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IMPACTS AND EFFECTS OF A DEMERGER PROCESS ON MORALE OF TECHNICAL EMPLOYEES OF A SOUTH AFRICAN ENGINEERING CONSULTING FIRM

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PLAGIARISM DECLARATION

I am <u>Matete Sarah Hafane</u> (student number: <u>0603528N</u>), a student registered for the degree of <u>Master of Science in Engineering</u> in the academic year <u>2021</u>.

I hereby declare the following:

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- I confirm that the work submitted for assessment for the above degree is my own unaided work except where I have explicitly indicated otherwise.
- I have followed the required conventions in referencing the thoughts and ideas of others.
- I understand that the University of the Witwatersrand may take disciplinary action against me if there is a belief that this is not my own unaided work or that I have failed to acknowledge the sources of the ideas or words in my writing.

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ABSTRACT

Human capital issues are often overlooked during a demerger process and this can harm employee morale. The study intends to demonstrate how employee morale can be affected by the demerger process and how important it is to a successful demerger.

A descriptive research design that followed a survey strategy was adopted to satisfy the objectives of the study in addition to the literature review. The population for this study was technical employees of a South African engineering consulting firm with a sample size of 112 employees. The collected data was analysed using Statistical Package for the Social Sciences (SPSS) and presentation of the study results was done in the form of bar and pie charts, and percentages.

It was found the demerger process can negatively affect employee morale because it can result in factors such as stressful work environment, talent turnover, job dissatisfaction, retrenchments, and anxiety-related stress that influence employee morale negatively. However, it was found in general the demerger process positively affected employee morale which is unusual for demergers. It is, therefore recommended that further studies be carried out on other companies to determine the most contributing factor during the demerger that can keep employee morale positive.

DEDICATION

In memory of my mother

Elizabeth Mmamoshole Hafane

1947-2020

ACKNOWLEDGEMENTS

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1   CHAPTER 1.   INTRODUCTION

The worldwide economic crisis and disruptive forces caused by technology, innovation, and geopolitics are key drivers of demerger deals (Schwartz *et al.*, 2018). Companies restructure their corporate structures to survive the competitive markets, enhance the company's profitability and increase shareholders' value (Copeland *et al.*, 1990). Some companies restructure through mergers or acquisitions and some through demergers. A demerger is the opposite of a merger or acquisition and demergers became common from the 1950s. Demergers are defined as a form of corporate restructuring in which single or multiple business units are separated and made into separate legal entities (Basak, 2016). The company whose business and organisation are being transferred is called the demerged company and the other company is referred to as the resulting company (Khurana and Gupta, 2013).

Some of the reasons for demerger include:

- Improve focus on core competency: Companies with diverse operations or units tend to lose to competitors that are focused on one line of business (i.e. with single or focused operations). Focused companies are likely to attract a new set of investors, thereby eliminating barriers to growth from a capital market perspective (Singh *et al.*, 2009).

- Elimination of negative synergies: Demerger is said to be a sensible option if negative synergies or diseconomies of scale exist that can be eliminated by separating the company into a corporate structure featuring silo business units (Singh *et al.*, 2009).

- Organisational improvements: Company value can be created through the elimination of misfits in the strategic focus or organisational properties of the organisation (Singh *et al.*, 2009). Issues such as inadequate communication and planning, lack of human resource involvement, training, talent, key employee retention, lack of business efficiency, and ownership issues can cause companies to demerge (Thomasson and Janusonis, 2012).

- Improve or unlock shareholders' value: Improving or unlocking shareholder's value is the most common reason for implementing a demerger. Many demergers are ultimately driven by management's or shareholders' desire to improve share prices,

independent of business performance consideration (Abrol, 2016). Single-service focused companies, by contrast, are generally easier for investors and analysts to understand and may command a relatively higher market value.

- Failed merger or acquisition: Some of the reasons for merger & acquisition (M&A) failures include lack of strategic vision, lack of strategic fit, insufficient due diligence, poor pre-merger planning, insufficient post-merger integration, and lack of attention to external environment (Epstein, 2004). Cultural differences if not handled properly can cause poor communication, misperceptions, and misunderstandings often leading to failure in cross-cultural environments (Fang *et al.*, 2004).

Companies surviving a demerger are likely to be weaker financially than they were before the merger for some time (Singh *et al.*, 2009). In some extreme cases, the financial viability and/or organisational viability of one or both companies might be at stake. Demerged companies incur some incremental costs as there is often duplication of some corporate costs in operating the separated companies. These may include knowledge management systems, office space rental or accommodation costs, human and resource-related costs such as employees which the companies used to share.

1.1   Problem Statement

The focus of the study was to investigate and measure the impacts and effects of the company's demerger process on the morale of technical employees. Technical employees on which the research focused include technicians, technologists, engineers, project managers, and drafters.

Demerged companies must often downsize or contract a portion of their operations in certain circumstances such as when a division is not operating efficiently or is not profitable (Khurana and Gupta, 2013). In processes such as a demerger, human capital, and organisational culture-related issues are sometimes underestimated (Appelbaum *et al.*, 2000) and if not addressed they might become an obstacle to a future successful demerger. This is because they might decrease employee morale and productivity, and lead to a loss of key talent for the new company.

Morale serves as a foundation for increasing productivity and the quality of organisational outcomes through motivation and empowerment (Muskita and Kazimoto, 2017). The research was undertaken to investigate how employee morale can be affected by the demerger process and how important it is particularly regarding successful restructuring. Moreover, the research was undertaken in response to the need for senior management to pay attention to human-related issues, particularly regarding successful restructuring.

1.2   Critical Research Question

The critical research question for this study was as follows:

- Which factors in the demerger process contribute the most to creating negative morale amongst employees in a South African engineering consulting firm?

1.3   Research Objectives

The primary objective of this research was to determine the impacts and effects of the demerger process on the morale of technical employees. The following are secondary research objectives identified:

- Determine the factors that influence morale specifically, communication and employee commitment to the company during the demerger process.
- Determine how morale affects the organisation during the demerger process.
- Determine how the demerger process affects job performance.

1.4   Research Questions

The study sought to provide answers to the following research questions to achieve the objectives of the research:

1.   Which factors influence employee morale in a South African engineering consulting firm?

2.   What is the impact of the demerger process on employees' job performance/productivity, and commitment?

3.   How important is communication during the demerger process?

1.5   Significance of the Study

The significance of this study is to contribute to the knowledge gap of demergers and their impacts and effects on morale of employees within the context of a South African engineering consulting firm. Also, the study can add value to the management of organisations that are about to demerge in terms of planning and navigating human-related issues such as morale.

1.6   Definitions of Terms

Demerger: is defined under the Companies Act 2013 as a corporate restructuring in which a business breaks into components that can operate as a separate unit, or can be sold, or liquidated (Muds, 2021).

Employee Morale: is defined as the "overall satisfaction, outlook, and feelings of well-being of employees in the workplace environment" (CFI, 2015).

1.7   Assumptions

The study assumed the following:

- The participants answered the questions with honesty, integrity, and without being biased.

- The participants remembered the impacts and effects of the demerger process (i.e. from pre-demerger to post demerger) because the demerger was recent at the time of the study.

- The participants had a good understanding of morale and the demerger process.

2   CHAPTER 2. LITERATURE REVIEW

Human relations or the behaviourist paradigm within organisational behaviour suggests there is social architecture to an organisation and that feelings, values, satisfaction, and the organisational environment are key to organisational efficiency. The literature review will examine the impact of a demerger on employee morale thematically covering the following:

- Concepts of employee morale

- Factors that influence employee morale

- Impacts and effects of demerger process on employee morale

2.1   Concepts of Employee Morale

The term morale is intangible and complex as the definition and scale of measure are constantly changing (Uma-Devi and Vijayakumar, 2016). According to Harrison *et al.* (2001), employee morale in the workplace is the degree to which an employee feels good about his or her work environment. Weiss (2011) described morale as a state of mind that consists of confidence, zeal, and courage amongst a united group of people with mutual effort. Different definitions of morale can be classified into three major approaches.

2.1.1   Classical approach

Guion (1958) defined morale as the extent to which an individual's needs are satisfied and the extent to which an individual perceives that satisfaction as stemming from his or her total job satisfaction. The classical approach assumes that satisfaction of basic needs is a symbol of morale and if these basic needs are satisfied, morale will be high (Venkatachalam and Sakunthala, 2015).

2.1.2   Psychological approach

Haimann (1976) defined morale "as a state of mind and emotions, affecting the attitude and willingness to work which in turn, affect an individual as well as an organisation's

objectives. According to this approach, psychological (i.e. state of the mind) needs also influence the morale of employees. Venkatachalam and Sakunthala (2015) mention that morale is a mental condition or attitude of individuals and groups which determines their willingness to cooperate and their attitudes and willingness to work are best interpreted as morale.

2.1.3 Social approach

The social approach recognises morale as a social phenomenon that enables people to live in society or groups to achieve a common goal (Venkatachalam and Sakunthala, 2015). Venkatachalam and Sakunthala (2015) further mention that morale is a mental process. When started, it can spread through to the entire group creating a mood that results in the formation of a common attitude.

