Managing HRM risk in a merger

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Abstract Mergers are big, risky business and they frequently fail. This article reviews the literature around managing human resource management (HRM) risk in a merger. It finds that poor merger results are often attributed to HRM and organisational problems, and that several factors related to maintaining workforce stability are identified as important in managing HRM risk. Gaps are exposed in the extensive merger focused literature, particularly its lack of consideration of the role of unions and different employment relations policy approaches. The New Zealand-based banking merger of Westpac and TrustBank is used to illustrate and explore the impact of union involvement alongside HRM initiatives, and to extend Guest's employment relations policy choices taxonomy. This article contributes an important additional dimension to a theory of managing HRM risk in a merger.

Introduction

Most mergers fail. Quoted failure rates vary from 50 per cent to 80 per cent depending on the industry and measures used (Booz Allen & Hamilton, 2001; Cartwright and Cooper, 1996; Tetenbaum, 1999; The Economist, 1999). Despite this the corporate appetite for mergers continues unabated. The year 2000 was the sixth consecutive year of record levels of merger and acquisition activity worldwide. There were more than 36,700 transactions with a combined value of more than US$3.49 trillion (Thomson Financial, 2001). The number of jobs that these mergers impacted on has not been estimated, but conservatively it must run into the hundreds of thousands. For instance, at least 130,000 finance jobs have disappeared in western Europe alone as a result of mergers and acquisitions in the 1990s (International Labour Organization, 2001). After a decade of relentlessly increasing merger activity, no country, industry or organisation is immune – targets for merger and acquisition have ranged across airlines, banks, telecommunications, motion picture companies, manufacturers, internet companies, computer companies, and even government institutions, to name but a few. Mergers are indisputably big business, and they are risky business.

The merger literature confirms that realisation of merger benefits is mixed. The most common problems cited indicate the crucial importance of human resource management (HRM) factors and include: difficulty blending cultures and systems, fall-off in service quality, poor motivation, loss of key personnel, flight of customers, and loss of focus on long term objectives (Booz Allen &
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Mergers and HRM risk

The merger literature cites a variety of strategic and practical issues to be tackled under the guise of human resource management or organisational issues. These include, for instance, how to blend and manage two or more organisational cultures, several sets of policies, practices and procedures; how to manage the transition and focus on future organisational needs; how to design the new organisation and its jobs; how to manage redundancies; how to keep business-as-usual functioning; how to manage and motivate staff including senior management; and how to realise synergies between two organisations and thus become more efficient (Appelbaum et al., 2000a, b; Buono et al., 1985; Cartwright and Cooper, 1994; Mace and Montgomery, 1962; Mirvis and Marks, 1992; Shrivastava, 1986). Proven approaches to deal with these issues are less frequent. However there is growing agreement that dealing with HRM risk is facilitated by strategies which seek to stabilise the workforce (Schweiger et al., 1993). A review of the merger literature identifies three key factors that emerge as important considerations in workforce stability: job security, procedural fairness, and communication.

Schweiger et al. (1987) cite job security as the most important factor for employees during a merger, followed by pay and benefits, work autonomy, and performance feedback. Research has also indicated that the organisational change process in mergers is usually tightly controlled by management and decisions on job losses are driven solely by the need to reduce numbers (Kanter
and Seggerman, 1986). Thus employees are commonly concerned not only with job security but also with how selection decisions are made. Related to this, a number of researchers have shown that perceptions of procedural fairness are a key factor in determining staff attitudes to, and experience of, merger change (Ashkenas et al., 1998; Brockner et al., 1994). In particular, the perceived fairness of redundancy procedures is reported to impact significantly on the attitudes of the staff that remain in the organisation (Brockner and Greenberg, 1990; Schweiger et al., 1987, 1994).

