

A STUDY ON HR INITIATIVES UNDERTAKEN DURING CORPORATE RESTRUCTURING AT PANTALOONS

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ABSTRACT

The business world is unpredictable and challenging . Success and failures are a part of the business landscape. This may lead to closure or liquidation of the business. To avert such precarious situation, most of the business entities resort to mergers, acquisitions, consolidation, joint ventures, amalgamation, strategic alignment, technological up gradation, process restructuring and so on.

Nowadays, merger and acquisition represent a popular strategic option for every organization to expand their operations and to gain competitive advantage. Financial investment becomes indispensable for any strategic alliance. Hence, most mergers and acquisitions take place on the financial forefront, to maximize the wealth of the shareholders, to ensure return on equity and to decrease the operating cost of the firm.

Several researches have shown that on an average, firms create little or no value by making acquisition (Hitt, Harrison and Ireland, 2001). However, proactive and realistic mergers and acquisitions are typically visualized to pursue a strategic fit. This strategic fit is broadly characterized as similarity between organizational strategies or complementary organizational strategies, ushering the extent of creating potential strategic synergy. It may seem intuitive to conclude that strategic fit plays a vital role in the financial success and credibility of merger and acquisition but the strategic fit also involves intangibles like technology, Human Resources, Reputation and Culture. Therefore, the overall effect of a merger or acquisition on an organization is to be assessed over a period of time.

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Many companies like Mahindra Satyam merging into Tech Mahindra, IDBI bank with IDBI, Edelweiss Capital acquiring Anagram Capital, merging of Reliance Power and Reliance Natural Resources, are examples of a bigger business perspective and vision. Therefore, the management executes whatever strategic decision, it is going to cast its spell on the human resource aspect as well. However, not many newspapers and jazzy TV channels discuss these internal aspects. It is left to the inquisitive researcher to investigate the changes that has affected the internal environment post-merger.

In 2012-13, Pantaloons Retail India Limited (PRIL), previously owned by Future Group was acquired by the Aditya Birla Nuvo Ltd. (ABNL) (now merged into Aditya Birla Fashion and Retail). The new management has focused on some key areas — rebuilding the organization, expanding customer reach, enhancing productivity of the existing stores, strengthening the brand portfolio and optimizing finance costs. Considering that the Retail industry is one of the fastest growing segments of the economy, a study on strategic changes in a retail organization has wider implications. Thus, it is pertinent to investigate how Pantaloons has tried to combat the negative influences of change. More so because the retail market has grown wider through e-retailing and has immense career opportunities for professionals, and vast value-based choices for the customers.

This paper investigates the impact of changes in HR policy and practices at Pantaloons as a result of the recent merger. An exploratory research approach is used which comprises personal interviews of HR professionals and requisite information collected through secondary sources.

Keywords: Pantaloons, Merger, Aditya Birla Retail, Strategic fit, HR policy .

Introduction

According to Gomes et al. (2011), Merger can be described as when two firms agree to go forward as a single new company rather than remain separately owned and operated

whereas, Acquisition would occur when one company takes over another company by purchasing that firm's assets or stock.

M&A is a complex area that involves multiple dimensions and needs to be given a careful attention throughout the whole process starting from the pre-merger phase till the integration of two companies .With the fast increasing popularity of cross-border acquisitions, soft integration factors like culture and employees have become more and more important. A considerable amount of existing research suggests that neglecting or mismanaging the people issues during M&As can have hard results for companies, and human related aspects like culture and knowledge play an important role in the creation of synergies in M&As (Cartwright & Cooper 1996, Galpin & Herndon 2007, Gaughan 2007, Gomes et al. 2011, Nonaka et al. 2008, Stahl & Mendenhall 2005). Based on these evidence, it can be concluded that considering the human elements and assessing the employee related part of a target company before, and in particular after, a deal is still not given the same priority as to financial and legal issues (cf. Buono 2005, Cartwright & Cooper 1996, Galpin & Whittington 2010, Mirvis & Marks 1992, Weber & Tarba 2012). To maximize chance of success, it is important to understand the levels of support and resistance in an organization.

Understanding human resources issues in mergers is important for several reasons. First, much of the available information on human resource impacts was dated (Kitching, 1967; Leighton and Tod, 1969; Mace and Montgomery, 1962; Stewart, Wingate and Smith, 1963). Second, although researchers increasingly studied the topic, much of the information on mergers and their impact is anecdotal or unrelated to theory and thus cannot be applied broadly (Sinetar, 1981). In addition, there is criticism of generally accepted approaches to planning for implementing mergers and acquisitions (Drucker, 1982). Finally, while the finance literature provides some theoretical direction on the motives or causes for mergers, there is little conceptual frameworks or theory differentiating mergers and how they affect human resource issues (Shanley, 1988).

