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A study on the HRM functions in private and public sector organisations in post acquisitions and disinvestments phases

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ABSTRACT

The twenty first century fertilizer manufacturing organizations face not only the challenge to survive in the highly competitive market but at the same time updating their processes and upgrading themselves have been an essential aspect for the organizations. The reason why these organizations adopting different survival strategies and on most occasions the acquisitions and disinvestments are prone for them. And the role of the HR practices in substantiating the efforts of the organisations towards acquisition and development cannot be undermined. But, in particular when it comes to disinvestments we do always have a question in us regarding the basic HR roles performed by professionals in the public and private sectors. The literature related to the concern indicates the possibility of differentiation among the public and private sectors, to perform various HR roles during the time of adopting the change process. In this paper the researcher studied the roles performed by HR professionals in the public and private sectors. A systematic questionnaire was designed for the collection of data with stratified sampling. For the purpose of analysis of the data tests of significant difference were performed through chi-squared test and the results showed a significant difference in the approach of the organisations.

Key Words : Acquisition, Disinvestments, Public Sector, Private Sector, Procurement, Career Development, Training and Development, and Compensation and Benefits administration

INTRODUCTION

Acquisitions and Disinvestments have become an inevitable part of the business organizations which not only become an important business strategy but at the same time help in improving organizational effectiveness. In fact, acquisitions and disinvestments are now days been accepted as one of the strategies to help organizations to have competitive advantage in the present economic environment around the globe (Cooper and Gregory, 2003; Daniel and Metcalf, 2001; Hitt and Pablo, 2004; Schmidt, 2002). Acquisitions and disinvestments are key forces that facilitate the organizations to sustain the challenges of business growth and to enhance their sustainability in having competitive advantage (Pablo and Javidan, 2004).

Organisations engaged in acquisitions and disinvestments seek to gain a competitive advantage

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through the efficiencies gained by consolidating assets and resources (Schmidt, 2002). To succeed the competition of survival the present era demands the HR function and processes to be more strategic having the ability to add value through making things happen. However the conditions of competitive advantage cannot be cannot be achieved without the improvements in workforce practices and that a major barrier to change was found when the corporate culture did not emphasize human resource issues.

Again, while considering the similarities and differences of HR roles in the public and private sectors it is important to consider the human resources professionals opinion as they respond to specific human resource policies and practices in isolation. We may have the assumption of similar roles of human resource management practices in the public sector organisations with the private sector organisations for competitive advantage, but still there may be significant differences among the approach of the organisations toward various dimensions of the HR practices undertaken during the acquisition and disinvestment phases.

Literature review :

The literature on Acquisitions and Disinvestments are overloaded with usage of terms like merger, acquisition, disinvestment, buyback and takeover etc. These terms are often used in different accepted wisdom; however few authors use them synonymously. In some cases it is recognized as two forms of combinations and on the other cases takes the merger to be used with a wider connotation and considers acquisitions and disinvestements as two of its type. The following section, focuses on the understanding of these terms with help of the meaning being provided by various authors/ sources.

According to answer.com, acquisition is understood as the act of one organisation acquiring the major share of another corporation'. However, the traditional acquisition is in which a willing buyer and willing seller negotiate the terms and conditions on the basis of which the acquisition. Ultimately this leads to a situation where one firm acquires the other and thereby the latter loses its existence.

Disinvestments may be understood as the process of liquidating or selling the assets of an organization or the subsidiary of any private or government organization. In simple words, it can be understood as the process of the withdrawal of invested capital from a corporation. Again it may lead to the dilution of ownership and not that the full ownership is transferred. The reason for which, the disinvestment on many occasions are referred as a Partial Privatization.

The effect of acquisitions and disinvestments have incorporated major transformations in their approach which can be summarized as: a) The organisations orthodox approach to the business shall no longer be considered as the roadmap to success during the phase of transformations, b) the executive management have to understand that the there has to be a greater role in the HR arena during the turbulent times of change, c) the HR functions have to be completely reinvented and restructured considering the demand of the scenario, d) HR functions have to be more technology driven than carrying the same in a manual process to have the holistic integration of the HR activities, and e) the HR practices have to transform their HR roles from control and compliance to partnership and consultative practices.