2.2 Factors that Influence Employee Morale

Chandrasekar (2011) argues that personal motivation and a conducive work environment increase employee morale. Mallik, Mallik, and Keerthi (2019) mention the working condition of any organisation and its appearance affects the state of mind of the employee. Tjambolang (2013) indicated that workplace environment physical factors such as office layout and furniture, equipment, air conditioning, and lighting are key physical factors of the workplace environment. While unfavourable environmental conditions such as noise or heat may decrease productivity. Organisations should create a conducive working environment by providing appropriate furniture, lighting, interior design, and make efforts to minimise noise (Muskita and Kazimoto, 2017).

Employees expect adequate compensation for their skills. It is argued in the literature that sufficient salaries, advancements, and rewards keep the confidence of the employees high (Mallik, Mallik and Keerthi, 2019). In addition, how employees perceived themselves within the organisation structure influences their attitudes to their organisation environment. For example, employees who lack self-confidence and/or who suffer from poor physical or mental health generally have low morale in the workplace (Pandian, 2009). Managers are encouraged to know what is important to each employee in their corporate role and personalise the rewards in a form that

reflects what is important to them. These types of rewards are said to be more memorable and boost morale for a much longer period than typical cash incentives (Wubbe, 2010).

2.3   Job Satisfaction and Job Commitment

Job satisfaction describes how content an individual is with his/her work and it is defined as a pleasurable emotional state resulting from the appraisal of one's job; and an attitude towards one's job (Panigrahi and Joshi, 2016). A Level of job satisfaction gives an employee a fair chance to demonstrate his/her abilities and develop an identity. Ngambi (2011) mentions that employee job satisfaction is an essential angle for any organisation in that it can influence execution and profitability. Carrell *et al.* (1997) found a strong relationship between job satisfaction and organisational commitment, whereas employees' job dissatisfaction can result in absenteeism, high rates of employee turnover, lateness, and strikes (Rue and Byars, 1999). However, high levels of job satisfaction will not keep employee turnover low, but it does seem to help (Kessuwan and Muenjohn, 2010).

Employees are energetic when their work commitment is high, resulting in organisational effectiveness (Mallik, Mallik and Keerthi, 2019). Organisational commitment is positively correlated with job security, working conditions, promotion policies, training opportunities, salaries, supervision, and co-workers (Uma-Devi and Vijayakumar, 2016). Organisational commitment is an individual's strong belief in and acceptance of the organisation's goals and values; It is a willingness on their behalf to go an extra mile on behalf of the organisation and a strong desire to maintain membership in the organisation (Uma-Devi and Vijayakumar, 2016). Scarpello and Ledvinka (1987) viewed organisational commitment as involving an exchange of behaviour in return for valued rewards from the organisation. It is the outcome of matching an individual's job-related and vocational needs and the organisation's ability to satisfy these needs.

Employees that are committed to the organisation are less likely to leave the company. According to Uma-Devi and Vijayakumar (2016) commitment develops if:

- Employees can meet their expectations and satisfy their needs within the organisation. This results in employees staying within the company and acting in the best interests of the company.

- Employees felt obligation and responsibility towards an organisation (i.e. normative commitment) and it is based on feelings of loyalty and obligation.

2.4   Job Performance and Productivity

Motowidlo *et al*. (1999) defined job performance as behaviours or activities performed towards accomplishing the organisation's objectives or goals. Bevan (2012) considered job performance as a factor that influences profitability of any organisation, leading to business success. Performance is also considered as an important factor for individuals as achieving tasks can be a source of satisfaction (Muchhal, 2014). According to Stup (2003), factors such as work environment (including physical), meaningful work, adequate rewards, performance expectancy, and feedback on performance can affect job performance, in addition to skills, knowledge, and attitude.

Venkatachalam and Sakunthala (2015) argued that there is no direct relationship between morale and productivity because productivity is said to be sometimes high with high morale or low even if morale is high. They (Venkatachalam and Sakunthala (2015)) mentioned the four combinations of morale and productivity as follow:

- High morale and high productivity

  – This combination is said to arise when morale is high, and employees are motivated to achieve high performance through financial and non-financial rewards.

- High morale and low productivity

  – High morale and low productivity are said to arise when employee morale is high however the employee's energy is focused on satisfying personal objectives unrelated to the company's goal.

- Low morale and high productivity

- In this combination Venkatachalam and Sakunthala (2015) argue that it is temporary due to fear of job loss and good supervision.

■ Low morale and low productivity

- Venkatachalam and Sakunthala (2015) argue that this combination is normal and in the long run morale can result in low productivity.

2.5 Impacts and Effects of Demerger Process on Morale of Employees

Any corporate restructuring (merger, acquisition, or demerger) affects the entire organisation from top executives to employees. Employee morale is subject to change during the process of demerger and post-demerger. Thomasson and Janusonis (2012) proposed that a demerging company is likely to experience increased management and talent turnover, which results in loss of skills, knowledge, experience, and managerial capabilities. During the demerger, the companies would have to allocate their employees between them. Some of the employees might leave both companies due to uncertainty, changing conditions, or lost influence. This results in a loss of experience and leadership skills. Furthermore, the loss of top managers would affect employee morale during the demerger process (Thomasson and Janusonis, 2012).

Restructuring such as mergers and acquisitions has been identified by Merger & Acquisition literature examining how employees experience a merger or acquisition, as a general source of anxiety among the broad-base of employees in organisations (Myeong-Gu and Hill, 2005). The anxiety is said to arise due to uncertainty and insecurity about the future. Rosenthal (1985) in his study of mourning and grief in organisations noted that failure to acknowledge the breaking of affectional bonds from an old company to the new company generally resulted in resistance and depressive actions. The demerger process separates the integrated companies and therefore similarly separation anxiety is likely to occur (Fjellström and Gustafsson, 2015). Like any restructuring process, demerger results in a stressful experience for everyone involved in the process. Senior managers leading the organisation on the day-day operations of the company and them being part of implementing the restructuring are likely to suffer high workload with high pressure to meet deadlines (Tate, 1999).

Whereas employees might experience uncertainty and insecurity due to the effects that the process will have on their jobs.

Angwin (2004) argued that speed in terms of the speed of change is a key success factor to a successful demerger process as low speed may cause fear and indecisiveness to employees. At low speed, employees tend to seek opportunities from competitors, while clients seek substitutes (Epstein, 2004). Whereas the speedy restructuring process reduces employee and client uncertainty and promotes stability for the organisation. However, sudden changes may confuse employees (Quah and Young, 2005; Epstein, 2004; Schweizer and Patzelt, 2012).

2.5.1　Demerger process

The demerger process consists of three phases which are pre-demerger, execution phase, and post-demerger phase. Figure 2.1 below is composed of suggested critical factors involved in the demerger process that can affect employee morale. A pre-demerger phase is initiated by the business's decision to demerge a previously acquired business and the phase is primarily concerned with the planning of the demerger, no integration, and legal actions are conducted (Appelbaum *et al.*, 2000).

Reasons to Demerger
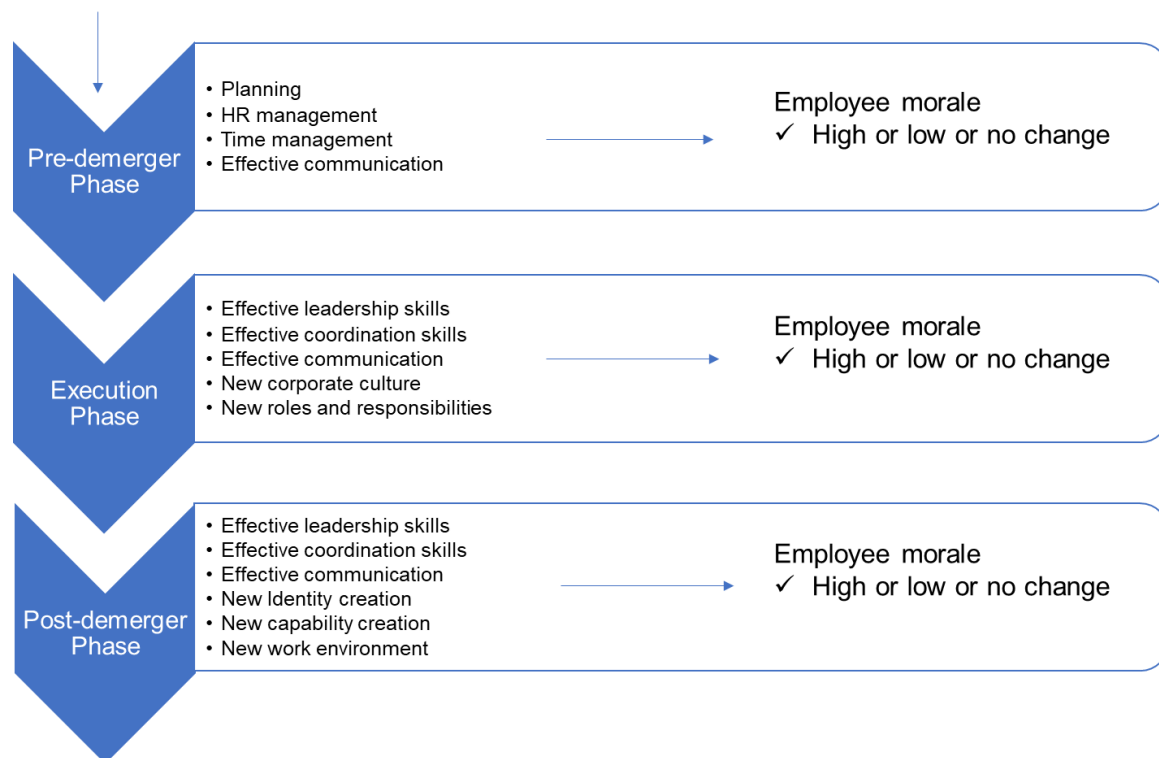
Figure 2.1: Interpretation of demerger process

Identified pre-demerger critical factors include planning activities concerning people, time management, and communication. A comprehensive plan is required to identify minor problems that can cause severe damage within the company and lead to additional workload and costs for the involved parties (Gaughan, 2011). The plan will also act to assess what organisational aspects are worth retaining in the demerged organisation.

