

## Key Staff Management in M & a Based on Lmx Theory

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**Keywords:** M &A; Key Employees; Lmx Theory

**Abstract:** Enterprise life cycle has become shorter, the economic environment, the industry competition environment is also more and more serious, as to expand the competitive advantage, merger and acquisition is more common. With the improving level of labor, the concept of "satisfying customer" and "talent capital" are put forward. In the process of merger and acquisition, the managers attempt to realize the maximization of new shareholders' interests by integrating the new organization form of the original enterprises and new enterprises. Key employee retention and motivation become more focused. Increasing employee organizational citizenship behavior, improving employee satisfaction in order to achieve the maximization of corporate interests is very important, the effective management of key employees may help establish a new organization more quickly, and reduce employee resistance, reduce the cost of merger. According to LMX theory, in the process of merger and acquisition, we discuss about how the manager interact with the key staff, how the manager identify key staffs, and stimulate key staffs accept the new organization.

### 1. Literature Review

#### 1.1. Definition of Key Employees

Stahl et al. (2007) defined talent management (TM) as the ability of an organization to attract, select, develop and retain key employees [1]. Key employees (also known as core employees) are mostly knowledge workers and enterprising employees. They have strong self-realization desires, hope to gain more development space in the enterprise, and prefer loose and free working spaces. In an enterprise, key employees generally possess specialized technology, master the core business of the enterprise, control the key resources of the enterprise, and gain insight into the business secrets of the enterprise, including senior managers, knowledge innovators such as R & D backbone, and senior technical workers. Collings and Mellahi (2009) Key employees have a significant impact on organizational performance and can create competitive advantages for companies [2]. In a nutshell, key employees have a high degree of labor scarcity and a high degree of corporate value.

The connection between key employees and human capital is inseparable, human capital is formed on the basis of certain human capital, and the knowledge, wisdom, talents, skills, etc. attached to specific people can Intellectual resources that are used for creative work and can make a greater contribution to mankind. This concept is mostly the same as the concept of key employees, emphasizing the wisdom, knowledge, skills and technology of employees and can contribute to the enterprise, but not all talent capital of the enterprise can become the key employee of the enterprise, especially in the enterprise During the M & A process, the organization may undergo drastic changes, and employees have a recognition process for the new organizational identity. In this process, the frequency and quality of the communication between employees and leaders directly determine employee satisfaction and affect employee organizational citizenship behavior, thereby affecting employees whether it can be a key employee willing to be loyal to the new organization. The key employees 'organizational recognition is an indicator light for other employees, which helps ease the pressure and overall tension of the employees of the merged organization, reduce the employee's precautionary psychology and destructive behavior, and smoothly organize the merger and acquisition integration in the enterprise. There is greater help. Providing suitable appointments for key employees is helpful to help the deployment of new human resources and reduce conflicts in

the process of system adjustments (such as job changes, staff reductions, and salary system changes.

