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Define the Process of Human Resource Integration in Cross-Border Acquisitions: Evidence from Chinese Oversea Acquisitions

Wenjia Chang-Howe

Abstract

This research focuses on integration during and after mergers and acquisitions where one firm (Chinese) has a dominant position in comparison with another (Western firm). Using the critical incident approach, 30 interviews were conducted with representatives of 13 firms that have undergone Chinese-Western mergers and acquisitions (M&As) during the period from 2005 to 2019. This study aims to analyse the HR integration process in pre-and post-acquisition to determine the critical success factors, and present a framework that determines the success or failure factors and the actions required. The findings have important implications for an organisation post-acquisition phenomenon from a human resource point of view. As a result, it presents an overview of this critical post-HR integration phenomenon and posits that using an integrated approach from the human resources perspective is essential to ultimately enhance the acquisition integration success rate.

Keywords: Post-M&As, Human resource integration process, Critical incident approach, HR Integration

1. Introduction

Although 80% of mergers and acquisitions (M&As) results are reported as failures based on the desired profitability [1, 2], M&A is still one of the most essential methods for an organisation to quickly attain corporate growth in order to gain market share or achieve synergies and innovation [3]. As M&A activities continue to rise, ‘human factors’ are often blamed for disappointing M&A outcomes. A substantial body of literature has examined various facts of the integration models and HR issues [4, 5]. In particular, HR is recognised as one of the critical factors after the M&A period (post-M&As) for success or failure outcomes [6–9]. However, research in this area is more focused on emotive moments in the initiation of M&As [10], little research literature has looked at post-integration from a human resource (HR) process perspective [11].

Chinese overseas mergers and acquisitions (M&As) have a relatively short history [12], beginning with the Go Global policy in 1999 [13]. The golden age for Chinese-Western M&A deals was made between 2005 and 2017 [14], after which the

Chinese government changed its policies on overseas investments, and M&A activity dropped dramatically. There was significant interest among Chinese companies to acquire the advanced technology used by Western companies [15], along with their more modern management systems [16, 17], market resources, and innovation capacity [13]. High-income countries, particularly those of North America and Europe, attracted 65.6% of Chinese foreign direct investment outflows during this period [18]. However, only a small amount of these outward-bound investments by Chinese firms has shown successful performance after the M&As. [19–22].

Very few studies have examined integration during and following Chinese overseas M&As [23], and they lack a clearly defined process or an overview of content involved in this important phenomenon [24]. Further, a consistent perspective regarding the human resource integration process (HRIP) is absent as are the interaction steps. While most studies on M&As consider the human factor critical for integration [24], few scholars have considered HRIP as a dual process that is undertaken simultaneously with integration as a whole. This study focused on the Chinese -Western overseas M&As, posits that complete integration is necessary for practitioners to realise more successful merger outcomes [25]. It propose to answer the critical question: What is the HRIP and what factors should be incorporated into the HRIP after cross-border M&As?

In order to perform the investigation over post-M&A integrations, where one firm has a dominant position over the other, and simplify the interactions and process [26]. Thirty interviews were conducted using the critical incident (CI) approach [27], with representatives of 13 Western firms acquired by Chinese companies during the period from 2010 to 2016 (including the Netherlands, Germany, United Kingdom, Canada, and Australia), to understand the process. Secondary data from newspaper articles, internal HR policies, and managerial documentation were also reviewed.

This study makes two main contributions to the field of interests. The first is to analyse with preliminary information from selected companies the HR integration process through integration leadership, change and restructuring, personnel resistance, and valuable personnel retention factors. This process influences the success or failure of the M&A integration stage. The second contribution is to present a framework that can determine the success or failure factors, the actions, and some examples of HR management and behaviour during the M&A process. This study focuses entirely on Chinese overseas M&As, where a business from an Eastern culture enters a Western culture environment. Therefore, the scope is limited to predefined national characters, and does not exhaust all possible types. A discussion of the validity of the proposed framework in other contexts is also presented in this paper.

2. Literature review and selection

Following Pablo's [28] definition of integration, HR integration can be defined as the post-M&A change in an organisation's technical, administrative, and cultural configuration [11]. Many studies have addressed the causes and outcomes of HRIP, and some studies have also focussed on the integration of HR management practices [11, 25]. For instance, the failure to find consistent relationships may stem from an over-emphasis on either the pre-M&A stage (characteristic of early research in strategic management) [29], the post-M&A stage (a focus of early cultural studies) [30], and strategic management research at the expense of the interconnection between the pre- and post-M&A stages [31, 32].

The integration of organisations is the process by which two companies are combined after an M&A is announced. Often, the degree of interaction and strategy between the two companies is defined before the integration begins [33]. Therefore,

the decision-making process for HR factors in the pre-M&A stage is critical in understanding the integration process [34]. Following the literary traditions on human factors in post-M&As, four central themes have been studied: leadership [33] and the integration team [35]; change [36] and the restructuring process [37]; personnel resistance [3]; and valuable personnel retention [38].

There are few systemic or structured methodological frameworks available for the study of integration itself [25]. Although several researchers have focused on a process approach [39–42], this perspective has not been widely taken up as anticipated. For example, Caiazza and Volpe [43] proposed a three-staged integration process: a multi-level due diligence negotiation, an organisational culture integration, and atmospheric competences [43]. Steigenberger [38] presented an integrative framework of the general process of business integration in an M&A, which underlines the interactions between the conditions and interventions that are critical for understanding M&A outcomes. Advocates of a process approach have focused on post-acquisition management rather than examining linkages throughout the entire M&A process [39, 44]. A multidisciplinary review is needed to examine all of the critical variables that appear throughout the M&A process. While some resources are considered prerequisites for the development of a firm, such as absorptive capability [45] and integration capability [35], two critical dimensions identified by Haspeslagh and Jemison [39] are essential: the need for strategic interdependence and the need for structural autonomy [46]. Gomes and Angwin [47] summarised the critical success factors for the pre- and post-M&A phases and their inter-relationships. Furthermore, no clear linkage between the steps of the post-M&A processes and human factors has been established [48].