Human and resource management challenges that could arise due to demerger can include retrenchments, employee dissatisfaction, and corporate culture changes that might be wrought in the future. Failure to address these issues and excluding employees at the operational level can create morale issues (such as absenteeism and high turnover) for the organisation despite a structured plan (Thomasson and Janusonis, 2012). Wubbe (2010) argued that employees are motivated by seeing their inputs are valued and how what they are doing is making a difference. In such instances, employee morale is not negatively impacted.

As the process progresses it enters the execution phase where the issuance of information is expected, and it requires effective leadership skills, coordination skills, and effective communication. At this stage, the companies have legally separated and no longer share mutual functions. Effective leadership and coordination skills are required especially if demerging companies are heavily intertwined before the separation (Pickering, 2002). It is expected that during the execution phase of a demerger, the companies will experience organisational changes which include changes of ownership, management, policies, an adaption of corporate culture and identity, and re-aligning of organisational roles and functions (Thomasson and Janusonis, 2012).

The last stage of the demerger is the post-demerger phase where the restructuring is completed and involved companies operate separately on a standalone basis or under a new corporate umbrella (i.e. the launch of a new company or business unit). Companies undergoing a post-demerger phase can face similar challenges faced by business start-ups. Issues related to human and organisational capital, the competitive environment, and public policies are some of the challenges that new business ventures face in their initial years of operations and can also be seen to be present in this demerger phase of the organisation (Peña, 2002).

Building new capabilities (such as new leadership, new strategy development, and putting commercial services in place) and identity creation are critical to this phase and these will require leadership coordination and communication skills (Pickering, 2002). Building these new capabilities can be a greater challenge if the companies were heavily integrated before the merger. However, they are expected to enable the demerged companies to operate successfully and efficiently post demerger. The new capabilities will have an impact on the work environment thus, affecting the morale of employees.

2.5.2 Corporate culture

Corporate structure needs to be considered. As argued by Oertel and Walgenbach (2012), larger organisations possess higher capabilities in both financial and human capital compared with smaller ones, thus enabling them to be more likely to handle challenges that arise from ownership structure changes. An organisation with fewer hierarchical levels or a flat structure and fewer departments is more flexible and can adopt new organisational frameworks proposed by the post-demerger phase as decisions can be made quicker in a direct way with fewer stakeholders to consider. Decisions in an organisation with multi-hierarchical levels tend to involve more coordination, thus more time, and are less likely to succeed (Ghobadian and Gallear, 1997). Information distortion might occur in multi-hierarchical levels of an organisation and this can confuse or frustrate employees. After the companies have demerged, creation of internal and external identity will be an urgent priority and as well as launching the new company.

2.5.3 Importance of communication

Communication is a tool for inclusion and relationship management, and it is considered the most important area upon which to focus to boost employee morale. If a demerging company does not have a clear communication strategy, it is more likely that employees will experience substantial levels of uncertainty that will affect employee morale (Thomasson and Janusonis, 2012). Communication planning is critical to the success of a demerger as it is a gateway to the success of a merger or acquisition. However, what to communicate, when to communicate, and to who is a difficult challenge to plan and manage especially in the pre-demerger phase (Tate, 1999). Organisations need to fully communicate future organisational changes to their internal and external stakeholders. To reduce uncertainty and confusion amongst staff and help to maintain positive morale amongst employees in the workplace, it is advisable to communicate once the facts are known on time (Young and Post, 1993). Tate (1999); Schweiger and Denisi (1991) argue the changing economic environment, the board changing its mind, and day-to-day operations starting to suffer are all circumstances that might make full communication impossible. However, poor communication especially during pre-demerger phase can lead to detachment and low

employee morale, as employees might feel they are not part of the process (Gopinath and Becker, 2000).

Communication remains critical to the success of the demerger execution phase as it can reduce the anxiety-related stress that often occurs during the execution phase (Myeong-Gu and Hill, 2005). Anxiety-related stress and other negative feelings have often been found to be due to unreliable information about the future (Weber and Tarba, 2010). Tate (1999) proposed that a company undergoing a demerger must be inclusive i.e. communicating as fully as possible, accurate and honest information towards all employees and the relevant stakeholders such as investors, customers, suppliers, and the community.

Communication between senior management and lower-level employees should reinforce and bring confidence in the restructuring process. Also, it should be open, authentic, consistent, significant, sympathetic, and up to date to increase the coping abilities of employees (Appelbaum *et al.*, 2000; Epstein, 2004). Denka (2009) adds that while communicating, actions also play a significant role in the message the employees receive. Pickering (2002) argues that communication can also serve to reduce divestiture's impact on the ongoing business activities as it will show a clear strategic direction to shareholders, reduce uncertainty among the staff and clarify the impact on clients.

Deficient communication and the deliberate withholding of information from middle management and lower-level employees increases the uncertainty, contributes to the loss of trust, reduces employee productivity, can negatively affect the perception of organisation's trustworthiness and honesty, and can result in employee absenteeism and turnover (Thomasson and Janusonis, 2012). It is therefore concluded that miscommunication confuses the employees and clients, and scares the investors instead of helping to explain the tasks and roles to ensure an uninterrupted flow of investment during the restructuring process (Epstein 2004).

3   CHAPTER 3.   RESEARCH METHODOLOGY

This chapter describes the research methodology that was adopted to achieve the research objectives listed above in Chapter 1, Section 1.3 of the report. The chapter will cover the research design, data collection, analysis, interpretation and presentation methods, reliability, validation, and ethics.

3.1   Research Design

Research design is essentially a blueprint for fulfilling objectives and answering questions of the research (Cooper and Schindler, 2014). It outlines what the researcher will do from writing the hypothesis and its operational implications to the final analysis of data (UTS, 2013). A descriptive research design was adopted for this study to obtain a general overview of the impacts and effects of demerger on the morale of technical employees.

The study followed a survey strategy because the study aimed to learn about the feelings, ideas, and opinions of employees by surveying a sample of them. Surveys are popular as they allow large data collection of a sizeable population within a short period of time and in a highly economical way (Saunders *et al.*, 2009). However, the subject matter was qualitative as this research had a social bias and was weighted towards the concerns, values, opinions, and beliefs of research participants.

3.1.1   Sampling

The sampling technique employed in the study is purposive sampling to ensure that participants have characteristics that are being studied. The following criteria were included in the survey questionnaires to ensure that data was collected from the targeted participants:

- Employee had experienced a demerger process;

- Employee was a technical employee;

- Employee was not part of senior management.

The targeted employees for surveys were the ones working for Company XYZ as the company had recently undergone a demerger process. The sample size of Company XYZ was 112 employees. This sample excluded general and senior management employees.

Surveys are said to have a low response rate (Leedy and Ormrod, 2016) and 30% response rate is said to be reasonable within the organisations or via the intranet (Saunders *et al.*, 2009). Therefore, for this study, 30% response rate was considered reasonable.

3.2   Data Collection

The research data was collected using structured questionnaire administered through a mail survey. The questionnaire developed used close-ended questionnaire and consisted of the 5 Point Likert-scale starting at "strongly agree" to "strongly disagree". The odd-numbered scale provided the respondents with an option for indecision or neutrality (i.e. neither agree nor disagree). Fernandez and Randall (1991) argue that giving respondents a neutral response option will reduce the chance of response bias, which is the tendency to favour one response over others. Also, the respondents do not feel forced to have an opinion if they do not have one.

The survey questionnaires were constructed using Google Forms. The downside of Google Forms was that participants needed to have a Gmail account to participate. The survey link was distributed via email to all employees of two technical units from Company XYZ that were not in senior management. This was to do away with sampling bias. 112 of the employees who received the survey link were employees who were not in management positions and 35 responses were received. This gives 31.3% response rate which exceeded the reasonable response rate proposed by Leedy and Ormrod (2016).

3.3   Data Analysis, Interpretation, and Presentation

Data analysis is a process of turning data into information that can be used to develop concepts, theories, explanations, or understanding (Lancaster, 2005).

The data collected from the surveys was analysed using Statistical Package for the Social Sciences (SPSS). Presentation of the study results was done in the form of bar and pie charts, and percentages in the next chapter of results presentation.

3.4   Reliability

Research is reliable if the research method will yield the same results on different occasions (Lancaster, 2005). The study tested for internal consistency (i.e. different questions, same construct) using reliability coefficient Cronbach's Alpha. Fraenkel and Wallen (2000) mention that the reliability should at least be 0.70 or preferably higher as a rule of thumb. On the other hand, Oppenheim (1992) mentions that the reliability of Likert scales tends to be good and a reliability coefficient of 0.85 is often achieved.

