

## **Training and Development Professionals and Mergers and Acquisitions: What is the Story on their Involvement?**

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*This study explored the involvement of 15 training and development (T&D) professionals during mergers and acquisitions (M & A). The study found that T & D professionals are highly involved in orientation and management training and organization development related activities such as communication and diagnosis and blending of organizational cultures. Lastly, the findings showed that if T & D professionals want involvement in M & As they need competencies in organization development.*

Keywords: Mergers and Acquisitions, Training and Development, Learning

Mergers and acquisitions (M & A) have become a primary business strategy for companies (Galpin and Herndon, 2000). Gaughan (2002) defined a merger as the process of two companies joining with only one of them surviving, representing a newly formed entity, while an acquisition was referred to as the purchase of an entire company and complete control of the acquired organization. For the purpose of this study, the terms mergers and acquisitions were used interchangeably. With M & As encompassing billions of dollars each year understanding how training and development professionals assist organizations with the change factor is critical.

In the last ten years, many researchers have identified human related problems as major reasons for M & A failures (Clemente & Greenspan, 1999; Waight, 2002). Camara and Renjen (2004), Daniel and Metcalf (2001), and Galpin and Herndon (2001) shared that a lack of communication is a major human related problem during M & As. Lack of effective communication often causes employees to be unclear of job expectations. This knowledge gap negatively impacts employees' behaviors and performances. Rankine (2001) contributed that a lack of communication can result in lower productivity among employees, specifically in areas where job descriptions and expectations change. Schmidt (2002) added that 52 percent of employees do not understand the synergies and objectives of the M & A.. DiGeorgio (2002) shared that over half of mergers and acquisitions fail due to performance related problems because of ineffective managerial styles. Galpin and Herndon (2000) also added that lack of employee motivation could also contribute to the failure of the M & As.

Although there is a great deal of research on how to effectively integrate and guide the change process of a M & A, there is little research on the involvement of the training and development (T & D) professional. Their participation as strategic advisors, change, and learning agents during M & As is unknown. Clemente and Greenspan (1999) were the only researchers who shared that T & D professionals can help the merged firm attain the strategic drivers of the M & A transaction. Clemente and Greenspan also shared that human resource professionals, who included T & D, often felt that they did not receive adequate training for M & As. Given that M & As are occurring in a knowledge and learning economy, it is important to understand how T & D professionals help during M & As.

The M & A process includes several phases which focus on planning, assessing, negotiating and integrating. Waight (2004) reviewed several M & A models and concluded that of each of the models, the initial planning, investigative, negotiation, and integration phases best described the M & A process. The initial planning process included identifying business strategy, defining acquisition criteria, identifying target markets and companies, selecting target letter, issuing the letter of intent, and developing a M & A plan (Galpin & Herndon, 2000). The investigative phase, according to Galpin and Herndon, include due-diligence of finance, people, organizational culture, legal, and operations. The negotiation phase includes setting the financial, legal, and structural deal terms. The last phase, integration, includes finalizing and executing integration plans on organizations, people, process, and systems. This study will explore when training and development become involve and what they do during that phase.

### **Purpose of the Study**

The purpose of this study was to explore the role of T & D professionals during the initial planning, investigative, negotiation, and integration phases of a M & A. Three research questions guided this study:

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1. In what phases (initial planning, investigative, negotiation, & integration) of the M&A process are training and development professionals involved?
2. What do training and development professionals do in each of these phases? (Due to the limitation of pages, only the integration phase will be described in this paper).
3. How can the training and development professional enhance their role in future M&As?

### **Overview of Research Design**

This qualitative study explored the role of the training and development professional during a merger and acquisition. This study was based on a phenomenological design. Phenomenological designs look at the essence of human experiences concerning a phenomenon, as described by participants in a study (Creswell, 2003). The data was collected by conducting semi-structured interviews with 15 T & D professionals that were employed in companies that underwent M & As between 2001 and 2003.

#### *Population and Sample*

The population of this study was training and development managers or directors that underwent a merger and acquisition in Fortune 500 companies between 2001 and 2003. Upon identifying companies that were involved in a M & A during 2001 and 2003, the researcher rank ordered the companies according to highest purchase price. The researcher chose the 15 companies with the highest purchase price and proceeded to contact training and development managers or directors from the respective companies. Overall, 15 T & D professionals were selected and interviewed. Of the 15 T & D professionals, eight (53%) were managers of human resources, two (13%) were training and development managers, two (13%) were vice presidents of training and development, one (7%) was vice president of human resources, one (7%) was a performance manager, and one (7%) held the title manager of merger training. Though participants had different position titles, all participants played a major role in the training function during the merger and acquisition.