The extensive literature on managing communication in periods of organisational change and merger, shows that frequent and honest communication to staff about the merger has a stabilising effect (Ashkenas et al., 1998; Napier et al., 1989; Schweiger and Denisi, 1991). The literature suggests communication strategies serve to reduce uncertainty, but also acknowledges that staff are frequently sceptical about management messages. Furthermore, it is evident that such scepticism is not misplaced in times of change where futures are uncertain and directions are evolving. Procedural justice research emphasises the importance of two-way communication, in which both management and employees can voice their opinions, concerns, desires and provide information. Research shows that employee opportunity to voice an opinion results in the process being perceived as fairer, although this is negated if that opinion is perceived to be ignored by the decision maker (Citera and Rentsch, 1993).

Mergers provide fertile ground for job insecurity, unfair treatment and procedural injustice, as boards and senior management seek to quickly realise efficiencies and increase shareholder value. Hence workforce instability and industrial action are a risk. HRM strategies used to address this risk include consultation committees, regular communication mechanisms, one to one counselling support, and targeting of key staff for retention. However, the merger literature largely ignores the potential for union involvement to assist in managing that risk or indeed its capability to either increase or decrease that risk. A scan of leading texts and research on mergers reveals only extremely limited reference to unions at all (Appelbaum et al., 2000a, b; Booz Allen & Hamilton, 2001; Buono and Bowditch, 1990; Cartwright and Cooper, 1994, 1996; De Pamphilis, 2001; Mirvis and Marks, 1992; Tetenbaum, 1999). Such an oversight is negligent given that mismanaging union involvement can severely compromise merger progress by industrial action. In recent examples both airline and bank mergers have resulted in strike activity and huge financial cost (Aviation Daily, 2001; The New York Times, 2000). Leana and Feldman (1989) are amongst the very few researchers who allude to union involvement in their examination of the human resource problems of redundancies in mergers. They exhort management to work co-operatively with unions where mergers involve a significant number of organised employees. Their reasoning is twofold – firstly, that it is extremely costly to have uncooperative labour-
management relations; and secondly, that in redundancy situations good labour-management relations can reduce the number of redundancies or at least ameliorate negative consequences for the unemployed. However, there are other reasons, as yet unexplored in the merger literature, why one might find union involvement helpful.

**Beyond the merger literature**

It is surprising, given the conclusions regarding the importance of workforce stability and the influence of communication and procedural fairness on such stability, that the merger literature has not explored the contribution unions can make both in terms of communication with the workforce and credible assurance of procedural fairness.

Beyond the context of mergers or organisational change, the procedural justice literature has established the importance of perceived fairness and procedural justice in workplace stability. For instance, in a survey of Australian- and UK-based employees of an Australian owned international banking and financial organisation, Deery and Walsh (1999) explored attitudes to work, trade unions and collective action. They found that perceptions of job insecurity, unfair treatment and procedural injustice have a significant bearing on employee willingness to engage in industrial action.

Perry *et al.* (1995) discuss union involvement in 1990s workplace reform initiatives in New Zealand. They concluded that unions were able to “provide a force for stability in the organisational commitment to change” (Perry *et al.*, 1995, p. 266). They attributed this ability to the fact that unions are independent of management. Thus they can help “to obtain the trust and confidence of the workforce to participate in a change programme” (Perry *et al.*, 1995, p. 266). Unions can also provide a check on management action, and as Perry *et al.* (1995, p. 56) found, “there is considerable evidence that (workplace) reform is most effective where unions are involved – forcing management to devote more resources to the management of employees”. This view is also supported by recent research using data from the Australian Workplace Industrial Relations Survey (AWIRS), in which Benson (2000) found that employees in unionised workplaces had significantly more voice mechanisms than those in non-union workplaces. Additionally, “active union workplaces were significantly correlated to management-initiated or -sponsored forms of voice” (Benson, 2000, p. 437). Hence, workplaces with an active union had more opportunities for voice, courtesy of both management and the union. Trade unions and HRM practice have been found to be significant for workforce attitudes in other recent British research (Guest and Conway, 1999; Guest and Hoque, 1996; Millward, 1993) which has shown that more HRM practices are likely to be in place in organisations where a union is recognised; and that progressive HRM practices are the significant factor in employee attitudes and experience.
Hence, an organisation's approach to employment relations has a significant impact on employee attitude and experience. Guest (1995) categorised this according to the relative priority attached to HRM (i.e. progressive HR practices) and industrial relations (IR) (i.e. union presence) in a matrix of four broad options for employment relations policy in an organisation:

