



Factors affecting the role of HR managers in international mergers and acquisitions

A multiple case study

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Abstract

Purpose – The purpose of this paper is to explore the reasons behind human resource (HR) managers' participation in the international mergers and acquisitions (IM&A) process building on the general discussion of the factors explaining the roles of HR in organisations.

Design/methodology/approach – Six sets of factors can be found to affect the roles of HR managers in general: the orientation of top management to people management; the skills, abilities and competencies of HR managers themselves; the HR function and its characteristics; the expectations that line managers have of HR; external factors; and internal factors. This review forms the basis for subsequent data analysis in the context of IM&As. The factors that contribute to HR managers' participation are studied from HR and other management's perspectives. Based on interviews with 12 corporate level managers in three Finnish international industrial companies.

Findings – The results show that top management sees the participation of HR managers as being very important and agree that it should be a common policy. The factors explaining the roles in the case organisations focused on certain factor groups and were similar across the cases. Based on empirical analysis, this study finds that the most important contributing factors to HR managers' participation are HR managers' own capability and activity throughout the IM&A process.

Originality/value – This study has analysed the reasons related to the roles of HR managers in an IM&A context in general, not just the strategic role within. Based on the case studies it seems, however, that a seat on the management team and HR managers' business competencies as well as personal skills contribute to the strategic role.

Keywords Human resource management, Acquisitions and mergers, Case studies, Finland

Paper type Case study



Introduction

Despite the recent boom in international mergers and acquisitions (IM&As) driven by globalisation, technological change and deregulation (Schweiger and Goulet, 2000), statistics show that the outcome of mergers and acquisitions (M&As) is mostly disappointing (Overman, 1999; Schuler and Jackson, 2001, Schweiger, 2002). It has been argued that the challenge of M&As is the management of people (Antila, 2005) and the human resource (HR) function and HR managers are constantly encouraged to play a

more “strategic” role in organisational change processes such as IM&As (Björkman and Söderberg, 2003).

Many studies address the importance of HR issues in mergers and acquisitions (e.g. Buono and Bowditch, 1989; Hunt and Downing, 1990; Cartwright and Cooper, 1992; Ashkenas *et al.*, 1998; Marks and Mirvis, 1998; Galpin and Herndon, 2000; Evans *et al.*, 2002; Schweiger, 2002) suggesting guidelines for the sound management of HR in M&As. Schuler and Jackson (2001) contributed the literature by presenting a framework of the critical HR issues in the different stages of IM&A process in pre-combination, integration, and post-integration. Further, Faulkner *et al.* (2002) have stated that HRM policies have significant effect on acquirer’s ability to get the best results of the new subsidiary. Though, the importance of HR issues in M&As is widely recognised only few studies have actually looked at the roles played by HR in these processes.

According to Jeris *et al.* (2002) HRD was not involved in initial decision-making to merge or acquire, though post-deal HRD initiatives were perceived as critical indicators of success. The findings by Björkman and Söderberg (2003) are in line with these findings. Their study reveals typical problems in organising and managing HR issues and illustrates how the HR function is easily given non-strategic role in these processes. On the other hand, the study by Antila (2006) describes how HR actually has a strong administrative and employee related role within the IM&A process and if the HR manager is involved from the beginning in pre-combination stage of the process he or she also plays a strategic role throughout. These studies have increased the understanding of the roles played by HR in the M&A context, but provide only a limited explanation of the reasons affecting the roles played by HR managers in IM&A processes. The present study addresses the existing research gap by investigating further the question of HR managers’ roles in IM&As by exploring which factors contribute to the HR managers’ involvement in the IM&A process.

Factors explaining the roles of HR in organisations

Only few studies address the reasons behind the roles of HR in the M&A context. A further consulting survey revealed that most of the HR managers felt they did not have enough knowledge of M&A processes to be able to contribute value to discussions about M&As. According to Björkman and Söderberg (2003) top management’s low expectations with regards to the strategic contributions of the HR function seem to have contributed to the limited HR role in post-merger change process. Furthermore, organising the work of HR to satisfy the expectations of international organisation, HR managers’ focus on how to organise their work rather than the potential contribution of HR, top management’s focus on financial rather than people management, and the use of an external business consultant who played a key role in HR development, influenced the non-strategic role of HR function. In addition, the theoretical study of Aguilera and Dencker (2004) highlights that the roles played by HRM in a cross-border M&A is conditional on the strategic rationale chosen by merging firms. These studies provide some explanation of the roles of HR in M&As. However, since the literature on the factors explaining the roles of HR managers in IM&A context is quite limited this article builds on the general discussion of the factors explaining the roles of HR in organisations, which forms the basis of subsequent data analysis in the IM&As context.

In studies concerning the roles of HR functions and managers researchers have uncovered a variety of factors which seem to affect the roles achieved in organisations (e.g. Kane and Palmer, 1995; Kelly and Gennard, 1996, 2001; Hall and Torrington, 1998; Truss, 2003). These factors can be divided into six broader categories:

- (1) The orientation of top management to people management.
- (2) The expectations line managers have of HR.
- (3) The skills, abilities and competencies of HR managers themselves.
- (4) The HR function and its characteristics.
- (5) External factors.
- (6) Internal factors.

