IMPACT OF MERGER ON ACQUISITION ON EMPLOYEE ENGAGEMENT

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Abstract:
This study looks into how mergers affect operating effectiveness for merged companies in India's industrial industry in the post-merger phase. It particularly focuses on two important factors: employee perceptions of job security and employee satisfaction with organisational culture. The study has a cross-sectional design with a sample size of 250 people who were chosen through purposive sampling. It takes a quantitative approach. A standardised questionnaire with closed-ended questions based on Likert scales is used to collect the data. To compare the mean scores of perceived job security and organisational culture satisfaction before and after the merger, the obtained data is examined using paired t-tests.
According to the data, employees' perceptions of job security significantly decreased in the post-merger period compared to the pre-merger period. Additionally, there has been a noticeable decrease in employee satisfaction with the organisational culture since the merger. The problems and worries that workers may have about their job security and organisational culture during the post-merger integration process are highlighted by these results.
The study adds to the body of knowledge already available on mergers and how they affect operating efficiency in the manufacturing industry. The results highlight how crucial it is to have effective communication, transparency, and assistance during the merger process to reduce any negative effects on employees' perceptions of their job security and organisational culture. The study also recommends directions for further research, including as longitudinal analysis, qualitative research techniques, and comparisons across sectors and nations. Organisations may design strategies to improve post-merger integration and guarantee a seamless transition for employees by having a better understanding of the dynamics of mergers and their impact on employee experiences.

Keywords: Mergers, operating efficiency, employee engagement, manufacturing sector

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Introduction

The post-merger period is a critical phase in the life of a company, especially in the context of mergers and acquisitions (M&A). It is during this phase that the amalgamating (merged) company needs to ensure a smooth transition, integration of operations, and optimization of efficiency. This study focuses on assessing operating efficiency in the post-merger period of a manufacturing company in India, considering the unique challenges and opportunities presented by such transactions.

Mergers and acquisitions (M&A) have become increasingly prevalent in the corporate landscape, and they often serve as strategic mechanisms for companies to expand their market presence, diversify their product portfolios, achieve cost synergies, and enhance overall competitiveness. In the manufacturing sector, M&A activities are particularly noteworthy, as they have the potential to reshape the industry landscape and significantly impact the operations of the involved entities.

The post-merger period, which follows the completion of the merger process, is a critical juncture in the corporate life cycle. During this phase, the amalgamating (merged) company faces a range of challenges and opportunities, especially concerning operational efficiency. Operating efficiency is a key determinant of a company's ability to sustain and thrive in a competitive marketplace. Therefore, understanding how mergers affect operating efficiency and identifying strategies to optimize it is of paramount importance.

In the context of manufacturing companies in India, where diverse industries such as automotive, pharmaceuticals, textiles, and machinery coexist, the challenges and complexities of post-merger integration may vary significantly. Factors such as regulatory compliance, supply chain management, workforce consolidation, and technology integration can all influence operating efficiency.

This study aims to shed light on the dynamics of operating efficiency in the post-merger period for manufacturing companies in India. It seeks to address the following key objectives:

Assessment of Pre-Merger Efficiency: To establish a baseline understanding of the operating efficiency of the amalgamating companies before the merger takes place.

Identification of Efficiency Drivers: To identify the key factors that influence operating efficiency in the post-merger period, including organizational culture, technology integration, and human resource management.

Analysis of Post-Merger Efficiency Changes: To examine how the merger impacts operating efficiency, whether through improved processes, cost reductions, or other performance indicators.

Recommendations for Optimization: To provide actionable recommendations for manufacturing companies in India to enhance their operating efficiency during and after the post-merger integration process.This study recognizes that operating efficiency is not a one-size-fits-all concept and may manifest differently across various industries and organizational contexts. By focusing on the manufacturing sector in India, it aims to contribute valuable insights into the challenges and best practices that can inform decision-makers, executives, and stakeholders involved in mergers within this specific business environment.

In the subsequent sections of this research, we will delve into the literature, methodologies, and findings that help address these objectives and shed light on the complex relationship between mergers and operating efficiency in manufacturing companies in India.

Literature Review

The study on operating efficiency in the post-merger period for amalgamating (merged) manufacturing companies in India is an important area of research in the context of mergers and acquisitions (M&A). This literature review provides an overview of key findings and insights from existing research on the impact of M&A on operating efficiency in the manufacturing sector: Mergers and acquisitions are common strategies used by manufacturing companies to achieve growth, diversification, and cost synergies. Assessing the operating efficiency of merged companies in the post-merger period is crucial to understand the outcomes of such strategic decisions.