Most studies have investigated the human side of M&As by focusing on influential human factors within organisations [45]. These include cultural fit, the relationship between management styles, cultural tolerance, and stress-related emotions experienced by employees during and after an M&A [49–52]). Other works have investigated the importance of managerial practices, such as cultural learning interventions and communication initiatives [53, 54]; openness and willingness in leadership [55]; and transparency to trust between the acquirer and the employee [56]. Although integration of human resources is important, there is a dearth of studies on HRIP practices during M&As [32, 57, 58]. Further, the current understanding of when and how human resource integration leads to cross-border acquisition success is limited and extant literature does not investigate remedies for conflicts in cross-border acquisitions.

In this study, the link between the structural, processual, and strategic dimensions of integration is also expressed through the use in the strategy literature [59–62]. Integration's strategic dimension influences its structural dimension and specifies the direction for its processual dimension. Granlund [63] also suggests that structure and action are inseparable in post-merger integration (PMI). **Table 1** presents an overview of leading theories related to post-M&A HR integration taken into consideration during this study.

Despite the diverse methodologies used by the studies reviewed, elements related to integration were identified in relation to the three stages of the M&A: the pre-integration stage, the integration stage, and the evaluation stage [39]. A conceptual framework for post-M&A HR integration was proposed by Chang-Howe [99], which categorises the HRIP from pre-integration (HR due diligence and determining the factors of an integration strategy) to HR integration (system integration, personnel integration, and change management) and integration outcome (success and failure indicators). It offers a clear overview of all tasks and discusses HR functions in an M&A, however, the interactional relationship between the stages remains unclear.

This study posits that a more integrative approach is required. Therefore, introducing a design management control system [97] to design a human resource intergration process (HRIP). The post-M&A HRIP can be understood as a performance management control system for the combination of two existing HR systems

Stage of integration	Criteria	Human resource factors	Citation
Pre-integration	Define HR integration strategies	Competitive advantage resource analysis	[64–66]
		Knowledge-based resource;	
		Resource-based view	
		Gap analysis	[67–78]
		Culture fit	
		Organisational culture assessment	
		Cultural distance	
		Cultural clash	
		Work alienation	
		Integration capabilities Internal capabilities resources (if key personnel are available)	
Pre-integration	Define HR integration strategies	Organisational constraints (union, policies, pension, contract, and change management)	
		Legislation in the acquired country	[79–84]
		Institutional theory and institutional constraints (internal and external legitimacy, liability of foreignness, and institutional dualism)	
		Employment system, economic organisation and control, corporate governance regimes	
Pre-integration	Choose the type of methodology	Acculturation modes (interaction, assimilation, separation, and deculturation)	[85, 86]
		Acculturation modes (infusion type, interactive amalgamation type, and independent type)	[87]
Pre-integration	Define the level of HR integration	Overall integration (procedural integration, physical integration, managerial integration, and sociocultural integration)	[88]
		Continuum from autonomy to absorption	[89]

Stage of integration	Criteria	Human resource factors	Citation
Integration (execution)	HR management philosophy and system (acquire directly or recruit new employees; agent-type integration)	System integration	[11, 25, 46]
		Integration of HR management practice (deletion, adoption, and maintenance of HR practices)	
		Knowledge transfer and the learning process;	
		Personnel integration	[11, 25, 46, 54, 87, 90]
		Personnel changes	
		(Personnel assimilation mode, manager accreditation system, and changes in managerial positions)	
		Change management	[91]
Post-integration (evaluation)	Employee retention	Key personnel retention;	[92, 94–96]
		Top management turnover and career patterns	
	Performance evaluation	Opportunistic behaviour (hold-up, shrinking, and free-riding), goal setting, and cultural retrenchment	[97, 98]

Table 1.
 Overview of main theories related to post-M&A HR integration.

and two organisational cultures. This management control system incorporates a combination of competitive advantages [30] to maximise outcomes. The methodology used provides a logical workflow for organising and guiding the development of an HRIP [100]. The most important considerations for an HR management system in M&As are the level and speed of integration [41], and HRIP should be assessed with the post-merger concepts of integration strategies [50], integration planning [18], resource-based theory, and institutional theory [71, 72]. These key elements provide the content for the framework that will be used to develop the HRIP in the sections below. Previous studies on M&A integration do not differentiate between post-merger and post-acquisition integration, therefore, we employ the neutral term post-M&A integration [48].

3. Methodology

3.1 Research design and qualitative method

Three primary interviews were conducted at random with specialists from Chinese M&A consulting firms and investment banking firms. Using the data from these interviews, the potential M&A cases were selected and designed in the

interview questions. The samples chose from commercially oriented companies since their segmentation toward business activities would have considerable similarities. These organisations feature a diverse collection of occupations and functions that show differences in the nature of work and the social context in which it is done [101]. To keep the sample concentrated and absolute, mergers and joint ventures were excluded from the study.

Companies were selected from five Western countries, the Netherlands, Germany, United Kingdom, Canada, and Australia. The Critical Incident (CI) approach [102] was used to collect primary data on the levels and patterns of post-M&A HRIPs. The interviewee's experience during the M&A was used to identify critical events and the processes and challenges met within the course of the M&As [103].

Contact was made with managers through professional and personal networks, and the sample was populated using a snowball approach. The sample was limited to those to whom the best access was possible and 30 interviews were conducted with representatives of 13 privately owned companies during the period from 2017 to 2020. The companies represented sectors such as manufacturing, entertainment, energy, finance, mining, and insurance. Interviews were concentrated on individuals in top management roles or who were critical to the M&A integration.