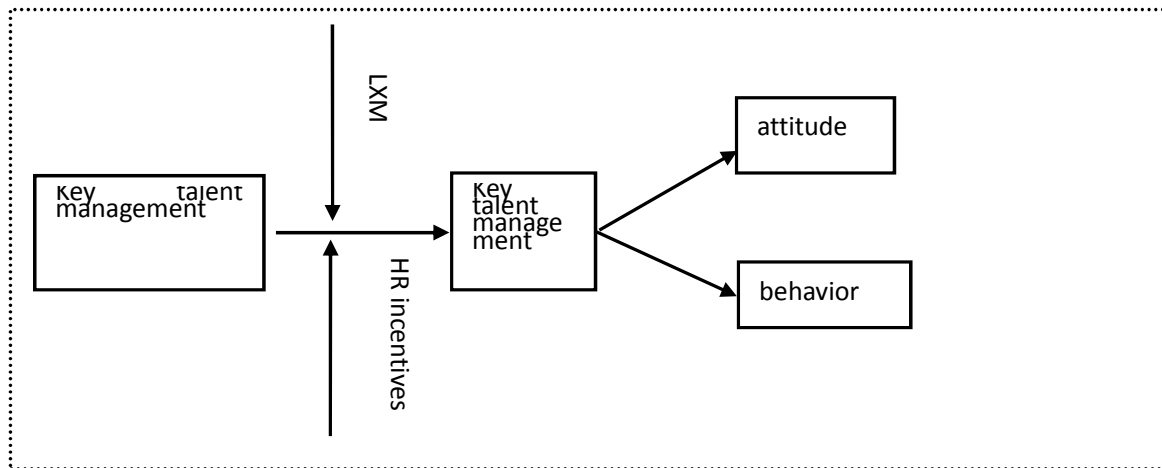
The main characteristics of key staff have been understood earlier, but this article believes that a person who can be called a company's key staff is not only a knowledge-intensive workforce, but also should actively apply all of his talents to the enterprise. In operation, if a talented employee does not have the spirit and motivation to dedicate to the enterprise, he is not a key employee of the enterprise, so the role of talent management is to identify, tap and use the potential of employees to the maximum extent, motivate employees, and retain Key talent.

Therefore, this article believes that the key employees of an enterprise are not only knowledge, wisdom, talents and skills, but also willing to actively communicate with organizational leaders and other members. Long-term plan to dedicate your knowledge, wisdom, talents and skills. When the organization changes, the organization needs to carry out a series of communication with key employees to eliminate the psychological barriers of employees, and retain talents through certain incentives to maintain the talents 'continuous contribution to the organization, so that such employees can drive collective enthusiasm, Active work atmosphere, increase organizational cohesion, such employees can become key employees of the enterprise.

## **1.2. The Main Study of the Theory of LMX**

The measurement dimension of LMX theory is generally recognized as the structure of four dimensions proposed by Liden and Maslyn (1998): affect contribution, loyalty and professional respect [3]. LMX (Leader-member exchange) theory, due to time pressure, the leader has established a special relationship with a small number of subordinates. This relationship refers to the working relationship between employees and leaders rather than the friendship between individuals. Graen and Uhl-Bien (1995) pointed out that employees' trust in the organization and respect of leaders and their dedication responsibilities are derived from individual evaluations of each other and personal abilities and behaviors [4]. When certain employees and leaders in the organization exchange frequently and high-quality relationships, these individuals become people in the circle, they are trusted, get more leadership care, and are more likely to enjoy privileges. When discussing the exchange of leadership members in an organization, the exchange of leadership members is generally used as an intermediate variable. The antecedent variables considered mainly include leadership characteristics, subordinate characteristics, and social relations. Taking LMX as the intermediate variable, it mainly affects employee behavior, employee attitudes and perceptions, and Employee career development. After observing and investigating more than one hundred leaders and subordinates, that transformative leadership behaviors act on task performance and organizational citizenship behavior through LMX intermediaries.

In the case of high-quality exchange of leadership members, subordinates can impress the leaders, get resources and support in time, and get more tasks, responsibilities and a sense of security beyond the formal employment relationship. During the M & A process, do these manifestations (trust, respect, care, reciprocity, support) coincide with the employees 'psychological needs (safety, identity, respect) and other needs (material, emotional) during the M & A process? In order to reflect the significance of high-quality member exchange, if the gains of employees in the leadership member exchange meet his expected needs, then this exchange is inspiring and is conducive to the common development of the organization and employees. When mergers and acquisitions occur in an enterprise organization, the feelings and experiences brought by the exchange of leadership members to employees are different from his original experience. Can the high exchange of leadership members meet the needs (rights, status) of individuals who meet the working relationship of key employees? The needs of the relationship, whether the satisfaction of these needs can stimulate the enthusiasm of employees to promote the improvement of organizational performance and help achieve the expected goals of mergers and acquisitions.