In the twenty first century, technology and globalization have led to a rapid increase in merger and acquisition processes (Schmidt, 2002). In fact, mergers and acquisitions have becomes striking business strategies widely adopted and utilized among the global businesses and industries today (Daniel and Metcalf, 2001; Schmidt, 2002). Substantial research has shown that only a little

percentage of mergers and acquisitions are actually considered successful (Hitt *et al*., 2004; Schmidt, 2002). However, the involvement of human resource management professionals creates a high probability for the success of mergers and acquisitions (Daniel and Metcalf, 2001; Jeris *et al.*, 2002). Daniel and Metcalf (2001) stated that participation of human resource management and human resource strategies for managing people and their cultures are critical. The involvement of human resource management professionals in mergers and acquisitions is indispensable for integration of cultural values, management practices, and work processes between two combined organizations (Jeris *et al.*, 2002).

Therefore, new outlook based on human resource management competencies are required, to help organizations assess their respective values and successfully integrate cultural values and management practices. Of research findings on mergers and acquisitions imply that human resource management programs such as Structure, Employee Issues, Cultural integration, HR policies and processes and Communications should all be used during the stages of the merger and acquisition processes (Jeris *et al.*, 2002; Waight, 2004).

However the changes in the HR practices adopted by the organisations have identified significant differences in its approaches depending on the nature of the organisations. Studies based on the success stories of the private sector practices and public sector practices have identified differences in the practices of the organisations, which lead them to have competitive advantage at the present scenario.

Organisations to win over the challenges of the globalization depend on not only hiring the quality manpower but at the same time the focus is on retaining the golden collar employees. The discussions held at a Public HR Management conference concluded that public sector HR practitioners should adopt a revamped HR practice and must address variety of complex issues in management of human resources ranging from procurement and retention problems, in comparison with the private sector practices, to address the increased diversity among the workforce (Public Sector HR Practitioners..., 2001)

It is also a matter of success for the organisations that they must streamline their HR processes and automate transactional work and in the process the organizations must focus on right sizing their staff and thus there should be a shift in the hiring process to gain more strategic competencies. The practices thus adopted in the public sector for strict adherence to merit systems principles resulted in the enforcement of stronger HR rules designed to emphasize the merit selection process (Kellough, 1999). The merit systems principles outlined for the public sector management system are not strictly adhered by the private sector organisations and thus leads to a stronger administrative expertise and employee advocacy role in the public sector than in the private sector.

The focus on the roles of administrative expertise and employee advocacy acknowledged that the management of human resources in the organisations are the responsibilities of senior managers, the line managers and the HR staffs of the individual departments, and thus the rules, regulations, and policies framed for the purpose clearly have the impact on the activities of the roles performed by the HR practitioners.

A particular research in a number of functional areas of human resource management included the issue of the pay gap among the public and private sector organisations, as well as the overly prescriptive compensation programs adopted by the management (National Academy of Public Administration, 2001a). The study further focus that neither the traditional training nor the lifelong learning practices are built into the HRM systems of the public sector organisations and thus it can be a boomerang to the efforts of changes in the existing HRM system that lead to the management

of human capital and their roles as HR professionals.

Ching (2001) identified that the public sector organisations need to focus on a strategic approach to HRM in their effort to drive change and personnel development in response to the changes in the environment of the workforce. These practices some times are unique to the public sector organisations only and thus lead the HR to different roles than in the private sector.

The outcome of a research by the Brookings Institution highlighted some important aspects associated with the work force of public sector organisations as different from the private sector practices. In the survey of over 1,000 public sector employees and 500 private sector employees, many issues were identified with respect to the practices adopted by the organisations and the perception of the employees towards the management (Light, 2001). The research in particular, concluded that the employees of private sector organisations have three distinct advantages over the public sector. Private sector workers a) have a clear perception of their senior leaders as competent authorities providing enough coaching and mentoring facilities of growth and advancement in their career, b) they have clear expressions in terms of resource mobilization and have the opinion that private sectors support in facilitating adequate resources, and c) the workers believe that private organizations are better at formulation of policy and implementing the same in different hr functional areas such as hiring, inducting, training, promoting talented employees and dealing effectively with poor performers (Light, 2001). Thus the outcome of the research clearly identifying the need to address the human capital in a different way in the public sector organisations thus the responsibility falls with the HRM professional.