1. high priority HRM and IR (new realism);
2. low priority HRM and high IR (collectivism);
3. high priority HRM and low IR (individualism); and
4. low priority HRM and IR (black holes).

Despite doubt on the achievability of new realism, further research by Guest and Conway (1999) concludes that black holes are not good places to be for employees, and greater preference should be towards a new realism approach. This provides an interesting frame in which to consider approaches to employment relations policy in merger scenarios. The almost total absence from the merger literature of commentary on the impact of union presence (positive or negative) leads one to believe that mergers often place low priority on industrial relations, thus taking either an “individualism” or “black hole” approach to employment relations. Given the reported widespread difficulties in realising merger benefits due to culture clashes, low morale and loss of key personnel, that most mergers place low priority on both HRM and IR, and high priority on pushing through change to achieve hoped for strategic or financial advantage. This myopic focus on “doing the deal”, at the expense of integration considerations is frequently cited in the literature as the root of merger problems (Booz Allen & Hamilton, 2001; Tetenbaum, 1999). The International Labour Organization (2001) has recognised this gap and has recently made great efforts in the finance sector to encourage social dialogue between management and employees and involvement of worker representatives in the entire merger and acquisition experience.

So, do any mergers actively involve unions? Is a “new realism” approach to employment relations possible in a merger scenario?

Method
An illustration of the impact of union involvement and HRM can be found in the recent New Zealand based bank merger of Westpac and TrustBank. Westpac, an Australian owned bank and one of New Zealand’s major trading banks, was formed in 1982 by the merger of the Bank of New South Wales and the Commercial Bank of Australia – these banks had been in New Zealand since 1861 and 1912 respectively. Westpac was centrally organised with corporate policies and practices, a reasonably flat management structure, 400,000 customers, 4,500 staff (full-time and part-time), 176 branches, and a profile mainly in business banking and as the government bank. TrustBank New Zealand, however, was a totally different bank. It was formed in 1988 by
combining nine regional savings banks the history of which dated back as far as 1864. A federally structured organisation the regional banks maintained extremely close ties with their local communities, offered a locally tailored range of products and generally resisted corporate control and consistency. The bank was wholly New Zealand owned by community trusts which dispersed the dividends to the community. TrustBank was a strong New Zealand brand, the biggest retail bank, with 800,000 customers nationwide, 4,500 staff (full time and part time), and 241 branches.

This example is drawn from a case study based on post-merger interviews with 25 managers, staff and union officials which outlined the merger process and its key drivers (Bryson, 2000). These interviews, combined with analysis of documentation and archival material (including oral history tapes recorded during the merger) provided the basis for an overview of the processes and influences on the merger. This case study is what Weick (1995) would call “sensemaking” – it uses the recall and reflection of participants as a way of helping to make sense of the experience that formed WestpacTrust. The study, in large part, reflects how members of merger project teams, managers at various levels, and the union, experienced the formation process. The interviews and archive review aimed to make sense by identifying and exploring the key drivers of the merger.

A case of new realism?
In April 1996 Westpac publicly announced its intention to purchase TrustBank. Over the next two years a complex merger process played out across New Zealand. This, like most mergers, was borne out of the lure of strategic advantage. In 1984 New Zealand had begun a process of deregulation of its financial institutions, opening up entry to the banking system. As a result, the banking sector had experienced continual change and increasing competition throughout the subsequent decade. By the mid 1990s the two strategic options considered by most banks were either to expand their share of the customer base, or to become a smaller niche player. Westpac opted for the former. TrustBank, although a large retail bank, saw its growth constrained by competition and needed significant capital investment for future development of its technology platform. Hence, it was open to the possibility of being acquired by another bank. Once underway the merger process was driven largely by technical and logistical challenges. However, underpinning that from the outset was a recognition of the importance of workforce stability and, unusually, the union played a key role alongside HRM initiatives.