**Figure 1.** Theoretical framework

### 1.3. The Impact of Lmx on the Organization during the M & A

Micha (2013) when mergers and acquisitions take place, the organization may undergo drastic changes [5]. If the organization has newly appointed leaders, the exchange of employees and leaders becomes more complicated. Perhaps some of the original key employees are loyal to the original leaders. In the event of a fierce conflict with the new leader or a cold war, in order to establish the prestige of the leader, clear the obstacles to the organization, and reduce friction and consumption within the organization, such employees may be fired. This situation can reflect the courage and determination of the leadership to achieve the effect of stabilizing the people's hearts. After all, work is not a sport, whether the right or wrong of the interpersonal relationship is the ultimate goal of the company's operation, most employees still hope to continue to work.

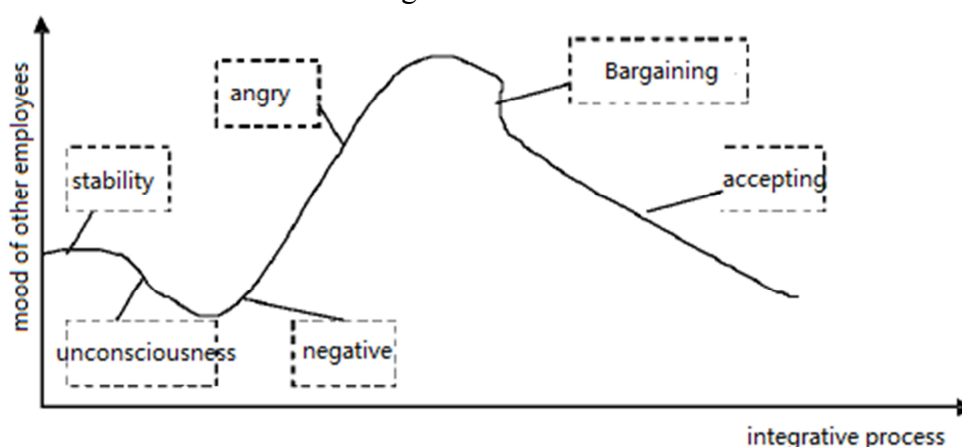
At the same time, some employees will form intimate exchanges with leaders during the M & A process, and leaders will be classified as "inners". Reasonable exchange objects can establish a "model" role in the organization and inspire employees to work hard; but if the leaders appoint such informal "benchmarks" and "leaders" cannot be recognized by the employees, they will be jealous and resisted by the employees, which will trigger some employees' bad emotions, such as "the villain wins the fight" and "domineering". Emotions will increase the members' sense of injustice and lead to employees' dissatisfaction with the new organization, causing different levels of negative emotions and behaviors. Of course, different key employees have different impacts on the members of the organization. Each team and department has core members. If these core members can be recognized by the leaders, they will increase the pride of the team. Different types of key employees also have different incentive effects. The key employees in a large-contribution organizational team will receive more recognition than the small-contribution organizational team.

## 2. Changes in the Mental State Of Key Employees during M&A

### 2.1. Employee Emotions (Feeling, Affect) Change during the M & A

The LMX theory believes that during the exchange of leadership members, leaders mainly communicate with employees with similar interests or behaviors to establish a close "in-circle relationship". The "in-circle" members can be used as assistants to the trust of leaders in the organization get high support and many support opportunities to form a high-quality leadership member relationship. Bartels (2006) In the M & A process, not all employees will be directly affected, and it is the key employees who are more susceptible to M & A during the M & A process [6]. The daily behavior and work content of key employees may change significantly, and the key employees may therefore feel a greater threat; and for employees who are not directly involved, they exist in the form of working groups for the organization, and mergers and acquisitions cannot affect the working groups. The whole poses a great threat. M & A does not really happen to these employees. The threat they feel as a member of the work team is even smaller.