Ehrlich (1994) in his study focused on the issue that employees must devote time to training and development aspects and thus stressed on ensuring the career growth as the most effective opportunity available for them. Each of these practices is very much in line with the typical efforts of HRM practitioners. A report by Aon Consulting (1999) indicated that the development of loyalty among the workforce and generating the sense of commitment, is in need of improvement, as a requirement of the present era that stresses on the employees who will make sacrifices for the team, will recommend the organization's products and services, and will recommend the organization as a good place to work. Thus the study emphasizes on the administration of benefits and compensation, training and development, organizational culture all having an impact the commitment of employees in an organization.

The effect of these factors on commitment level of the employees of the organisations is further elaborated in research by Kaye and Jordan-Evans (2001) and thus have identified that majority of the employees have focused on career growth, learning, and development opportunities among their top three reasons for delivering their commitment towards the organisation and citing the reasons of their retention in the organization.

The impact of the factors thus identified has not changed apparently, as indicated by other studies performed since then, that have further indicated the linkage between these HR practices and employee commitment in both the public and private sectors (Becker *et al.*, 2001; Tobias, 2001; Whitener, 2001).

The present research shall address this fundamental aspect and thus is an attempt to identify similarities and differences in the functions of public and private HR practitioners as a result of this unique influence.

Research objective:

The objectives of the study refer to detailed research and investigation for the impact of

acquisition and disinvestments in the public and private sector manufacturing organisations. It helps to examine the existing phenomenon by providing a complete guidance of the theoretical input in the process. This also gives the proper and as well as logical guidance to the entire research work which provides ways and means to overcome all related problems, deficiencies. However the specific objective of the present study is :

– To examine the differences in the approach of the Public Sector organisations and the Private sector organisations towards the HR practices such as Procurement, Career Development, Training and Development, and Compensation and Benefits administration before and after the acquisition and disinvestment phase.

Research hypothesis :

H1: The approach of the Public Sector organisations and the Private sector organisations towards the Recruitment, Selection and Induction process after the acquisition and disinvestment phase are not different.

H2: The approach of the Public Sector organisations and the Private sector organisations towards the Promotion and Career Development functions after the acquisition and disinvestment phase are not different.

H3: The approach of the Public Sector organisations and the Private sector organisations towards the General Training and Development measures after the acquisition and disinvestment phase are not different.

H4: The approach of the Public Sector organisations and the Private sector organisations towards the Compensation, Reward and other Benefits administration before and after the acquisition and disinvestment phase are not different.

METHODOLOGY

Design :

For the purpose of the present study the stratified sampling method was used. Stratified sampling refers to a method of selection of sample from a finite population that provides each combination of each possible sample in an equal probability of being picked up. Thus each item in the entire population have equal chance of being included in the sample. The survey was conducted with particular objective of considering those populations of the organization who have witnessed both the phases *i.e.* the pre and post acquisition phases and pre and post disinvestment phases of both the public sector and private sectors organizations taken for the purpose of the study. The population considered for the purpose of the survey was across the various departments of the Organization. The study was limited to only that population of the organization. The reason why, the sample size was restricted to 104 only.

The success of survey depends on the strength and quality of the instrument used. The instrument used in this research was developed by the researcher based on the theoretical perspectives of literature on the merger and acquisition process and human resource management literature. The researcher developed 39 items describing the various human resource management programs which were clubbed under 4 such important functional areas. In this research work the schedule consist of well formulated structured questionnaire on different aspects of the acquisition and disinvestment processes and the impact on the HR practices of the organisation.

The techniques were used to analyze, organize, and summarize the data, including the

demographic data of the respondents. Moreover, Chi-Squared test was used to examine the assessment of impact of various HR processes and functions during the phases of pre and post acquisition and disinvestment of the public sector and private sector organisations.

RESULTS AND DISCUSSION

Reliability statistics :

A reliability test was conducted to assess the reliability and internal consistency of the variables used to measure the employees' response during the post acquisition and disinvestment phases of the organisations and the result is represented below.