Westpac faced numerous challenges in the merger of the banks, not least of which was the integration of IT systems and assurance of a stable IT platform. The IT needs drove the merger timetable which was managed via a sophisticated suite of project management structures, tools, systems and processes. These technical and logistical challenges were also underpinned by
key human resource management issues ranging from organisational pressures to reduce retail branch and staff numbers, to retain key staff, to combine the collective employment contracts in the two banks, and to get staff trained in new products and systems. In addition, there were the personal pressures associated with the multiple sources of stress to which staff could be exposed throughout the merger, such as job uncertainty, angry customers and communities, new systems and change in the workplace. The HRM goal was to arrive at a stable fully integrated branch staff – the right staff numbers, quality, skill mix and roles – to enable the new WestpacTrust branches to run efficiently and effectively from "day one". All this needed to be achieved in a defined time frame, and in a way that minimised industrial risk and maximised staff morale.

A number of decisions and human resource activities can be seen as highly influential in the maintenance of workforce stability and minimisation of risk throughout the merger period. These include the early decision and announcement to reduce staff numbers primarily through attrition rather than redundancy, creating more certainty and security for staff. The communication strategies; selection processes; alignment of HR policies, and training and preparedness strategies, were all important in contributing to staff experience of the merger.

In line with merger best practice, as conveyed in the literature and by consultants used by the bank, a high priority was placed on communication with staff from the outset of the merger. The communications project team devised deliberate strategies to keep staff well informed via regular newsletters, faxes, videos, booklets, presentations and meetings. Much of the communication was led by the Chief Executive and senior managers in an effort to reinforce the driving communication value of "as soon as we know, you'll know". The strategies facilitated feedback. The selection processes differed according to the level of the positions, but examination of the selection processes shows that all aimed for consistency. Significant work was put into the alignment of HR policies and practices in the banks. A range of training and preparedness strategies were developed drawing on the lessons learned from Westpac's recent merger experience in Western Australia.

All these decisions and activities were positively influenced by the ongoing involvement of the union, FinSec, representing a large number of non-managerial level staff in both banks. The Employment Contracts Act, 1991 established a union unfriendly legislative environment throughout the 1990s which saw national union density fall from 45 per cent in 1991 to 17 per cent in 1999, and aggregate union membership halve in the same period (Crawford et al., 2000). The Clerical Workers Union was an early casualty of that environment, disbanding in February 1992, leaving its members without a union. TrustBank staff were among those members and most of them chose to join FinSec. FinSec, the Finance Sector Union, was itself a product of a merger.
in May 1990 when the New Zealand bank officers joined with the New Zealand Insurance Trust and Life agents. FinSec survived this period of deunionisation (on top of banking industry deregulation) primarily by pursuing an organising strategy which emphasised the community of members as the union, i.e. the union members taking responsibility for union activity in their organisations rather than a corporate unionism run solely by the union. This community approach drew strength from delegate infrastructures and from good union coverage for non-managerial level collective contracts of between 75 per cent and 85 per cent. FinSec had a productive history of union representation in Westpac and long established relationships between delegates, union and bank senior management.

