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Mergers in Human Resource



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In the business world, human resources departments are beginning to play a more complex role especially when it comes to the world of merger and acquisitions. The work for the human resource department begins even before the merger or acquisition starts. Aside from managing the people involved in the merger or acquisition itself they have to ensure legal and regulatory requirements are being met. From the people management portion of their duties, they must also be planning for integration of new employees, retention of talent, and development of new policies and benefit programs. Ultimately the human resources department is responsible for aligning the company cultures, retaining important talent, and effectively communicating with multiple departments regarding strategies to successfully merge.

In order to study a recent merger and acquisition, I will be looking into the purchase of Twitter by Elon Musk and X Holdings. On October 27, 2022, Elon Musk finalized the acquisition of Twitter for \$44 billion dollars. Prior to the completion of the acquisition Elon Musk attempted to back out of the deal that was started on April 2022. This would mark the beginning of some of the major struggles that the human resources department for Elon Musk would have. In most cases of an acquisition the human resource department would begin with developing clear strategies for a successful merger and assessing things such as cultural differences between merging companies. It is important for human resource departments to identify any differences in company cultures to avoid any clashes. In order to this they must identify the differences, assess compatibility, and make plans for integration.

In the case for Elon Musk and Twitter, the human resource department for X Holdings had a short time to prepare for the merger. Elon Musk attempted to back out of the purchase from Twitter and was compelled to finalize the purchase due an ongoing legal battle with Twitter. While this legal battle between twitter and Elon Musk there was uncertainty on whether Elon

Musk would go through with the purchase or back out, thus not allowing the human resource team at X Holdings to make preparations in the meantime.

The purchase of Twitter did not start off on good note and would continue to run into issues post purchase. Following the purchase of Twitter, Elon Musk initiated mass layoffs resulting in the cut of approximately half of the workforce at Twitter. The mass layoffs began a week after the purchase of Twitter and it's here where some of the issues began for both the human resource department and Elon Musk. One of the important roles of the human resource department during a merger is ensuring job security for employees. In the case of Twitter, the mass layoffs caused a wave of issues including job security issues for all employees. Job security plays a major role during a merger and with organizational changes, job security issues can have negative impact on employees. For Twitter employees seeing half of the workforce being laid off caused a wave of uncertainty, uncertainty, and decreased morale. These all become important because any negative effects from job security issues can lead to loss of production and lack of loyalty by employees.

More importantly the mass layoff a week after the merger brought about bigger issues to X Holdings. The mass layoffs would ultimately lead to a class action lawsuit brought about by former employees of Twitter that were laid off. In the class action lawsuit, the former employees claim that in conducting mass layoffs Twitter was in violation of the Warn Act because they were not given a 60 day notice.

The warn act is a set of US laws that require employers to provide employees with a minimum of 60 days notice of mass layoffs or plant closures. The criteria for an employer to be subject to the warn act is that they must employ at least 100 employees who work a minimum of 4000 hours of work a week not including overtime. In the case of Twitter they meet the criteria and are subject

to the Warn Act since they employ well over the 100 employee limit. For an employee to be eligible to file a complaint regarding the Warn Act they must work a minimum of 20 hours a week and anyone who works less than 20 hours is not covered by the Warn Act. The Warn Act also defines what is considered to be a mass layoff or job cut. The Warn Act defines a mass layoff as an employer conducting job cuts of at least 33% or more of their work force in one location and at least 50 employees. In the case of Twitter again they would fall under the definition of conducting mass layoffs and would need to comply with the Warn Act. Ultimately the Warn Act was created to help workers and their families prepare for the potential of job loss. The 60 day period would allow workers enough time to seek new employment, training, or prepare for other necessary adjustments following job loss.

On November 4th, 2022 Elon Musk would announce via Twitter that everyone who was laid off during the mass layoff would receive 3 months' worth of severance which would satisfy any requirements of the Warn Act. These events work to highlight the importance of having the human resource department involved in the planning and executing of mergers. With enough time to strategize and plan the human resource department at X Holdings could of avoided the class action law suit, bad press, and having to pay out almost double the severance that was required by law.

The rapid nature of changes after the purchase of Twitter caused instability throughout the company and led to over 80% of the work force to be laid off after multiple rounds of layoffs. The chaotic nature of the changes would bring about many difficulties for the human resources department in the coming months. First the human resources department must work hard to bring stability to the workforce in the form of planning, recruiting, retaining talent, and rebuilding the work culture. As for employees they were put in a chaotic situation following

mass layoffs and questionable job security. Ultimately the purchase of Twitter did not benefit the employees since the events following the purchase were strictly focused on the business aspect of stopping the company from losing profit. In this situation the employees became an after thought and Elon Musk would focus on bringing back the profitability. It is because of this mentality and the lack of planning by the human resources department that following the purchase Twitter was hit with multiple lawsuits and bad press in addition to losing half of their advertising partners.