Table 1 : Reliability of variables HR Practices after acquisition and disinvestment

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha aased on Standardized Items	N of items
.920	.926	39

In the above table the Cronbach's alpha α = .920 and the number of items that was taken was 39. The Cronbach's alpha value is over .7 that shows there is high internal consistency and that all the items are quite reliable to study the HR Practices after acquisition and disinvestment in both type of the organisations.

Test of normality :

In order to determine normality graphically the researcher used the output of a normal Q-Q Plot. If the data are normally distributed then the data points will be close to the diagonal line. If the data points stray from the line in an obvious non-linear fashion then the data are not normally distributed.

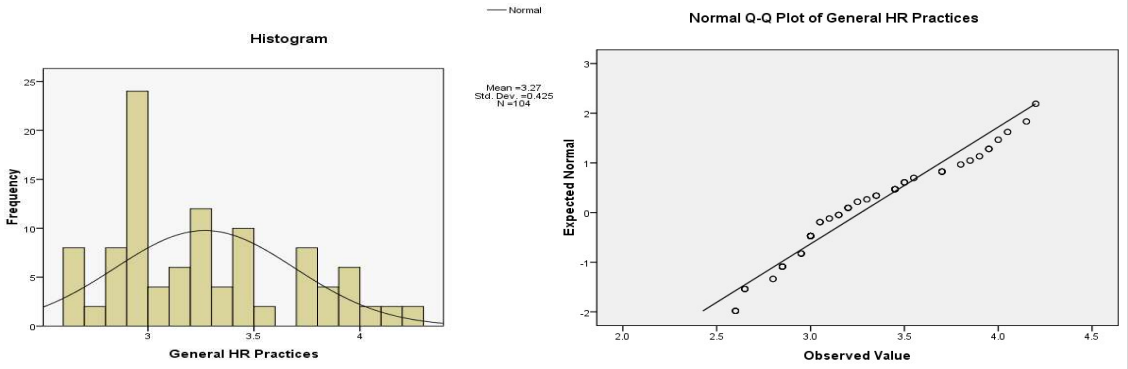

Fig. 1 : Histogram and Q-Q Plot of variables of General HR Practices

As we can see from the above normal Q-Q plot the data for measurement of General HR practices before and after the acquisition and disinvestment of both types of organisation is normally distributed.

Test of hypothesis :

A chi-square test of independence was performed to examine the relation between the

relationship between Organisation category (Public and Private) and the Recruitment, Selection and Induction processes after the acquisition and disinvestment phases of the organisations. The results of the same are presented through Table 2 for the purpose of testing of the hypothesis as mentioned below.

H1: The approach of the Public Sector organisations and the Private sector organisations towards the Recruitment, Selection and Induction process after the acquisition and disinvestment phase are not different.

Table 2 : Chi-square: Organisation and recruitment, selection and induction

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.455[a]	2	.178
Likelihood Ratio	4.953	2	.084
Linear-by-Linear Association	.291	1	.590
N of Valid Cases	104		

a. 2 cells (33.3%) have expected count less than 5. The minimum expected count is 1.77

From the above analysis it can be observed that the approach of the Public Sector organisations and the Private sector organisations towards the Recruitment, Selection and Induction processes after the acquisition and disinvestment phase are similar, as denoted by the relation between these variables that are expressed as: X^2 (2, N = 104) = 3.455, p > .05. So, the null hypothesis is accepted and the alternate hypothesis is rejected.

This may be because of the fact that both the private sector and public sector organisations have focused in streamlining their recruitment and selection practices by adopting well defined employment standards, focusing on the promotion of internal employees, adopting a fairness of selection procedure, and implementing a systematic induction and orientation programme.

Similarly, to examine the relation between the relationship between Organisation category (Public and Private) and the Promotion and Career Development Aspects after the acquisition and disinvestment phases of the organisations the chi-square test of independence was performed and the results of the same are presented through Table 3 for the purpose of testing of the hypothesis as mentioned below.

H2: The approach of the Public Sector organisations and the Private sector organisations towards the Promotion and Career Development functions after the acquisition and disinvestment phase are not different.