The orientation of top management to people management

The importance of top management in defining the roles of HR has been shown in many studies (e.g. Beer *et al.*, 1985; Purcell and Ahlstrand, 1994; Kelly and Gennard, 1996, 2001; Nankervis *et al.*, 2002; Khatri and Budhwar, 2002; Hope-Hailey *et al.*, 1997; Barney and Wright, 1998; Becker and Huselid, 1998; Ulrich, 1997; Kane *et al.*, 1999; Bennett *et al.*, 1998; Truss, 2003; Jacoby *et al.*, 2005). These studies have emphasized the role of both the top management team as a whole and the role of the CEO/MD as a single actor. A commonly shared opinion is that the attitude of top management towards people management defines the role of the HR manager in the organisation. If top management sees people management issues as important for the company and if they think that HR can add value to the company, they are more likely to invite the HR manager to the management team and through that demonstrate the importance of HR in their organisation. However, there is still a lack of large-scale evidence in these areas.

Line managers' expectations

As Truss *et al.* (2002) have argued, the line managers' expectations for HR function affect the role assumed by the function. Their expectations are important because they are the ones who perform the strategic role together with the HR function. Studies have shown that there are differences in the perceptions of line managers and HR managers in the meaning of the strategic role of HR. Wright *et al.* (2001) found that line managers rated all five defined roles of HR lower than HR executives, especially the roles with more strategic importance. Buyens and De Vos (2001) pointed to the differences in value perceptions concerning the value of HR between line managers, top managers and HR managers.

Skills, competencies and activity of HR managers

Even though it may seem that the role of the HR manager is in the hands of top management, this is not wholly the case. HR managers' own activity, skills and competencies have also been found to play an important part in framing their roles (e.g. Tyson, 1995; Storey, 1992; Barney and Wright, 1998; Nankervis *et al.*, 2002; Khatri and Budhwar, 2002; Kane *et al.*, 1999; Truss, 2003). Also the activity and initiative of HR managers themselves have been stated to define the roles they (e.g. Barney and Wright, 1998).

To be able to affect their own roles, HR managers need to possess certain skills and competencies through which they can demonstrate the importance of HRM (Brewster

et al., 2000; Kane *et al.*, 1999). Studies concerning the competencies and skills needed emphasize three sets of skills:

- (1) Professional and technical HR competencies.
- (2) Business orientation and ability to make business focused decisions (strategic competencies).
- (3) Interpersonal and political skills (e.g. Hall and Torrington, 1998; Kelly and Gennard, 1996, 2001; Brewster *et al.*, 2000).

Skills and competencies in successfully managing HR issues form the basis for the work of HR. By getting things done effectively in one's own field, it is easier to gain credibility in other fields (Pfeffer, 1992; Ulrich, 1997).

The importance of business and strategic competencies links to the discussion of HR managers as strategic partners. There are many studies stressing business competencies and their role in enabling HR managers to gain a higher status in organisations (e.g. Hall and Torrington, 1998; Kelly and Gennard, 1996, 2001). There is a need for HR managers to understand the business in order to be able to contribute to the success of the company.

Interpersonal skills are important for HR managers in many ways. First, they help them to create networks and increase their credibility, power and influence in organisations. Second, they can facilitate the effective creation and implementation of HR programs through which HR managers can demonstrate the importance of HRM for organisations. HR managers' personal relationship with CEO is an important channel to bring attention to HR issues (Purcell and Ahlstrand, 1994).

The importance of HR managers' own activity can be seen in the studies where top management's positive attitude to people management has led to different outcomes based on the behaviour of HR managers. It seems that although the top management may value the management of people it does not automatically mean that they value the HR function or HR managers. Instead, they may see HRM as a part of a general manager's job and not see how separate HR function can add value to the company (e.g. Barney and Wright, 1998).

Characteristics of the HR function

The characteristics of the HR function have been stated to affect the roles of HR. Truss *et al.* (2002) found in their study concerning the changing role of HR functions that there are certain attributes and behaviours of HR functions that affect its roles. For example the expectations other members of the organisation have for the function, the nature of HR leadership, resources possessed by the HR function and the way they are used, the level of HR professionalism, business knowledge, power, willingness to act in a strategic role, communication and visibility, the structure of the HR function and effective administrative support systems affect the roles of the HR function and its abilities to change the roles.

External and internal factors

There are also factors in the external environment of organisations which can affect the strategic role of HR. These factors include economic situation, changes in technology and culture, line of business, level of internationalisation and competition (Kane and Palmer, 1995). These factors affect the ways organisations operate and the roles HR

plays. Despite the importance given to these external factors previous studies concerning the roles of HR have not explored them in any more depth (e.g. Hope-Hailey *et al.*, 1997; Sahdev *et al.*, 1999; Truss *et al.*, 2002).

Also some factors inside organisations have been argued to have an influence on the roles of HR. Factors such as size, structure, history, power and politics within the organisation can at least partly explain the roles (Kane and Palmer, 1995). Internal factors, just like the external factors mentioned above, have not received more attention, even though researchers like Hope-Hailey *et al.* (1997) have stated that the differences in the roles of HR among organisations are due to contextual and internal factors.

Figure 1 summarises the discussion on the factors affecting the roles of HR. The findings of the previous studies on the roles of HR in M&A context are highlighted. The present study builds on this analysis by exploring further the factors that explain the roles of HR managers in IM&A contexts. The focus of the analysis is on the roles and involvement of HR not just on the strategic role. This approach is justified by the suggestion that early involvement of HR in an IM&A process, even if administrative, is a contributing factor (Antila, 2006).