Kanika T et al. (2009) proposed that segmenting the employee's response during the M & A process into emotional changes, cognitive changes, and behavioral changes can not only help us understand the relationship between emotion and logic and behavior, but also help As we implement appropriate interventions in these reactions [7]. The uncertainty, dynamics, and ambiguity of the organizational environment during the M & A process will trigger strong psychological reactions from employees. Anna et al. (2012) concluded that in the context of corporate mergers and acquisitions, the general emotions of employees are: anxious, stressful, angry, and passively lazy and lack of active participation in work [8]. Studies have shown that behavioral changes caused by employee psychological reactions in the process of M & A have a certain impact on the results of M & A. 2/3 of M & A failures are because companies ignore their employees' reactions and interests. Both scientific research and empirical evidence indicate that employees' voice in the organization is continuously strengthened, and more and more theories support employees' participation in the decision-making process of the enterprise. Therefore, observing and understanding the changes in employees' emotions during the M & A process and giving timely guidance will help ease the tension of the organization and help employees quickly establish their identification with the new organization.



**Figure 2.** Changes in key employee sentiment during the merger and acquisition Figure 2-1

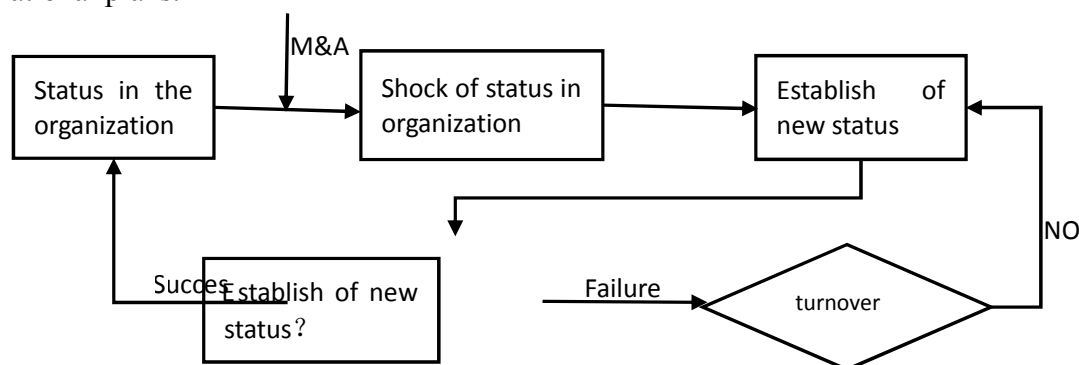
## 2.2. Cognitive Change Process of Key Employees in M & A

The uncertainty perceived by employees during the M & A process is mainly that, first, they have little ability to control the M & A events that occur; second, they are uncertain about the future, they don't know the purpose of the M & A, they don't know the M & A events There is no sense of occupational security about what kind of impact it will bring to them. Third, they don't know what changes the work will bring to their family and life. The uncertainty perceived by employees has a great influence on the establishment of employees' new organizational identity and recognition of the new organization. Keeping employees informed of the ongoing and upcoming events will help employees quickly establish a relationship with the new organization. Psychological contract.

During the merger and acquisition process, new leaders and employees have to establish a relationship with each other after a short period of time. Faced with the problem of time pressure, the uncertainty and ambiguity of employees about mergers and acquisitions will cause anxiety, fear, and want to obtain information. The organizational structure Changes (layoffs, change leaders, adjust organizational structure, etc.) have a greater psychological impact on key employees. It is necessary to allow employees to self-negate and abandon the original organizational values and corporate culture, and shape a new organizational identity, leading in time the communication work is very important. The immediate leader is responsible for communicating notifications, announcements, knowledge and other information within the organization to employees, while paying attention to employees' demands. As a communication bridge between superior leaders and subordinates, immediate leadership Very important. If the new leader fails to grasp the right time to establish trust with key employees, it will leave a bad first impression on key employees, may cause

key employees to leave, and will also have a certain impact on the organization's work.