#### *Data Collection*

The data collected from the 15 interviews was collected using semi-structured interviews. The researcher investigated the company using the internet to locate human resource departments to identify direct contact information of the T & D managers and directors. The researcher also utilized the membership of The American Society of Training and Development (ASTD) and The Society for Human Resource Management (SHRM) to obtain contact information. The researcher then called the T & D professionals and, after describing the study, asked them to participate. Once they agreed, an appointment was set up to complete the semi-structured interview. Email addresses of all participants were collected and the interview guide was sent in advance. The researcher asked participants' permission to record the interview. Of the 15 T & D professionals interviewed, 13 agreed to the recording of the interview and two opted not to be recorded.

#### *Instrumentation*

Semi-structured telephone interviews were conducted with the participants. The interview guide included three sections that corresponded to this study's three research questions. The first section of the interview guide focused on identifying which phase of the merger process the training and development professional becomes involved (initial planning, investigative, negotiation, and integration). The second section aimed at recognizing what training and development professionals did during each of these phases and their involvement throughout each of the phases of a M & A.. The last question focused on what T & D professionals could do to become involved in the M & A process.

#### *Data Analysis*

Once all interviews were completed and transcribed, the researcher organized the data by research question. The researcher first read all the data for each research question. Secondly, the researcher read and identified recurrent themes. Upon identifying recurrent themes, the researcher identified relevant context for each theme. The researcher used descriptive statistics to identify the frequency of themes occurrence, and created a framework that detailed from the most frequent to the least frequent activities. Percentages were also attached to these frequencies.

To help validate the researcher's analysis of the data, inter-rater analysis was completed with the faculty advisor. Meetings were held between the researcher and her thesis advisor and unanimous agreement was reached between the two comparisons.

## Results

Research question number one addressed in which of the four phases (initial planning, investigative, negotiation, & integration) of the M & A process the training and development professionals become involved. Training and Development professionals were involved in three of the four phases of the M & A process (see Table 1). All (100%) T & D professionals were involved at the integration phase. Three (20%) were involved at the investigative phase. Two (13%) were involved at the initial planning phase. Due to page limitation, only the highest frequency phase, integration, will be discussed.

Table 1. *Training and Development Professionals Involvement in the M & A Phases (N=15)*

M&A Phases	T & D (f)	%
1. Integration	15	100
2. Investigative	3	20
3. Negotiation	2	13
4. Initial planning	0	0

*Note.* Multiple responses were permitted.

Research question number two addressed what exactly training and development professionals do in each of the phases they are involved in. The researcher asked the participants to identify some activities that were utilized during the integration phase. The 15 participants identified 58 activities. The activities were then content analyzed and categorized into 18 major integration activities. Table 2 lists the 18 activities in rank order by frequency. Due to space limitation, only the first four activities will be described.

Table 2. *T & D Professionals Activities During the Integration Phase (N=15)*

	Integration	f	%
1. Orientation of company practices		11	73
2. Diagnosing and managing organizational cultures		7	47
3. Management development		7	47
4. Change management		7	47
5. Develop and implement a communication plan		6	40
6. Customer relations training		3	20
7. Develop staffing plan		3	20
8. M & A training		2	13
9. Review employee manuals		2	13
10. Training evaluation		2	13
11. Needs assessment		1	7
12. Performance management		1	7
13. Assessment of training location and resources		1	7
14. Six sigma training		1	7
15. Identifying organizational structures		1	7
16. Recruitment of employees		1	7
17. Performance appraisal training		1	7
18. Assess national cultures		1	7

*Note.* Multiple responses were permitted.

Of the fifteen T & D professionals, eleven (73%) said that they oriented employees on company practices, procedures, and systems. The orientations were designed to ensure that all employees were aware of the policies and procedures of the new company and its business. Policies and procedures relating to human resource (HR) functions were also discussed. Some HR functions were compensation and benefits, staffing, vacation time, retiring medical plans, and medical leave policies. Company orientations also served to communicate the purpose and value proposition of the M & A. These M & A sessions usually focused on mass company overviews addressing the reason for the changes, how the changes would affect the company and the desired expectations of the M & A. T & D professionals also shared that fun activities were a major component of company orientations. One company, for

example, provided popcorn and designated an entire workday to allow employees to meet each other. Another company held a carnival where employees and their families came together for a dinner and a social event. Overall, company orientations served as a platform for all employees to ask questions relating to M & A changes. Company orientations ranged between 2 to 4 day sessions, while others included a one-time all employee meeting in which company managers were introduced.