Methodology

This study applies a qualitative research method since the phenomenon under study is still unstructured and a deeper understanding is needed (Orum *et al.*, 1991; Bonoma,

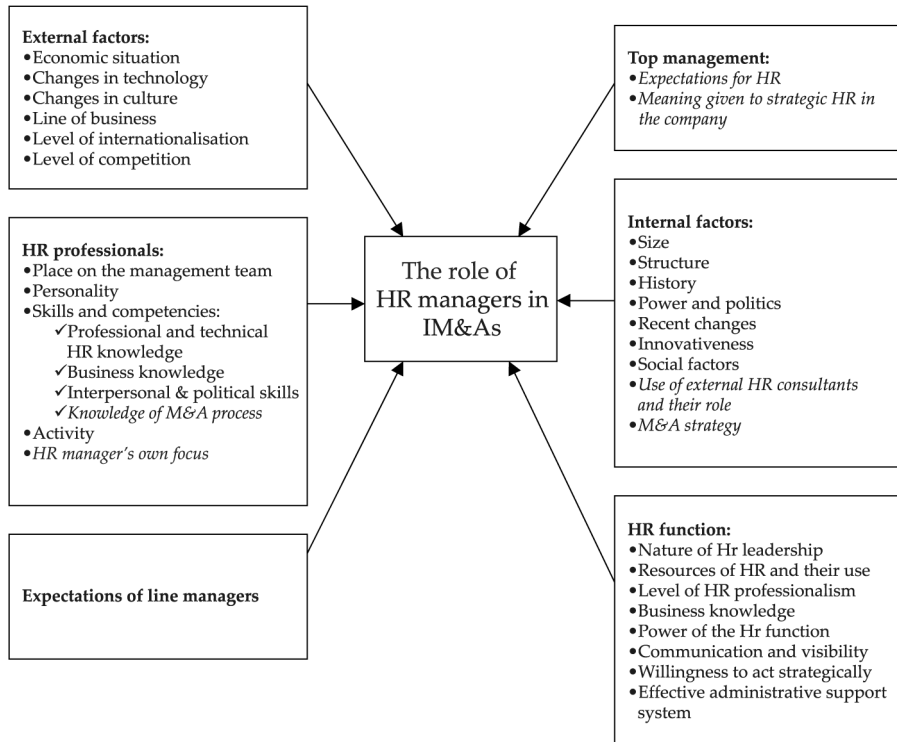


Figure 1. Summary of the factors affecting the roles of HR in organisations

1985; Merriam, 1998) and qualitative research is useful in dealing with a variety of evidence (Miles and Huberman, 1994) like multiple interviews (Pauwels and Matthyssens, 2004).

The case study technique is applied here since it is an in-depth, multifaceted investigation using qualitative research methods of a single social phenomenon (Orum *et al.*, 1991). The case study design is suitable when the purpose of the study is to gain understanding and meaning from a given phenomenon (Merriam, 1998). This study adopts a holistic multiple case study design (Yin, 2003) for three reasons. First, the research question – “What factors explain the roles of HR managers in the IM&A process?” – is explanatory in nature, which supports the use of the case study design. Secondly, the phenomenon under study in the context of IM&As is new and unstructured and therefore cannot be adequately measured (Bonoma, 1985). Third, all interviewees present the corporate elite and therefore the main constraint of the study has been the access to companies (Bonoma, 1985).

The study was carried out in three Finnish international companies. In Finland the overall M&A activity and especially international M&A activity has been increasing in the past few years. Therefore, the role of HR in these processes could also be expected to be more limited than in countries such as the USA where IM&As have been a common feature of international business for a long time. The sample was chosen to include companies that have expanded their business in recent years through international mergers or acquisitions. Case company A has business operations worldwide and employs 19,000 people in more than 40 countries. Case company B is an international firm that operates in several countries in Scandinavia, Eastern Europe and Eurasia. Today it employs nearly 27,000 people. Case company C has business activities in several countries in the Baltic area and employs 13,300 people. There are no set rules about the number of cases in a multiple case study and the number of cases is not a quality criterion (Pauwels and Matthyssens, 2004). However, Yin (2003) argues that a few cases, two or three, would be literal replication, whereas a few more, four to six, might be designed to pursue theoretical replication. At the beginning of this study the number of cases was not set. However, after the third case it was noticed that the interviews started to produce similar themes. At this point it was concluded that the so-called saturation point (Eskola and Suoranta, 2005) had been reached.

The data were collected in the form of semi-structured thematic interviews in which the interviewees were invited to talk about the involvement of HR managers in the IM&A process in general and about the factors that, from their experience, affect HR managers' involvement. In every company the Senior Vice President of HR, who was a member of the top management team, was interviewed in addition to one other HR manager. Senior HR managers were selected since they work with the CEO on strategic decisions such as IM&As (Jacoby *et al.*, 2005).

Interview guide, themes for HR managers:

- Background information about the interviewee.
- HR manager's involvement in international mergers and acquisitions.
- Other managers' expectations for HR manager.
- Knowledge needed in M&A processes.

Interview guide, themes for other managers:

- Background information about the interviewee.
- Interviewee's experiences of international mergers and acquisitions.
- Expectations for HR managers in a M&As?
- Knowledge needed in M&As?

In order to attain an in-depth and holistic understanding of the HR manager's roles in IM&As a corporate level manager from legal affairs and a member of another function - in Company A, a business controller; in Company B, a strategist; and in Company C, a chief financial officer (CFO) – were interviewed, who all represent the departments which have primary roles in M&As such as finance and strategy (Aguilera and Dencker, 2004) and therefore they can provide different perspectives. In total, 12 interviews were conducted between October 2003 and May 2004.

