which positions were being taken over by employees from YZ Bank, and this gave assurances to AB Bank employees about the security of their positions and jobs* (Participant 1, 2019).

Similarly, one respondent of the study stated *"that through presentations and roadshows, Human Resource Managers and the Human Resource Department engaged employees on the changes that were coming and made assurances that AB Bank jobs would not be affected negatively by the merger. These communication initiatives helped employees see that the merger was a positive initiative, as a result, there was less resistance to change* (Participant 5, 2019).

On the contrary, one employee who was interviewed reported that ―*Human Resource Managers from AB Bank did not offer clear guidelines to YZ Bank employees; they* *were promised everyone would be taken on board by AB Bank only to be given retrenchment letters at the last time"* (Participant 12, 2019). He stated that, *" they laid us off without notice, grabbed our properties like cars, frozen our accounts, took our gratuity because of the personal loans that we had with YZ Bank as our employer* (Participant 12, 2019).

4.6.4 Success or Failure?

The majority of the employees who were interviewed stated that the merger between AB Bank and YZ Bank was a success. One respondent of the study stated that

> *the main objective for the merger was the acquisition of the development bank. AB Bank managed to acquire the development bank, its market, infrastructure, and customers (Participant 4, 2019).*

Another respondent for the study stated that

> *―even though it is too early to talk about whether the merger was a success or not but AB Bank is on the right track, no major challenges so far since the acquisition of YZ Bank"* (Participant 6, 2019).

Similarly, another respondent of the study argued that

> *yes, the merger has been a success because AB Bank inherited many customers from YZ Bank as well talent and infrastructure, we are yet to see how the market responds* (Participant 3, 2019).

As mentioned earlier, this study adopted the Prosci Change Management model as proposed by Prosci (Prosci 2008). Prosci (2018) suggested three stages of change management which are preparing for change, managing change, and reinforcing change. Prosci (2018) states that

> *―it is easy to fall into the trap of thinking about change exclusively from an organizational perspective. When one thinks about a merger or acquisition, one can focus on financial structuring, data and system integration, and physical location changes. However, organizational change of any kind occurs one person at a time. The success of an organization effort only occurs when Adam and Betty and Charles and Deborah (for example) do their jobs differently. Organizations don't change; people within organizations change. It is the cumulative impact of successful*

individual change that results in an organizational change being successful. If individuals don't make changes to their day-to-day work, an organizational transformation effort will not deliver results.

He states that the first step in managing any organizational change is by understanding how to manage change with a single individual. Prosci's model of individual change is called the Prosci ADKAR Model, an acronym for awareness, desire, knowledge, ability, and reinforcements (Lund& Whitt, 2017). That is to say, an individual needs: awareness of the need for change, desire to participate in and support the change, knowledge on how to change, and ability to implement required skills and behaviors, and reinforcement to sustain the change (Prosci, 2019).

In other words, change must be with a single individual as well as an organizational perspective. In Mergers and Acquisitions as well, organizational change should occur one person at a time. Geeks (2016) further states that the success of an organization effort only occurs when Adam and Betty and Charles and Deborah (for example) do their jobs differently. Organizations don't change; people within organizations change. It is the cumulative impact of successful individual change that results in an organizational change being successful. If individuals don't make changes to their day-to-day work, an organizational transformation effort will not deliver results.

From the above analysis, AB Bank took a lot of change management initiatives to manage the Mergers and Acquisition process. However, the research did not reveal whether readiness assessments were done and whether they helped guide the formulation of the Mergers and Acquisition strategy as proposed by Prosci (2018).