The overall reliability for the questionnaires related to work morale, impacts and effects of demerger process, and demerger process & communication was 0.792. This means the research tools were reliable and can be used on large research studies.

3.5   Validation

Validity refers to whether the issue/s which the researcher believes are being studied are in fact what is being studied, otherwise, the research will possibly be meaningless and at worst misleading (Lancaster, 2005).

Three pilot tests for the surveys were conducted to evaluate the questionnaires before sending the final research survey to the participants, refer to Appendix A for the pilot tests survey questionnaires. Feedback received was used to review the questionnaires.

External validity is the degree to which the conclusions of the study would hold for other people anywhere and at any given time. It is believed the results of the study will hold for other technical employees in Company XYZ and other engineering consulting

firms. Two of the pilot tests were completed by technical employees who work for different engineering consulting firms.

The general feedback received from the participants that completed the pilot tests included the following:

- The questionnaires were direct, however, some of them were found to be repetitive.

- The questionnaires were well structured, and they liked the fact that the questionnaires were not made up of long paragraphs.

Therefore, the final research questionnaires did not change from the pilot test questionnaires because the aim of having "repetitive" or opposing questionnaires was to ensure the participants answered truthfully without contradicting themselves.

3.6   Ethical Issues / Clearance

Ethics is defined as moral principles governing or influencing a person's behaviour (Knight, 2020). This study obtained Ethics Clearance (clearance number MIAEC 121/20) from the University Ethics Committee because it relied upon human participation and required consent from Company XYZ to be conducted.

Consent was obtained from the organisation. The letter of consent submitted to the organisation emphasised the following:

- The objectives of the study.

- Participation was voluntary and the organisation could withdraw from participating at any time without negative consequences.

- Confidentiality and anonymity were given to participants.

Also, the survey participants were informed about the aim of the study and given an option not to participate. Confidentiality and anonymity were assured to participants. The study did not disclose participants and the name of the organisation.

4 CHAPTER 4. STUDY RESULTS

This chapter presents the survey results, refer to Appendix A for the survey questionnaires.

4.1 Study Criteria and Demographics

The respondents were asked to indicate the following:

- Position at the company

  – The respondents were asked to indicate their work position at the time of the restructuring process. The study is concerned with the morale of technical employees and therefore, only responses from respondents that indicated they were technical employees were considered and analysed in this study. It was found that two of the employees indicated they were general employees. Figure 4.1 below indicates the positions of the respondents.
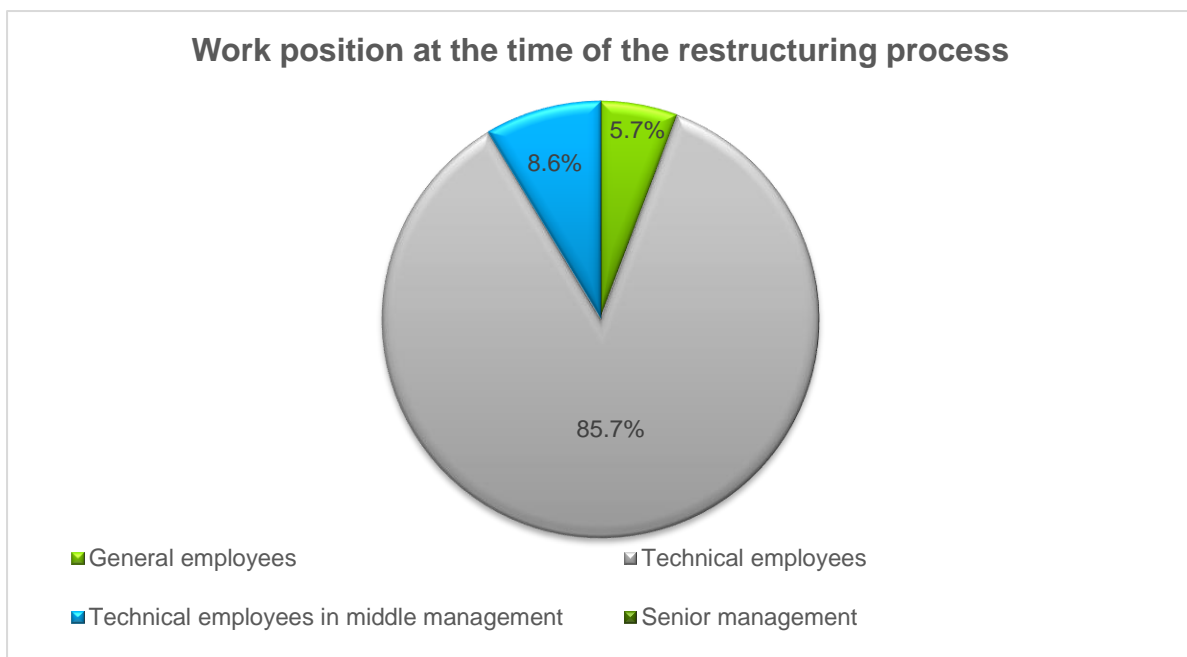

Figure 4.1: Work position at the time of the restructuring process

- Restructuring process experienced

  – 84.8% of the respondents experienced the demerger process and 15.2% of them experienced both demerger, and merger & acquisition processes, refer to Figure 4.2 for the restructuring process experienced results.
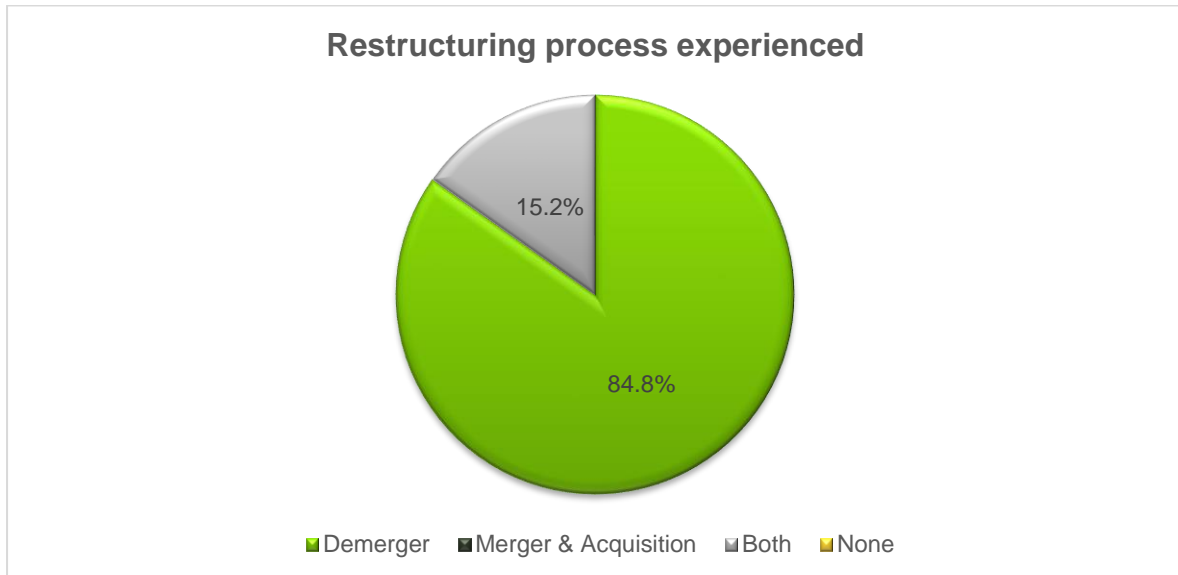
Restructuring process experienced

15.2%

84.8%

■Demerger ■Merger & Acquisition ■Both ■None

Figure 4.2: Restructuring process experienced

- Permanent employment

  – 93.9% of the respondents indicated that they were permanently employed at the time of the restructuring process and 6.1% of the respondents indicated otherwise.

- Number of years employed at the company

  – Most of the respondents were employed by the company for less than 5 years (i.e. between 1-5 years) by the time of the restructuring process. 18.2% of the respondents were employed for less than a year. Another 18.2% of the respondents have been employed by the company for more than 10 years and this percentage is expected to correspond to the percentage of employees that have experienced both demerger and merger restructuring processes. The remaining 18.2% of the respondents indicated that they have been employed by the company for more than 1 year but less than 5 years. Refer to Figure 4.3 for study results.
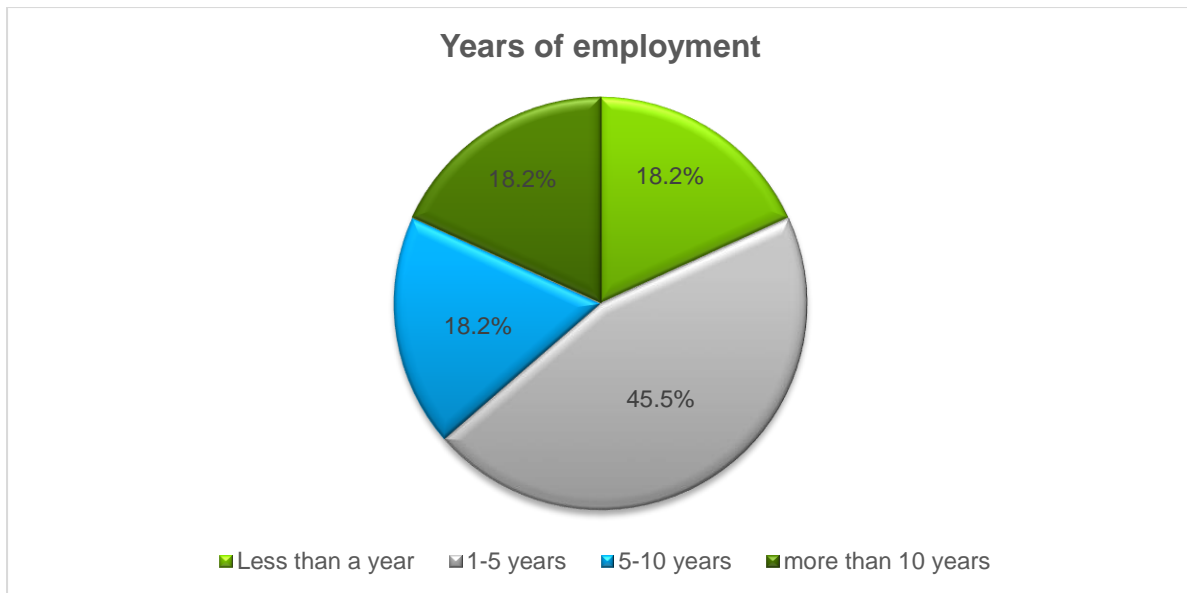
Figure 4.3: Years of employment

- Gender

66.6% of the respondents indicated they were male and 39.4% indicated they were female.