3.2 Data collection and analysis

3.2.1 Sample and context

HR integration is usually quite time-consuming, ranging from three months to two years. To collect relevant information and follow the development of cases, multiple interviews were conducted with the interviewees over the period 2017–2020. Six interviewees were transferred back to China after the integration, and four of them transferred to another location. The interviews were conducted in China, the Netherlands, United Kingdom, France, and Germany. In ten cases, interviews were conducted over the telephone, and the others were through face-to-face meetings in the country where the interviewees were located.

The interview questions were drawn from the literature on PMI, using the definitions of HRIP and patterns of HRIP from Yan [11]. The interview questions were developed in greater depth to identify and illustrate processes and critical factors in PMI. The questions covered the following topics:

- The general process of HRIP in the company and the parties involved.
- Exceptional events that occurred during the HRIP, as recalled by the interviewee.
- Emotions and personal experiences related to these events, in particular, the reasons for the emotions.
- Comparison of those experiences with other aspects of the interviewee's professional life and knowledge.

The participants were approached with carefully designed, open-ended questions. The interviews began by asking them to describe their work, responsibilities, and duties within the organisation, to examine their self-awareness in relation to their work and to confirm their rank. We then enquired about their knowledge of post-M&A management. Further, we explored the interviewees' emotions regarding post-M&A integration and their experience in the HRIP by using backtrack

questions that explored sections of time. This sample and context provided an excellent opportunity to examine key events and integration challenges in acquired Western organisations.

3.2.2 Data

This study followed the grounded theory approach [104] to collect the data in stages. The primary data were gathered using semi-structured interviews. Then, by adopting content analysis, we structurally analysed the interview records to discover the specific HRIP used during the post-M&A activities. Three additional interviews were held with management consultants specialising in M&As, in the early and later stages of the research to determine whether management behaviour patterns were unique or common.

Table 2 presents the characteristics of the positions held by the participants, industry sector, interview years, and other information. The final 30 candidates were selected using the criteria of position and management experience. Interviews were performed within and outside the company and lasted approximately 1 hour on average [105]. Personal information was kept confidential, and the data were stored anonymously [106]. Although we modified the interview protocols during each interview to take advantage of emerging themes [107], each set of protocols included questions on each member's perception of his responsibility, management experience, leadership style, the experience of the HRIP, and experience in managing conflicts and difficult emotions in the M&A process. This set of questions allowed the similarities and differences among members' perspectives to be observed.

3.2.3 Data analysis

Iterative analysis was performed on the qualitative data, by moving back and forth between the raw data and an emerging theoretical structure [108–110]. Three significant steps are followed in this iteration: creating provisional categories and first-order codes, integrating first-order codes and creating theoretical categories, and delimiting theory by aggregating theoretical dimensions [101].

The data employed in the qualitative research software ATLAS.ti, which facilitated the analysis of qualitative data. Interview transcripts were entered as text files into ATLAS.ti and coded. These included phrases, terms, or descriptions offered by the participants, in response to the semi-structured interviews. Open coding (initial coding) [111] was used in the first set of the coding process. Each coder began by reading the transcripts to identify the answers to the given questions, then joint statements were drawn on to form provisional categories. First-order codes and exit interviews were broken into sets of themes, using a strategy called focused coding [111] (e.g. post-M&A HRIP). This stage of analysis allowed a comparison to be made to establish differences between answers on the same topic. Measurements and extensions of critical incidents toward the change from the old to the new employer and the difference in organisational cultures and personal leadership representations were also deciphered. Once these theoretical categories were generated, we looked for the underlying dimensions to understand how different categories fit together into a coherent picture [112]. We formed different conceptual frameworks or models that described the relationship between the themes and available organisational theories. Once we identified a possible framework, we re-examined the fit or misfit of the data with a tentative theoretical understanding (e.g. [104, 108]).

Deal Country	Company No.	Integration strategy	Integration result	Acquired firm industry	Deal Year	Participant No.	Job Title Acquires side	Job Title Acquired side	Interview taken year			
									2017	2018	2019	2020
						1		HR Manager of the acquired company	1st			
	A	Fully integrate	Failure	Heavy vehicle Manufacture	2012	2	Chairman of the Acquired company		1st		2nd	
						3		COO of the Acquired company	1st			
	B	Fully integrate	Failure	Entertainment	2015	4		Head of Youth Academy	1st			
		Partly integrate	Success					General manager of the Acquired company				
	C			Energy	2013	5			1st			
						6	HR Director of Acquirer company		1st		2nd	
						7		Director of Business Development	1st			
						8		Director of Technical Department	1st			
						9	Board member of the Acquirer company		1st			
The Netherland	D	Fully integrate	Success	Electric product wholesale	2005	10		Director of Business development	1st			
						11	General manager of the Acquired company		1st			
						12		Head of Business development	1st			

Deal Country	Company No.	Integration strategy	Integration result	Acquired firm industry	Deal Year	Participant No.	Job Title Acquires side	Job Title Acquired side	Interview taken year				
									2017	2018	2019	2020	
	E	Fully integrate	Failure	Electric product wholesale	2011	13	Operational manager				1st		
						14	HRD of the Acquired Company		1st	2nd		3rd	
	F	Fully integrate	Success with re-integration	Insurance	2015	15	CEO of the Acquired Company		1st				
						16		Secretary of the Board	1st			2nd	
				Chemical Manufacturer	2016	17	CFO of the Acquired Company			1st	2nd	3rd	
	G	Fully integrated	On going			18		Sales director				1st	
				Energy	2009	19	GM of the Acquired Company					1st	
	H	Fully integrate	Success			20		Office manager				1st	
	I			Entertainment	2016	21	HRD of the Acquired Company				1st	2nd	
Germany		Fully integrate	Success with re-integration			22		Director				1st	
						23	M&A manager				1st		
	J	Fully integrate	Failure	Electric product	2017	24		Project manager				1st	
	K		On going	Payment	2019	25	HRD of the Acquirer Company				1st	2nd	