Therefore, there is a need for more systematic investigations and better understanding of the impact of mergers.

Retailing is one of the biggest sectors and it is witnessing revolution in India. Here in the present study, Pantaloons-one of the biggest retailer in India which has undergone a merger with the Aditya Birla Group of companies has been considered as a case study for my research. In the study, How Pantaloons has faced the restructuring challenge and what are its repercussions on the HR aspect are being analyzed and discussed.

Receiving increased attention and research, HR practices and its sub systems like recruitment and selection, training and development, compensation, performance management system and separation policies have been considered to be the major victim crushed under the name of the merger and acquisition. It is believed that any strategic fit can never lead to desirable result unless it has taken into consideration human resource aspect. Any strategic change is bound to create its domino effect on the HR policy of an organization in some way or the other.

This study is expected to unveil the HR practices adopted by ABG to make the Pantaloons employees feel at ease during and after the merger. The study will also provide scope for further researches that can be empirical and conclusive.

Managerial implications: The study will help the organizations to take care of the HR aspects in such a strategic way that a merger will no longer bear a negative connotation with the Human Resources.

Problem of the study

There have been very limited studies done on the HR dynamics of Merger and acquisitions and how to deal with this people related aspect. More specially, there has been little research done on the impact of mergers and acquisitions on HR practices. Understanding this impact is becoming inevitable as mergers and acquisitions are

becoming more common and their greater success will be seen only when linked to the degree of acceptance held by the employees therein.

Objectives

- To understand the impact of mergers and acquisitions on the Hr practices and policies at Pantaloons under study.
- To identify which Hr practices has effected a significant change post merger.
- To know the attitude of the existing employees towards the change of management and its impact on Hr policies and practices during corporate restructuring process.

Literature Review

The subject of mergers and acquisitions is contained in numerous literature sources, both nationally and internationally. Researchers have tried to investigate various aspects of M&A in India (Nishith, 2010). As for predicting the targets of M&A and identifying the motives, the literature is scarce. Few papers have tried to predict the targets and determine the characteristics of acquiring firms like on manufacturing industries, financial sectors and have adopted theories and models from west into Indian context directly to validate their hypothesis (Gubbi, 2010). Siddharth and Gopi (2009) examine the effect of centralization of possession on firm performance and productivity. From a point of view, grouping of possession that, in turn, moves management control into the hands of a key financial specialist, reductions of organization issues connected with distributed ownership. But on the opposite side, it might prompt entrenchment of senior management, which might be conflicting with the goal of profit maximization. Their study focuses on the effect of M&A on profitability of organizations in India, where the corporate scene is overwhelmed by family-claimed and aggregate associated organizations.

Eilen and John (2004) talk about the qualities of both the acquirer and the target organizations in India between the years 1993-2004. Utilizing logic regression model, they reasoned that the acquirer firms have higher income, higher book value, higher fluid

resources, and lower debt to total resources proportion which are measurably critical when compared with the target organizations. The acquired firms were smaller in revenue, lower in PE proportions, lower in profits payout, and lower in development. But the firms had higher cash flows and lower influence, which, on a basic level, run with the organization philosophy.

Mohibullah (2009) in his study talked about four principle issues identified with cultural conflicts are highlighted: ambivalent and cultural issues inside the consolidated element, legitimate management of social incorporation, securing and hierarchical society and improper cultural integration process among the merged firms. The result of his paper was that associations need to build up a framework before mix, which must support appropriate correspondence among representatives from top to downwards.

Daniel (2010) in her study discusses about corporate's duty to staffs during a merger: organizational value and staff loyalty. She has talked about that how staff perspectives of the merged firm vary by their pre-merger foundation and to describe the effect of the inadequately perceived organizational goodness on staff's value, emotional reaction to the merged firm including fulfillment, psychological contract, job stability and integrity. She has observed that view of organizational empathy; warmth and uprightness were emphatically related with worker loyalty, job stability, satisfaction and emotional attachment. A number of writers agree that, generally, when companies deal with mergers, more attention is paid to economic and financial viability of the merger while little is done about the people aspect, until the merger is almost complete. However, economic factors alone do not explain or help predict why some mergers will succeed while others will fail (Coffey, Garrow and Holbeche, 2002). These argue that, during mergers, management teams often fail to carry out any form of pre-planning of human resources' issues. According to Simmons (1998), there is simply not enough emphasis placed in any merger situation on the people aspects.