The interviews lasted from 45 minutes to one and a half hours. Each interview was tape recorded and later transcribed. The respondents were asked to read through the transcripts and comment on and complement them wherever necessary. The empirical data were analysed based on the literature review summarised in Figure 1. The analysis of the data began with the intensive reading of the transcripts. After careful reading the data was coded using tabs and marginal notes. After coding, the data were organised for analysis and reporting, applying a linear analytical structure (Yin, 2003). The quality of the research was further established by following the Yin (2003) typology regarding the quality of a case study approach. Construct validity was verified by the use of multiple information by interviewing other managers besides HR managers, by establishing a chain of evidence, and by having the interviewees review and comment on the transcripts. Internal validity was increased through the use of a theoretical framework based on what is known from the literature (Grönfors, 1982, p. 174; Miles and Huberman, 1994, pp. 278-9). External validity was ensured by following the replication logic of multiple case studies, where each case was carefully selected so that it predicted similar results (literal replication). Finally, to enhance the reliability of the case studies the research process was documented and a case study database developed (Yin, 2003, p. 34). To add to the reliability of the study both researchers analysed the interviews first separately and then the analysis was compared. The objective of this was to make sure that both investigators following the same procedure conducted the same results (Yin, 2003, p. 34).

The following section presents the empirical results case by case. However, there are several key limitations in the study that should be kept in mind when interpreting the results. First, the use of the case study methodology means that the sample size is limited and therefore the results may lack wider generalisability. Second, the scope of the study is limited to the corporate level because corporate-level HR managers work closely with the CEO on strategic decisions such as IM&As (Jacoby *et al.*, 2005) and are in a key position where HRM in IM&As is concerned. Therefore, this study does not include line management, although co-operation with line managers is acknowledged (Truss *et al.*, 2002). The study analyses the phenomenon only from the acquiring companies' viewpoint. In addition, the study relies on data collected after the merger or acquisition. This is due to a practical limitation of collecting data when an M&A is taking place (Schweiger and Walsh, 1990). As an outsider of an organisation, knowing

and getting access to the companies prior to the announcement of the merger or acquisition is difficult, often impossible.

One of the common limitations in case study research is the access to the companies that could be appropriate for the research objectives (Bryman, 1999) and although case studies in MNCs tend to be richer, it is harder to negotiate access and identify the right informants who have personally been involved in the phenomenon under study (Ghauri, 2004), especially in a situation where the informants are members of the top management team (Gaedeke and Tootelian, 1976; Welch *et al.*, 2002) This was also a problem in this study. In addition to access problems it was difficult to get an interview from all members of the corporate top management team in each company and the lack of more comprehensive corporate top management presentation is thus a limitation in this study.

Case study one

In case Company A the involvement of HR manager in M&A processes has been diverse. The Senior Vice President of HR has both good and bad experiences: usually he has been involved in due diligence, but recalls situations where he has not been involved at all. Those cases in which he has not been involved have been smaller and concerned less than hundred people. Despite the different experiences he thinks that HR should always be involved. If an HR manager joins the team after the deal is announced the situation becomes really difficult “It is a very painful situation, if after the deal is announced the plane tickets are booked and we travel to see what has been bought. This kind of situation is not that unusual . . . and it is very problematic.” In addition, he states that in his organisation HR still does not have the kind of role in M&As that it should have “Nobody questions the importance of financial analysis in a case of IM&A, but the work of HR is still different”. The other HR Manager sees the same. The importance of HR involvement in M&As was also emphasised by the Controller “I think that in this kind of a consolidated company it should be a given parameter that HR is involved, not necessarily in all cases but there has to be a part in the process in which HR issues are handled.”

Every company has its own policies and ways to manage M&A processes. These internal factors, the way things have been done previously, can affect the roles of HR in IM&A processes. Based on the interviews it can be stated that if an organisation does not have a tradition to include HR in IM&As it can be difficult for an HR manager to participate. “Of course the traditional way affects, whether the company has a tradition to include the HR Manager” (HR manager). “Probably no one really realizes it [the importance of HR in M&As] . . . [in our company] we have used M&As quite a lot but it’s interesting that previously, as well as at the moment, it has not really been given much attention” (Controller).

Another internal factor is the attitude of the IM&A project leader. The SVP of HR sees that “other functions’ understanding of HRM needs to be broader. There needs to be some space for the issues that are not quantitative in nature. If the HR Manager is not invited to the negotiation table you cannot participate.” The leader of the M&A project can be said to be responsible for HR issues at the end.

IM&As as such can be long processes, but when the action starts work is often intense and timelines are tight. According to the SVP of HR, “the lack of time is always the problem. In general, there is not enough time to do these investigations. If the

timeframe is one month to analyse a certain organisation it is pretty tight". The other HR Manager sees the same problem "It is often that when the situation arrives people do not have time and the situations change so rapidly." The speed of the process seems to be a common problem throughout the organisation.

In addition to the intensity of the process the work of HR is also affected by external factors such as the attitude of the target company. "In my opinion [HR related] information is not gathered or meetings are not arranged because the seller does not want to tell everything" (Controller). However the SVP of HR argues that HR issues are not that sensitive as many people think they are "I am interested in HRM in a target company in general, not in a single employee's salary." The Legal Counsellor points out that there are laws and regulations according to which HR issues can not be ignored in the case of an IM&A. She says that "I have never seen that HR issues would have been totally ignored. HR is involved and tries to find the best solutions."

HR function can contribute its own role by providing its own expertise on M&A beforehand. This kind of help seems to be important for other managers "I would welcome some kind of guidelines. From IT I got a brochure right away saying that these things needs to be taken into account, but not from HR" (Controller). She also thinks HR professionals have to provide "Guidelines about the things I need to go through at point A and issues that need to be discussed. Then it is up to the project leader if he/she takes them into consideration." According to the SVP of HR the lack of a clear framework for HRM in M&As can prevent HR from adding value to the process.

HRM in the case of IM&As is only one aspect of the work of HR and is related to the day-to-day HRM. The credibility of HR function arises from the everyday work. The SVP of HR sees that good day-to-day HRM forms the basis for the HR roles in an IM&A context. He also believes that HR can improve an organisation's knowledge of HRM in M&As and that way also make its own role more visible.