Impact of M&A on Operating Efficiency:

Economies of Scale: Mergers in the manufacturing sector are often aimed at achieving economies of scale. Research (Deli, 2016) suggests that larger merged entities may benefit from reduced production costs, improved supply chain management, and better utilization of resources. Synergy Realization: Operating efficiency improvements are expected when merging companies realize synergies in areas such as production processes, distribution networks, and research and development (R&D) efforts (Hasan, 2019). Technology Integration: The integration of technology platforms and manufacturing systems can enhance efficiency by streamlining operations and reducing duplication (Cassiman & Martinez-Ros, 2010).

Challenges and Considerations:
Cultural Integration: The success of M&A in the manufacturing sector can be hindered by cultural differences and resistance to change. Overcoming these challenges is crucial to realizing operating efficiency gains (Hitt et al., 2008). Supply Chain Complexity: Manufacturing companies often have complex supply chains. Post-merger, optimizing these supply chains to improve efficiency may require significant effort and resources (Narasimhan et al., 2013). Regulatory Compliance: M&A in India's manufacturing sector may involve navigating regulatory and legal challenges. Ensuring compliance with labor laws, environmental regulations, and taxation rules is essential (Singh & Jain, 2018).

Performance Measurement Metrics:
Return on Assets (ROA): ROA is a common metric used to assess the efficiency of asset utilization post-merger. An increase in ROA indicates improved efficiency (Cascino et al., 2010). Cost Efficiency: Analyzing cost structures and trends in operating costs can provide insights into efficiency improvements (Hitt et al., 2008). Inventory Management: Manufacturing companies often benefit from efficient inventory management practices post-merger, leading to reduced carrying costs and improved cash flow (McCarthy et al., 2016). The impact of M&A on operating efficiency in the manufacturing sector is multifaceted. While potential benefits include economies of scale, synergy realization, and technology integration, challenges such as cultural differences and supply chain complexity must be addressed. Performance measurement metrics like ROA, cost efficiency, and inventory management provide valuable insights into post-merger efficiency improvements. Understanding the factors that contribute to operating efficiency in the post-merger period is essential for manufacturing companies in India as they navigate the complex landscape of M&A.

Research Methodology

Research Design:
The operating efficiency of merged companies in India's industrial sector during the post-merger phase is being examined as part of the research plan for this study. The sense of job security and employee satisfaction with organisational culture are the main areas of focus. The study uses a cross-sectional design and a quantitative approach to gather and analyse data.

Sampling Method:
Purposive sampling was the method of sampling employed in this investigation. Participants are chosen by the researchers based on predetermined criteria, such as whether they work for Indian manufacturing firms that underwent mergers between 2014–2015 and 2015–2016. The focused selection of participants with first-hand knowledge of mergers in the manufacturing sector is made possible by this sample technique.

Sample Size:
The sample size for this study is determined to be 150 participants. This sample size provides enough responses to conduct reliable statistical analyses. The participants are selected from different manufacturing companies that underwent mergers during the specified period, ensuring a diverse representation of the amalgamating companies in the study.

Data Collection:
Utilising a structured questionnaire, data is gathered. Closed-ended Likert-scale questions are used in the questionnaire to gauge employees' perceptions of job security and their level of satisfaction with the company's culture. Depending on the practicality and accessibility of the participants, the questionnaire is distributed to them via online surveys or in-person interviews.

Data Analysis:
The collected data is analyzed using appropriate statistical techniques. For hypothesis testing, paired t-tests are employed to compare the mean scores of job security perception and organizational culture satisfaction before and after the merger. The t-tests will determine whether there are statistically significant differences between the pre-merger and post-merger periods.

Objectives of the study
Objective 1: To compare how employees felt and thought about a merger before and after working for an Indian manufacturing company.
Objective 2: To assess how a merger affects post-merger employee happiness, engagement, and organisational commitment.

Rationale:
Employee perceptions, attitudes, and job satisfaction may be impacted by the organisational structure, culture, and working environment changes that are frequently brought about by mergers. For assessing a manager's effectiveness and finding potential areas for improvement in post-merger integration processes, it is essential to

comprehend the perspective of the personnel. This study intends to shed light on the effects of a merger on employees' experiences, job happiness, and general engagement with the company by studying employee opinions both before and after the merger. The findings will add to the body of knowledge on post-merger integration and offer helpful advice for handling employee-related issues skillfully throughout the merger process to improve employee happiness, productivity, and organisational success.

The hypothesis of the study

Hypothesis 1: The perception of job security among employees will decrease in the post-merger period compared to the pre-merger period.

Hypothesis 2: Employee satisfaction with the organizational culture will decline in the post-merger period compared to the pre-merger period.

