HUMAN RESOURCES PERSPECTIVE of MERGER VIEWED
Study Case on PT ACE JAYA PROTEKSI

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ABSTRACT

Incorporation of similar companies or merger is one of the corporate strategic decisions for market maintenance and business development then success rate determines by its purpose, while some factors can be its failure caused for instance things related with Human Resources. This research is to obtain detailed comprehension of merger from Human Resources perspective in PT ACE Jaya Proteksi. Subjects for this research are remain employee of PT ACE INA Insurance and PT Asuransi Jaya Proteksi after merger declaration. Based on interview and observation in this research there are facts about merger impact of two different culture company though they have same line of business on their human resources management and it issues regarding human resources that need attention and to be solved to meet merger goal and expectation.

Keywords: Merger, Human Resources, Human Resources Management, Organization Culture

PREFACE

Along with company's growth it also brings up more mature management to comply with uncertain market behavior and demand acceleration. Business development implementation can be internally through business expansion and externally through business combination. Business expansion performed by expanding recent company activities while business combination performed by taking over other company (s). Incorporation of similar companies or merger is one of the corporate strategic decisions for market maintenance and business development.

Though merger is a strategic decision to gain company's competiveness, it often adverse effect related to employee morale. It obviously appeared that combining two companies means combining two different company's cultures. Company's growth performed by its human resources as company's driving force and capital. Human resources also an essential factor for company's growth, goal achieved and life cycle. Without well-managed human resources will be impossible to run company strategies.

In early 2012, after having a stable growth, PT ACE INA Insurance decide to take an important step to have business combination or taking over other align company for its business development and market demand maintenance. To expand protection for its assets, PT ACE INA Insurance acquired 80% of stock own by local align company, PT Asuransi Jaya Proteksi (Japro). In this company incorporation process, restructure required for human resource management as it development strategy in taking over other company. These restructure decision advice by ACE Ltd, USA as headquarter management and other local business management consultant located in Jakarta.

There are issues appear from change management specially in human capital resources for instance new effective design structure in human resources, building corporate culture values from new entity, developing positive communication to meet job satisfaction regarding new structure, and to socialized and harmonizing recent human resources policies with new one.

PROBLEM FOMULATION

This section provides result preview and merger evaluation from human resources perspective in PT ACE INA Insurance (then change to PT ACE Jaya Proteksi). Other focus is policy's explanation from human resources function before, recent and after merger. Here are sub-focuses in this section:

- Merger policies in human resources function
- Human resources integration process
- Organizational culture before and after merger.

RESEARCH QUESTION

Based on above explanation defined a problem: "how the merger implication in PT ACE Jaya Proteksi human resources management and organizational culture?"

MERGER

It is reality consequences that a company should take best strategic decision to maintain and develop their business with many ways as option. One of the options is Merger. The word merger used to describe united of two or more companies and remained one of their name after it.[1] From asset number of holdings point of view, merger is business incorporation where assets and obligation of company taken over joined with assets and obligation of company who take over it with no organization component addition.[2] This kind of business expansion also mentioned in Government Regulation (Peraturan Pemerintah) for incorporation, merger, taking over limited company (Perseroan Terbatas-PT), Peraturan Pemerintah No. 27 Tahun 1998, Merger or incorporation is one of legal acts by one or more company to affiliate then disperse.[3] In this Government Regulation mentioned not only for merger meaning but also its procedures.

From above explanation about merger, concluded that merger is joining two or more company where company's taken over assets, obligations, and entities merge with company took over where its each role is clear under one business entity with purpose to maintain and develop business. Based on goal combination (Value Chain), there are three ways to develop business, which are:

- Vertical Merger. Joining two companies where their operational activities or their line of business show producer-supplier relation.
- Horizontal Merger. Joining or combining one to other companies which have same line of business (before their compete one another).
- Conglomerate Merger. Joining two or more companies with no relation in it.

Some general reason for merger and acquisition are economic factors, management improvements, tax considerations, diversification, and increasing Corporate Growth Rate. From those reasons that dominantly appear are economic factors and management improvements.