In addition, the way Human Resource Managers handled change management was crucial. For managing change, Prosci proposes five change management plans that are supposed to be integrated into the project plan in this case the Mergers and Acquisition plan and these are the communication plan, the sponsor roadmap, the coaching plan, the training plan, and the resistance management plan. The respondents acknowledged that the merger had been a success. The Human Resource Managers created a transition human resource system which was the merger and acquisition blueprint for the new Human Resource systems like compensation to avoid confusion after the merger. Human Resource Managers provided input into the change managing process (Cartwright & Cooper, 1992). Human Resource Managers were the change and communication champions. They helped align the right people with the appropriate knowledge and skills to meet the shared goals of the firm. Morosini et al (1998) state that apart from the financial approaches to Mergers and Acquisitions, management should not be blind to the people factor during the Mergers and Acquisitions process. Human Resource Managers gained knowledge of the make-up and motivation for the two workforces. They did this by having meetings with the senior YZ Bank Human Resource Management team. They analyzed AB Bank and YZ Bank‘s organizational structure; they compared the benefits and compensation policies. The labor contracts for YZ Bank were reviewed and the cultural match between the YZ Bank and AB Bank was assessed. In addition, Human Resource Managers led the efforts of training, coaching, and orienting employees which helped reduce the resistance to change as shown by the findings of the study.

Lastly, on the last process of the Prosci Management Model which is reinforcing change, the research did not find any evidence that deliberate compliance audits and mechanisms were deployed by AB Bank management to cement the change. The findings show that Human Resource Managers played a very crucial role in the postmerger stage of Mergers and acquisitions. Human Resource Managers were responsible for initiating and implementing changes that were necessary to consolidate a new integrated corporate structure. Human Resource Managers were responsible for the introduction of the new vision and ways of doing things through orientation and training of new staff. The Human Resource department communicated to the employees what plans were put in place to envision and also enforced a new AB Bank identity and culture by encouraging the employees to train and welcome the new YZ Bank employees into the AB Bank family. Cartwright & Cooper (1992) explains that one of the important reasons behind the success or failure of an acquisition is the organizational culture and people management practices. We have seen Human Resource Managers, the Human Resource Function, and people issues being considered in the pre-merger, during, and post mergers of the Mergers and Acquisitions process of AB Bank.

On the challenges met, Cartwright & Cooper (1992) explains that one of the important reasons behind the success or failure of an acquisition is the organizational culture and people management practices. Just as the literature has suggested, the findings of the paper revealed that the Mergers and Acquisition process came with a lot of challenges especially in terms of integration. The challenges included changes in organization structure which led to job losses, changes in positions and job roles, the challenge of synchronizing compensation systems. The challenges however as shown by the findings were mitigated by good change management initiatives like orientation, training, and roadshows.

The findings of the study further show that the Human Resource Managers created a transition Human Resource system and a Merger and Acquisition blueprint for the new Human Resource systems like compensation to avoid confusion after the merger. Human Resource Managers provided input into the change managing process just like (Cartwright & Cooper, 1992) suggested, Human Resource Managers were the change and communication champions.

4.7 Conclusion

This chapter has presented and discussed the findings of the study as per the main aim of this research which was to examine the role of Human Resource Managers in Mergers and Acquisitions, the case study of AB Bank. The study has presented and discussed findings on the objectives of the study which were to analyze factors behind the Mergers and Acquisition, to analyze the Mergers and Acquisition process, to assess the involvement of Human Resource Managers in the merger and acquisition process, and to examine challenges of Mergers and Acquisition on Human Resource Managers. The summary and conclusion of the findings will be presented in more detail in the proceeding chapter.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter presents a summary and conclusion of the findings of the study and, based on the findings, recommendations on how change can be reinforced through deliberate compliance audits and mechanisms deployed to cement those changes and recommendations for further study.

5.2 Summary of the Study

This study was aimed at examining the role of Human Resource Managers in Mergers and Acquisitions in the Malawian banking sector; the case study of AB Bank. To remain competitive in the global industry, many firms consider Mergers and Acquisitions as a solution that can help them manage some of the existing environmental problems. Through the analysis of the roles played by Human Resource Managers, the study has pointed out that in most cases, Mergers and Acquisitions usually fail with failure rates as high as 70% due to people issues being neglected and non-involvement of Human Resource Managers before the deal is made. The global world including the Malawi Banking sector has increasingly been faced with far-reaching regulatory and technological change, shifts in client behavior, and the globalization of specific financial functions and markets (Walter, 2004). AB Bank, therefore, had to strategically respond to the environment when this offer was made by the Malawi government for its survival, relevance, and growth as Gupta (2005) suggested on the reasons for Mergers and Acquisitions.