Deal Country	Company No.	Integration strategy	Integration result	Acquired firm industry	Deal Year	Participant No.	Job Title Acquires side	Job Title Acquired side	Interview taken year			
									2017	2018	2019	2020
UK		Fully integrate				26		Project manager				1st
Canada	L	Partly integrate	Success with re-integration	Energy	2012	27	M&A					1st
						28	HRD of the Acquire Company					1st
Australia	M		Success with re-integration	Mining	2016	29	HRD of the Acquire Company					1st
		Fully integrate				30		HR manager of the Acquire company				1st

Table 2.
Participant sample.

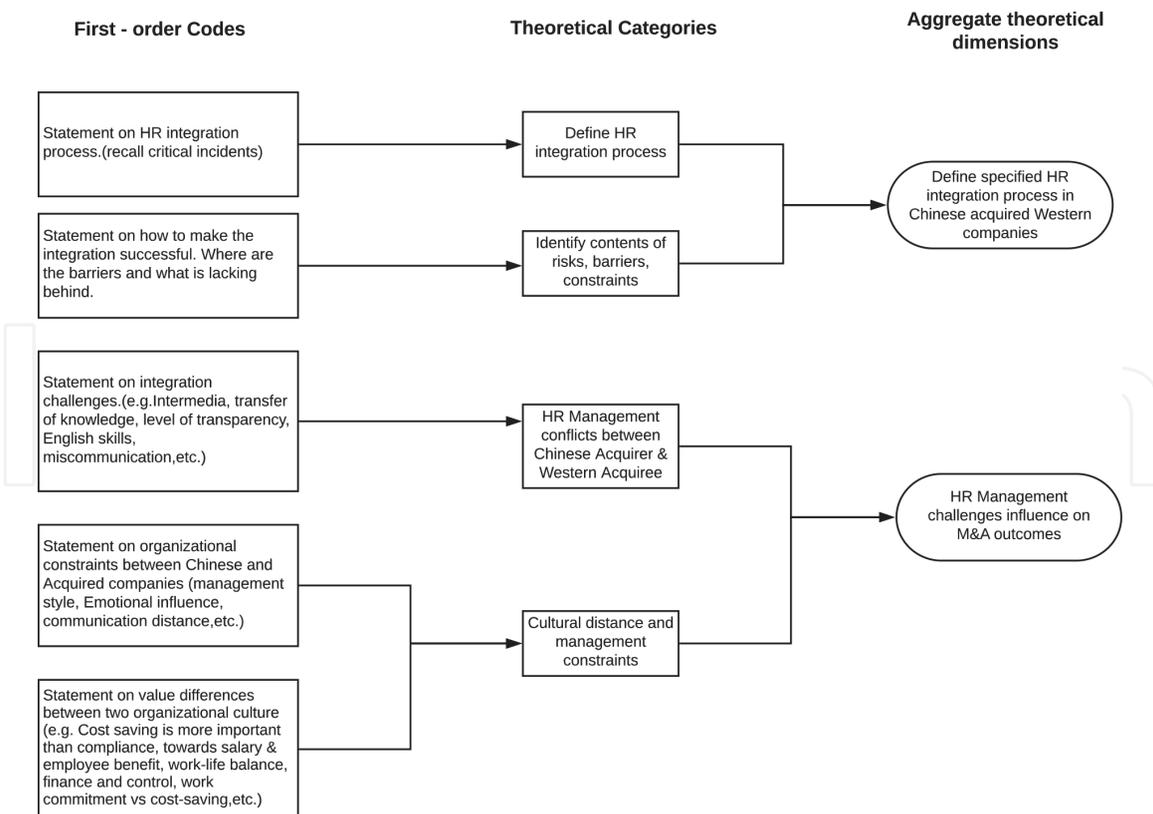


Figure 1.
 Overview of data structure.

Figure 1 summarises the process, using Corley and Gioia’s [10, 113] data structure, which presents first-order categories, theoretical categories, and aggregate theoretical dimensions. The aggregate theoretical dimensions shown are the ones that best explain the critical indicators that influence successful outcomes and employee emotions in HRIPs.

The rest of the manuscript discusses the findings, followed by a discussion on the process and constraints identified in the HRIP. We also propose a general theoretical model of HRIP as well as culturally specified values and attitudes that influence successful outcomes during post-M&A integrations. This research concludes with the discussion of the implications of the model, both in theory, related to HRIP and critical factors [114].

4. Findings

Following the fundamental argument of Jemison and Sitkin [40], M&A should be seen as a process with distinctive characteristics, which can affect important organisational activities and outcomes [100]. The results in the qualitative phase were divided into three significant steps: pre-integration (i.e. HR due diligence, choice of HRIP, and integration strategy), integration (i.e. systems integration, personnel integration, and change management), and evaluation (i.e. designed outcome and inconsistencies). As expressed by one interviewee ‘Each company has its own story, but overall, the problems are the same. First, you need to analyse what is there and what the priority is, and then what can be done’ (Participant 13). The combination of results of the current research with existing literature led to the development of the post-acquisition HRIP framework (**Figure 2**), which incorporates the HR integration strategy, HR system integration, personnel integration, and change management (**Table 3**).