But not all employees are afraid of organizational changes such as mergers and acquisitions. For some visionary and responsible employees, they will look forward to when the existing organizational leaders are not competent for leadership work or the company no longer has development prospects. New leaders come to take over the company, bring new development ideas to the company, and inject new energy. Such employees have a strong sense of responsibility and self-realization needs. They hope that the new leaders can communicate with them as much as possible, convey more information about the future development direction of the enterprise, and perform more positively in the organization. It is an object that the leader of M & A integration stage should focus on development and appointment. His promotion can not only promote the career development of such employees, but also help leaders communicate and implement new organizational plans.



**Figure 3.** The process of employee role recognition during the merger process

### 3. Identification of Key Employees

#### 3.1. The Necessary of Identify Key Employees

Key employees are the carrier of corporate culture, core business, core capabilities, and core products for the company. The retention of key employees can retain the strength of the merged company and provide the driving force for the efficient operation of the organization after the merger. Generally speaking, the working time in the M & A integration phase is under great pressure. If the leader establishes a good relationship with the target key member but the key employee fails to play a good role in the organization, then the leader has missed a good human resources integration. Timing, the need to re-develop key employees and time-consuming efforts will have an adverse impact on the rapid establishment of normal operating organizations. Therefore, leaders must repeatedly observe and filter before identifying key employees for relationship exchange, and accurately identify the most suitable objects. This is also the best time for the “latent” talented employees in the organization to express themselves and be promoted.

In the research phase before the start of the merger, the company should first identify key businesses and important positions, and then identify which talents must be retained to ensure that the target relationship is not lost. Chinese employees will choose to avoid uncertainty and look for other opportunities. The company needs to dispel their concerns through a clear hiring plan, effective human resource assessment and timely communication. These tasks need to be fully prepared before the merger begins. The stability of human resources after mergers and acquisitions is an important sign of successful mergers and acquisitions.

During the exchange of leadership members, leadership plays a leading role in the establishment of the relationship between the two parties. The behavior and cognition of leadership explained most of the variation of LMX, indicating that LMX relationship and quality are more likely to be influenced by leaders. Instead of being influenced by subordinates, leaders are more willing to pay more for the relationship between the two parties, which may encourage subordinates to give leaders more rewards than expected. In the process of mergers and acquisitions, whether high-quality LMX with the leaders are all key employees. Since the standard for leaders to choose

relationship exchange is the individual's judgment on the ability and behavior of others, how to accurately identify key employees during relationship exchange And develop potential employees? The focus of talent management is to acquire and retain talented employees. The identification of key employees is the first step in talent management.

### 3.2. Key Employee Identification Model

LMX theory believes that the exchange of leadership members is no longer one-to-one, but one-to-many. Generally, the identification of key employees is the result of an intuitive subjective evaluation of the employee's direct leader or direct subordinates. The standard of their judgment is not strictly systematic and complete logical, and there is a certain deviation from the reality. Scholars such as Zhang et al. believe that the consistency of the active personality of leaders and subordinates (active or non-active at the same time) will bring high-quality LMX, which in turn improves the work results of subordinates. According to the enlightenment of LMX theory, the identification of key employees should be the process of interaction between leaders and employees. Leaders generally have the initiative when communicating and exchanging with employees. In this case, leaders should take the lead in identifying and training key employees from a rational perspective comprehensively examine the capabilities of employees to avoid halo effects. It is worth reminding that the key employee is not one or two people, he is located in various departments of the enterprise.

### 3.3. General Process of Key Employee Identification

The choice of the key employee identification model establishment plan varies according to the function and role of the target employee. The general construction plan is:

(1) Understand the corporate goals and strategies after the merger and acquisition, and determine the key employee areas.

(2) Select samples and group.

(3) Data collection (using behavioral event interviews or other methods): Obtain first-hand information on model positions through extensive professional interviews with executives and general personnel.