5.3 Conclusion

The study has presented and discussed key findings of the four research objectives of this study and based on the findings, it has developed implications for the study on policymakers when planning for Mergers and Acquisitions.

The findings reveal that the decision to acquire YZ Bank was made at a board level whose composition includes heads of departments including the Head of Human Resources. AB Bank chose YZ Bank because it was offered through an advert in the local newspaper by the Malawi government. The CEO of AB Bank launched the Mergers and Acquisition process. The rationale for the decision was based on economic and financial reasons which were to increase market share, access to a new market, and acquire new products in the form of YZ Development Bank. The global world including the Malawi Banking sector has increasingly been faced with far-reaching regulatory and technological change, shifts in client behavior, and the globalization of specific financial functions and markets. AB Bank, therefore, had to strategically respond to the environment when this offer was made by the Malawi government for its survival, relevance, and growth.

The study also revealed that the executive team, the board, and senior management of AB Bank were involved in the pre-merger stage of the acquisition process. The study revealed that no particular model for the Mergers and Acquisition process was followed but that the process and requirements set out in the offer and bid documents by the Malawian government were the ones followed. In addition, the study showed that it was not exactly clear who was part of the integration team but indications show that senior managers and heads of departments were involved. An integration or steering committee was appointed and assigned to the Mergers and Acquisition project. This integration team included the Head of Human Resource and no line managers or junior staff as part of that team.

The findings of the study attribute the success of the Mergers and Acquisition to the involvement plus the role that Human Resource Managers both at the Senior level and middle level of management played in all the three stages of the Mergers and Acquisition process. The Human Resource Managers‘ team was very dedicated and committed to the communication efforts. On the involvement of Human Resource Managers in the premerger stage, the study shows that Human Resource Managers were actively involved in communicating issues concerning the Mergers and Acquisition to employees as well as key stakeholders. They used various media to communicate Mergers and Acquisition decisions.

The results revealed that the Head of Human Resources in AB Bank was actively in the decision-making and probably negotiation process. The study also revealed that during the Mergers and Acquisition process, Human Resource Managers played an active role. In short, Human Resource Managers played a role in the planning phase of the premerger stage, during the merger and post-merger stage of the Mergers and Acquisition process. They were involved as strategic business partners, leaders, functional experts, employee advocates, strategy formulators, change facilitators, innovators, and collaborators among others. They communicated the relevant information to stakeholders, gave strategic advice to the business, impacted positively on the Mergers and Acquisition process as change agents. They managed the staffing process very well, structure alignment. The findings also showed that Human Resource Managers were involved in designing compensation packages that ensured equity in AB Bank. On employee‘s expectations, studies show that employee‘s expectations were met. No reports of employees finding it difficult to accept the salaries negotiated for them were made as opposed to what literature suggested in the two Indian companies Pande & Krishnann (2007). However, the findings show that employees expected more from Human Resource Managers in terms of support on how to deal with the loss of their friends through involuntary separation.

The findings also show that Human Resource Managers played a very crucial role in the post-merger stage of Mergers and acquisitions. Human Resource Managers were responsible for initiating and implementing changes that were necessary to consolidate a new integrated corporate structure. Human Resource Managers were responsible for the introduction of the new vision and ways of doing things through orientation and training of new staff. The Human Resource department communicated to the employees what plans were put in place to envision and also enforced a new AB Bank identity and culture by encouraging the employees to train and welcome the new YZ Bank employees into the AB Bank family.

The findings of the paper revealed that the Mergers and Acquisition process came with a lot of challenges especially in terms of integration. The challenges included changes in organization structure which led to job losses, changes in positions and job roles, the challenge of synchronizing compensation systems.

The study has concluded that Human Resource Managers were actively involved in the Mergers and acquisitions of National banks. Their involvement was in the initial planning and preparation of the Mergers and Acquisition, during as well as after the merger. This is evidenced by the lack of major resistance to change of the Mergers and Acquisition. The results revealed that the Head of Human Resources in AB Bank was actively in the decision-making and probably negotiation process.