Seven (47%) T & D professionals shared that diagnosing and managing the organizational cultures were critical elements of the integration phase. Understanding the organizational culture of both companies as well as the desired culture helped T&D professionals deal with the blending of organizational cultures. T & D professionals shared that identifying and communicating the new mission and vision statements of the company helped introduce the organizational cultures. Other activities that helped blend cultures included small group sessions where employees and managers discussed new operating styles. In addition, multi-cultural training, which focused on diversity, cultural awareness, and new cultural attributes assisted with introducing the new organizational culture. Training and development professionals shared that ensuring that employees had an understanding and appreciation for doing things in different ways helped employees in implementing procedures and policies correctly and served to connect employees to the new attributes of the company. In short, understanding and aligning organizational cultures are critical tasks for T & D professionals.

Seven (47%) T & D professionals shared that management development for line and senior management was important throughout the M & A process. The T & D professionals identified leadership, ethics, employee law, change management, and general management skills training as important components of management development. Training and development professionals also shared that managers needed training on understanding and managing of cultural differences. A critical task for T & D professionals during the M & A process was ensuring that company values and organizational structures were communicated and understood by management. Management development activities included huddle meetings where human resource managers from throughout the company were brought together to discuss changes and transformation. Some meetings were designed to combine managers by region because in some cases the M & A had varying degrees of impact. Training and development professionals shared that the ultimate goal of small and regional management development activities was to ensure that managers understood the M & A and that this information was consistently and accurately communicated to all employees. Management development training sometimes occurred in stages. One T & D professional shared,

We have three levels of executive training. When someone goes into the first level of executive, they would get what we call the management development course, then the business management course, then the executive managerial course.

Although management development was essential, one T & D professional shared how the varying levels of integration affected management development. For example, in situations where the two companies continued to operate as separate entities, there was minimal management development. In such situations, general awareness workshops were conducted for all employees and senior management received basic leadership and change management training.

Seven (47%) T & D professionals discussed the importance of managing change during the M & A process. Change management dealt with ensuring employees were aware of research practices, identifying and relating the new culture, creating a shared need, shaping a vision, getting commitment, making change sustainable, and monitoring and controlling the change process. Training and development professionals indicated that downsizing, the introduction of new products or services, and leadership change were some of the major drivers of the change process in their respective companies. Training & development professionals also stated that change management training helped managers and employees on a whole manage these structural and business issues. Some change management activities that were conducted included working directly with employees to identify their reactions to the changes. Training and development professionals shared that getting employees' feedback to management helped managers define their change management focus so as to effectively manage the structural and business issues. One T & D professional shared that change management consultants were brought in for one year after integration to assist in dealing with change management at all levels. Another training and development professional, whose company is well known for their change acceleration program, shared that they provided a thorough two and a half day workshop to any employee that was involved in the M & A transaction. This program focused on initiating and leading change using several strategies. The first strategy included identifying a visible leader who supported the change process. The second strategy dealt with instilling the need for change throughout the minds of employees. Another strategy related to highlighting the desired outcome of the M & A. All T & D professionals agreed that while the visions and desired outcomes of the M & A must be identified, it is important that managers understand the pre and post M & A mindsets of the employees.

Research question number three addressed how the training and development professional can enhance their role in future M & As? To address this question the 15 T & D professionals shared their advice on what can be done to enhance the T & D professionals' role in future M & As. Table 3 lists nine major suggestions in rank order by frequency. Due to space limitation, only the first two suggestions will be discussed.

Table 3. *T & D Professionals' Suggestions on Enhancing their Role in Future M & As (N=15)*

Enhancing the Role of T & D Professionals	f	%
1. Focus on timeliness and management of the change process	10	67
2. Do due diligence on both companies	7	47
3. Have a communication plan	7	47
4. Advocate for organizational culture and people issues during the M & A	5	33
5. Align with the M & A team	4	27
6. Be an effective trainer	3	20
7. Develop M & A competencies	2	13
8. Understand organization development	2	13
9. Focus on evaluation levels three and four	1	7

*Note.* Multiple responses were permitted.

Of the fifteen T & D professionals, ten (67%) said that T & D professionals should focus on the timeliness and management of the change process. T & D professionals should be problem solvers that consider the adaptation process of the new employees, and introduce change on a timely basis to help employees at all levels adjust to the change. T & D professionals stated that managing change should start with having an integration plan that highlights short and long-term changes that need to occur. The integration plan should involve the change, its affect, the target audience, and how it should be implemented. One T & D discussed the need for management to understand how to manage change to help employees become aware of how to deal with the change process.