4.2 Study Factors which Influence Employee Morale

Personal motivation, work environment, compensation and rewards, job satisfaction/dissatisfaction, work commitment, self-confidence, anxiety-related stress, retrenchments, and talent turnover factors which are said in the literature to affect employee morale were examined in this study.

4.2.1 Personal motivation

45.5% of the respondents strongly agreed and 45.5% of the respondents agreed that personal motivation positively affects work morale. 6% of the respondents disagreed or strongly disagreed that personal motivation positively affects work morale. 3% of the respondents had a neutral response as shown in Figure 4.4.
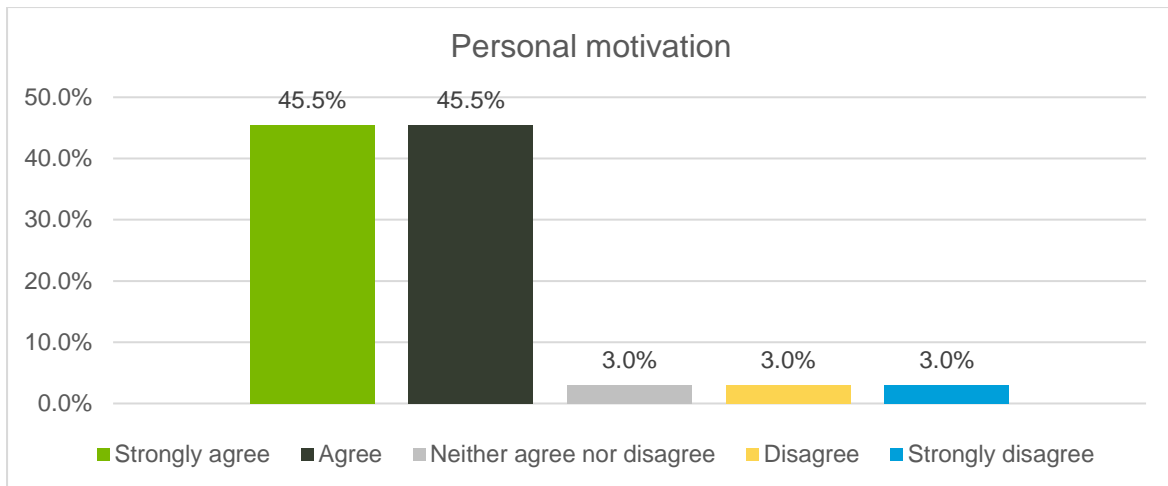
Figure 4.4: Personal motivation and morale

4.2.2 Work environment

It is argued in the literature that the working conditions of any organisation affect employee morale. 48.5% of the respondents agreed that a conducive work environment positively affected their work morale. 45.5% of the respondents strongly agreed, 6% of the respondents strongly disagreed or had a neutral opinion about the statement that a conducive work environment positively affected work morale.

The respondents were also asked if an unfavourable work environment affected their work morale negatively, which was an opposite statement to the conducive work environment. It was expected that about 48.5% will agree with the statement and 45.5% strongly agree. However, Figure 4.5 below indicates otherwise. 39.4% of the respondents strongly agreed, 24.2% of the respondents agreed and another 24.2% of the respondents had a neutral opinion. 12.1% of the respondents disagreed that unfavourable work environment negatively affected their work morale.
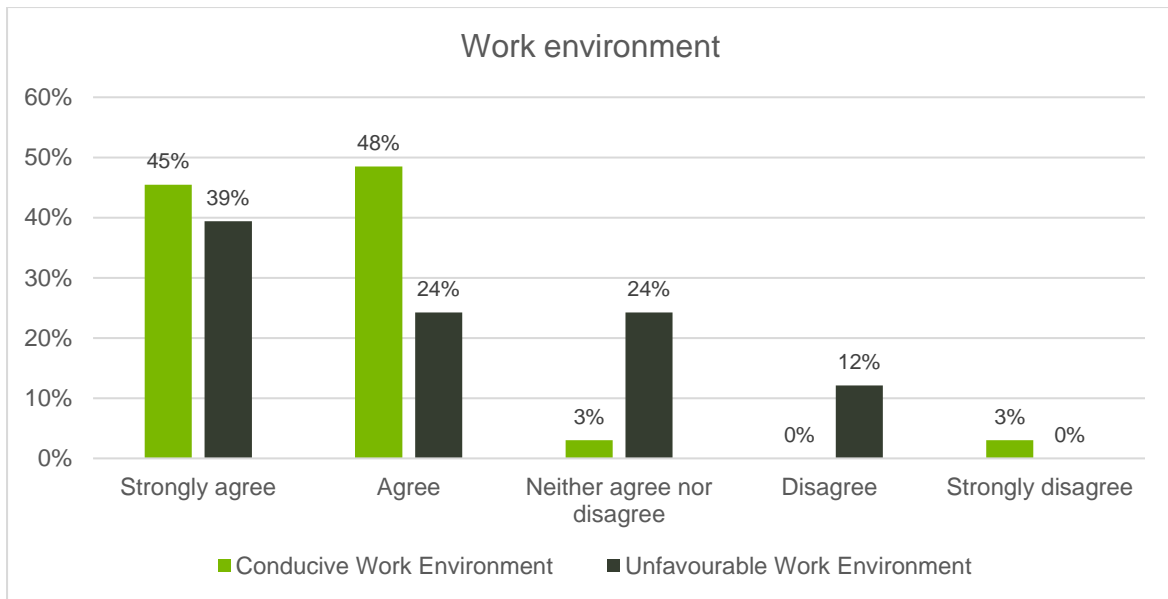
Figure 4.5: Work environment

4.2.3   Compensation and Rewards

The participants were asked the following opposing questions to test the impact of the same factors which are compensation and rewards:

- Adequate compensation and rewards affect my work morale positively

- Inadequate compensation and rewards affect my work morale negatively

39.4% of the respondents strongly agreed that adequate compensation and rewards positively affected their work morale. The same percentage of 39.4 also strongly agreed that inadequate compensation and rewards negatively affected their work morale as expected. 30.3% of respondents agreed that adequate compensation and rewards positively affected work morale while 42.4% agreed that inadequate compensation negatively affected work morale. 12-15% of the respondents had a neutral opinion about the effect of compensation and rewards on morale. A total of 18.2% disagreed or strongly disagreed that adequate compensation and rewards positively affected their work morale. Refer to Figure 4.6 below for compensation and rewards study results.
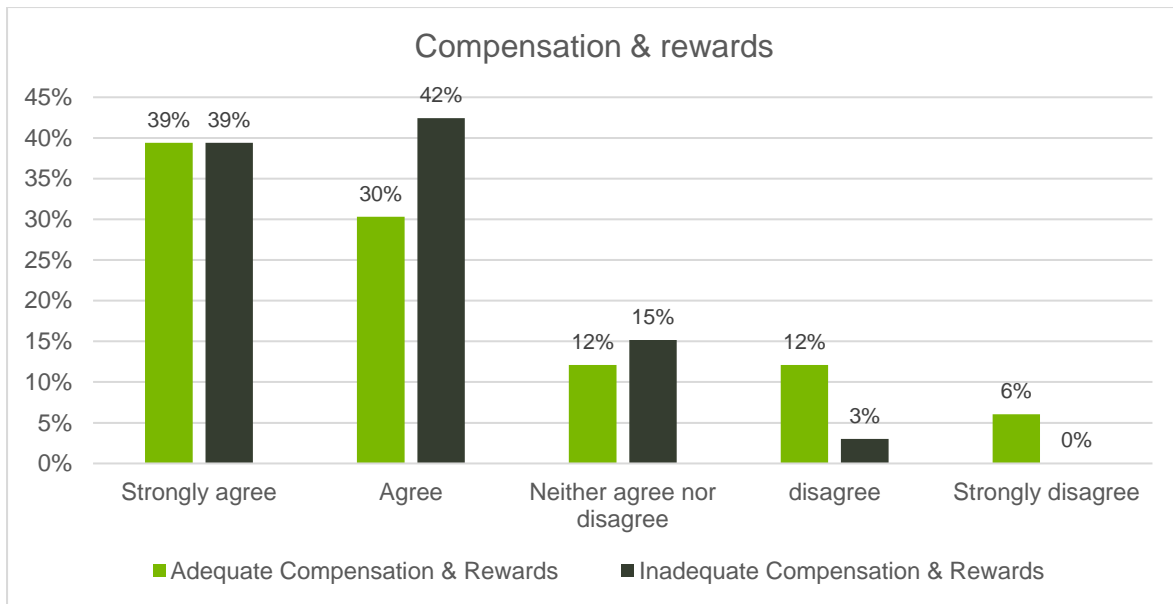
Figure 4.6: Compensation and rewards