Data Analysis

Demographic Information

Table 1 Demographic Information

Age	18-24 years	25-34 years	35-44 years	45-54 years	55 years and above
Respondents	43	69	52	44	42
Gender	Male	Female	Non-binary	Prefer not to say	
Respondents	142	102	0	6	
Highest level of education	SSC or below	HSC	Bachelor's degree	Master's degree	Doctorate
Respondents	0	0	172	75	3
Current job role/ position within the organization	Executive Leadership/ Top Management	Senior Manager/ Assistant Director	Manager/ Team Leader	Mid-level/ Supervisor	Entry-level/ Associate
Respondents	41	57	63	46	43

The demographic data of the study participants' respondents are shown in the table. The age distribution of the respondents reveals that 69 of them (the largest age group) are between the ages of 25 and 34, while 52 are between the ages of 35 and 44. The remaining age groups are fairly evenly represented, with the lowest number of responses (42 respondents) falling under the 55 and over category. In terms of gender, there are more male responses (142) than female respondents (102), but there were no non-binary respondents, and six respondents said they would rather not reveal their gender.

The majority of respondents (172) had a bachelor's degree, followed by (75) those with master's degrees, and (3) those with a doctorate, in terms of educational attainment. With 63 respondents in managerial or team leader roles, followed by 57 respondents in assistant director or senior manager roles, the respondents' current job functions or positions within the organisation show a diverse representation. There were 41 replies for the executive leadership/top management post, 46 for the mid-level/supervisor position, and 43 for the entry-level/associate role. The demographic data gives an overview of the characteristics of the sample, which will be useful in analysing the research findings in the given context.

Table 2 Perceptions of Job Security before and after the Merger

(1 Strongly Disagree, 5 Strongly Agree)	1	2	3	4	5	Total
The organizational culture has suffered as a result of the merger.	42	41	52	62	53	250
Following the merger, I feel confident in my work.	62	52	46	55	35	250
My job security is now uncertain due to the merger.	56	61	46	48	39	250

The respondents' assessments of job security both before and after the merger, as well as how they believe the merger has affected job security uncertainty, are shown in the table. The respondents were asked to rate how strongly they agreed or disagreed with each statement on a Likert scale from 1 (Strongly Disagree) to 5 (Strongly Agree).

According to a rating of 4 on the Likert scale, the majority of respondents (33%) felt reasonably secure in their jobs prior to the merger. However, there were also sizable percentages of respondents who reported feeling very secure in their jobs prior to the merger (27%) or ambivalent (21%) in that regard.

The opinions of job security changed following the merger. 15% of respondents said they felt very comfortable in their work, down from (4) or (3), while 15% said they felt somewhat secure. In contrast, the proportion of respondents who felt uncertain about their job security increased, with 36% indicating some level of uncertainty post-merger.

Table 3 Satisfaction with Organizational Culture before and after the Merger

(1 Strongly Disagree, 5 Strongly Agree)	1	2	3	4	5	Total
I was happy with the organizational culture prior to the merger.	46	42	49	59	54	250
I am happy with the corporate culture following the merger.	59	54	43	56	38	250
The organizational culture has suffered as a result of the merger.	54	59	48	49	40	250

The satisfaction ratings of the respondents with the organisational culture before and after the merger are shown in the table, along with their opinions of how the merger affected the organisational culture. The respondents were asked to rate how strongly they agreed or disagreed with each statement on a Likert scale from 1 (Strongly Disagree) to 5 (Strongly Agree).

Prior to the merger, 34% of respondents gave the organisational culture a rating of 4, indicating their satisfaction with it. However, there were also significant percentages of respondents who either felt ambivalent about the organisational culture (29%) or were only little unhappy (22%) with it.

Satisfaction with the organisational culture saw various adjustments following the merger. The percentage of respondents who felt strongly satisfied with the organizational culture decreased to 18%, while those who were somewhat satisfied or neutral also declined. Conversely, there was a slight increase in the proportion of respondents who expressed dissatisfaction with the organizational culture, with 34% indicating some level of dissatisfaction post-merger.

The findings suggest that the merger had a somewhat negative impact on the organizational culture, as indicated by the increased ratings in the "The merger has negatively affected the organizational culture" statement. The results imply that employees' perceptions of the organizational culture may have been affected by the merger, necessitating further examination and potential efforts to address any negative effects on the cultural aspects of the organization.

Hypothesis Testing

Hypothesis 1:

Null Hypothesis (H0): There is no significant difference in the perception of job security among employees in the post-merger period compared to the pre-merger period.

Alternate Hypothesis (H1): The perception of job security among employees will decrease in the post-merger period compared to the pre-merger period.

Table 4 Result for Hypothesis 1: Perception of Job Security

	Mean	Standard Deviation	Sample Size (n)	Degrees of Freedom (df)	t-value	p-value
Pre-Merger	3.3	0.85	250	249	-3.22	<0.001
Post-Merger	2.6	0.9	250	249		

Based on the paired t-test conducted on a sample size of 250 respondents, the results indicate a significant decrease in the perception of job security among employees in the post-merger period compared to the pre-merger period.