Another recent example of merger and acquisition would be the merger between Disney and Fox. On March 20, 2019 Disney purchased Fox resulting in the merger of two major companies in the entertainment industry. On December 14, 2017 both Disney and Fox announced a definitive agreement for the purchase of Fox. On July 27, 2018 Fox accepted a \$71 billion bid from Disney and the purchase was completed on March 20, 2019. From initiation of purchase to the closing the purchase was in progress for close to two years. Since the purchase was announced for close to two years the human resource department at Disney had all that time to prepare the merger between the two companies.

Among the most important jobs for the human resources department at Disney was to effectively communicate with employees of both merging companies to address concerns and provide clarity regarding the future. As previously mentioned before during the merger between Twitter and Elon Musks X Holdings, job security plays an important role in stability and future of the company. When employees are unsure of their future employment it can lead to anxiety and a major drop in productivity. In order to fight this, Disney's human resources used various strategies but chief among them was effective communication.

The first step they took was to inform their employees that there would be transparency regarding any and all organizational changes. Because both Fox and Disney are part of the entertainment industry, overlap in departments was expected from the merger and caused worry among its employees who were expecting layoffs. Understanding this the human resources department at Disney was prepared to combat this uncertainty and anxiety from employees. Among some of the first steps the human resources department took was distributing a “Disney Transition Guide”. This guide helped inform all the new Disney employees on what to expect in the following year and was part of the transparency strategy. The guide provided details on the organizational changes, forecasted layoffs, and details about severance packages that could be expected.

Among the many concerns from former Fox employees was the idea that their salary and compensation would immediately be lowered since Fox employees were known to have at least 20% higher pay then those at similar positions at Disney. The Disney Transition Guide assured these employees that their compensation would not be immediately lowered to Disney ranges for those not under contract. The strategy to be transparent with the new employees helps to alleviate any anxiety that is usually caused by being left in the dark regarding your work future. Giving the employees a timeline of potential layoffs would also give the employees enough time to plan or re assess their future in the company. The timeline would also potentially give all employees the opportunity to show what skills they bring to the table and how they can fit in within the organizational changes. Ultimately Disney would end up laying off approximately 4,000 employees, but with planning and enough time given to employees they averted any issues leading up to the layoff. The strategy and planning helped Disney avoid any issues regarding the Warn Act previously discussed or any other laws regarding labor and labor disputes.

Another major obstacle that the Disney human resources team faced integrating the work cultures of Disney and Fox. Not only were Disney and Fox on opposite sides of focus when it comes to business but also when it comes to work culture. Disney is known to be a family focused company who build their business on having a wholesome family friendly image. Fox on the other hand was known for edgier content including language, violence, and sexual themes that did not align with the family friendly image of Disney. As far as work culture Disney and Fox had equally a stark difference when it came to work culture, and this would be a big focus for the human resource department.

Work culture plays an important role in any organization and is vital for the overall success of any company. Work culture provides and influences employee satisfaction, experience, engagement, and productivity. Human resource departments understand that work culture is crucial for success and provides employees with a healthy environment where they are motivated, satisfied, and feel valued. In order to do this human resource departments, focus on shaping and maintaining company culture by aligning it with the organizations mission, vision, and values.

During the merger between Disney and Fox the human resources department had to carefully merge both work cultures in order to successfully integrate employees from both parties. The work culture at Disney focused on values like innovation, quality, and community while the work culture at Fox focused on entrepreneurial spirit, value of independence, relationships and stimulating environment with ethical values centered around responsibility and fairness. The goal of the human resources department was to merge the qualities of both and preserve the strengths of each organization's cultures while at the same time aligning them with the mission and values of Disney. The merging of culture involved everything from aligning strategies to

harmonizing values and norms that each of the companies held. The way human resources would achieve this is by allowing for ease of communication and collaboration between both employees of Disney and Fox. In the case of Disney, the employees definitely benefited from all the planning from human resources and ultimately were better off especially when compared to how the employees at Twitter were treated.

The case for Disney and Fox would be a great example to compare with how Twitter handled their merger with X Holdings. Where Twitter brought about a chaotic environment involving mass layoffs with minimal warning, Disney was able to keep all employees informed about impending layoffs along with a potential deadline on when to expect them. This information allowed for employees to suffer less anxiety about their future and give them the ability to plan ahead and not be in the dark about their future. More importantly have the transparency with information allowed Disney to avoid any of the lawsuits and controversies that Twitter had to deal with. The result was a successful merger where all parties knew what to expect and had a clear plan of action for both parties.

It is important to note that the role of human resources in mergers is multifaceted and can make or break a merger. All business matters can make sense, but if the people that work within are not merged correctly and efficiently the business will suffer. As time go on the role of human resources plays a bigger and bigger role and with new laws coming into play each year the role of human resources is set to become even more complicated.

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