The role of HR integration in M & A s has gained more attention as M & A s have been used as one of the growth strategies for companies in many regions. Lupina-Wegener (2013) explored the challenges facing HR integration in subsidiary mergers of western corporations in Poland and found that low HR power in a subsidiary and a low multiculturalism of the foreign investors can be a challenge for successful integration. Moran and Panasian (2005) studied the role of HR in the process of doing an M & A from both macro and micro perspectives and concluded that the concept of fit seemed to have empirical support in macro level, while at micro level M & As seemed to a disruptive event that cause stress and anxiety to an individual. Anderson (2012) identified trouble signs with each stage of M & As to design HR intervention strategies to minimize failure, similarly, Seo and Hill (2005) investigated the role of HR in planning interventions systematically to smooth the human integration process. Weber and Drori (2011) studied the challenging role of the HR integration process and the effect of cultural differences on M & As' performance.

One of the issues facing M&As is talent attrition; therefore, one role of HR is also to ensure that organizations do not lose good people. Kummer (2008) suggested how HR can help keep employees motivated and retain them during the complex M & As times by early identification of key talents and designing retention programs in advance.

Gap Analysis

A complete end-to-end research for HR parameters for both pre mergers and post mergers is not done. Most of the studies available demonstrate either of the two situations or some general briefings. There are no sufficient literature available to know the impact of Merger and Acquisition on HR practices and how it is being perceived by the existing employees of the acquired company and how they do react to the strategies being adopted by the acquired company .In this line of thought, no studies are available in the Indian perspective, though this merger and acquisitions are becoming a emerging trend in India.

Moreover, no research has highlighted on the HR issues and practices and how it has undergone changes after the structural transformation of the organization.

Hypothesis

From the detailed literature review, the following hypothesis has been formulated:

H0: There has been no significant changes in Training and development system, performance appraisal system and rewards and recognition system post merger.

H1: The changes in training and development system is effective in post merger

H2: The changes in Performance appraisal system is effective in post merger.

H3: The changes in rewards and recognition program is effective in post merger.

Retailing is one of the biggest sectors and it is witnessing revolution in India. The new entrant in retailing in India signifies the beginning of retail revolution. According to AT Kearney, the window of opportunity shows that retailing in India was at opening stage in 1995 and now is in peaking stage .

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Research Design

An exploratory approach has been adopted in the research design; the explorative approach has leaded us to get the desired result by following a case study of Pantaloons

both in the pre-merger and post-merger situation. A structured questionnaire has been framed and is distributed among the employees who are with the company after the merger happened. It has been helpful in seeking the fulfillment of the objectives of the research. The sampling design consists of sampling frame which defines the list of all those employees who are still working at Pantaloons in Shaheed Nagar and Patia (Bhubaneswar). The sampling technique adopted is purposive and convenience. The questionnaire has been administered to 40 existing employees of Pantaloons ,Bhubaneswar. However, after scrutiny of the questionnaire only 30 questionnaires were found applicable. So the sample size is total 30 employees of Pantaloons, Bhubaneswar.

Tools for data analysis

The data analysis has been done with descriptive statistics and independent sample t-test for investigating the difference in HR practices particularly in the Training and Development system, Performance appraisal system and Rewards and Recognition program among the existing employees. SPSS-19 statistical software has been used for analysis of the data.

Paired Samples Statistics					
		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	VAR00001	3.6667	30	.71116	.12984
	VAR00020	3.0000	30	.45486	.08305
Pair 2	VAR00002	3.7000	30	.59596	.10881
	VAR00021	3.5333	30	1.16658	.21299
Pair 3	VAR00003	4.0667	30	.58329	.10649
	VAR00022	3.2667	30	.52083	.09509
Pair 4	VAR00004	4.0333	30	.66868	.12208
	VAR00023	3.8000	30	.76112	.13896
Pair 5	VAR00005	4.1000	30	.60743	.11090
	VAR00024	3.4333	30	1.40647	.25679
Pair 6	VAR00006	4.1667	30	.87428	.15962
	VAR00025	3.8000	30	.80516	.14700
Pair 7	VAR00007	3.7000	30	.59596	.10881