FinSec were informed by Westpac of the merger the day before it was announced. From that point on the union was closely involved by the bank throughout the merger process. This included agreement between the bank and the banks union council of a joint protocol on sensitive communication to staff, where each party would view and comment on the content of any communications before release. The regular production of a union publication for WestpacTrust employees dealt with merger issues throughout the process. The union was able to alert the organisation to issues which ensured greater procedural fairness, addressed potential problems early, and kept staff informed and involved. It also meant that staff had an advocate and a different avenue for expressing concerns and desires. The union had regular meetings with the merger project team and made suggestions on potential hot issues throughout the merger. They alerted the Bank to collective issues such as the lesser employment and redundancy provisions in the TrustBank contract. As a result the bank upgraded the contract to equate to provisions in Westpac. Other specific issues which the union raised and the bank addressed included, for instance, hours of work (which varied across the banks); branch security; and payment of overtime. The union also commented on processes designed by the bank, for example two selection methodology scenarios, with the result that the bank adopted that preferred by the union which allowed for more staff involvement in the process.

For the bank a key measure of the successful management of HRM risk was the number of personal grievances formally lodged by employees under the Employment Contracts Act, 1991. In the final analysis there were only a handful in a merger process that dealt with over 8,000 individuals. In addition there was no major industrial action – workforce stability was maintained. There were numerous problems which had to be dealt with throughout the merger by the union and the bank, but none of these escalated to the level of major dispute. A major reason for this was that potential issues were explored early before they became larger grievance problems – the union was able to raise issues and the bank was willing to deal with them.
Success for new realism?

There are a number of possible reasons for the success of the union involvement in this case. These can be broadly summarised in terms of the union itself, and the HRM practices of the bank. Both the banks were organisations with active union presence and established HRM practices. In Guest’s (1995) model they had both displayed a “new realism” approach to employment relations prior to and during the merger. Hence, importantly, this was a merger where the organisations had generally compatible employment relations policy approaches, and the merger was managed using that approach.

Studies by Miller et al. (1997) show that three factors are common to successful cases of management:

1. strong commitment to open communications;
2. management acceptance of the union role; and
3. union concern for the success of the enterprise.

The WestpacTrust merger displayed all three of those factors, but it also displayed more.

FinSec was an active union and both Westpac and Trustbank had an established relationship with FinSec prior to the merger. There was good union coverage, a well developed union infrastructure in the form of a Union Council made up of staff representatives and this structure was widely used during the merger. The fact that there was only one union involved covering both banks was important. The presence of a single union made relationships and communication far less complex. Additionally, it meant there were no inter-union distractions and trade-offs, no points scoring or self interested behaviour. Cohen-Rosenthal and Burton (1993) cite mutual respect and common interest as the two key ingredients for co-operation between union and management. Trust, they claim, comes later as the parties display trustworthy behaviour. In this case, an element of trust already existed in the established working relationship between key individuals in management and the union. This personal link was supported by the existing functional Union Council, the delegate infrastructure and the good levels of union coverage at non-managerial grades. The strength of that relationship of trust between bank and union is illustrated by management’s active inclusion of the union from the time of the merger announcement.

In contrast to the practice of other overseas owned banks in New Zealand the merger was predominantly New Zealand run. This was unusual. It is more often the case in merger scenarios that unknown or distant senior management and financial powers assume decision making authority. This can be disruptive and demoralising for the organisations. Hence it was a real advantage that all the Westpac, TrustBank and FinSec players knew each other and decisions could be made locally as required. The local bankers were familiar with the
union, comfortable with collectivity, and knew how these worked in the organisation.

In summary, there was an established and compatible employment relations practice in both banks (prior to and during the merger) of placing priority on HRM and IR which meant there were supporting structures and behaviours already in place. Critically, one might argue, because of this there were also trust-based relationships between management and union that were not disrupted or overtaken by new decision makers entering the local scene.

Recent literature suggests that innovative IR finds its expression in “partnership” arrangements between union and management. Haynes and Allen (2001) note in their exploration of cooperation and partnership strategies in the UK finance and retail sectors that strong union organisation is essential to successful partnership unionism. Finsec and WestpacTrust adopted an approach to the merger that exhibited many of the features of partnership although they never called it this and there was no formal agreement. As Guest (1995) suggested in his original exposition of new realism, unions will need to adopt approaches emphasising cooperation, community, citizenship and quality to counter individualist HRM approaches. The working definition of new realism requires union presence and high take-up of HR practices. But this merger case suggests that new realism requires more than just union presence, it requires innovative union presence (which may or may not be formalised in partnership type strategies).

