



# Risk Assessment and Response Strategies for Corporate Human Resource Integration in the Context of Mergers and Acquisitions

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## KEYWORDS

*Mergers and acquisitions;*

*Human resource Integration;*

*Business economy*

## ABSTRACT

Against the backdrop of intensified market competition, mergers and acquisitions (M&A) and restructuring have become an important path for enterprises to optimize resource allocation, yet improper human resource integration is a major cause of M&A failures. This paper, supported by Hofstede's Cultural Dimensions Theory, Human Capital Theory, and other relevant theories, focuses on two core risks: cultural conflicts and staff placement. It combines multiple types of cases, such as cross-border M&A and mixed-ownership reforms of state-owned enterprises, and applies scientific assessment methods including core talent inventory and cultural compatibility evaluation. Through the in-depth integration of theory and practice, the paper draws logical countermeasures from successful cases, including respecting cultural differences, locking in core talents, implementing incremental integration, and enabling mutual empowerment. It aims to achieve prevention before M&A, implementation during M&A, and optimization after M&A, providing a reference with both theoretical depth and practical value for human resource integration in enterprise M&A and restructuring, and helping to realize the M&A value of "1+1>2".

## INTRODUCTION

Against the backdrop of economic globalization and intensifying market competition, mergers and acquisitions (M&A) and restructuring have become an important path for enterprises to expand their scale and optimize resource allocation. M&A can not only fail to enhance the market value of the acquirer, but also exert negative impacts. Even if an enterprise achieves positive short-term announcement returns after an M&A, such gains are difficult to sustain in the long run.[1,2]

M&A and restructuring are divided into three types: horizontal M&A, vertical M&A, and conglomerate M&A. They are not a simple addition of assets. Instead, they help enterprises enhance their core competitiveness by rapidly expanding scale and acquiring technologies and resources. Among the many links of M&A and restructuring, human resource integration cannot be ignored, as it directly affects whether the M&A value can be realized. Traditional human resource integration has excessively focused on the isolated optimization of functional modules such as recruitment,

training, and compensation, while neglecting the realization of overall strategic synergy effects.[3,4] Statistics show that more than 60% of M&A failures stem from improper human resource integration, with risks such as cultural conflicts and staff placement being particularly prominent.

### 1. Types of Mergers, Acquisitions and Restructurings and Core Risks in Human Resource Integration

#### 1.1. Inter-organizational cultural conflict

Cultural conflict is the most prevalent core risk in various types of mergers and acquisitions. Currently, scholars hold different attitudes regarding the impact of cultural conflict on corporate M&A and restructuring. Some scholars argue that it exerts a negative influence on the development of enterprises, while others contend that it can facilitate enterprises in absorbing more advanced management

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experience, thereby playing a positive role in promoting corporate development.[5] This paper maintains that cultural conflict has both negative impacts and positive driving effects on the two enterprises involved, and their relationship should be viewed dialectically. From the perspective of human resource integration, this paper examines the impact of cultural conflict on enterprises and analyzes the issue from a new angle.

In horizontal M&A, two enterprises operating in the same industry may develop distinctly different corporate cultures due to variations in their development histories and management models. For instance, if one enterprise emphasizes innovation and flexibility while the other focuses on standardized processes, employees from the two sides tend to have conflicts in terms of work methods and value perceptions.

Vertical M&A involve upstream and downstream enterprises. Owing to differences in industry attributes, the rigorous culture of upstream manufacturing enterprises is prone to colliding with the efficient culture of downstream service-oriented enterprises.

From the perspective of conglomerate M&A (mixed M&A), cross-industry cultural barriers are more prominent. Cognitive biases in fields such as technology, management, and operations may trigger resistance among all employees.

## 1.2. Staff Placement Risks

Staff placement risks are directly related to the adjustment of organizational structure after M&A. In horizontal M&A, the overlap of departments between the two companies leads to redundant positions, making it impossible to accurately identify core talents and resulting in chaotic talent resources. How to optimize staffing allocation and avoid the loss of core talents has become a key issue. Vertical M&A requires integrating the human resources of upstream and downstream enterprises, posing challenges to position adaptability and cross-departmental collaboration capabilities. The work content of upstream and downstream enterprises differs significantly: upstream enterprises are mostly technology-oriented, while downstream ones are mainly sales-focused. This means that employees of the merged company will face a new environment. Technical talents may encounter difficulties in career development, and sales talents may choose to resign due to factors such as corporate regulations and company location. The lack of

technical talents can cause supply chain problems, while the loss of sales talents may lead to overproduction and market chaos. In conglomerate M&A, due to the significant differences in business areas, the difficulty of staff reassignment and retraining is higher, and the corresponding cost of human resource integration is also greater. In addition, differences in salary and welfare systems, changes in promotion paths, and other factors after M&A may also arouse employee dissatisfaction and exacerbate the risk of talent loss.