From company who took over or usually called by acquirer point of view, they will create special team to run merger or having consultant services to achieve merger goals with targeted company as their focus. In other words, merger successful from acquirer (buyer) point of view is having profits for buyer stake holders.[4] Thus, merger successful determined from the successful purpose of purchasing by buyer and it affect targeted company. Other than that, successful merger is when it generate huge advantage deal for buyer.

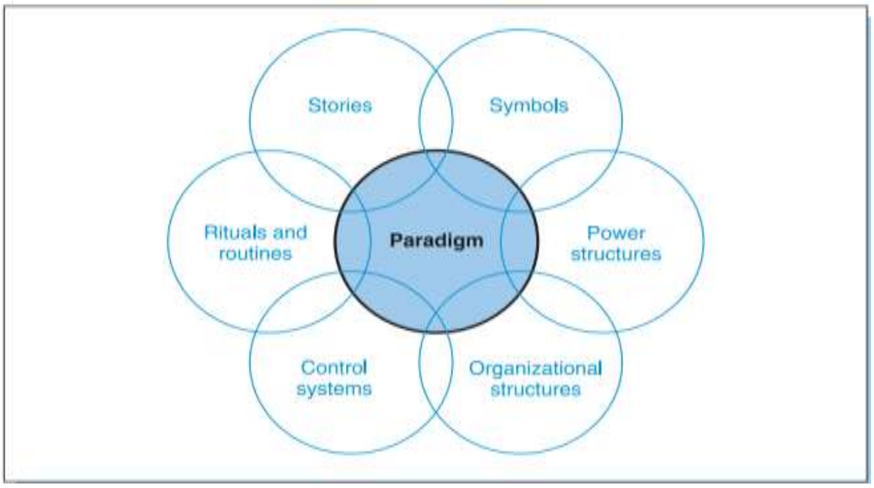
HUMAN RESOURCES

Resources needs by organization to find market in external environment. Without any resources an organization or company won't gain their goals. Human Resources word based on Hanafie, means human physical and psychological which potentially use for productivity.[5] Hasibuan point of view, human resources is an integrated ability from individual physical

power and knowledge. Human resources ability cannot be determined from only one side, but it have to be integrated from whole knowledge and also physical power.
The aim of resources management is to build solid team and to maximized skill people. These human resources management such as HR policy, HR practice, HR behavior and performance. In the first line of human resources management function should be develop and build by human resources department. The functions is HR Plan, recruitment, compensation and HR international. Meanwhile Noe words proved, HR functions is planning and job analyst, recruitment and selection, training and development, performance, compensation and benefit, industrial relation, HR policies, compliance and business strategy. HR function is the HRD or executive responsibilities to support the organizations.

CORPORATE CULTURE

In the organization, said the organization's culture refers to a belief, management philosophy, values or feelings of the employees during the company's trust and keep it running. The idea is almost as well initiated by Stacey (in Campbell) that organizational culture is a set of beliefs, customs, and ways of thinking of those who came to share and work together - together. Schein (in Yadnyawati), states organsiasi culture as a pattern of assumptions - the basic assumptions learned by an organization or company to be able to adapt to external challenges and internal integration. Overall, it can be said at the level of cultural organization composed of subjective and objective dimensions and is influenced by tradition and nature of shared beliefs and expectations of organizational life.



Gambar 1.2 Cultural Web by Johnson

Sumber: *Business Strategy an Introduction 2nd Edition.* 2002

With this culture web, will facilitate a person to understand the scope of the culture of an organization. An employee will understand the philosophy and policies of the company if their direct interaction between internal and external stakeholders. Cultural organizations will also create a feeling of belonging (sense of belonging), shared commitment, and creates social stability. Organizational culture will influence business strategy and will also affect the company in response to the change. Strong organizational culture will be profitable for the company.