4.2.4 Job satisfaction

The participants were asked the following opposing questions to test the impact of job satisfaction or dissatisfaction on the morale of employees:

- High level of job satisfaction affects my work morale positively

- Job dissatisfaction affect my work morale negatively

36.4% of the respondents strongly agreed that a high level of job satisfaction positively affected their work morale and that job dissatisfaction negatively affected their work morale (as shown in Figure 4.7 below). 54.5% of the respondents agreed that a high level of job satisfaction positively affected work morale and 33.3% agreed that job dissatisfaction negatively affected work morale. Whereas, less than 12% of the respondents disagreed or strongly disagreed with both statements.
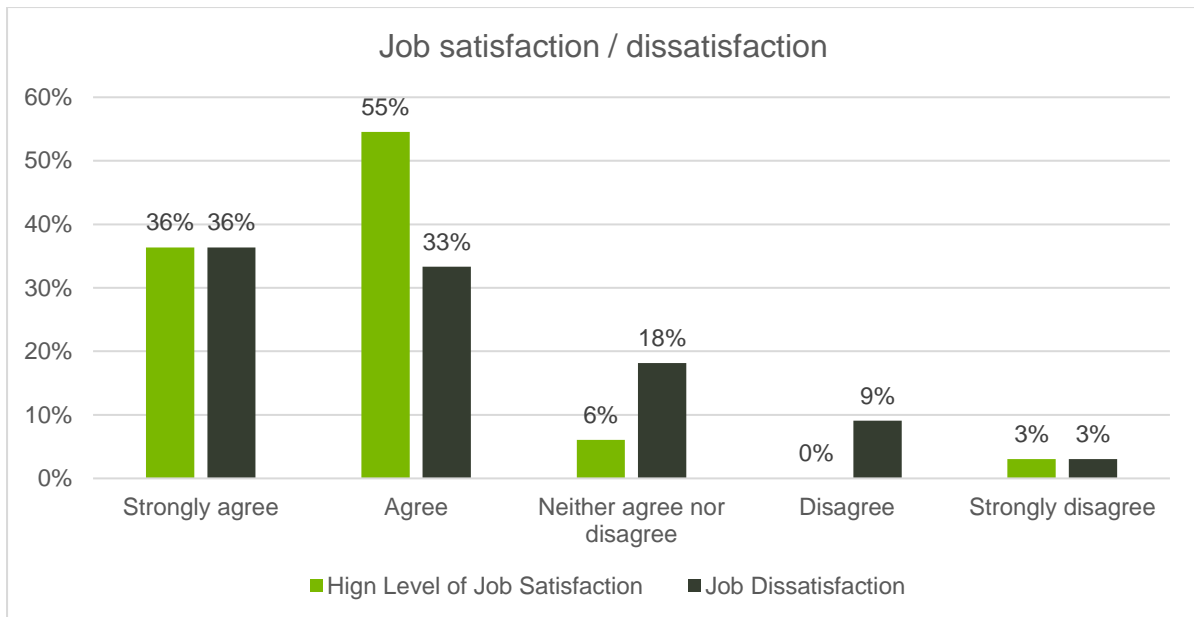
Figure 4.7: Job satisfaction or dissatisfaction

4.2.5   Work commitment

Employees were asked the following regarding work commitment and morale:

- Work commitment affects my work morale positively

- Lack of work commitment affect my work morale negatively

57.6% of the respondents agreed and 30.3% strongly agreed that work commitment positively affected their work morale. 42.4% of the respondents agreed and 21.2% strongly agreed that lack of work commitment negatively affected their work morale as shown in Figure 4.8 below.

Therefore, more than 80% of the respondents agreed or strongly agreed that work commitment positively affected their work morale. 63% of the respondents agreed or strongly agreed that lack of commitment negatively affected their work morale.
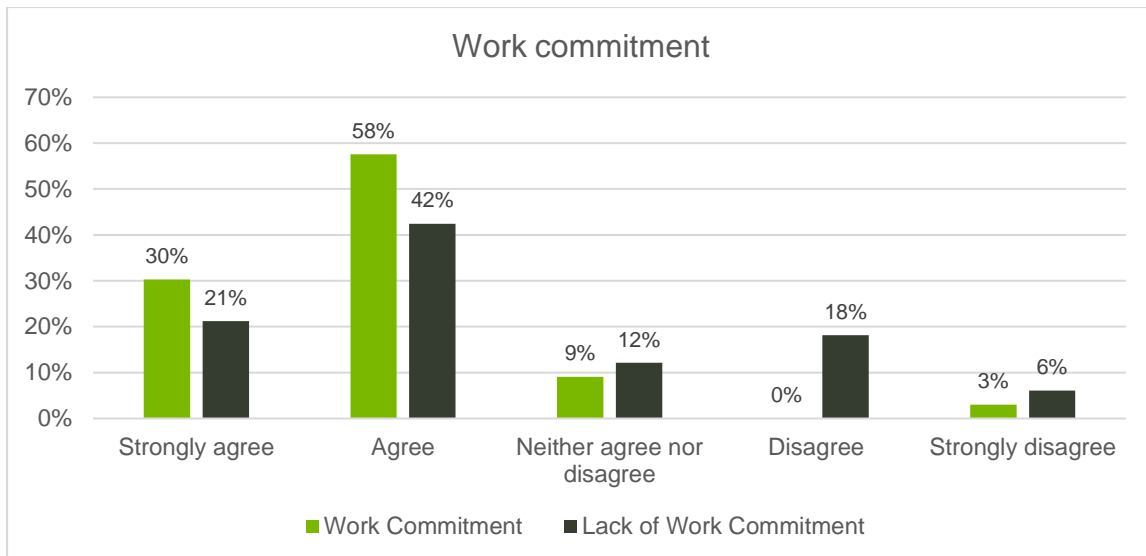
Figure 4.8: Work commitment

4.2.6 Self-confidence

Employees were asked the following regarding the impact of self-confidence on work morale:

- Self-confidence affects my work morale positively

- Lack of self-confidence affect my work morale negatively

81.8% of the respondents agreed or strongly agreed that self-confidence positively affected their morale. Whereas, 60.6% of the respondents agreed or strongly agreed that lack of self-confidence negatively affected their work morale. About 20% of the respondents that agreed or strongly agreed that self-confidence positively affects work morale disagreed that a lack of self-confidence negatively affected their work morale. See Figure 4.9 for self-confidence study results.

Nonetheless, most of the respondents agreed or strongly agreed that self-confidence positively affected their work morale whereas, the lack of it negatively affected their work morale.
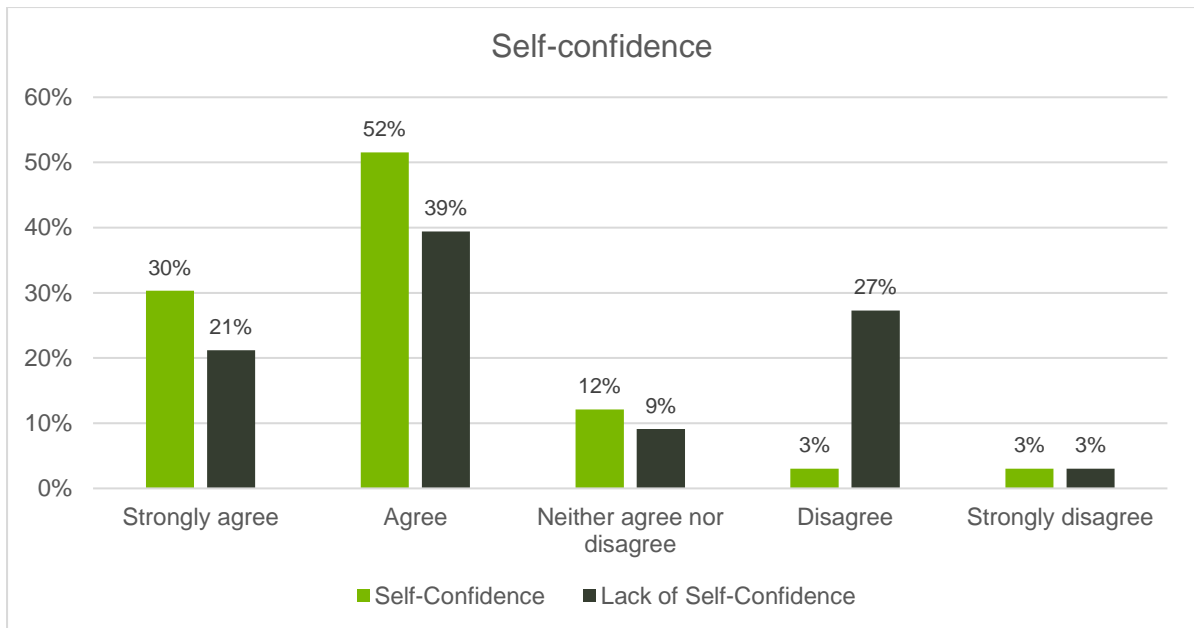
Figure 4.9: Self-confidence

4.2.7   Retrenchments, talent turnover, and stress

The participants were asked about the impact of retrenchments, talent turnover, and anxiety-related stress on their work morale.