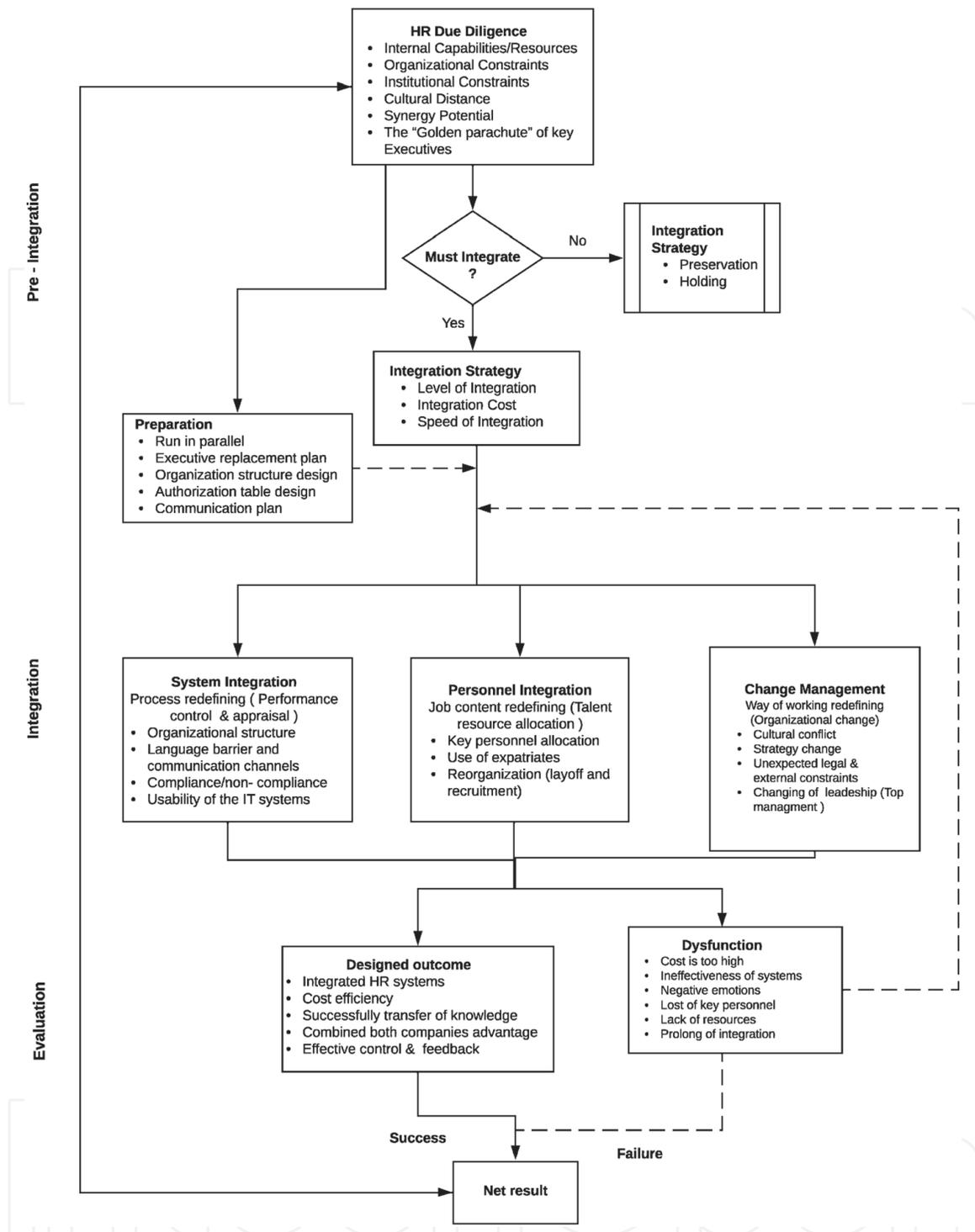


Figure 2. HR integration process (HRIP).

4.1 Pre-integration (HR due diligence, choice of HRIP, integration strategy)

Chinese firms tend to invest overseas, in countries with higher incomes, better technology, and advanced management methods [18]. In particular, Chinese companies that pursue M&As with Western companies seek to acquire knowledge, skills, and capabilities to enhance their competitive advantage, to enter Western markets. Therefore, the level of integration can be determined, depending on the absorptive capability of the acquiring company.

The pre-integration phase, took place in three steps, based on the findings: due diligence, HR analysis derived from broader business analysis, and HRIP strategy and planning.

	Theoretical categories	Codes and interviewee numbers
Pre - Integration	HR due diligence	
	Internal capabilities and resources	To define the internal capabilities of the acquired company well and understand what available resources you have within your own company. (Nos. 15, 19, 27)
	Organisational constraints	The key points for HR due diligence are to determine what structures and risks the acquired company has and whether there are any compliance issues. (Nos. 27, 28, 29, 23, 17, 14)
	Institutional constraints	We overlooked the legal and government policies that impacted our deals. (No. 4)
	Cultural distance synergy potential	For Chinese companies, especially state-owned ones, government policies have a great impact on decision making. (Nos. 2, 27, 28, 15)
	The golden parachute of critical executives	We assess the acquired company to seek synergy potential. (Nos. 28, 24, 23, 21, 19, 15, 9) Cultural assessment and determination of cultural distance is critical during the HRDD process. (Nos. 14, 27, 21, 25, 23, 27, 29) The directors in the target company have already signed off on highly paid and well-protected exit clauses before the sale, or golden parachutes. (Nos. 27, 23)
	Integration strategy	
	Level of integration	Integration can last from three months to two years. (Nos. 27, 23, 29)
	Integration cost	Determine how much effort you would like to put in and how much time you have. (Nos. 14, 21, 23, 27)
	Speed of integration	How deep do you need to go and how many people need to be integrated? (Nos. 28, 29, 21, 14)
Integration	Preparation	
	Run in parallel	For HR, the work begins before the deal is made, and we run in parallel with the acquired company to prepare the transition. (Nos. 28, 25)
	Executive replacement plan	Many plans have to be made in a limited time frame, including those for the organisational structure, the talent map, the authorisation table, and the communication plan. (Nos. 6, 14, 21, 23, 25, 27, 28)
	Design of the organisational structure	
	Authorisation table design	
	Communication plan	
	Systems integration	
	Organisational structure	The organisational structure was redefined. (Nos. 21, 19, 25, 28, 29) Language (English or Chinese) often caused difficulties. (No. 7)
	Language barrier and communication channels	There was no English version available in the internal system of the acquired company. No one expected that. (No. 15) The two ERP systems were just not comparable. (No. 3) I did not think compliance would be such a big issue. (No. 17)
	Compliance/non-compliance	Performance control, resetting target and goals. (Nos. 21, 28)
Usability of IT systems		
Integration	Personnel integration	
	Key personnel allocation	People from the HQ were sent to the acquired company for key positions, for example: CFO, CEO, HR, and technical positions. (Nos. 2, 3, 4, 7, 8, 12, 16)
	International transfer (work	Work permits are often difficult to arrange for overseas Chinese