Gap in the literature or black hole?
The merger literature rues the poor results which mergers yield; it also notes the importance of maintaining workforce stability in order to manage HRM risk during a merger; and identifies that stability is influenced by job security, procedural fairness and communication. However, the possible contribution (either positive or negative) of trade unions to merger processes is largely ignored. Why does such a gap in the literature exist? Is this evidence of a “black hole” or is it merely an oversight?

Are unions not present and therefore not involved? This is a plausible explanation when one observes the generally low levels of unionisation in the predominantly US-based organisations which constitute a large proportion of the merger literature. As a result many of the organisations studied must either represent the “black holes” of employment relations, or rely entirely on an “individualized” approach.

An alternative hypothesis is that unions are present but ignored. Australia, New Zealand and the UK have witnessed rapidly increasing levels of individualisation in employment relationships over the past decade, due to legislative change and economic rationalism. Such approaches see little room or need for union presence, and a far greater emphasis on HRM. Indeed Morehead et al. (1997) (cited in Deery and Walsh, 1999, p. 247) note little Australian
evidence in recent years of consultation with unions about organisational change issues. Similarly, Walsh and Brosnan (1999) found in a New Zealand workplace survey that 56 per cent of employers in responding unionised workplaces reported that unions were ignored or merely informed of change decisions. In the UK, Haynes and Allen (2001) highlight the inconsistent and ambivalent attitude of management towards unions in the banking sector, and Gall (2001, p. 354) notes that the majority of research in the sector has focused on “the implementation of human resource management from a managerialist-type perspective”. In general HRM, organisation behaviour (OB) and management literature (both academic and practitioner) have largely preferred to ignore unions, focusing instead on the relationship between manager and employee.

However, Guest (1989) in a discussion of the implications of HRM for IR and unions explores the differences between these institutions, and concludes that although “HRM values are essentially individualistic in that they emphasise the individual-organisation linkage in preference to operating through group and representative systems”, that HRM is not necessarily anti union. It is from this view that “new realism” and partnership type models of HRM and IR emerge – however these are not well canvassed in the HRM and management literature and tend to remain the preserve of industrial relations.

The merger literature could develop more effective approaches to managing HRM risk if it drew from a broader employment relations research literature. Job security, procedural fairness and communication are key issues precisely because they are the very factors which are threatened in extreme organisational change. There is a need for organisations and researchers to acknowledge that human resource managers and line managers may find themselves in a delicate merger balancing act of trying to act in the interests of the merged organisation and in the interests of the staff. It is the difficulty of this balance, and the conflicts of interest it creates, that can compromise workforce stability. Mergers, however well handled, are fraught with potential mistrust and are therefore dependent on the goodwill of existing relationships. This goodwill can be shattered by the entry of unfamiliar decision makers, such as managers from the acquiring company or consultants as their agents. Unions, as illustrated by the WestpacTrust case, can give greater assurance of procedural fairness, help keep management honest, and advocate for the staff they represent. Equally, the ability to do this does not emerge overnight, but is built on a foundation of trust between union and management, and between union and members established over time.

However, it is not only that the literature ignores the possibilities of union involvement, but that it ignores the impact of incompatible or mismatched approaches to employment relations in merging organisations. The merger literature often considers cultural fit of organisations (Appelbaum et al., 2000a, b; Buono et al., 1985; Cartwright and Cooper, 1993; Chatterjee et al., 1992;
Datta, 1991; Weber, 1996) but seldom the employment relations policy choices which embed those cultures. It is argued that this issue would benefit from an extended use of Guest's (1995) taxonomy of employment relations policy choices dependent on the priority placed on HR and IR. Table I presents an extension of the taxonomy for considering merger situations. It attempts to predict the potential consequences of merging different (and similar) employment relations environments. Possible predictions could be, for instance, the risk of industrial action when either an individualized or a black hole organisation acquires a traditional collectivism or new realism organisation. Similarly, the risk of losing staff disgruntled over HR conditions increases when a black hole or traditional collectivism organisation acquires an individualized or new realism organisation.