42.4% of the respondents strongly agreed that retrenchments negatively affected their work morale. This was followed by 33.3% of respondents that agreed with this statement. 18.2% of the respondents had a neutral opinion about retrenchments affecting their work morale.

24.2% of the respondents strongly agreed that talent turnover negatively affected their work morale. 27.3% of the respondents agreed and another 27.3% of the respondents had neutral opinions about talent turnover negatively affecting their work morale. 18.2% of the respondents disagreed that talent turnover negatively affected their work morale.

39.4% of the respondents strongly agreed that anxiety-related stress negatively affected their work morale. This was followed by 30.3% of respondents that agreed

anxiety-related stress negatively affected their work morale. 24.2% of the respondents had a neutral opinion about anxiety-related stress affecting their work morale. 6.1% of the respondents disagreed that anxiety-related stress negatively affected their work morale. Figure 4.10 below indicates the retrenchments, talent turnover, and anxiety-related stress study results.
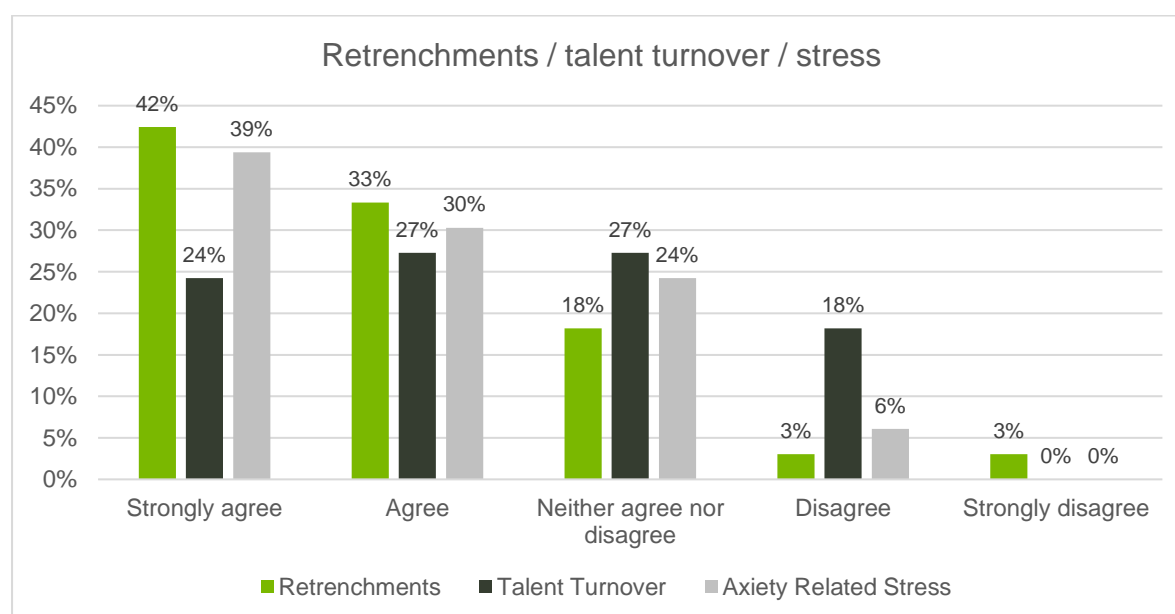

Figure 4.10: Retrenchments, talent turnover, and anxiety-related stress

4.3   Study Impacts and Effects of Demerger Process

The study examined the following as a result of the demerger process (refer to Figure 4.11) and some of which were said to have affected employees work morale during the demerger process (refer to Figure 4.12):

■ Work environment

– 27.3% of the respondents agreed and another 27.3% of the respondents disagreed the company demerger process resulted in a stressful work environment. 24.2% of the respondents had neither agreed nor disagreed with this statement. 15.2% of the respondents strongly agreed whereas 6.1% of the respondents strongly disagreed the company demerger process resulted in a

stressful work environment. Therefore, it can be concluded the company demerger process resulted in a stressful work environment for employees.

– 21.2% of the respondents strongly agreed and 15.2% agreed that the changing work environment affected their work morale during the company demerger process. 27.3% of the respondents had a neutral opinion about the changing environment affecting their work morale. 36.4% of the respondents disagreed or strongly disagreed that the changing work environment affected their work morale during the company demerger.

– Furthermore, only 9.1% of the respondents agreed or strongly agreed that their work environment improved post demerger. A majority some 60.6% of the respondents had neither agreed nor disagreed that their work environment improved post demerger. 30.3% of the respondents disagreed or strongly disagreed with this statement.

- Talent Turnover

– 33.3% of the respondents neither agreed nor disagreed the company demerger process resulted in talent turnover. 30.3% of the respondents agreed and 18.2% of the respondents strongly agreed the demerger resulted in talent turnover. The remaining 18.2% of the respondents disagreed or strongly disagreed the demerger resulted in talent turnover. Therefore, a majority (48.5%) of the respondents agreed that the company demerger resulted in talent turnover.

- Employee dissatisfaction

– 33.3% of the respondents agreed and another 33.3% had a neutral opinion that the company demerger process resulted in employee dissatisfaction. 21.2% of the respondents either disagreed or strongly disagreed whereas 12.1% of the respondents strongly agreed the demerger resulted in employee dissatisfaction. Therefore, a majority (45.5%) of the respondents agreed that the demerger resulted in employee dissatisfaction.

– 60.6% of the respondents agreed or strongly agreed that job dissatisfaction resulted in employee absenteeism. Also, a majority of 69.7% agreed or strongly agreed that job dissatisfaction resulted in high employee turnover and 87.9% of

the respondents agreed or strongly agreed that job dissatisfaction resulted in low performance or productivity. See Figure 4.13 for the job dissatisfaction results.

- Employee detachment from the organisation

  – 30.3% of the respondents had a neutral opinion about employee detachment from the organisation because of the company demerger. This is followed by 27.3% of the respondents that agreed the demerger resulted in employee detachment whereas, 21.2% of the respondents disagreed. 18.2% of the respondents strongly agreed and 3% of the respondents strongly disagreed with this statement. Therefore, most of the respondents (45.5%) as opposed to 24.2% of the respondents agreed the company demerger resulted in employee detachment from the organisation.

- Retrenchments

  – 63.6% of the respondents (i.e. 21.2% that strongly agreed and 42.4% that agreed) agreed the company demerger resulted in retrenchments. 9.1% of the respondents disagreed and 27.3% of the respondents neither agreed nor disagreed that the company demerger resulted in retrenchments.

- Corporate cultural changes and new organisational structure

  – 36.4% and 21.2% of the respondents agreed and strongly agreed that the company demerger resulted in corporate cultural changes respectively, as opposed to 18.2% that disagreed or strongly disagreed. 24.2% of the respondents had a neutral opinion about corporate cultural changes due to the demerger process. Therefore, a majority of the respondents agreed that the company demerger resulted in corporate cultural changes.

  – 33.3% of the respondents agreed or strongly agreed the new corporate culture affected their work morale during the company demerger process. A Majority of the respondents (42.4%) disagreed or strongly disagreed that the new corporate culture affected their work morale during the demerger. 24.2% of the respondents continued to have a neutral response about the new corporate culture.

  – 84.9% of the respondents agreed or strongly agreed that corporate culture management is important to a successful demerger. None of the respondents

disagreed with this. However, 15.2% of the respondents had a neutral opinion about corporate culture management being important to a successful demerger.

– 51.5% of the respondents agreed or strongly agreed that corporate culture-related issues were successfully addressed by management during the demerger process as opposed to the 12.1% of the respondents that disagreed or strongly disagreed. 36.4% of the respondents neither agreed nor disagreed that corporate culture-related issues were addressed by management during the company demerger.

– The new organisational (organogram) structure as a result of the demerger process positively affected work morale of 30.3% of the respondents. A majority (at 48.5%) of the respondents neither agreed nor disagreed the new organisational structure affected their work morale positively. 21.2% of the respondents disagreed the new organogram affected their work morale positively.

▪ Confusion and/or anxiety among employees due to uncertainty about the future and/or job insecurity

– 42.4% of the respondents strongly agreed followed by 33.3% of respondents that agreed the company demerger process resulted in anxiety among the employees due to uncertainty about the future and/or job security. Only 9.1% of the respondents disagreed or strongly disagreed with this statement. 15.2% of the respondents had a neutral opinion. Therefore, a majority of employees felt anxiety due to job insecurity and/or uncertainty about the future.

– 69.7% of the respondents agreed or strongly agreed that anxiety and confusion about the future of the organisation affected their work morale. 21.2% of the respondents disagreed or strongly disagreed with this statement and 9.1% of the respondents gave a neutral response.