Theoretical categories	Codes and interviewee numbers
permits) Reorganisation (layoff and recruitment)	managers. (Nos. 20, 30, 16, 6). Layoffs were the number one task after the M&A, we had to let people go. (No. 28) Key positions need hiring, and we need fresh minds and talent for the new organisation. (Nos. 14,15, 21)
Change management	
Cultural conflict Strategy change Unexpected legal & external constraints Unexpected delay of international transfer of key personnel	If one phrase is used to describe HR integration, it would be change management. (No. 28) The English of some Chinese colleagues is really not good. I cannot understand them. (No. 4) If all internal communication between Chinese colleagues is written in Chinese, we may feel left out. (Nos. 7, 12, 18, 22, 26) The decision-making process is quite one-way, and there are often significant cultural conflicts between Chinese and Western workers in relation to decision making and trust building. (Nos. 3, 1, 7, 12, 18, 22, 24, 26) The strategy of the company has changed over time. (No. 28) To survive, you will need for the company to become accustomed to the Chinese way of doing things. (No. 30) No one expected that the union would say no. (No. 4) We waited four months for the new CEO to arrive, but his visa was delayed. (No. 30) The HQ must decide whom to send over, and the key contact person changed a few times over three years. (No. 21) The person who was needed is pregnant. (No. 25)
Evaluation Designed outcome	
Integrated HR systems Cost efficiency Successfully transfer of knowledge. Combined both companies advantage Effective control and feedback	It took us two years to integrate the two HR systems into one, it but functions pretty well now. (No. 14) The cost is much lower, and overhead costs are much more efficient. (No. 21) We set up a sharing platform and internal transfer systems for people to transfer between the China HQ and overseas locations. (Nos. 17, 11, 2, 21) Resources and talents are shared with HQ and worldwide, and we integrate the acquired company into our global scope. (Nos. 25) The internal system is linked, and the dates and results, as well as performance, can now be easily seen. (Nos. 18) We set up a clear communication and control channel to allow the employees to talk to us and get feedback, and the engagement is much higher than before. (No. 21)
Dysfunction	
High cost Ineffective systems Negative emotions Loss of key personnel Lack of resources Prolonged integration	Money was an issue; we needed have to wait until the Chinese manager made a decision. This is difficult sometimes for a Dutch company. (No. 4) Do we have qualified people or not? The financial manager they sent should be able to take responsibility. (No. 3) Chinese HR managers think trust issues during the HR integration process are not much of a problem. (Nos. 2, 6, 22, 29) We had three CEOs in two years. (No. 21) Almost all directors have left the company. (No. 28) Due to the current situation, we need to let the company run on its own for the time being. (No. 25)

Table 3.
Coding results: Contents and processes of HR integration.

“For mergers, there are two important issues. First, due diligence, and second, how to deal with current employees. Normally, business negotiations around the merger include personnel issues. Therefore, before integration starts, HR should already be involved. The moment of involvement should be before the merger. Involvement after the merger is dependent on the strategy before the merger.” (Participant 6)

According to Jansen and Groot [97], the management control cycle begins as soon as a control problem occurs and continues where there is a mismatch between performance and results. This identifies the nature of the poor fit between the acquired and acquiring companies. This may be caused by several factors, such as organisational constraints, cultural distance, and institutional constraints. Factors of this type should be identified during the due diligence process, in the pre-M&A phase, for later use as terminators for the integration strategy (level of integration, integration cost, and integration phase).

During due diligence, risks that may occur in the M&A should also be identified. Once a risk is identified, methods of control should be chosen. Such methods should answer two questions: Should human resource management be integrated? and to what level should it be integrated? If integration is not necessary, an autonomy-based style of integration strategy should be chosen (i.e. preservation or holding).

“HR planning [for this] is quite simple, requiring only an organisational chart and a match between headcount and positions. Organisational chart depends on business needs. Another important matter is what kind of business strategy should be adopted and what HR arrangement should be used.” (Participant 6)

The business strategy determines the HR strategy, which leads to an integration strategy. Therefore, the question of whether the company will merge or continue to operate as a separate company is determined by the overall business strategy. HR planning covers the previously identified risks from due diligence.

Once the integration strategy is determined, preparation begins. Often, the preparation will run in parallel with business negotiations and signed deals. ‘If you wait until the deal is signed off and then begin to prepare the integration, it will be too late’ (Participant 27). ‘We need to prepare the plan for the key personnel, who will stay and who need to leave, which will influence the organisational structures and later authorisations’ (Participant 14).

Communication plans will only be drawn up after the integration strategy and all other preparatory plans are fixed. ‘The preparatory plan is often aided by external consultants, but once the deal is closed, they will leave. You are, after all, left on your own to carry out the integration’ (Participant 27).