The author has been unable to empirically test the full range of predictions in this model due to the previously noted paucity of observations on employment relations environments in the merger case study literature. For example, recognised merger commentators have focused on organisational, cultural and human factor issues. However, these tend to take either a psychological perspective on individual reactions to mergers (Cartwright and Cooper, 1994) or focus almost exclusively on managers and their style, autonomy, capability, turnover (Datta, 1991; Hunt et al., 1987; Weber, 1996). Many studies focus on approaches to assessing culture and organisation fit incorporating all of the former and other factors such as compatibility of compensation/rewards policies (Buono and Bowditch, 1990; Cartwright and Cooper, 1996; Chatterjee et al., 1992; Datta, 1991; Hunt et al., 1987; Schweiger et al., 1987; Weber, 1996). All these studies found that organisational differences had a significant negative impact on merger performance. This lends supports to the notion that incompatible employment relations policy environments might also impact on merger performance. The studies do not provide sufficient information to assess the relative employment relations environments in the depth required to fully test the predictions in this model. Hence studying the impact of employment relations environments on mergers is a potentially fruitful area for future research.

The use of this model in the analysis of the WestpacTrust case highlights that both banks operated “new realism” employment relations environments. Although the banks' cultures were very different, the general compatibility of the approach to employment relations was a strength in managing the HRM risks of the merger. As Guest and Conway (1999) point out, such taxonomies inevitably simplify, but in doing so draw attention to some key employment relations policy choices. In merger and acquisition scenarios, there will always be the need to attend to the alignment of policies and management of other HRM risk factors (e.g. job security, procedural fairness, and communication), even in largely employment relations compatible organisations. However, the magnitude of those risks has to be greater between less compatible
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<th>ER policy of acquired organisation</th>
<th>New realism (high HR/high IR)</th>
<th>Individualised (high HR/low IR)</th>
<th>Collectivism (low HR/high IR)</th>
<th>Black hole (low HR/low IR)</th>
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<td>New realism (high HR/high IR)</td>
<td>Ensure alignment of policies and practices</td>
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<td>Individualised (high HR/low IR)</td>
<td>Potential IR problem</td>
<td>Ensure alignment of policies and practices</td>
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<td>Collectivism (low HR/high IR)</td>
<td>Potential HR problem</td>
<td>Potential IR problem</td>
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<td>Black hole (low HR/low IR) problem</td>
<td>Potential HR and IR problem</td>
<td>Potential HR problem</td>
<td>Potential IR problem</td>
<td>Ensure alignment of policies and practices – if any present</td>
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**Source:** Based on Guest (1995)
organisations. Added to this, the rise of cross-boundary and global mergers and acquisitions also increases the scope for greater employment relations incompatibilities between organisations as practices and values from different national contexts collide. Hence, an important additional dimension of managing HRM risk is analysing the compatibility of employment relations approaches in the merging organisations and merger process.

In conclusion, this article has shown that in the relentless rise of mergers and acquisitions the academic and practitioner literature has largely ignored the role of unions, and the impact of employment relations policy contexts in managing the HRM risks associated with mergers. The Westpac and TrustBank case provides a useful demonstration of the possibilities of union involvement contributing to workforce stability. In this case established trust based relationships, local decision makers, well developed union infrastructures and coverage levels proved fundamental to union/management/employee cooperation. The case also helps to demonstrate that at a strategic level consideration of the compatibility of the employment relations policy approaches of merging organisations is important. Effectively managing HRM risk in a merger starts long before the merger – merger decisions and due diligence could do to bear this in mind.

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