(4) Analyze the information and data collected in the third step, draw the elements that distinguish between core employees and general employees, refine quality items, and establish quality models.

(5) Evaluate and verify the role of newly selected key employees and confirm it.

This is just the general process of key employee identification, and its operability is poor. To accurately identify key employees, it is necessary to develop corresponding measurement scales according to the characteristics of different key employees to improve the operability of key employee identification. Key employees can be measured in terms of energy characteristics, substitutability, and future development. Key employees include four categories: leadership key employees, management key employees, technical key employees, and relationship key employees. Their common feature is that they have high self-actualization needs and hope to have a good working environment to work happily without creating a happy life on their own. However, when using a comparative system of measurement scales, different key employees have different skills and functional characteristics require different key indicators. For example, technical key employees may be introverted and unhappy, but key management employees are very talkative and cheerful, and leaders should have the ability to identify and control various key employees.

**Table 1.** Identification of key employees in R & D

Evaluation factors	Direct supervisor evaluation	Self-evaluation of employees
Participate in the research and development of proprietary intellectual property products (15)		

Participate in OEM product development (15)		
The importance of this position in the company value chain (10)		
work performance (15)		
team spirit (10)		
spirit of innovation (10)		
leadership (5)		
Degree of integration with company culture (10)		
This kind of personnel market shortage situation (10)		
Total score		

**Table 2.** Marketing key employee identification

Evaluation factors	Direct supervisor evaluation	Self-evaluation of employees
Marketing strategy development (15)		
Proportion of completed sales (15)		
Achieve operating profit ratio (20)		
Product market share (10)		
The receivable situation (10)		
The importance of this position in the company value chain (10)		
professional skill (10)		
Degree of integration with corporate culture (5)		
customer relations (5)		
Total score		

**Table 3.** Identification of key employees in functional positions

Evaluation factors	Direct supervisor evaluation	Self-evaluation of employees
The importance of this position in the company value chain (25)		
work performance (15)		
leadership (20)		
team spirit (15)		
Degree of integration with corporate culture (25)		
Total score		

The development of measurement scales for different key employees is mainly based on different measurement factors proposed by the dimensions of society, products, markets, and individuals. The distribution of key employees in different industries will also be different. Enterprises should make corresponding adjustments based on their own circumstances. Before the M & A, in the preparation stage of the M & A investigation, the company should make a corresponding human resource plan, which should include the identification, incentive and retention plan of key employees. This can not only reduce the loss of key employees, but also improve the

stability of the overall human resources, thereby increasing the success rate of mergers and acquisitions.

## **4. Retention of Key Employees**

### **4.1. LMX Establishes Organizational Recognition of Key Employees**

Chew and Entreki (2007) show in their research on key employees that compensation and organizational identity are the core content retained by key employees [9]; but in the process of mergers and acquisitions, the most urgent needs of key employees in enterprises are the need for respect and the need for self-actualization, and the material need is second. Looking at the main psychological characteristics of key employees during M & A from the demand level: The Chinese attach great importance to collectivism and group norms, so subordination and safety are much more important than development needs. Therefore, the incentive measures adopted during the merger and acquisition must be continuous with the future human resources measures, which cannot be disconnected and cause the psychological gap between employees and cause employee dissatisfaction.

During the merger and acquisition integration stage of an organization, employees will choose their own identities (organized identity after fusion, old organizational identity, and self-identity). Employees need to adjust the inappropriate parts of the old organizational identity to establish new employee identities. It is a very critical step for employees to establish organizational identity. Employee identification is affected by many factors, such as result orientation, perceived organizational support, leader style, treatment, respect, trust, and cultural differences. These factors work together to determine the "good" and "evil" of employees for the new organization. Cultural differences and perceived organizational support have a greater impact on the organizational identity of key employees, and respect and result orientation have a greater impact on the organizational identity of general employees. Compared with general employees, key employees need to meet high-level needs. The study found that senior managers can better meet their self-realization and self-worth needs than lower-level managers, partly because senior managers have more challenging jobs and opportunities to realize self-worth. Similarly, when an employee exchanges relations with an organization leader, he can gain more organizational support and privileges, and it is easier for him to realize his own high-level needs. Employees working in teams meet their high-level needs by participating in decisions that affect the company and the team.