Table 3 : Chi-square: Organisation and promotion and career development

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.384[a]	2	.001
Likelihood Ratio	14.574	2	.001
Linear-by-Linear Association	13.181	1	.000
N of Valid Cases	104		

a. 2 cells (33.3%) have expected count less than 5. The minimum expected count is .88

From the above analysis it can be observed that the approach of the Public Sector organisations and the Private sector organisations towards the Promotion and Career Development Aspects

Practices after the acquisition and disinvestment phase are different, as denoted by the relation between these variables which are expressed as: X^2 (2, N = 104) = 13.384, p < .01. So, we can conclude that the null hypothesis is rejected and the alternate hypothesis is accepted.

This may be due to the fact that the public sector organisations HR practices with reference to promotions and career development are more or less a predetermined function. Where the public sector organisations focus the same as a routine practice, the private sector organisations focus on the merit based approach for the recognition of job performance.

Similar to the above the chi-square test of independence was also performed to examine the relation between the relationship between Organisation category (Public and Private) and the Training and Development Practices before the acquisition and disinvestment phases of the organisations. The results of the same are presented through Table 4 for the purpose of testing of the hypothesis as mentioned below.

H3: The approach of the Public Sector organisations and the Private sector organisations towards the General Training and Development measures after the acquisition and disinvestment phase are not different.

Table 4 : Chi-square: Organisation and training and development

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	18.246[a]	2	.000
Likelihood Ratio	24.979	2	.000
Linear-by-Linear Association	15.368	1	.000
N of Valid Cases	104		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.31.

From the above analysis it can be observed that the approach of the Public Sector organisations and the Private sector organisations towards the Training and Development Practices after the acquisition and disinvestment phase are significantly different, as the relation between these variables are expressed as: X^2 (2, N = 104) = 18.246, p < .001. So, we can conclude that the null hypothesis is rejected and the alternate hypothesis is accepted.

This may be because of the fact that both the private sector organisations, to improve the overall efficiency of the organisations, have focused more on need based training programmes, providing the coaching and mentoring facilities to the employees, creating a learning culture and ensuring the development of employees in each and every aspects.

Again, to examine the relation between the relationship between Organisation category (Public and Private) and the Compensation, Reward and Other Benefit Programmes after the acquisition and disinvestment phases of the organisations the chi-square test of independence was performed and the results of the same are presented through Table 5 for the purpose of testing of the hypothesis

Table 5 : Chi-square: Organisation and compensation, reward and benefit programmes

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.461[a]	3	.037
Likelihood Ratio	9.621	3	.022
Linear-by-Linear Association	2.137	1	.144
N of Valid Cases	104		

a. 2 cells (25.0%) have expected count less than 5. The minimum expected count is .88

as mentioned below.

H4: The approach of the Public Sector organisations and the Private sector organisations towards the Compensation, Reward and other Benefits administration before and after the acquisition and disinvestment phase are not different.

From the above table we can see that the relations between these variables are expressed as: X^2 (2, N = 104) = 8.461, p < .05. From the above analysis it can be observed that the approach of the Public Sector organisations and the Private sector organisations towards the Compensation, Reward and Other Benefit Programmes after the acquisition and disinvestment phase are different from one another. From the results, we can conclude that the null hypothesis is rejected and the alternate hypothesis is accepted.

This may be due to the fact that the private sector organisations HR practices as compared to public sector organisations have focused more on market oriented compensation structure, improved the mechanism of incentives administration, and the non payroll benefits offered to the employees.

Conclusion :

Mergers and acquisitions have becomes striking business strategies widely adopted and utilized by the industry. However, substantial research have identified the importance of the involvement of human resource management professionals for the success of mergers and acquisitions. Again there is a significant difference among the private and public sector organisations in implementing the policies related to human resource management in organisations. However, HR programs such as procurement, career growth and promotions, training and development, compensation and benefit administration can be focused to facilitate the sustainable change that helps the organizations to achieve the objectives of the acquisition and disinvestments.

From the analysis we observed that there is a significant difference in the opinion of the employees towards the HR practices of the private and public organization in the post acquisition and disinvestment phase. From the Chi-Squared analysis mentioned above (Table 2 to 5) we can observe that the approach of the Public Sector organisations and the Private sector organisations towards Promotion and Career Development Aspects, Training and Development Practices, Compensation, Reward and Other Benefit Programmes are different. However, there is a similar sort of practice in recruitment and selection adopted by the both category of organisations after the acquisition and disinvestment phase.

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