In Company A, HR issues are managed at different organisational levels and line managers have a big responsibility for the management of people both on a daily basis as well as in the case of IM&As. Often IM&As take place in business units and HR issues are also managed there. In such a case the corporate level may not be involved at all. Despite of this the guidelines or framework of HRM in a case of IM&As can be established at the corporate level. "The responsibility of the corporate HR function and management is to establish the general frameworks and policies for HRM" (HR Manager).

In Company A the SVP of HR is a member of the management team, which is essential for gaining information. The interviewed HR Manager tells that "I am not one of those people who think that the status matters, but if HR has a seat on the management team we are automatically informed and aware of what is going on." As a member of the management team the HR manager also has a chance to influence issues from early on. To be able to act as a business partner in the management team means that the HR Manager needs to have broad knowledge of one's own field and business in general. "HR manager needs to have a diversified vision of the field of HR as a whole, adequate knowledge of the business your company is in, knowledge of the business environment around you and ability to co-operate with different actors and ability to influence things. Knowledge, vision and personal characteristics" (HR manager). According to the SVP of HR, the foundation is the understanding of the HR function as a whole "If HR managers are too specialised it can be hard for him/her to reach the

so-called dynamic side of HR. I believe you do not have to be an expert of anything, but rather a good generalist in all the areas of HR, to know everything well enough”.

In the case of IM&As, an HR manager’s knowledge of business seems to be an extremely important contributing factor. In order to add value to the IM&A team the HR manager needs business savvy. The responsibility of an HR manager is to connect HR issues to other information related to the case and ability to see the big picture. In addition in the case of IM&A HR managers need knowledge of the M&A process. When an HR manager has this knowledge he/she is more likely to have self-initiative and be an active player in the process. According to the interviewed HR manager “It depends on the roles the HR manager plays, if he/she is active or not.” It also seems that HR managers’ relationship with the M&A team leaders can have a positive or a negative impact on HR managers’ roles in M&A process.

At the more personal level it helps if the HR manager is punctual and patient, works well under pressure, and has the ability to produce comprehensive analysis of pieces of information. “When I think about the personality or competencies of an HR Manager the problem is the nature of work, the deadlines and the structure of IM&A process. The HR Manager needs to be patient, work well under pressure and be able to stay in the set time schedule” (SVP HR). In the case of IM&As the ability to work in a foreign business environment and to have respect for cultural differences is also desirable. In IM&A processes HR managers face many things that are new and unpredictable. However, an HR manager does not need to be an expert on everything, since there are always consultants and experts to whom they can turn. The SVP of HR thinks that it is more important to think about how to compensate the knowledge one does not have. He concludes that “the ability to make a comprehensive analysis is the most important thing.”

Case study two

The Senior Vice President of HR in Company B has plenty of experience in IM&As during the past 20 years. He says that unfortunately HR managers’ involvement in initial decision-making is not self evident. He has been invited in the process after the deal is announced as well as in discussing the M&A strategy and the selection and scanning of a target company. Cases with early involvement have been the best experiences for him.

Speed of the process can be a limitation for HR managers’ involvement. Sometimes deals happen so fast that there simply is no time for HR analysis like there are in long term projects. According to HR Manager “Sometimes M&As happen at very short notice and we [HR] just have to react in the best way we can in that situation. In that case you cannot do everything in a way you would have if you had known about it [M&A] well in advance.” The SVP of HR also emphasises the role of the target company in the process. In some situations the seller sets the rules and the buyer does not have a chance for, e.g. HR analysis. In addition the size of the deal affects the roles of HR managers in IM&As. According to a Legal Counsellor the more people are affected by the M&A the more likely the HR manager will be involved.

In many cases the acquisitions take place in business units. The problem at the business unit level is that many times BU managers lead the acquisition process for the first time and might not have the knowledge of all the different aspects of the process. “People do not realise the need [for HR manager] or they think that the need arises later

on, not from the beginning . . . It is also that they cannot see the value HR can add". When people running the IM&A projects have previous experience of them they consult HR. "My personal experience is that those customers who I have worked with, easily call me if there is anything new going on. When I have gone through the process with them and they have realized the value that HR can bring and how HR can help, after that they are very eager to contact me in the future and this behaviour increases all the time" (HR manager).

When discussing the contributing factors of HR managers' roles in an IM&A process the interviewees emphasised issues related to the HR function and the HR manager over external or internal factors analysed above. The interviewed HR Manager criticises the fact that HR is not invited to the M&A process "If other people do not see the value of HR, I think it is a failure of communication from our part [HR]. We have to tell people in the organisation how we can help, what we can do and offer in the M&A process. That is what we are trying to do now." HR managers' own initiative is something that both interviewed HR managers highlighted.

Based on previous experiences in mergers and acquisitions HR managers have been developing a process model for the sound management of the acquisition process. The purpose is to have a corporate model for the future management of acquisitions. They believe that the HR function needs to communicate and market their services and knowledge throughout the organisation in order to make the managers who lead the projects aware of what HR can do. "Because it is our knowledge and skills we [HR] need to tell what kind of services we can offer and how we can help. We are working on our [HR] process model and communicate what are the roles of HR in which phase of the process" (HR manager). The HR manager tells that nowadays HR people sometimes have more work they can do. When managers have learned that HR has expertise they are really eager to ask for assistance. "In this company HR is really a house of full service, they take care of everything related to employees. HR can be trusted, that they do their job. I know that in many firms lawyers have to deal with the things that HR takes care of here" (Legal Counsellor).