	VAR00026	3.7000	30	1.64317	.30000
Pair 8	VAR00008	3.8667	30	.62881	.11480
	VAR00027	3.9667	30	1.21721	.22223
Pair 9	VAR00009	3.4333	30	.67891	.12395
	VAR00028	3.9000	30	.48066	.08776
Pair 10	VAR00010	3.7000	30	.53498	.09767
	VAR00029	3.7333	30	.90719	.16563
Pair 11	VAR00011	3.9333	30	.69149	.12625
	VAR00030	4.4000	30	.96847	.17682
Pair 12	VAR00012	3.9000	30	.71197	.12999
	VAR00031	4.1667	30	1.26173	.23036
Pair 13	VAR00013	4.1667	30	.69893	.12761
	VAR00032	3.2000	30	.66436	.12130
Pair 14	VAR00014	3.7667	30	.62606	.11430
	VAR00033	2.7667	30	.97143	.17736
Pair 15	VAR00015	3.7000	30	.65126	.11890
	VAR00034	3.1667	30	.64772	.11826
Pair 16	VAR00016	4.1000	30	.54772	.10000
	VAR00035	3.8000	30	.66436	.12130
Pair 17	VAR00017	4.2000	30	.76112	.13896
	VAR00036	3.6333	30	.88992	.16248
Pair 18	VAR00018	3.4333	30	.56832	.10376
	VAR00037	3.8667	30	1.45586	.26580
Pair 19	VAR00019	3.4000	30	1.13259	.20678
	VAR00038	4.1333	30	1.10589	.20191

Paired Samples Test									
		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	VAR00001 - VAR00020	.66667	.88409	.16141	.33654	.99679	4.130	29	.000
Pair 2	VAR00002 - VAR00021	.16667	1.36668	.24952	-.34366	.67699	.668	29	.509
Pair 3	VAR00003 - VAR00022	.80000	.84690	.15462	.48376	1.11624	5.174	29	.000
Pair 4	VAR00004 - VAR00023	.23333	1.04000	.18988	-.15501	.62168	1.229	29	.229

Pair 5	VAR00005 - VAR00024	.66667	1.60459	.29296	.06750	1.26583	2.276	29	.030
Pair 6	VAR00006 - VAR00025	.36667	1.06620	.19466	-.03146	.76479	1.884	29	.070
Pair 7	VAR00007 - VAR00026	.00000	1.92980	.35233	-.72060	.72060	.000	29	1.000
Pair 8	VAR00008 - VAR00027	-.10000	1.32222	.24140	-.59373	.39373	-.414	29	.682
Pair 9	VAR00009 - VAR00028	-.46667	.86037	.15708	-.78793	-.14540	-2.971	29	.006
Pair 10	VAR00010 - VAR00029	-.03333	1.12903	.20613	-.45492	.38825	-.162	29	.873
Pair 11	VAR00011 - VAR00030	-.46667	1.10589	.20191	-.87961	-.05372	-2.311	29	.028
Pair 12	VAR00012 - VAR00031	-.26667	1.57422	.28741	-.85449	.32116	-.928	29	.361
Pair 13	VAR00013 - VAR00032	.96667	.99943	.18247	.59348	1.33986	5.298	29	.000
Pair 14	VAR00014 - VAR00033	1.00000	1.11417	.20342	.58396	1.41604	4.916	29	.000
Pair 15	VAR00015 - VAR00034	.53333	.89955	.16424	.19743	.86923	3.247	29	.003
Pair 16	VAR00016 - VAR00035	.30000	.74971	.13688	.02005	.57995	2.192	29	.037
Pair 17	VAR00017 - VAR00036	.56667	1.25075	.22835	.09963	1.03370	2.482	29	.019
Pair 18	VAR00018 - VAR00037	-.43333	1.50134	.27411	-.99394	.12728	-1.581	29	.125
Pair 19	VAR00019 - VAR00038	-.73333	1.57422	.28741	-1.32116	-.14551	-2.552	29	.016

From the above data analysis, Interpretation:

Referring the result of the independent sample t-test shown in Table-2, it has been understood that out of 19 variables (paired) only 7 variables are having the sig-2 tailed „p“ value more than 0.05 i.e at 5% level of significance or 95% confident interval . However, majority of the variables have shown the sig-2 tailed „p“ value less than 0.05 where we can say that the null hypothesis is rejected at 5% level of significance and the result of these variables are as follows:

Hence, we reject the null hypothesis and accept the proposition „H1: there is significant difference in training and development system post merger in table 2 , it was observed that

the questions related to The training and development after the merger, which has undergone major changes are:

- a. The duration of the training program
- b. The contents of the training program
- c. The instructors conducting the training program
- d. The effectiveness of the training program in terms of productivity and efficiency

The questions related to the Performance appraisal system, which has undergone major changes are:

- a. The frequency or the interval of the appraisal process
- b. The clarity and relevance of the KPIs and the KRAs set for achieving the goals.
- c. The effectiveness of the appraisal feedback.