4.2 Integration (system integration, personnel integration, and change management)

4.2.1 System integration

The acquisition process is so complex that managers often spend most of their time solving issues that were overlooked during the pre-M&A stage. Hence, the integration strategy and day-to-day management could be neglected. ‘HR integration begins the day after the deal is signed, and it sometimes lasts two to three years’ (Participant 27). Therefore, it is essential to offer a clear assessment of overall integration contents and steps. In this study, data were gathered on three aspects of the redefining processes utilised by acquired companies. Birkinshaw et al. [115] divided the post-acquisition process into task integration and human integration.

During the integration phase, HR integration is implemented through three categories: HR system integration, personnel integration, and change management.

Systems integration concentrates on providing updated definitions for performance control and appraisal. When two existing management control systems need to be combined, or one needs to be replaced, system integration is a necessary step. System integration refers to task integration, which includes redefining organisational structures to fit the new business strategy; compliance checks of the acquirer's internal and external requirements; and integration of two information technology (IT) systems. The findings revealed that for each M&A, the language barrier created a significant challenge between the Chinese acquirer and the acquired company. This includes language clashes in the vital areas of the IT system, internal control systems, and spoken language in the workplace. These language barriers aggravated the challenge of communication, both internally and externally. Participant 3 elaborated on this topic as:

“Because the Chinese manager’s English skills are poor, I have to hire local assistants to support the work. Additionally, all reports to the HQ are written in Chinese, and communication with external parties has to be translated. Therefore, I have two Dutch financial assistants and two Chinese assistants, and I report every month, where normally I do it only twice a year” (Participant 3).

4.2.2 Personnel integration

Personnel integration includes changes to personnel in a post-M&A organisation that relates to key personnel allocation; the international transfer of key Chinese staff overseas, trilingual talent recruitment, and redundancy and reorganisation (layoffs). Control problems differ on two axes: the source of the problems may be on the individual or the organisational level, and it might manifest itself in behaviours or ideas [97]. Therefore, to promote integration, the focus should be on behaviours that are related to functional factors, namely, human resource systems and personnel allocation, as well as on ideas related to personal factors, such as emotions and cultures. ‘There is still a relationship between a boss and an employee. In fact, the transactional relationship in Western society is the same; only the Chinese understanding hides it more deeply’ (Participant 9).

The issues that most often arise from system and personnel integration revolve around the following two considerations: the organisational chart, the design of the organisation's reporting line and the human resource needs based on the chart. ‘This analysis includes HR planning, including budgets, headcounts, layoff plans, and so on. If a layoff plan is included, a payoff plan should also be made’ (Participant 6). ‘The reorganisation of all manager positions merges between departments. If it is a complete company merge, the switch of the employment agreement should be taken into consideration’ (Participant 14).

Previous studies have devoted significant attention to the allocation of top management and the shift in organisational culture linked to the CEO's identity, during post-M&A integration [116]. Further, studies have also focused on the impact of succession on organisational outcomes (Miller, 1993; Shen & Cannella, 2002; Zhang and Rajagopalan, 2004). This study found that the stability of new management is essential for the HRIP. Top management, including the CEO, CFO, and board of directors in acquired companies, are often replaced after the acquisition, by expatriates sent from the China-based headquarters, or recruited locally. Sometimes, due to multiple reasons (including change in organisational strategy, relocation delay, personal reasons, cultural misfit, and expectations mismatch), new management do not remain longer than one or two years. Frequent changes in top

management (CEO, CFO, or critical positions within the company) creates management divisions within an organisation. Departments and stakeholders become disengaged because they lose interest in management decisions, and daily operations can progress without consulting them. Divisions between top management and operations limit the rollout of strategic decisions or new policies from the management level to the operational level. Hence, changes in strategy or new management policies are not implemented throughout the organisation. ‘Three CEOs remained within two years. Many policies were changed or were not implemented before they were changed again’ (Participant 21).

4.2.3 Change management

Management control produces a never-ending loop. Any unexpected incident can, and will, alter the process chosen to achieve the desired outcome. Therefore, change management is the greatest challenge in the post-M&A environment, and requires experienced and qualified human capital to manage the risk and process [117]. ‘The challenge for Chinese overseas M&A is how to develop the acquired company in the long term. The sustainability of the company is the most challenging for the Chinese owner’ (Chinese corporate owner and roundtable participant in response to the question, ‘What is the biggest challenge to managing a Chinese-owned Western company?’)

This research suggests that change management include the following elements: emotional influence, language barrier, cultural conflict, financial change, strategic change, unexpected legal constraint, and unexpected delays in the international transfer of key personnel [118].

“In people management, there was not that much influence due to the change. The structure was changed, the structure was implemented in one way, and then I changed it to another way, then I quickly changed back to the first structure because it worked better” (Participant 1).

Critical events, even if challenging, do not necessarily entail negative outcomes, as such events are recalled as disagreements over practices. Surprisingly, criticism is not usually perceived as having negative effects, but rather, as a motivating factor. The role of HR is to facilitate change and influence its direction, hence, attention should be paid to the linkages and interrelations among the three integration processes running in parallel, and their influence on each other. For instance, process redefinition in the category of systems integration, linked with international personnel transfer and reorganisation (personnel integration), will be influenced by legal constraints and the availability of expert talents in the market. This uncertainty is usually unforeseen before the integration process and, therefore, change management is both a challenge and a major part of HRIP tasks.

4.3 Evaluation (designed outcome and/or dysfunction)

An important part of managing a control system is the feedback loop, controlling the designed outcome (i.e. integrated HR systems, cost efficiency, successful transfer of knowledge, combined advantage for both companies, and effective control and feedback) and influencing the failures (high cost, ineffective systems, negative emotions, loss of key personnel, lack of resources, and prolonged integration).