### **4.2. LMX Promotes the Implementation of Human Resource Incentives**

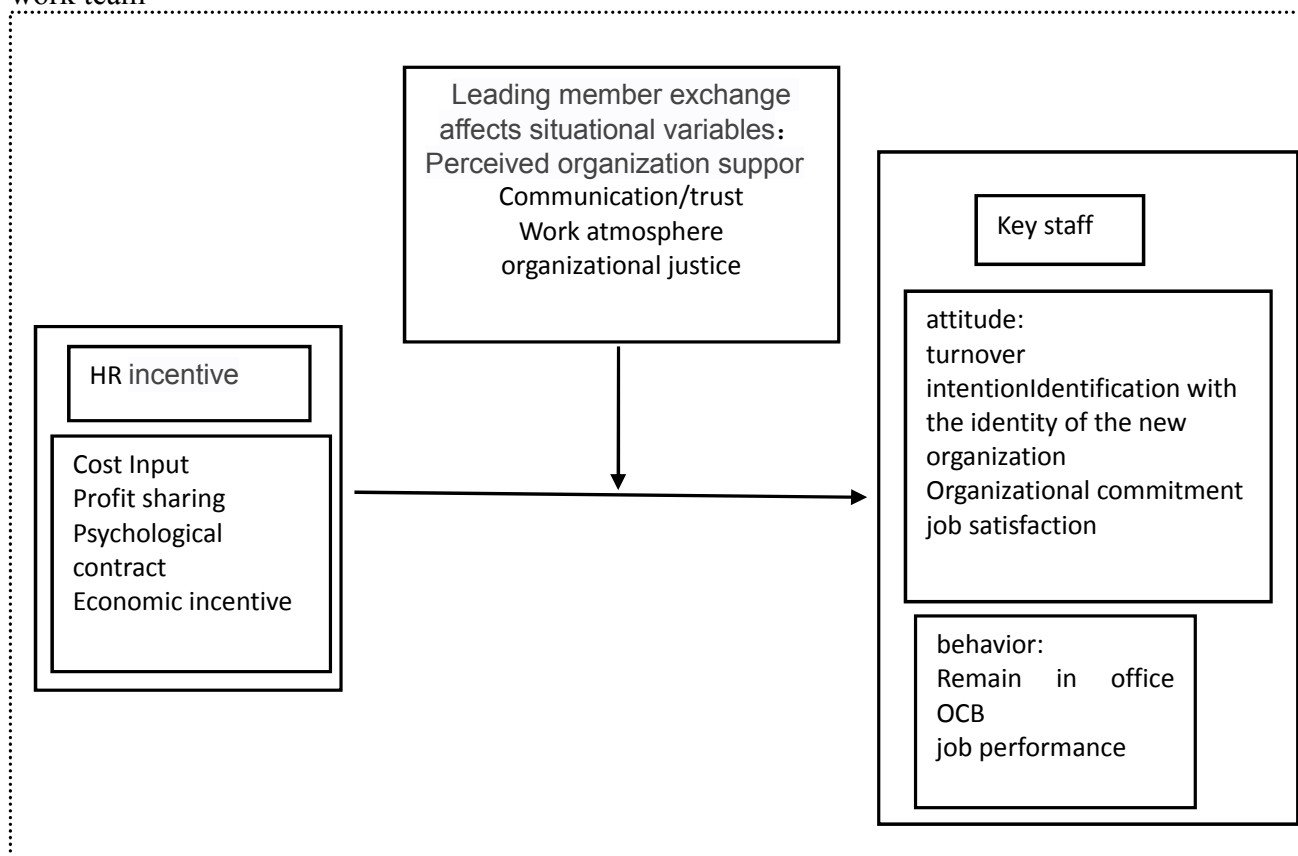
The general incentive methods adopted for key employees are: target incentives, trust and respect incentives, participation incentives, training and development opportunity incentives. The general incentive methods adopted for key employees are: target incentives, trust and respect incentives, participation incentives, training and development opportunity incentives. Studies have shown that increasing employees' salaries is an important step in retaining key employees, and a reasonable salary level is a health factor for retaining key employees. Wage incentives are effective, but humanistic care is also essential. Simple incentives cannot really reduce employee turnover. In the process of organizational change, companies will adopt a decentralized approach or give key employees equity in order to stimulate the enthusiasm and work enthusiasm of key employees, so that key employees think that they are the boss. The community of interests can give employees more sense of belonging; in addition, in order to retain key employees, in the merger and acquisition integration stage, the key employees will be appointed, and the key employees will be placed in the middle and high-level positions of the company, which will increase the sense of employee achievement through promotion. However, the effective implementation of human resources incentives requires the intermediary role of LMX.