MERGER and HUMAN RESOURCES

In the process of mergers and acquisitions (M & A) The focus of the sector legal, financial, and operational. However, the real factors or elements that most influence the process of merger is a change in the management of human resources is the key to the success of a merger or acquisition. Meanwhile, according to the Harvard Business Review (in Randall) around 70% - 90% of the merger process fails or does not achieve strategic results expected, both financially and operationally, because the number of violations or mistakes made in the management of human resources in particular. This is also reinforced by Anifowose, et al, that human resources is the most important thing in the process of mergers and acquisitions for human resources is a major asset and a cornerstone of the organization's work. Wattson, also found less involvement of the HR function in the process of mergers and acquisitions reduce the percentage of success of the merger. The process of combination between two cultures and different backgrounds and deterioration that occurs, making the integration strategy of human resources is the power to prevent the failure.

Differences in culture, class, gaps (gap), loss of key talent, the causes of the failure of the merger which is often found in companies that have merged. Based on the proposed Kay and Shelton (in Randall), that causes the greatest failures in the merger is there on the problem of human resource management at the time of the merger, and in this case must be ensured that existing human resources, still survive until the integration period. In other words, this proves that management of good human resources is an important factor in the success of the merger strategy. Supposed to take the role of the HR function in all phases of the merger of the due diligence process until the integration process. By involving the HR function at an early stage due diligence liabilities that the company can find 'hidden' and identify potential synergies financial system of benefits, compensation, and pension programs. Identification of human management can help organizations to determine the feasibility of the merger on the target company, or if the merger had occurred can help develop a solid integration plan, even before the merger was officially announced. The integration process includes the consolidation of human capital as people practices, compensation and benefits, training and career development, communication strategies, employment and cultural development. Here are the steps in the merger process and the role that can be done by the HR function is:

- Phase I: Development Strategies. With the merger or acquisition of a company can strengthen its competitive advantage through growth synergies and / or cost reduction. But one of the main driving factors behind the merger at this time is the control over human assets or intellectual property, an area in which the HR function plays an important role.
- Phase II: study the target company. After the merger and acquisition strategy defined by the corporate side, the next step is to define and refine potential company merger or acquisition candidates. At this stage the HR function plays a role in the identification of market perceptions of the type and quality of manpower that owned by the target company, analyzing the differences in organization, culture and behavior, and to study the level of integration that can be done.
- Phase III: conducting due diligence. Currently the HR function has been closely involved in the due diligence process, which usually begins by conducting research on the cultural compatibility of the two companies would merge. The study compatibility made include size, history and age of organization, type of industry, geographical location, type of business (product or service), culture (which focuses on the distribution of power within the organization and decision-making model) and 'emotion' (concerning ways of thinking behavior, collective habits and perceived fairness of the compensation system, as well as the level of overall job satisfaction).
- Phase IV: Planning Integration. The integration process should start immediately after dilakuakannya signing the letter of offer and the implementation of the due diligence process. At this stage of the integration of HR functions play a role in setting up a retention strategy, program development, communication to all members of

the organization, as well as harmonizing the system of compensation and benefits.

- Phase V: Implementation Integration. Immediately after the merger the company will coordinate and combine and disseminate to the entire human resources of the two companies, which includes the organization, procedures and company rules into a system of compensation, marketing, production, research, development and so applicable to the entire organization.

Integration of the Human Resources organization is based on a function of strategic importance for the organization and the achievement level of ease of integration. For functions that have a strategic significance for the company and is relatively easy to integrated consolidation or merger, while the functions that have a strategic but difficult to integrate, then coordination. Despite the involvement of the HR function is crucial in this process, but in fact only less than most HR professionals who are involved in this process. As a result the process of downsizing at the position - the position of duplication (or positions that are no longer needed) done without the assessment process and careful selection. It is often sad because the company lost valuable labor which it cost to replace it will be much more expensive than the cost to be incurred to retain these employees. Changes and pressures experienced by members of the organization when the two firms merged may hinder the implementation of the integration strategy.