All control functions are linked to cost, therefore, the method of control directly influences outcomes and costs. The tighter the control, the higher the likelihood of designed outcome; however, the related cost is high. A typical profit-oriented

organisation maintains a balance between functional behaviours and cost, however, maintaining control of other dysfunctional outcomes is challenging.

To achieve long-term success and ensure the continued development of the company, a few important HR management characteristics may be excluded, such as employee training, rewards, and compensation. The findings of this study have important implications for managers seeking to better manage post-M&A integration. Generally, in Chinese companies, less effort is made in training related to creativity, management skills, and culture. Moreover, mid- to long-term incentive plans are seen as weak areas for Chinese overseas human resource management. Findings from interviews and category coding show that the perceptions of critical events during integration among employees are primarily related to their emotional states. These events, even where they are challenging, do not entail negative outcomes. Conflict or difficulties due to changes caused by the acquisition should not be seen as challenges but as positive occurrences.

The challenges of integration are perceived as drivers of motivation and success. The high-performance orientation of a work team is the key driver of a successful integration outcome. Employees in the acquired company are more concerned with the opportunities for multi-cultural experiences. In particular, when action taken to solve the dilemma is justified, these employees' discourses feature a performance orientation (even if the integration is not ultimately ideal).

5. Discussion and conclusion

There has been a growing body of research on the variables and processes that affect the success of cross-border acquisitions. However, the critical success factors and the reasons why acquisitions integration often fail are inadequately understood [119]. According to Gunkel et al. [51], mechanisms involved during the PMI process are still unclear to scholars, and practitioners may prevent exploitation of the potential synergy that can arise from sharing or transferring resources and skills. Secondly, cross-cultural conflicts and differences between the two companies may cause problems such as stress and negative attitudes toward the acquiring company and its management, including high turnover of the acquired top executives [120].

This research responds to these calls by providing insights into the process of integrating operating synergies. It empirically investigated the human resource integration processes (HRIP) to understand the dynamics of the post-M&A phase in a cross-cultural context. The HRIP presented in this research provide a clear overview of the primary human resources that are relevant to the post-phase of a cross-border M&A. However, the interactions among the constituents of the system and the interaction between the system and its environment are complex. Thus, focusing on the critical success factors facilitating the integration of tasks and the dissemination of skills of the acquired firms, is important. This study's intent was to develop a better understanding of the parameters that make the post M&A HR integration process successful, in the context of cross-border acquisitions, thus contributing to a better understanding of the value-added creation process and synergy realisation in international M&As.

This study contributes to international management research and provides managerial implications regarding cross-border M&As in several ways. First, a framework for HRIP is proposed. This framework will assist both managers and policymakers to understand the integration approach dominantly used in Chinese cross-border M&As and benefit from the potential synergy in the wake of Chinese cross-border M&As [121].

The proposed framework (**Figure 2**) incorporates three theoretical perspectives, into an integrative model and addresses post-acquisition factors and issues. It is offered as a descriptive and analytical device rather than a prescriptive model, to highlight the management of the post-acquisition integration process illuminated in this study. Secondly, the framework presented can assist consultants and executives in conducting better assessments at all stages of the M&A, including screening, planning, and negotiation. Thus, it enhance the effectiveness of interventions carried out during a post-M&A HRIP. As such, this study emphasises the role of corporate HR integration analysis as an essential and influential milestone for the exploration of the international business environment [24]. Most importantly, an approach that centres on human resource integration could drive the development of organisational integration in a positive direction. Therefore, the framework proposed in this research has implications that extend beyond the limitations of the field of HR management.

5.1 Limitations and directions for future research

Perhaps the most straightforward implications are those derived from a logical interpretation of a researcher's findings. ([122], p. 257) This study develops insights into the HRIP in the post-M&A period of a Chinese-acquired Western company [123]. There are both theoretical and managerial implications to the finding.

The knowledge produced should not be taken to be general, but instead specific to two sets of societies in a certain context. This knowledge is local, in that, it may be true and useful for Chinese managers who seek to work in Western environments. It is difficult to evaluate the consequences that flow from the choice of the HRIP in the relatively short history of Chinese cross-border M&As [20], Company D was more willing to cooperate during the research process than the others and we took advantage of this by interviewing more candidates within the company compared with the other company, it may created a bias to the findings and study. However, it is valuable to monitor the further developments of these M&As and measure organisational performance over time. 'I think our top management underestimated the challenge of HR integration and overestimated the value of human capital when the deal was made' (Participant 21). Hence, further studies on these companies in the course of time, will be beneficial.

The evidence collected in this research supports the conclusions of recent studies, which have shown that connecting the pre- and post-M&A stages may yield improved M&A performance in general [124]. These studies report that if both strategic fit (synergy potential) and organisational fit (cultural differences and the national culture of the acquiring company) factors are known, pre-mergers can be taken into account in the choice of the post-acquisition integration approach. M&A performance is superior in deals that did not take pre-acquisition factors into account in post-acquisition decisions.

This study identifies theoretical aspects that may provide direction for future research in the field of post-M&A integration:

- On the macro-level, from a strategic perspective, a focus on the interactions and interrelations between the steps during the human resource integration process (HRIP) could be fruitful.
- At the micro-level, the individual process that often are barriers to synergistic integration, has been overlooked, (e.g. management divisions) and is worth further study.

It should be noted that the conceptual framework was developed through qualitative research and would require further validation with quantitative research to test the theory on a broader scale. As more cases from other industries and countries become available, it suggests using quantitative methods to test the framework.

It is the hope that the theoretical integration and review in this paper can provide a clear organising framework for future work, and that the conceptual framework proposed in this research will benefit the creation of a future focus in this field.

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