The lesson is that with good communication, orientation, training, and good change management processes the challenges of Mergers and Acquisitions especially those that involve people, can be mitigated. Human Resource Managers were involved as strategic business partners, leaders, functional experts, employee advocates, strategy formulators, change facilitators, innovators, and collaborators among others. They communicated the relevant information to stakeholders, gave strategic advice to the business, impacted positively on the Mergers and Acquisition process as change agents. They managed the staffing process very well. Human Resource Managers were involved in designing compensation packages that ensured equity in AB Bank.

This conclusion agrees with Napier‘s (1989) observation that even though human resource issues are generally under-managed, poorly understood, and often discarded at the outset as irrelevant to the strategic planning process (Napier, 1989), a better understanding of human resource issues in the integration stage of mergers and acquisitions could help the Mergers and Acquisitions to succeed (Buono & Bowditch, 1989). As the literature above suggests, the findings of this study attribute this success to the involvement plus the role that Human Resource Managers both at the Senior level and middle level of management played in all the three stages of the Mergers and Acquisition process. The Human Resource Managers' team was very dedicated and committed to the communication efforts.

In conclusion, Mergers and Acquisition success depends wholly on the people who drive the business, their ability to execute, creativity, and innovation. It is very important to involve Human Resource Managers in Mergers and Acquisitions discussions before, during, and after the merger and acquisition process. Companies considering mergers and

Acquisitions should therefore consider increasing the involvement of Human Resource Managers as by so doing, they will achieve a much better outcome and increase the chances that the overall deal is a total success. Lastly, Human Resource Managers can play an active role in the change process by offering interventions that will help ensure a successful merger.

5.4 Implications of the Study

Having conducted interviews with Human Resource Managers, Line Managers, Junior Staff, and ex YZ Bank employees and given the important role that the Human Resource Managers play in Mergers and Acquisitions, this study suggests the following points as a way of enhancing the success of Mergers and Acquisitions in organizations:

Brockbank (2010) states that Mergers and Acquisitions are not automatic tickets to a successful future. They can be a reason for the failure of organizations.

(i) On the M& A process, we saw the senior management team is involved in the pre-merger phase of the M&A process. This paper recommends that operational managers like Human Resource Managers should be included in the pre-merger phase of the M&A to address challenges that come with the integration process.

(ii) On factors behind M&A, we see AB Bank acquiring YZ Bank solely because the Malawi government had put YZ Bank on offer and because AB Bank wanted to acquire the YZ Bank's development bank to increase its market share. As a result, there was no tangible process that was followed in the identification of the target. There is also no evidence that due diligence was done. Due diligence is an important aspect of the M&A process therefore firms planning to go through the M&A process should not rush through and omit this process.

(iii) Human Resource Managers and Human Resource activities should be at the center of Mergers and Acquisitions apart from the financial and legal issues. Top management and organizations should therefore not ignore the involvement and relevance of Human Resource Managers at the initial stage of planning. Future Mergers and Acquisitions should therefore consider the involvement of Human Resource Managers in the due diligence process by investigating the viability of merging workforce for both the acquirer and the target.

(iv) On challenges of the M&A process, employees have expectations that can make or break the Mergers and Acquisition. Some of the employee‘s expectations include moral and psychological support due to the traumatic experience employees may go through because of many changes taking place in the organization. Executives and Human Resource Managers should therefore take the initiative to engage the services of professional counselors or psychologists that offer employee wellness programs to mitigate the traumatic experiences employees as a result of this process.

(v) Introduction of a sudden change in the workplace may not work well with the employees for example some changes in the organizational structure may lead to job losses and changes in positions and job roles. Management must therefore explain to employees how the change will impact them to eliminate resistance to change.

5.5 Area of Further Study

This study has identified a gap for further research on the Involvement of Human Resource Managers in decision-making and due diligence process in Mergers and Acquisitions in Malawi. It would be useful to conduct this study to add to the body of knowledge and to address a social phenomenon.