A seat in the management team helps an HR manager to access information. "In the management team we [HR] get the information and there we can influence from the beginning, in this sense the situation is really good" (HR manager). However, sometimes cases have already been prepared for a long time before they are brought to the management team. The SVP of HR says that it is also important to know the right people "I believe the most important thing is to know the people who are preparing these deals. Sometimes these cases never end up to the management team." It seems that organisational structure has an impact on this. If the BUs are very independent corporate level HR does not necessarily get the information even if the HR manager has a seat in the management team.

In addition to the HR manager's personal relationship with BU management, trust is a contributing factor to an HR manager's involvement. Other people need to be able to trust that the HR manager takes care of things and is able to make decisions. "Trust is an important factor, since often these cases are really sensitive and you can only talk about it with a few people within your organisation. That is why you have to be able to work independently and sustain credibility" (HR manager). To be able to work independently in an M&A the HR manager needs to have knowledge of IM&As. "What is clearly expected [by other member in IM&A team] is that the HR manager has

knowledge to analyse and identify the HR related risks in IM&As. The HR manager has to have something concrete to give” (SVP HR).

Knowledge about IM&A is an advantage, but in addition the HR managers emphasised other competencies as well. They told that HR managers need to have comprehensive knowledge of the field of HR combined with business skills. As personal characteristics it helps if the HR manager has good negotiation and problem solving skills, and that he/she is able to make decisions. In addition, the HR manager needs good people skills and language skills in the case of IM&A. HR manager summarised the competencies needed:

Negotiation skills, ability to solve problems, people skills, decision making skills, language skills, because we have to negotiate in English or some other language. Of course the HR manager needs to have the knowledge in his/her own field. . . But the HR manager also needs business savvy in a sense that we have to understand the business entity we are talking about and how the effects are to be seen in your own business and in the partner’s business, because in most cases they are related to the bigger picture like finance which is an important interest group, because HR issues have financial affects.

Case study three

The Senior Vice President of HR has a strong and respected role in Company C. In his current position IM&As are part of his job and he is usually involved from early on. The management of IM&A has become a systematic process in which HR has an important role. In the past few years Company C has made acquisitions that have had high strategic importance. The manager from legal affairs sees that this has an impact on the HR manager’s involvement “When the organisation makes lots of acquisitions and executes its strategy through them . . . it is important to include HR, because we are forming our core business, building and enduring the bases for the business and it is the personnel who make that happen.” The CFO tells that “It depends on the situation, what kind of issues there are in a takeover. If there are a lot adjustment in sight, having a [HR] professional involved helps to evaluate the situation. On the other hand, if the value of the target company is based on people more than on tangible assets, it is a good thing to bring in the HR perspective from early on.”

As mentioned, the SVP of HR has a strong role in Company C. The managers stated that the CEO values HRM and the relationship between the CEO and the SVP of HR is good and solid. The CEO has knowledge of HRM, emphasises HR issues and the SVP of HR has a place in the management team. “It is important to have a good relationship with your supervisor, who hopefully is always the CEO, so he trusts and considers people issues important for real.” In addition the SVP of HR also sees that the support of top management is valuable.

A seat in the management team reflects the value given to HR in an organisation. “HR managers should not even accept top management positions without the seat in the management team.” The HR manager’s place on the management team is given high value among the managers in Company C. “The corporate HR manager does not have a place on the board. That tells pretty much, it means that HR is not considered as a part of business, as a central business process owner, in other words personnel is not an issue. If an HR manager has a place on the management team he/she is automatically involved in all new issues” (HR manager). Also the manager from the legal affairs sees that “One thing that is important is that our HR Manager has a place

on the management team. That simply describes the strategic importance of HR [in our company].”

Although the relationship with top management is essential, HR managers also work closely with BU and line managers. When line managers learn that HR can be trusted and helps them on a daily basis it is more likely that they include HR managers in an acquisition process. “Generally line management is responsible for these [acquisition] processes and they need to realise when they need help from HR. In practice, however, I think it has a lot to do with how line management trusts the HR Manager and the HR function” (CFO). The HR manager emphasises the partnership with line management by saying “By acting in a way that we [HR] try to help them [line managers] to resolve the business problems and achieving business challenges.”

Trust in the HR function is based on the day-to-day work. The HR manager sees that if the basic HRM work is well done in an organisation it is easier for an HR manager to talk with line managers also about strategic HR issues. Since it seems that the strategic outlook on HRM is a contributing factor in the HR manager’s role in a case of M&As “HR cannot just blame others for not involving HR, but we also need to look into the mirror . . . If we in HR are just taking care of payroll, which is itself important, we do not have anything to give [in a case of IM&A]” (HR manager). It seems that the ability to communicate the value that an HR manager can add to the IM&A process is one of the factors that have a considerable impact on the role of HR managers in the IM&A process. “In a top level position the content of knowledge is not enough. HR [manager] also needs to be able to communicate the issues at the right time and in the right way. This means that HR [manager] needs to understand the company, management, the current situation and business very well” (CFO).

Like in other case companies the interviewed managers in Company C all mostly emphasised the characteristics and competencies of HR managers that can have a positive or a negative impact on the role of HR in the case of IM&As. HR knowledge is the foundation as the CFO summarised “The professionalism in your [HR] own discipline so that the HR Manager can interpret the situations and tell what kind of effects there are if certain changes are made.” It is also clear that in an IM&A context the business skills of HR managers are a really important factor. Previous experience from BU management or from other functions can also help the HR Manager in this “It does not hurt if HR people have been working in some other function or a management position other than HR and have been working in different kinds of tasks like projects etc. . . . and seen different kinds of cultures, national and organisational” (SVP of HR). Previous experience in M&As as well as knowledge of finance are valuable assets for HR managers. The SVP of HR emphasises the importance of HR as a value adding function “If we as HR are just there and we do not add value, it does not take a long time before we are not there anymore.”

