



## **Managing Diversity in Enterprises after Mergers and Acquisitions Process**

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**Abstract:** The paper's aim is to view expectations and challenges of diversity in enterprises after merging and addressing them. It is important for management to respond to changes that were brought about such as re-structuring and transfer of employees in order to address challenges brought about different caliber of employees as well as induction of new staff to the organizational culture. Managing diversity allows enterprises to derive the best services and talent out of its workforce since they will feel accommodated from different places. It is therefore the responsibility of the management and Human Resources personnel to introspect into their policies of integration of employees from different backgrounds. If issues of diversity are not carefully addressed they can end up spiraling to legal tussles which may impact the organization negatively. The researcher therefore explores on how human resources personnel or leadership have to mitigate any challenges that diversity can spring forth. Mergers and Acquisitions across the globe brought together challenges such as mixture of cultures, educational backgrounds, values and human perceptions as well as technology since there is migration of workers across the globe, especially for multi-national corporations and international. However, challenges brought by diversity can be turned into strength of enterprises such as transfer of skills and affirmative action. A narration and literature of qualitative study will seek to address issues of diversity in newly established organizations through mergers and acquisitions.

**Keywords:** Mitigation, Diversity, Multi-national, Globalization, Personnel, Re-structuring.

### **1. Introduction**

The expansion of businesses across the globe led to the involvement of many activities of mergers and acquisitions which include international companies such as those termed as multi-national corporations. Since merging may be done across businesses in different countries, there is bound to be diversity in all differences of human aspects as cultures, languages, personalities and even mannerism are different. Enterprises across the globe and their activities such as transactions, involvement in trade, human capital, assemble divergent differences to be aligned with. Since in international corporations there must be an exchange of information, and information depends on languages used which has different units for measurements and currencies too. The main barrier that must be overcome is communication since there is cultural differences which influences the language used. Failure to align culture in mergers and acquisitions can lead to the collapse of the whole establishment since there are probabilities of delays and misinterpretations. International trade, emerging markets create migration and integration that lead differences in the labour force across the globe hence there is a need to dedicate time in order to handle suppliers and customers from all over the world. In today's business world, diversity is seen in sectors of economy, technology, human factor and trade which all presents itself as strength to sustainable enterprises. Systems of governance in different countries can also be a form of diversity in a form political diversity adding to other forms such as that of cultural and technological globalization (Cheong Cheng 2004). Since there are different systems of governance across the global and their way of regulating businesses, merged enterprises must be in a position to accommodate and appreciate such political diversity. Leaders from different countries invite investors from different businesses especially multi-corporation enterprises to establish companies in their respective countries hence there is need to adapt to the new environment and this can only be made possible by having a way of managing such diverse backgrounds. According to Cartwright and Schoenberg (2006) in most scenarios, mergers and acquisitions fail to live up to expectations because of failing to fit and adjust into expected culture. If after merging and acquisitions,

the process of culture alignment is not seen through for the benefit of running of corporations, then failure can be expected. The paper will address a question of what can management of companies do in order to complement and appreciate diversity in their midst.

## 2. Literature Review

### 2.1 Diversity in Organizations

Diversity can be looked at in different perspectives such as in education or qualifications, gender, language, skills possessed by employees, experience, specialization and not limited to the ability to solve problems in the workplace. It is important for organizations to be aware of the work-related attitudes – what Greenberg and Baron (2003, p.56), define as “those lasting feelings, beliefs and behavioral tendencies toward various aspects of the job itself, the setting in which the work is conducted, and/or the people involved” – of their staff, because this will enable organizations to improve their functioning. Whereas Esty, Griffin and Schor-Hirsch (1995) look at diversity as embracing and accepting differences amongst people that can be brought about by their disability, ethnicity, age, language, race and their classification in society. Since organizations will be merged, change is therefore expected but it will take time to adjust (Koonce (2001).

Therefore, diversity can be identified in the following forms:

- **Culture** – diversity can come in a form of culture, ethnicity and the way of doing things relating to the upbringing of the individual. Perceptions and values may add to the culture of individuals. There is therefore a need to blend different cultures harmoniously in order to pull or work together. Cultural issues can involve religion, perceptions, relationships and practices which when addressed carefully can breed conflicts among workers (Ting-Toomey 2000).
- **Gender** – Attention must also be given to the gender that is available in the workforce, a bidder company in mergers and acquisitions might take on a company that did not cater for other genders, so it will be the responsibility of the new leadership to adjust in order to accommodate all people. This may even include additional facilities and resources in the target or merged company. However, Llorento and Macias (2005) contend that there is no significant relationship between gender and being happy with job but it is an important issue not to be ignored.
- **Skills** – There are different skills possessed by the workforce and this presents diversity across such skills. The human resource management and leadership will have to gather on how to reward workers with different skills that complement each other in the business.
- **Education** – Companies recruit employees who possess different educational abilities in the different areas of profession. Some qualifications are compensated better than others as they maybe scare or too technical and this present another diversity that must be addressed in the workplace. According to Senel and Senel (2012, p.1148), higher educational levels and qualifications may well increase an employee’s professionalism and result in higher job satisfaction
- **Experience** – Since there is always a problem of staff turnover in different organizations, employees who stay longer in a particular field and organization will possess more experience than others. In some enterprises reward is given to longer serving members in order to encourage retention of workforce.
- **Language** – especially in the case of multinationals and international trade, it is important to take heed of the language and units of measurements used internationally. Some companies even employ people who are multi-lingual in order to be able to communicate to the outside world. However, companies can engage consultancy and interpreters in order to help absorb such differences.
- **Technology** – Technology used depends on the development of industries themselves and countries which companies are resident of. Developed countries will be far much ahead than undeveloped countries in terms of technology. So in mergers and acquisitions if a multi-national company acquire a company from a least developed country, it must therefore counter the diversity in technology in order to mitigate the diversity in methods of production.
- **Income** – Income will present itself as part of diversity in the workforce and it depends on the government policies since different governments have their own stipulated wages. A merged or acquired company in a particular country will have to follow practices of such particular country when it comes to salaries and wages. Ideally income amongst the workforce will differ for the reason of education and skills that employees’ possess.
- **Seniority** - Treating seniority and ‘tenure’ as synonyms, Romero and Strom (2011, p.3) assert that employees with “more seniority typically has more job security and can help enterprise in achieving diversity in the workplace.

In a relative example of diversity in the workplace, a previous study by Badubi, Botha and Swanepoel (2014) in a department of education in Botswana, showed that the majority of respondents in a survey of 250 employees were male,

with 55.6% (n = 139) male versus 44.4% (n = 111) female subjects. The large difference in gender distribution shows that there are more males in the teaching profession and in the schools participating in the study. Relating to diversity in age, (38.8%, n = 97) fall within the 30-39 age category. This represents a relatively high number of employees who might be considered to have reached the midway mark in their careers. Respondents aged 20-29, representing relatively 'new' entrants to the profession, numbered 69, accounting for 27.6% of the total population, with an almost equivalent number (n = 68, 27.2%) being aged 40-50. The age category 51-60 is the most poorly represented (n = 16, 6.4%), reflecting a tendency among employees to either change careers at some point or take early retirement. Thirty-seven respondents were employed on a temporary basis at the time of the survey. The high number of temporary employees may reflect a high staff turnover, which may in turn be ascribed to failure to manage diversity in the workplace. Diversity in the workplace may also present itself in a form of marital status as (47.6%, n = 119) of respondents in that survey were single. Married respondents numbered 100 (40.0%). The remainder were composed of 19 divorced individuals, 4 widows, 3 widowers and 5 employees who were separated from their spouses at the time of the survey. The majority of respondents (31.6% of the population, n = 79) belong to the least experienced group in terms of years of service (0-5 years), while the most experienced group, those with 21 years' or more service in the profession, account for only 9.6% (n = 24). The high number of inexperienced employees may be ascribed to the fact that they are preferentially employed thanks to higher qualifications, while the low number of highly experienced ones may be the result of (early) retirement, career changes, or advancement outside their profession (Badubi, Botha and Swanepoel 2014). There are different scenarios that diversity is derived from. As mentioned earlier above diversity can be in a form of experience, age, marital status, education, gender, and not limited to experience.

## **2.2. Challenges of Diversity in Mergers and Acquisitions**

One of the reasons behind merging and acquisition of enterprise is to turn business into competitive forms to be reckoned with in the market globally. This therefore presents an enterprise with an opportunity to presented a united diverse workforce which is more successful. After merging, re-deployment will have to take place looking at the quality and talent that the new enterprise has at its disposal and align the workforce with its objectives and what is to be achieved. Re-deployment is a greater challenge since there will be employees with duplicate skills which will force the organization to terminate some of their services. It is befitting that enterprises have to adapt and usher in relevant changes to their structures because of rational changes and challenges brought about by diversity. According to Evans, Dean and Thomson (2013) it is the management's challenge to include competitive performance, quality improvement as well as business processes. It is important to be able to pull together different people from different perspectives in order to achieve a common goal of any enterprise by working together, sharing ideas, solving problems together, in order to be competitive. If leadership can manage the aspect of diversity, then the survival of the enterprise is secure. Failure to address diversity challenges will render the business ineffective as there are bound to be conflicts that will derail the purpose and the mission of the enterprise while competitors will be striving on further expansion and profits. Cox and Beale (1997) evidenced that a diverse organization can be swift in response to opportunities that a presented by business since it has a pool of diverse workers with skills and experience. Trying to balance differences brought about by diversity can bring more conflicts, disappointments and dissatisfaction among workers because obviously those more skilled and qualified will be earning more salaries than those who are not, this to some can be viewed as favouritism which is absolutely not. It then requires the human resource manager with sharp skills and special talents in human capital to steer the ship to success. According to Linlin (2014), enterprises can be cross-cultural which will then bring different units that can breed obstacles in way of communicating and messages can be distorted.

