

UNIVERSITI TEKNOLOGI MARA

**THE INFLUENCE OF HUMAN
RESOURCES MANAGEMENT
PRACTICES, CORPORATE
CULTURES AND TASKS
INTEGRATION ON THE
PERFORMANCE OF ACQUIRING
COMPANIES IN MALAYSIA**

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ABSTRACT

Despite decades of research, the key factors for success in Mergers and Acquisitions (M&As) and the reasons why M&As often fail remain poorly understood. The major reasons identified for this low performance include unrealistic expectation, unskilled execution, and incompatible cultures. However, many companies involved have only been evaluated based on their compatibility regarding financial figures and technical aspects, lack of research focused on the people issues. Malaysia has been continuously become the highest ranking in M&A exercises for the years of 2004 to 2007 and ranks between 2nd to 3rd among the top acquirers in the world for the following seven years. Unfortunately, many of Malaysian acquiring companies faced decline in their sales growth for the first 3 to 7 years that shows their performance has not been impressive after M&A and impacted Malaysian economy. In view of this, there is a need to investigate the influence of human resource management (HRM) practices and corporate cultures integration, focusing on the improvement of company performance. The research aims to investigate the influence of HRM practices on the performance of acquiring companies in Malaysia by examining the mediating effects of corporate cultures and tasks integration between the link. A research model is developed to investigate the influence of HRM practices dimensions (skill-enhancing, motivation-enhancing and opportunity-enhancing practices) on the company performance by examining the mediating effects of corporate cultures and tasks integration in post-M&A phase. Theoretical lenses; resource based view (RBV) and the competing values framework (CVF) are adapted in this research. A mail survey technique is employed to collect data from acquiring companies involved in M&A between the years of 2004-2009. Out of 277, 171 useable responses were received and further analysed using the partial least square (PLS) technique. Smart PLS 2.0M3 was used to validate the research model and test the proposed research hypotheses. The results signify that HRM practices dimensions, corporate cultures and tasks related integration factors are critical for the success of M&A. However, company performance is not influenced indirectly by opportunity-enhancing practices as these practices did not receive statistical support. The lack of opportunity-enhancing practices such as employee involvement could be one of the factors of M&A failure or taking longer period to success in most acquiring companies in Malaysia. Following these findings, a number of implications are offered. Specifically, corporate cultures and tasks integration provided greater room for understanding the impact of HRM practices on the effectiveness and efficiency of the M&As strategies. Finally, the industry players involved in M&A exercises must act upon the importance of HRM practices in order to optimise their cultures and tasks integration towards better performance of post-M&A phase.

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