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APPENDICES

Appendix 1: Table of Themes

Theme
M&A Process
Phases of Merger
Motives for Merger and Acquisition
HR Issues
Identifying Reasons for the merger and acquisition
Planning for the merger and acquisition process
Selecting the integrating manager
Creating new structures/strategies
Retaining key employees
Managing the change process
Communicating to employees/Stakeholders
Deciding on HR Policies and Procedures

Appendix 2: Interview Guides INTERVIEW GUIDE QUESTIONS- HR MANAGERS

To analyze factors behind the Mergers and Acquisition

a. What was the motive behind the merger
b. What were the main reasons for AB Bank to choose YZ Bank for a Merger?

To analyze the Mergers and Acquisition process

a. Did AB Bank have a model to develop the steps of the acquisition?
b. Who was involved in the initial stages of the merger?
c. Who launched the merger process?
d. Were Human Resource managers involved at the beginning of the strategic planning stages of the merger
e. Have the main objectives for the merger been achieved so far?
f. Was the due diligence process performed?

To assess the involvement of HR Managers in the merger and acquisition process

a. If so to what extent was their involvement
b. At what level were they involved in the implementation
c. What was the role of Human Resource managers according to you.
d. Do you feel that Human Resource was valued during the transition and integration phases of the merger?
e. How was the introduction of a new vision and way of doing things managed?
f. What plans were put in place to envision and enforce a new AB Bank identity and culture?
g. What changes were necessary to consolidate a new integrated corporate structure?

To examine the challenges of Mergers and Acquisition on Human Resource Managers

a. To what extent did the involvement of Human Resource managers contribute to the success of the merger
b. Did Human Resource help drive the change within the organization
c. Was there resistance before or during the change?
d. If yes, what were the main sources of resistance?
e. How did you manage the resistance
f. Did you anticipate the resistance?
g. Did you have a plan in place to manage the resistance?

h. Did you implement any training and development strategies either at the employees or management level to help ease the transition and implementation of the change process?
i. Did you have to retrain staff or skill employees for their positions
j. How was the atmosphere within the organization affected throughout the acquisition?
k. What communication best practices did you conduct during the acquisition?
l. What were the biggest challenges you came up against during the merger
m. What 4 things would you do differently?
n. Is there anything you would have liked to say that I have not given you a chance to express?
o. What measures were put in place of managing AB Bank's performance by the initial objectives?
p. How did the company manage to measure the employee's satisfaction?

INTERVIEW WITH MANAGERS

1. Would you give me a brief understanding of AB Bank before it joined with YZ Bank
2. Did AB Bank have a model to develop the steps of the acquisition?
3. Who was involved in the initial stages of the merger?
4. In your opinion are mergers and acquisitions worth pursuing?
5. What do you think is the basic competitive advantage brought by the merger process?
6. What measures are in place to ensure the successful implementation of these Mergers and acquisitions?
7. How was your department affected by the Merger process
8. How much were you or your department involved in the merger process?
9. Did you use an external organization/institution to train and develop managers on how to deal with Change?
10. What plans did Human Resources make in regards to the dissatisfaction of employees as a result of the change?
11. In your opinion, do you think employees were happy with the change?
12. Do you think that the change affected the employees, negatively?
13. How did Human Resources handle employees who felt that they did not need the change?

INTERVIEW WITH EMPLOYEES (Current AB Bank Employees)

What was your feeling when you were informed about the acquisition

1. Give me a summary of how you felt about the new environment

2. When moved to AB Bank, was sufficient orientation done?
3. Were you given information with regards to any other program that you could participate in such as a training or support program?
4. How did the bank help you cope with the loss of your colleagues through retrenchments?
5. Was there any support from your managers including Human Resource support?
6. How about support from your team and colleagues?
7. What impact if any existed that affected you during this change?
8. Are you happy with your job? If yes, explain why, if not do you think that is a result of the acquisition?
9. How are you adopting the AB Bank culture?
10. What is your feeling and experience thus far with regards to policies and procedures?

INTERVIEW WITH EMPLOYEES (Former YZ Bank employees)

1. How were you affected by the merger?
2. What support did you receive from your manager and Human Resource?
3. Were fair standards and clear guidelines applied during the process?
4. Was the process transparent? Did you recognize the process as being transparent?
5. How did AB Bank help you cope with fear and anxiety?
6. If given a chance, can you work for AB Bank again?