In the integration phase of mergers and acquisitions, the goals of organizational incentives are divided into short-term goals (retaining talents, organizational citizenship, and assistance in building new organizations) and long-term goals (realizing shareholder benefits). step. During M &



A, an enterprise can only play an incentive role if it understands and meets the real needs of its employees. Accurate selection of incentive measures can reduce the occurrence of incentive failures. However, before these incentive measures are accepted and confirmed by employees, the key employees must trust the organization and leaders, Recognition of the new organizational identity. During the exchange of leadership members, through the interaction and communication between leaders and key employees, mutual trust can be cultivated, so that key employees can understand and pass on the new tasks and goals of the organization to other members of the organization, gradually cultivate a good working atmosphere, and reduce the merger and acquisition. The atmosphere of depression and tension; during the exchange and communication between key employees and leaders, the information collected from the members of the organization can be passed to the leaders. Through the feedback of the leaders, it is conducive to enhancing the leaders' understanding of the needs and demands of employees and making corresponding deployments. .

In the process of exchange between leaders and key employees, provide key employees with more humanistic care, task support, which can make employees feel the concern of the enterprise, enhance employees' understanding of organizational goals, build trust between key employees and enterprise leaders, Key employees establish new organizational identities. As an intermediary bridge, LMX enables key employees and leaders to establish a good psychological contract, build a new organizational identity for key employees, and increase their retention of any direction, then key employees will pay more organizational commitments and generate organizational citizenship behavior, which can promote the merger and acquisition integration stage Quickly build an effective work team



**Figure 4.** Model of key employees in the M & A process

## 5. Conclusion and Discussion

M&A happened between enterprises is more and more frequent, how to establish an effective work team after the merger quickly? the work human resources department is very important, because the merger integration phase has larger time pressure, corporate leaders should be

introduced quickly and personnel arrangement, make reasonable training plan and attractive opportunities for advancement, stable key employees, make them your circles personage. This will not only help to retain the talent resources of the enterprise and avoid the brain drain, but also play a leading role for other employees, reduce the nervous atmosphere in the organization, quickly unite people, and help managers to communicate and implement the new goals. And, of course, want to let the new organization and leadership of key employee recognition, and is not a simple matter, enterprises prior to merger and acquisition of human resources structure, control the distribution of the enterprise core talented person, according to its own development strategy needs, and in the merger integration phase selective cultivation of key employees in the future. In general, key staff has stronger self-actualization needs, it is a double-edged sword for enterprise leaders, reasonable incentives can increase employees' organizational commitment and organizational citizenship behavior, inappropriate incentive mode will cause failure management system, the influence of key employees quit and disruptive behavior more profound than the general staff, so the enterprise leaders should vary from person to person, more organization support for key staff, more use goals to guide their behavior, increase their sense of accomplishment.

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