Furthermore, the SVP of HR brings up the importance of national culture in defining the roles of HR managers in IM&As. According to him, in the past the HR tradition in Finland has produced HR managers who see themselves as administrative people and are not willing to take a more strategic role “Unfortunately we have here in Finland, and in other countries as well, too many administrative HR people who have administrative background. It has always been like that.”

At a more personal level the trust between individuals working on a deal seems to be an important factor that can sometimes overcome the technical knowledge. Because

IM&A teams are usually small and the projects intense, people like to work with colleagues who they can trust and whom they respect. The CFO especially emphasised the trust between the IM&A team members, "In my opinion there are often only a few people in the team, there has to be respect for each other, that when you speak others listen. Line managers want to work with people who they can trust and who they know come up with the solutions and decisions when it is time. It is the feeling of trust not the content of a résumé."

Discussion and conclusions

The objective of this study was to explore the factors that explain HR managers' roles in the IM&A process. Based on the literature review the explanatory factors were divided into six groups: top management's support, line management's support, factors related to the HR function and HR managers, and external and internal factors. The present study, however, reveals that the factors affecting the roles of HR managers in the context of IM&As are emphasised differently from the general factors in which the roles of HR has not been bound to any certain context.

Support from top and line management

The results indicate that though top management support has an impact on the role of HR managers in an organisation it does not determine the role of HR managers in the IM&A process. The interviewed managers emphasised the importance of having a seat on the management team which reflects the importance of HR in an organisation (e.g. Hope-Hailey *et al.*, 1997; Torrington and Hall, 1998). However, it seems that the place on the management team does not automatically mean a strategic role or comprehensive involvement in the acquisitions process. It gives access to information, but the way information is used is left to HR managers themselves. In addition, it has to be realised that many IM&A cases take place in BUs and sometimes are not discussed at corporate level. For this reason, interviewed managers emphasised good relationships and trust between HR and line managers.

Factors related to HR managers

The most important factor affecting the roles of HR managers was the ability of HR managers to show the importance of HR-related issues in the IM&A process. This argument was presented several times by both HR managers and other senior managers. The technical and professional knowledge of HRM, knowledge of the business the company is in, and the ability to combine these two in the framework of IM&A processes, were seen to be the most important in defining whether HR managers were involved or not. Also, previous experience in IM&As was seen to affect the roles played by the HR manager. These findings are in line with previous studies according to which the capabilities of HR managers play a critical part in defining the roles achieved (e.g. Tyson, 1995; Storey, 1992; Barney and Wright, 1998; Nankervis *et al.*, 2002; Khatri and Budhwar, 2002; Kane *et al.*, 1999; Truss, 2003). However, it seems that in an IM&A context business competencies become extremely important.

In addition it seems that HR managers need to be active and use self-initiative in their organisations. They have to actively figure out what is happening in the organisation and offer their help to the managers responsible for M&As. The point of view among the managers in the case companies was that HR managers' active

participation increases the overall HR knowledge of the responsible managers and, through that, highlights the importance of HR issues in IM&As. In addition, this contributes to the roles of HR managers in IM&A processes.

HR managers' capabilities and activities are tightly connected to their interpersonal skills as well. Interpersonal skills and the ability to build relationships with other managers were found to affect the roles of HR managers. Trust seems to be the main thing managers are looking for in their process team members, and trust is built through combining one's own functional specialist knowledge with business savvy and applying that in IM&A processes. The team members want to know each other, their capabilities, and base their relationships on trust. The concept of trust is closely related to the concept of credibility which has been mentioned in previous literature (Pfeffer, 1992; Ulrich, 1997). According to this study, credibility and relationships of trust can be created through good day-to-day HRM in organisations.

Characteristics of the HR function

The roles of the HR manager in organisations are also partly determined by the status that the HR function has as a whole (Truss *et al.*, 2002). Other members in an organisation have expectations regarding the roles of the HR function and the way these expectations are met affects the role of HR. In the case of IM&As these expectations are based on the work that the HR function does on a daily basis. The interviewed managers repeatedly highlighted that the day-to-day HRM has to be good and the HR function has to provide guidelines and frameworks for HRM in an IM&A context and communicate them throughout the organisation. When the HR department is active and uses its initiative it can increase the knowledge about HRM in an IM&A process inside the organisation and contribute to its own role as well.

External and internal factors

According to Kane and Palmer (1995) there are also external and internal factors affecting the roles of HR in organisations. The HR tradition in a certain country and the roles HR people are used to taking are interpreted to be external factors which can affect the roles played by them in the context of IM&As. As Faulkner *et al.* (2002) have stated there are different national HRM practices and it seems that the national as well as organisational tradition also affects the role of HR managers. If HR people are administratively oriented they are more likely not to take on an active role in IM&As. Another external factor found in the study was the relationship between the selling and acquiring firms. An open relationship between the firms increases the possibilities of HR to research the other company thoroughly and participate in the process more actively.

In this study, the nature of the IM&A process can be interpreted as an internal factor affecting the roles of HR. If the deal is considered to be small and not affecting many people, HR managers were not part of the process and if the IM&A had high strategic importance and the integration level was higher, then the HR manager was more likely to play stronger role in it. Also, the assumed relationship between the firms and the level of integration after the acquisition affected the HR role in that if the firms stayed apart and independent after the process less attention was paid to HR issues during the process (see, e.g. Buono and Bowditch, 1989; Aguilera and Dencker, 2004).