Thus we reject the null hypothesis, because their p value is less than 0.05.. Hence, we reject the null hypothesis and accept the proposition „H2: there is significant difference in performance appraisal system post merger .

The questions related to the rewards and recognition system , which has undergone major changes are :

- a. Reward with special cash bonus for on the spot recognition
- b. Methods of determining rewards and recognition
- c. Incentive based scheme
- d. Performance based promotion
- e. Kinds of reward provided

Thus we reject the null hypothesis, because their p value is less than 0.05. Hence, we reject the null hypothesis and accept the proposition „H3: there is significant difference in rewards and recognition program post merger .

Table - 1

Pair 1	VAR00001 - VAR00020	.66667	.88409	.16141	.33654	.99679	4.130	29	.000
Pair 3	VAR00003 - VAR00022	.80000	.84690	.15462	.48376	1.11624	5.174	29	.000
Pair 5	VAR00005 - VAR00024	.66667	1.60459	.29296	.06750	1.26583	2.276	29	.030

H1: there is significant difference in training and development system post merger

The difference in training and development system post merger has been investigated through testing the means by independent samples t-test through the software SPSS-19.

The result of the hypothesis testing shows that there is a difference in training and development practices in the post merger situation at Pantaloons.

The duration of the training program ,the contents of the training program , the instructors conducting the training program and the effectiveness of the training program in terms of productivity and efficiency has improved a lot post merger because it is well knit in the ABG group vision to make their organization a learning organization and hence it is clearly understood from the above analysis.

Table - 2

Pair 9	VAR00009 - VAR00028	-.46667	.86037	.15708	-.78793	-.14540	-2.971	29	.006
Pair 11	VAR00011 - VAR00030	-.46667	1.10589	.20191	-.87961	-.05372	-2.311	29	.028
Pair 13	VAR00013 - VAR00032	-.96667	.99943	.18247	.59348	1.33986	5.298	29	.000

H2: there is significant difference in performance appraisal system post merger

The result of the hypothesis testing shows that there exists a difference in Performance appraisal system in the post merger situation at Pantaloons .

The frequency or the interval of the appraisal process, the relevance and clarity of KPIs and the KRAs set for achieving the goals and the effectiveness of the appraisal feedback shown a greater improvement because Pantaloons under ABFRL focus more on customer feedback and satisfaction rather than individual performance alone. They follow a 360 degree appraisal process, in order to assess the overall performance of their employees and that is why the performance appraisal system at pantaloons has become more objective as well as subjective.

Table - 3

Pair 14	VAR00014 - VAR00033	1.00000	1.11417	.20342	.58396	1.41604	4.916	29	.000
Pair 15	VAR00015 - VAR00034	.53333	.89955	.16424	.19743	.86923	3.247	29	.003
Pair 16	VAR00016 - VAR00035	.30000	.74971	.13688	.02005	.57995	2.192	29	.037

H2: there is significant difference in reward and recognition program post merger

The result of the hypothesis testing shows that there exists a difference in reward and recognition program in the post merger situation at Pantaloons .

The methods of determining rewards and recognition , rewards with special cash bonus for on the spot recognition, incentive based scheme, performance based promotion, and the kinds of reward provided has undergone a significant improvement which proves that pantaloons has implemented a well developed and unique reward and recognition program which is purely contingent on individual performance.

Limitations of the Study

The current study has some limitations. The outcome of the study is based on a small sample size.. This study covers only Pantaloons store in Saheed nagar and Patia, Bhubaneswar.

Conclusion:

In the post –acquisition scenario, It was observed that Pantaloons, as big box retail brand has moved from being a mass brand to an **aspirational brand** . Its inherent component of enduring fashion is now accessible in smaller towns as and more store openings and it has made its presence in online too. So far as internal changes are concerned, no major changes have taken place in the Hr policies, but a radical change in the Hr practices those are in sync with ABG core values.

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