## 2. Case Analysis of Mergers, Acquisitions and Restructuring Enterprises

### 2.1. The Merger and Reorganization of Suzhou Taijinuo New Material Technology Co., Ltd. by Yantai Debang Technology Co., Ltd.

The core value of Taijinuo lies in technologies such as liquid metal thermal interface materials and the corresponding patent reserves, and these core resources are highly dependent on its R&D and technical team. Debang Technology did not adopt a radical personnel replacement strategy; instead, it retained key personnel by stabilizing the organizational structure after the equity transfer. After the completion of industrial and commercial registration changes, Taijinuo still operates as an independently held subsidiary. This model can reduce the impact of management level changes on the core team and prevent the loss of technical talents due to organizational turbulence.

For technical personnel in core business lines such as supplying NVIDIA, the continuity of their positions and responsibilities is maintained to ensure the inheritance of core technologies and the stability of production and delivery. This acquisition has set up targeted performance commitments and compensation mechanisms, deeply binding the interests of Taijinuo's core personnel with the operating results after the merger and acquisition.

Companies whose stock options have been exercised are more likely to include performance commitment clauses in M&A transactions, and are less likely to engage in opportunistic "precise target achievement" during the performance commitment fulfillment phase.[6] In the transaction, the relevant parties are clearly identified as compensation obligors, who commit to achieving a cumulative net profit of no less than 42.33 million yuan



from 2024 to 2026. If the target is not met or specific performance conditions are not satisfied, compensation shall be paid to Debang Technology. Such arrangements essentially strongly link the income of the core team with Taijinuo's performance. It not only urges core personnel to fully engage in business operations after the merger and acquisition to ensure the efficiency of key links such as R&D, production, and customer maintenance, but also reduces the risk of core personnel resignation through interest binding, prompting them to actively promote the enterprise to achieve performance goals.

At the same time, the transaction consideration is paid in phases, and the remaining funds are paid only after the performance commitment period expires and there is no compensation obligation, which further strengthens the restraint and incentive for core personnel.

Considering the differences in management methods and corporate culture between the two parties, Debang Technology did not rush to promote large - scale personnel restructuring, but avoided the practice of blindly merging departments and cutting personnel. Debang Technology itself is advancing the development goals of "groupization, digitalization, scale, and globalization" and has a standardized management system. For example, it has established professional committees such as the Remuneration and Assessment Committee to improve governance efficiency. During the integration process, Taijinuo's human resource management will most likely be gradually integrated into Debang Technology's standardized system.

As a holding subsidiary, Taijinuo maintains a relatively independent organizational structure, which can reduce personnel conflicts caused by overlapping positions. For back - office positions such as administration and finance, efficient collaboration may be achieved by sharing the group resources of Debang Technology instead of duplicating positions. This not only reduces operating costs but also avoids internal friction caused by the integration of back - office personnel, allowing core human resources to focus on R&D and front - line business.

## 2.2. The Issues Arising in Human Resource

### Integration during the Merger, Acquisition and Restructuring between Aokang International and Lianhe Storage

The two companies operate in completely separate industries, and their teams differ significantly in professional competence, work modes, and corporate culture—posing major obstacles to human resource integration.

The team of Aokang International primarily focuses on the design, production, offline channel development, and terminal sales of footwear products. Its work rhythm and core assessment criteria revolve around supply chain management and store performance. In contrast, the team of Lianhe Storage concentrates on chip R&D, technological iteration, and high-end customer engagement. Its work relies more on long-term R&D investment, with core assessments centered on technological breakthroughs and patent outputs. As a result, the two teams struggle to quickly adapt to each other's work logic.

Their corporate cultures also show distinct differences. Companies in the traditional footwear and apparel industry prioritize terminal sales and cost control, while semiconductor companies emphasize product innovation and R&D. This cultural conflict is directly reflected in daily work collaboration. Rushing into human resource integration would lead to issues such as inefficient communication and hindered collaboration, and Aokang International lacks corresponding training programs for cultural integration and personnel adaptation.

Building a human resource structure and enabling departmental collaboration after mergers and acquisitions is crucial to ensuring the target company's integration into the group. However, Aokang International has not developed any feasible plans for this.

Aokang's back-office departments (e.g., administration and finance) are familiar with the accounting standards and management processes of traditional manufacturing. They cannot meet the professional needs of Lianhe Storage, such as semiconductor industry-specific R&D expense accounting and technical asset valuation. A simple merger of back-office departments would cause work chaos; retaining independent back offices, on the other hand, would increase operating costs—leaving Aokang in a dilemma.

From the perspective of business collaboration: Aokang's sales team cannot help Lianhe Storage expand new



customers for its chip products, and Lianhe Storage's technical team cannot provide technical support for Aokang's footwear business. The two teams fail to complement each other; instead, they may conflict over internal resource allocation within the group.

Additionally, Aokang itself has suffered consecutive losses and lacks strong financial strength. It cannot support the labor costs required for the parallel operation of the two teams, which deprives the integration of the human resource structure of basic financial security.