The speed of the process can be interpreted as an internal factor affecting the role of HR in IM&As. Sometimes the deals are settled quickly and in such cases there may not

be time for a deeper HR analysis and no time for HR involvement. However, it should be kept in mind that time is a limitation for the whole IM&A team, not only HR. The seller can also affect the role of HR by controlling the amount of information HR of the acquiring company has access to.

In an IM&A context it was found that if managers who are responsible for the IM&A projects were not aware of the HR issues in the process and if they had no previous experience in them, they were less likely to involve HR managers in the process. In such a case it is harder for the HR managers to be involved and make a contribution. Following Kane and Palmer (1995), this factor can be interpreted to be an internal factor affecting the roles of HR managers.

The present study has increased our understanding on the diverse factors that explain the roles of HR managers in the IM&A context. The study builds on the previous literature relating to the factors that explain the roles of HR in organisations in general, which seemed to be a good starting point since the present study highlights many issues found in previous studies. However, the explanatory factors were emphasised differently in an IM&A context. The factors explaining the roles in the case organisations focused on certain factor groups and were similar across the cases. Figure 2 summarises the findings of the study and highlights which factors of the theoretical framework were found in this study. The findings are divided into six

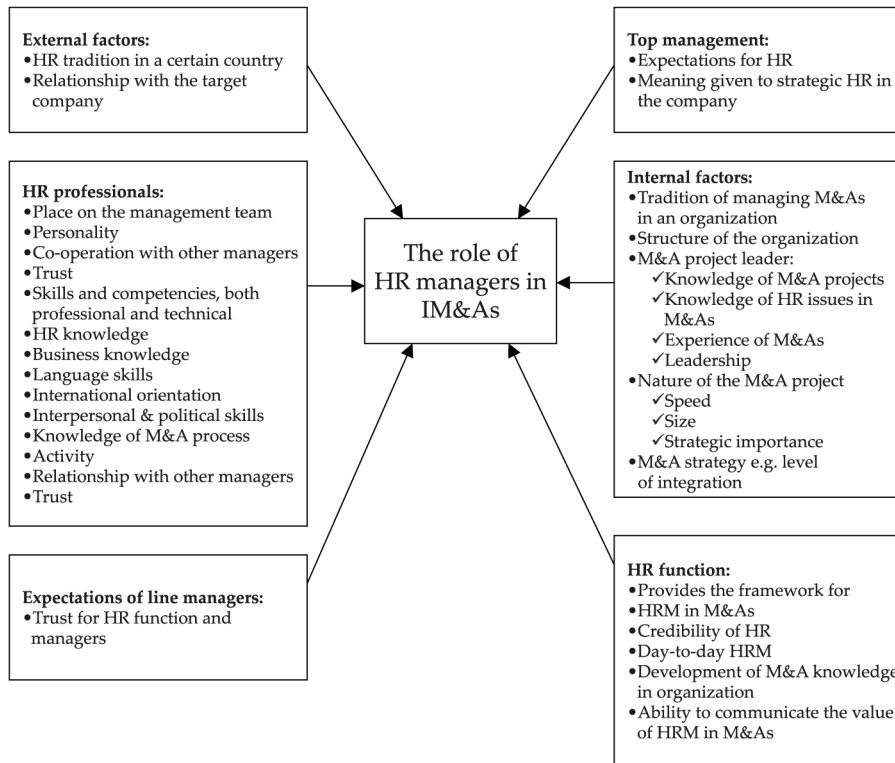


Figure 2. Summary of factors affecting the roles of HR managers in the IM&A context

categories based on Figure 1. The main factors under each category are marked with ● and sub-factors with ✓.

It seems that the context matters. Compared to the general factors presented in Figure 1 the nature and characteristics of the IM&A project, the relationship with the target company, experience of the M&A project leader, and the overall M&A tradition in the organisation affects the HR managers' role in these processes. International M&As are unique situations which challenge the knowledge and competencies of HR managers. It can be argued that in the case of an IM&A, HR managers' professional and personal skills are extremely important. Even though the nature of the IM&A process sets certain limits, the factors related to HR managers themselves are the factors that contribute most to the roles of HR managers. In addition, in IM&As, M&A experience and the knowledge of both HR managers and the HR function in general are essential.

This study has analysed the reasons related to the roles of HR managers in an IM&A context in general, not just the strategic role within. Based on the case studies it seems, however, that a seat on the management team and HR managers' business competencies as well as personal skills contribute to the strategic role. As a member of the management team the HR manager can have information and influence the IM&A from early on which is argued to be an essential factor for the success of IM&As (see, e.g. Jeris *et al.*, 2002).

It can be concluded that the roles of HR managers in the case of an IM&A is affected by top and line management's support, external and internal factors, by the HR function itself and most of all by the factors relating to HR managers themselves. However, the present study is based only on three case examples and more empirical research is needed to sufficiently structure the phenomenon. The analysis revealed that it is important to consider the context in which the roles of HR managers are studied. Indeed, further research is needed on how, for example, the type of alliance (merger, acquisition, JV) affects the roles of HR. In addition, there is a need to compare what impact the strategic intent of the deal and integration has on the roles of HR managers. It would also be very important to be able to observe IM&A processes from beginning to end and analyse in depth how HR managers and other managers interact and behave in these processes. This kind of field study would produce important information on the role of HR managers compared to the role of other managers in the IM&A process. From a practical point of view, it seems that HR managers need more knowledge about issues related to IM&A processes. It should be further studied what kind of training HR managers and organisations need on IM&A processes and how HR managers can be supported so that they could assume a more active role. In the case of international M&As it would also be fruitful to compare the role of HR managers in different national cultures and how this role impacts the success of an IM&A.

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