CORPORATE CULTURE and MERGER

Many considerations and challenges to be faced by the merged company focused in financial, operational, and marketing. However, consideration of the behavior and culture (SDM) is often considered a simple and easy to deal with even tend to be ignored. At the stage of taking a decision on the merger, cultural issues in human resource management that is becoming one of the issues that disrupt and can hamper the performance of the company if it is not handled properly and correctly. Based on it, need full of attention for human resources matters in the merger activity.

Difficultness in a process of mergers and acquisitions is often caused by the conflict, and the conflict between two different culture. Coordination and integration of cultures is one of the most serious aspects, complex and problematic in the merger process. The cultural change is a change that is very difficult for humans because culture is the basis for a human life. A strong corporate culture can build a high sense of loyalty among employee and feel of belonging and a sense of responsibility for the successful company. Having a background of a strong organizational culture a member of the organization want to do business is very unusual for a common goal. Native culture eroded by radical changes such as mergers and acquisitions or restructuring will require new cohesive culture that can improve quality of life for members of his organization. In the re-establishment of a cohesive culture, it should be remembered that culture is not a quick solution to all problems that arise during the process of merger. In other words, the culture can help and support the operational and financial activities to achieve the strategic goals of the merger.

Need times to integrate their thoughts and feelings in order to accept the reality of the changes around them and the growing awareness of the need to adapt to these changes. Attachment to the old culture must begin to be removed before they can run with the new culture. This is necessary to help the management to provide proper leadership.

RESEARCH METHODS

The approach used in this study is a qualitative approach. In this case the merger is a phenomenon that occurs in a company that covers all the companies included in the terms of human resources to conduct the case study method. Data collection methods used in the study are:

- Observations made in this research is Participant Observation or observation participate. In this observation, the researchers directly involved with the activities of research subjects.
- Interview is basically one of the ways to obtain various kinds of information. In this study conducted interviews with the general guidelines.
- Documentation method in this research is intended to obtain data by means of documentation, which is studying the documents relating to all the data needed in the research.

Analysis of the data in a qualitative approach, carried out at the time of data collection takes place, and after the completion of data collection in a particular period. At the time of the interview, researchers have conducted an analysis of the necessary documents and to answer during the interview. If you feel not satisfactory, then the researchers will continue the questions again, to a certain extent, the data obtained are considered credible. Examination of the validity of the data used in this research is to use triangulation methods and triangulation of sources.

CONCLUSION and RECOMMENDATIONS

Merger of two companies with backgrounds and cultures are very different but in the same line of business that have implications for human resources to put a number of issues in human resource management concern to be resolved to achieve the expectations and goals of this merger. The implications are:

- Job enlargement and additional job
- Restructure
- Employee Benefit
- Organizations Policy
- Performance

In ACE Indonesia culture is also changing the things that are crucial for employees when the merger is done. The change in organizational culture that can be seen from this ACE merger cases are:

- Incorporation Name
- Slogan
- Leadership

After researching and studying the problems that occurred in this case, the researchers provide useful suggestions for science and organizations and all elements of the organization in terms of merger policy in the human resources function, namely:

- Renewing the partnership agreement with the employee as soon as possible, so that the company continues to produce and provide good services during the merger process.
- Create employee training program with the new system.
- Manage employee learning process
- For the top management, decision making and the restructuring should be clear, transparent and consistent, so minimize ambiguity and misunderstanding in employees
- From this merger cases, it is important to be able to synergize team of HR, IT, Operations, R & D, to determine the next step with the new entity. Meanwhile in the stage of integration of human resources and organizational culture, do some things, namely:
- Placing the leader who is able to understand the character of its members, who are able to understand the cultural differences, are able to conduct business with the new conditions.
- Placing people who were on HRD which is able to translate the decisions and company policies all of the employees.
- As soon as possible to anticipate a growing issue regarding employee.
- Ability to retain key talent and motivate the employees to the new conditions and culture.

Overall, a lot of things that can be used as a spotlight and the attention of cases of merger happens for a bright future for the organization and make the Human Resources Department more professional in the organizational structure, the pattern of employee relations and various other HR cases.

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