Seven (47%) T & D professionals shared that T & D professionals should complete due diligence of both companies. T & D professionals should find out as much as possible about the merging company, their policies and procedures, who the audience is, their organizational culture and leadership, as well as the nuances of the company. Knowing and understanding the target audience and how the two companies' procedures differ can help T & D professionals with managing the change process. T & D professionals should also understand the organizational culture in respect to who the people are, whom employees report to, how they dress, and how they communicate so they can identify the changes that need to be introduced. Understanding the policies, procedures in relation to HR and the business give T & D professionals the knowledge and tools to better design relevant and meaningful training and support the change process.

## Discussion

When looking at the role of the T & D professional in the M & A process, the results of this study support other studies that look at the role of the HR and HRD professionals in mergers and acquisitions. Waight (2002) focused on 38 HRD professionals involvement in the M & A process, which included T & D professionals. Of the 38 HRD professionals, Waight found that all 38 were involved in the integration phase and 19 (50%) were involved in the investigative phase. Watson & Wyatt (1999) and Clemente and Greenspan (1999) focused on HR professionals, which also included T & D professionals, and found that all participants were involved mostly in the integration phase of the M & A process, with the investigative phase being the second most involved phase. Of the 15 T & D professionals identified for this study all were involved in the integration phase of the M & A process.

The 18 activities that T & D were in involved in during the integration phase highlight a major focus on organization development activities. First, this study found that 11 (73%) T & D professionals were involved in an orientation of company practices, processes, and systems. Likewise, Daniel and Metcalf (2001) indicated the importance of having an orientation to orient new executives and key managers to the new company values and to the non-negotiables.

Second, seven (47%) T & D professionals indicated identifying and managing organizational cultures. Waight (2002) also noted that 22 (58%) of the 38 HRD professionals facilitated training to help integrate organizational cultures. Clemente and Greenspan (1999) found that 76 percent of 413 HR professionals were involved in managing organizational and cultural changes. Daniel and Metcalf (2001) related that understanding the

organizational culture helped to understand the assumptions and beliefs of the company. Similarly, Harper (1995) discussed the lack of cultural awareness among employees and stated that members of the combined companies often times are not accustomed to the culture of the merging company and HR professionals should become involved at an early stage of the M & A to provide adequate cross-cultural training. Borghese and Borgese (2002) added that cultural clashes have proven to be at the root of many failed acquisitions and that decision makers during a M & A do not pay much attention to management and human resource issues. Overall, human resource professionals, which include training and development, play a large role in the integration of organizational culture.

Third, seven (47%) T & D professionals were involved in management development throughout the M & A. As discussed in the literature review of this study, a difference of managerial styles was one of the three human related issues that were major causes of failures in M & As. DiGeorgio (2002) stated that over half of performance problems in combined organizations are due to different management strategies. Rankine (2001) added that many times when managers from different companies combine, they are still accustomed to their old operating and management styles and have a hard time adjusting, reaching a common ground, understanding their objectives, and working together to implement change.

Fourth, seven (47%) T & D professionals indicated an involvement in the change management process. Waight (2002) found that 13 (34%) of the 38 HRD professionals were involved in the facilitation of change management. Analoui (1994) stated that the training and development professionals' roles are more related to a change agent. McLagan (1989) agreed that, T & D professionals serve as organizational change agents. Similarly, Hamlin, Keep, and Ash (2001) added that many times the separation of the T & D professional from decision makers when analyzing the change management process may lead to confusion among employees. Overall, T & D professionals need to play a larger role in the change management process.

### **Conclusions**

First, training and development professionals are mainly involved in the integration phase of the M & A process. Second, most T & D professionals were mainly involved in orientation training. Third, T & D professionals are also involved in organization development related activities relating to organization cultures, structures, communication, management development, and change management. Fourth, training and development professionals need to have organization development and merger and acquisition competencies for involvement in M & A processes and activities.

### **Limitations and Future Directions**

It must be noted that this study was exploratory and more research needs to be done to advance the role of the T & D professional during the M & A process. This study was limited to the perceptions of 15 T & D professionals working in 15 different companies. This study was also limited to M & A's occurring between 2001 and 2003. Despite these limitations, this study opens the doors for further research relating to the role of the T & D professional during the M & A process.

The results of this basic study indicate that more research needs to be completed to understand why T & D professionals are mostly involved at the integration phase.

### **Implications for T & D Professionals**

The findings of this study indicate that training and development professionals are important during mergers and acquisitions. Training and development professionals, however, need to evaluate why they are mostly involved at the integration phase. Is this involvement a factor of their unit or department's strategic position in the organization, or is it a factor of the M & A team's cognizance of the importance that training and development can play in M & As or a factor of their competencies and performance during a M & A. This study shows that T & D professionals have a lot to offer to assist the realization of a M & A, thus, it is critical that training and development professionals assess their readiness to participate beyond the integration phase during a M & A.

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