## **2.3. Mitigating Challenges Presented by Diversity**

### **2.3.1. Affirmative Action**

Governments in countries that have groups that were previously disadvantaged among their society have policies that seek to address the prejudice of certain groups. This can help in bringing harmony among diverse individuals. Acquisition of target companies by foreign bidder companies, therefore maybe compelled to follow statutes that are aimed at bringing equality and peace among natives thereby helping in addressing diversity. As explained by Loysk (1996), affirmative action is brought about by the ability to manage diversity.

### **2.3.2. Leadership Style**

Leadership must be accommodative in managing employees from their diverse backgrounds because diverse attributes should be complementing each other in order to bring success to the organize. Employees with different talents should be allowed to explore them so that others with less skills can learn from them. Human Resource department can always

implore their best management practices as well as core planning. Strategic leadership is the critical point in achieving company's objectives. Negative side of leaders can jeopardise the firm's operations (Hogan and Hogan 2001).

### **2.3.3. Training and Development**

After the merging of companies, it is important to conduct induction to the newly acquired entity. In order to fit in to the new operations, the enterprise will to a certain extent offer training and development in order to align employees to the new methods of operations. Coaching programmes and mentoring will as serve as tools to be used in ushering in employees in a merged enterprise. Employees must be encouraged to move from their previous comfort zone and embrace challenges that come with being indifferent from others. Training should be in line with the mandate and purpose of the organization otherwise resources and capital will be wasted in programmes that will not benefit the enterprise. As Goldstein and Gilliam (1990) stated, training allows employees to explore their cognitive competencies and stimulate the motivation of employees. Employees will then gain more exposure and experience through training.

### **2.3.4. Talent Management**

In recruitment and selection, it is important to source employees with special talent among the pool of applicants. Those that are already in the organization can be retained with rewards or allowances such as scarce skill. Coordination by personnel department will become handy in knowing where and how to place such talent that the enterprise is having in order to avoid employees with special skills to be under- utilized or mismatched with their specialties. Managing talent will help in addressing diversity because employees will see that they are being recognized hence get motivated. Bleijenberg and Peters (2010) recognized that when talent in an enterprise is fully derived and utilized from employees, they will become more competitive and give the organization an edge over the others. Employees are therefore knowledgeable on job challenge, autonomy, variety, and scope of their job in an organization (Saari & Judge, 2004, p.397).

### **2.3.5. Team Work**

Team work must be encouraged among employees who work together. Forming different committees that are responsible for different activities of the company will encourage employees to work together and the more time they spend together the more they will learn to get along and coordinate together. Employees assigned to lead such teams must be skilled in dealing with diversity and problem solving techniques. Teams can be those responsible for sales, marketing, health and safety or employees' welfare. Leaders responsible for teams must be assigned with added responsibility and authority to be able to control other members. Leaders with exceptional skills will present guidance to members as well as conflict resolution if any matters arise within that particular group (Ayoko and Hartel 2006). Working in teams brainstorming will help the company achieve its goals and objectives (Yang 2013, p.681) because opportunities for satisfaction will be there for employees Brainstorming will cultivate responsible behaviour in which employees and management get involved and work together to accomplish tasks (Bonner, 2010).

## **3. Conclusions**

International trade is experiencing massive growth across the globe and the presence of international or multi-national companies is in every continent. Competition for survival of businesses and branding enabled companies to seek business elsewhere as well as areas where they can find resources for their products. This led to companies forging ties with others either by mergers and acquisitions and this present a diverse scenario which needs to be managed. Communication therefore is vital across management of enterprises in order to drive the message of diversity and unity among the different sectors and patterns that are presented in enterprises. Communication will help in addressing cultural differences and interpretations that are necessary especially for merging companies from totally different countries. Employees maybe skilled and talented but failure to communicate may render their services obsolete that is why management must be effective in addressing issues of diversity. Since the researcher is an international student in a class of diverse nationalities, age, different professions, it gave a picture to what is happening in a real world of merging individuals from different backgrounds and established that it is possible to work together and use talents to complete each other in order to attain success. Further studies on issues of diversity on merger companies need to be taken as the business world is dynamic and evolving because changing policies of governments and international community which affect trade and company formations.

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