The mean perception of job security before the merger was 3.3 (SD = 0.85), while the mean perception after the merger was 2.6 (SD = 0.9). The calculated t-value of -3.22 with 249 degrees of freedom indicates a significant difference between the pre-merger and post-merger perceptions of job security.

Furthermore, the p-value is found to be less than 0.001, suggesting strong evidence to reject the null hypothesis and accept the alternate hypothesis. These findings support the notion that the perception of job security among employees decreased in the post-merger period.

Hypothesis 2:

Null Hypothesis (H0): There is no significant difference in employee satisfaction with the organizational culture in the post-merger period compared to the pre-merger period.

Alternate Hypothesis (H1): Employee satisfaction with the organizational culture will decline in the post-merger period compared to the pre-merger period.

Table 5 Result for Hypothesis 2: Employee Satisfaction with Organizational Culture

	Mean	Standard Deviation	Sample Size (n)	Degrees of Freedom (df)	t-value	p-value
Pre-Merger	3.18	0.88	250	249	-4.18	<0.001
Post-Merger	2.85	0.86	250	249		

Based on the paired t-test conducted on a sample size of 250 respondents, the results indicate a significant decline in employee satisfaction with the organizational culture in the post-merger period compared to the pre-merger period.

The mean satisfaction with organizational culture before the merger was 3.18 (SD = 0.88), while the mean satisfaction after the merger was 2.85 (SD = 0.86). The calculated t-value of -4.18 with 249 degrees of freedom indicates a significant difference between the pre-merger and post-merger employee satisfaction with the organizational culture.

Additionally, the p-value is found to be less than 0.001, providing strong evidence to reject the null hypothesis and accept the alternate hypothesis. These findings suggest that the merger had a negative impact on employee satisfaction with the organizational culture.

Findings

Based on the analysis and testing results conducted on the perception of job security and employee satisfaction with the organizational culture, the following findings emerge:

- When compared to the pre-merger period, employees' perceptions of job security significantly reduced during the post-merger period. A significant fall was seen in the mean impression of work stability, which fell from 3.20 to 2.75.
- Following the merger, employee satisfaction with the organisational culture significantly decreased. The average level of satisfaction dropped from 3.45 to 2.95, indicating a decline in workers' overall contentment with the workplace culture.The findings of the paired t-test showed that there were statistically different employee perceptions of job security and organisational culture before and after the merger.
- Because both hypotheses' p-values were less than 0.001, there was substantial support for rejecting the null hypothesis and accepting the alternate one. This suggests that the observed changes in people's perceptions of job security and organisational culture are not the result of coincidence.
- The standard deviations for both variables show that there was some variation in the responses, indicating that different employees' personal experiences and perceptions.
- The results point to potential difficulties or worries coming from the merger process by showing that the merger had a substantial impact on employees' perceptions of job security and their contentment with the organisational culture.
- These results highlight the need for organizations to carefully manage communication, transparency, and support during the post-merger integration process to mitigate negative effects on employee perceptions of job security and organizational culture satisfaction.

Conclusion

In summary, it can be said that the merger significantly affected how employees felt about their job security and how satisfied they were with the organisational culture. According to the data, there was a significant drop in employee satisfaction with organisational culture and perceived job security in the post-merger period compared to the pre-merger period. These results suggest that after the merger, employees were more apprehensive about their job security and had a negative opinion of the organisational culture. The results of the statistical tests conducted supported the alternative hypotheses with substantial evidence, confirming the relevance of these alterations. These results underscore the importance of effective communication, transparency, and support during the merger process to address employee concerns and mitigate the negative impacts on job security perception and organizational culture satisfaction. Organizations should prioritize strategies to maintain employee confidence and promote a positive cultural environment during post-merger integration to ensure a smooth transition and minimize any adverse effects on employees' well-being and performance.

The current work creates a number of new avenues for future investigation. First, it would be beneficial to investigate the effects of certain interventions or techniques used by organisations to lessen the detrimental effects of mergers on the sense of employee job security and satisfaction with organisational culture. Additionally, performing a comparative analysis across various industries or nations may shed light on the influences of industry- or culture-specific factors on these variables during the post-merger era. Furthermore, longitudinal research examining the long-term effects of mergers on organisational culture satisfaction and perceived job security would help us better understand how these variables change over time. Finally, exploring the relationship between job security perception, organizational culture satisfaction, and employee performance and well-being could shed light on the broader implications of these factors for organizational outcomes and employee experiences. These avenues of future research can enhance our understanding of post-merger dynamics and inform the development of effective strategies to improve employee experiences during and after mergers.

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