

Impact of Business Ownership Change on Institutional Historical Knowledge due to Employee Turnover: A Literature Review

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Abstract

Increasing number of business ownership changes and its impact on human capital has been a global concern over the years. There has been a rapid growth of business ownership changes in the recent past. Change of business ownership of organizations can be in the form of Business Acquisitions. Mergers and Acquisitions are the most common form of Business Acquisitions. Business Acquisitions have made a significant impact on Human Resources in both acquirer and acquired organizations. Human Resource is also an important component of business integration process. Human Assets cannot be purchased outright. Human Assets enjoy the right to leave the organization at their will. Desired results of post-acquisition hence can be hampered by the demotivated human resources. It is evident from literature that unless this sensitive area of human resources is not handled professionally, employees become reactive and that results in observable negative behaviour. The consequences can be damaging due to employee demotivation which can result in an increase in employee turnover after an ownership change. Sustaining the human capital is advantageous to any organization. Retention of employees can be important to the acquirer companies since it can lose the Institutional Historical Knowledge with the parting of employees. The Institutional Historical Knowledge comprises of the knowhow an employee gained over the years of service in that particular institution and it includes 'tacit' knowledge which is competitively advantageous to the institution. This moves away with the employees leaving the organization. The main objective/aim of this study is to identify the nature of relationship of Business Ownership Change, Employee Turnover and loss of Institutional Historical Knowledge – 'the wisdom withdrawal' through literature. Hence, this paper reviews the theoretical findings in literature from business acquisitions, employee turnover and its impact on losing Institutional Historical Knowledge. Therefore, this study is totally a desk research based on Literature Review. The study reveals that there is a negative impact of business ownership changes on institutional historical knowledge due to employee turnover.

Keywords: Mergers, Acquisitions, Retention, Employee Turnover, Institutional Historical Knowledge