### **3. Research on Countermeasures of Human Resource Integration under the Background of M&A and Restructuring**

The completion of an M&A transaction is merely the starting point; what truly creates value is the integration process after the transaction closes. Among all integration aspects, human resource integration emerges as the most complex and critical link, as it involves human emotions, cultures and interests. Based on the case analyses presented earlier, this paper proposes the following systematic integration countermeasures.

#### **3.1. Clarify the Integration Model and Core Preservation Objects**

The formulation of integration strategies must be premised on strategic assessment to avoid arbitrary integration. The acquirer must address a core question during the due diligence phase: Where does the core value of this M&A lie? If the core value hinges on specific technical teams, R&D capabilities, or customer relationships, the focus of human resource integration must be on protection and motivation. If the M&A is merely aimed at acquiring fixed assets, market share, or simply pursuing economies of scale, a deeper level of assimilation and restructuring may be considered.

For target enterprises highly dependent on human capital and organizational knowledge, retention-oriented integration is the optimal choice. The acquired enterprise should be allowed to maintain its independence in operations, culture, and branding for a certain period. A case in point is Debang Technology's operation of Teginor as an independent controlled subsidiary. This approach minimized the impact of organizational restructuring on the core R&D team and avoided the "acclimatization" and brain drain caused by abrupt changes in management models. Conversely, forced

integration between two completely disconnected industries, as exemplified by Aokang and Lianhe Storage without any isolation or buffering measures, is bound to trigger severe cultural conflicts and talent attrition.

#### **3.2. Establish a Talent Retention Mechanism That Balances Incentives and Restraints**

Ensure the Continuity of Organizations and Responsibilities. In the initial stage of M&A and restructuring, priority should be given to maintaining the unchanged organizational structure, reporting lines, and job responsibilities of core business and technical teams. Debang Technology adopted the practice of "keeping the job positions and responsibilities of technical personnel in core business lines such as NVIDIA supply unchanged"—this measure ensured the uninterrupted operation of core technologies and the stability of key customers, laying a solid foundation for the smooth operation after the M&A.

Establish a Long-term Incentive and Restraint Mechanism. This serves as a key tool for retaining core talents. The vital interests of management and core personnel should be strongly linked to the company's long-term operational performance. This effectively drives the core team to sustain their commitment after the M&A and significantly reduces the risk of their short-term turnover. Delaying the payment of a portion of the transaction consideration until the expiration of the performance commitment period further enhances the binding force of the aforementioned mechanism. It ensures that core obligors must accompany the enterprise through the most critical integration period before receiving full remuneration, thereby achieving deferred incentives and risk-sharing.

#### **3.3. Promote the gradual and orderly integration of corporate culture and back-office functions**

Cultural integration is a subtle and gradual process, whereas back-office integration should follow the principle of efficiency—neither should be rushed. A progressive integration strategy should be adopted. Both parties involved in M&A and restructuring must acknowledge and respect existing cultural differences. They should build communication bridges and gradually cultivate a shared cultural system by establishing joint project teams, organizing cultural exchange activities, and conducting



cross-cultural training programs. Debang Technology did not rush into large-scale personnel restructuring, which created a valuable time window for progressive integration. In contrast, Aokang made no effort to address the enormous cultural gap between the merged entities, laying significant hidden risks for future collaboration.

Implement the collaborative model of "independent front office, shared back office". For mid-and back-office departments that do not directly create value but are indispensable, reference can be made to Debang Technology's approach: achieve efficient collaboration by sharing the parent company's resources instead of duplicating positions. This method enables the parent company to leverage its economies of scale and reduce overall operational costs. It also avoids power struggles and personnel attrition caused by the forced merger of similar positions, thereby allowing high-quality human resources to focus more on value-creating frontline work such as R&D and marketing.

## Conclusion

Human resource integration in mergers, acquisitions, and restructuring is never a simple process of personnel superposition or organizational restructuring. Instead, it is a systematic project that bears on the inheritance of core values, the efficiency of organizational synergy, and cultural symbiosis.

The success of Debang Technology lies in its adherence to the principle of "stability as the foundation, interests as the bond, and synergy as the guideline", which enables it to accurately grasp the key points of retaining core personnel and adapting to organizational needs. In contrast, the predicament of Aokang International serves as a warning that integration efforts ignoring cultural differences, lacking planning and financial support are destined to be fraught with difficulties.

In the final analysis, the core of human resource integration is "people-oriented". It requires not only designing scientific mechanisms to retain key talents and bind core interests, but also adopting an inclusive attitude to resolve cultural conflicts and build bridges for synergy, and further formulating long-term plans to consolidate the foundation of

integration. Only in this way can the merged and restructured organization get rid of internal friction, pool synergistic forces, truly unleash the M&A value of "1+1>2", and inject sustained impetus into the long-term development of the enterprise.

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