– 54.5% of the respondents agreed or strongly agreed that anxiety about job insecurity or fear of job loss affected their work morale during the company demerger. 24.2% of the respondents disagreed or strongly disagreed with this statement whereas 21.2% neither agreed nor disagreed that anxiety about job insecurity or fear of job loss affected their work morale.
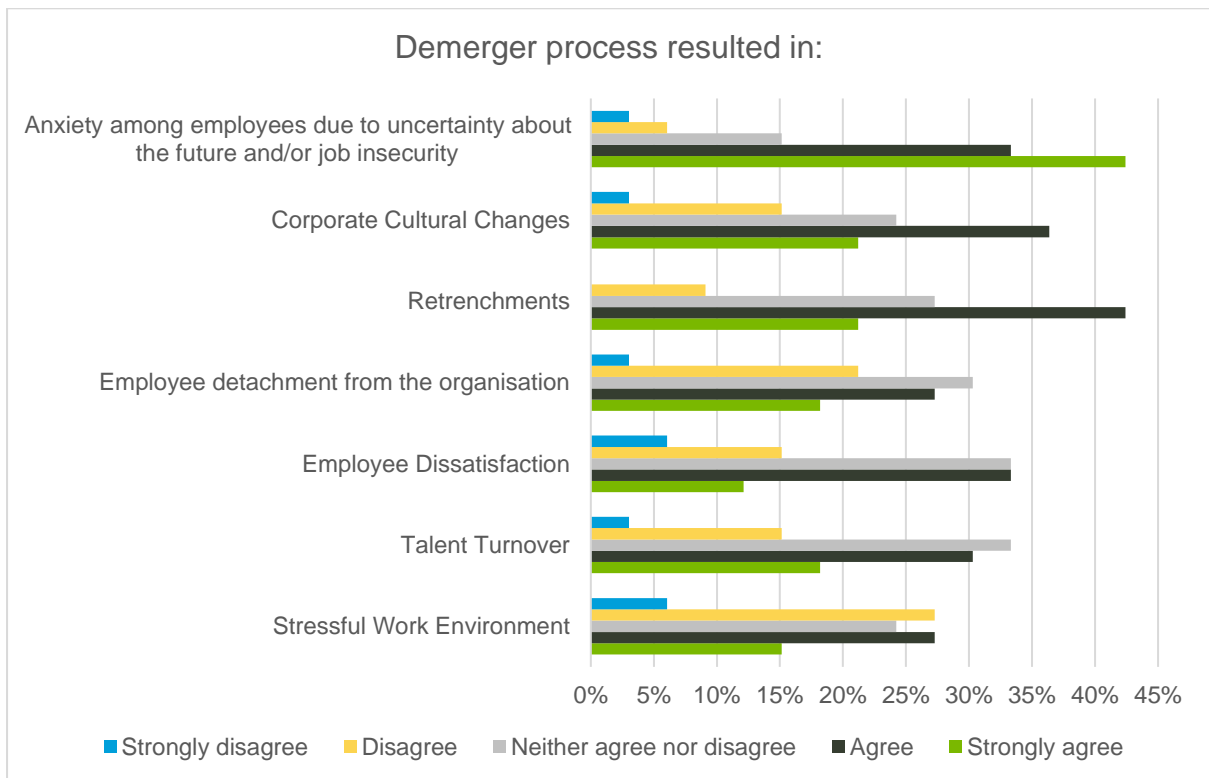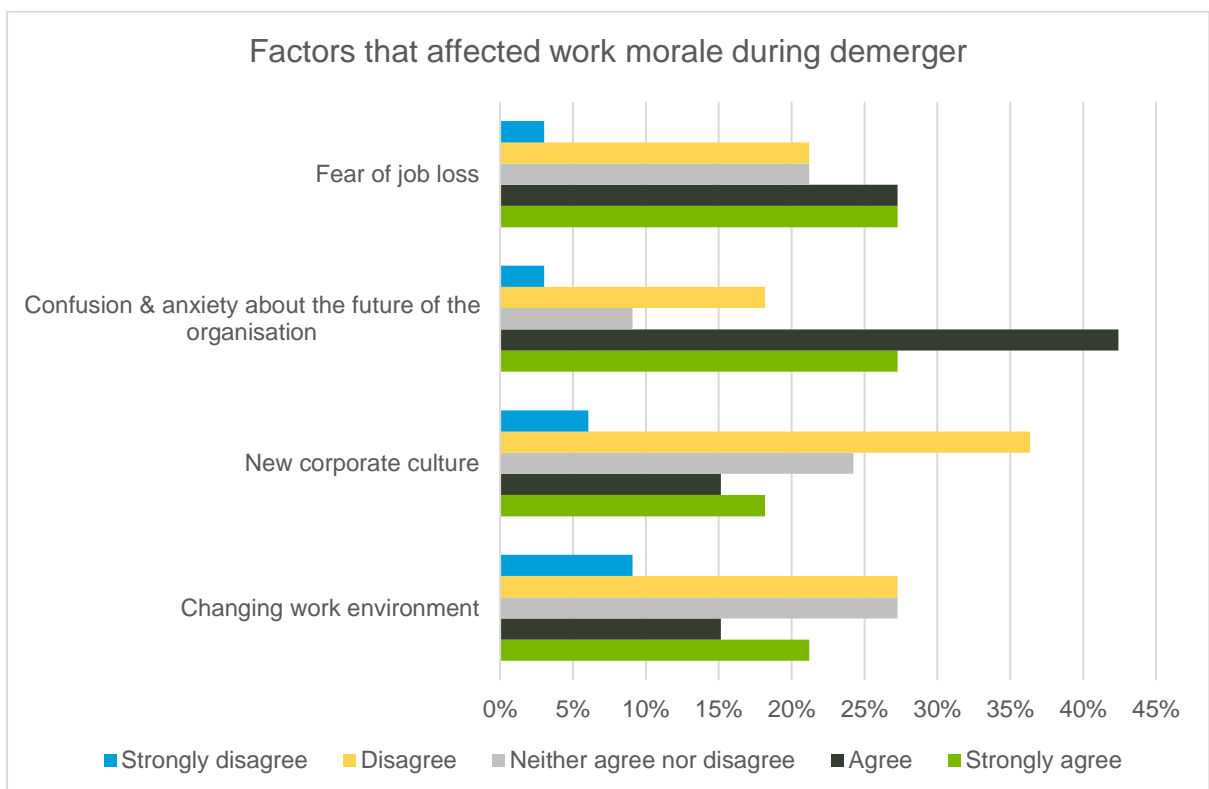
Figure 4.11: Results of demerger process

Figure 4.12: Factors that affected employee morale during the demerger process
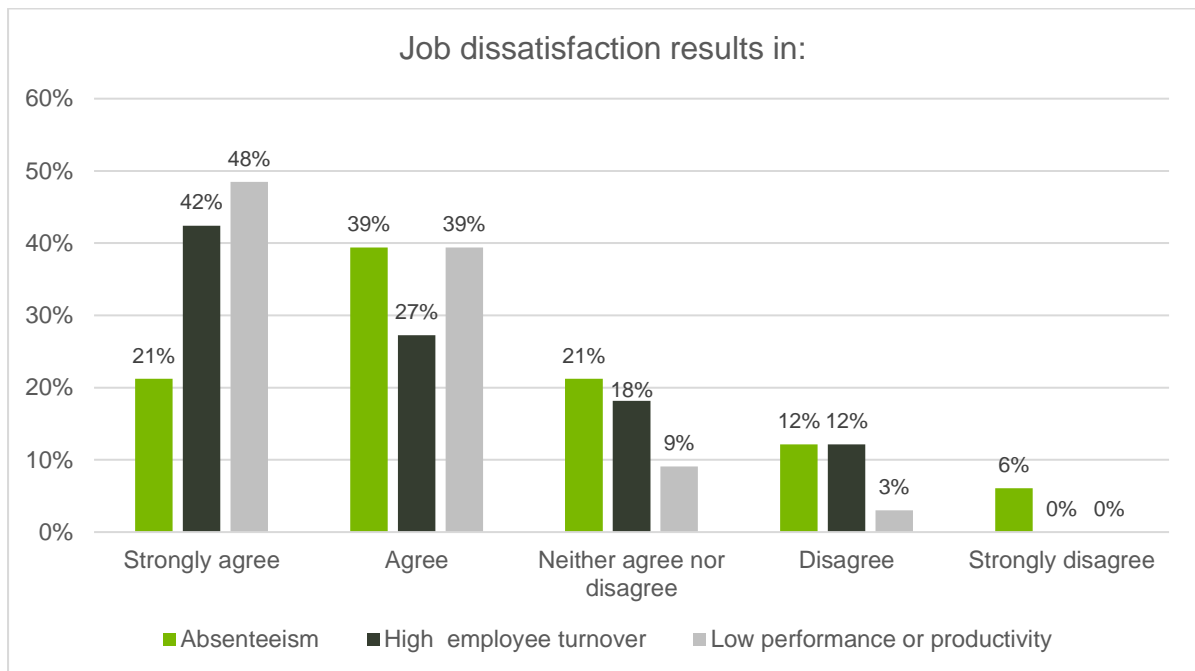
Figure 4.13: Job dissatisfaction

The demerger process positively affected work commitment of about 18.2% of the respondents and 21.2% of the respondents disagreed with the 18.2%. 61% of the respondents neither agreed nor disagreed the demerger process positively affected their work commitment. Furthermore, a majority (at 76%) of the respondents agreed or strongly agreed that a high level of job satisfaction increases work commitment. Only 3% of the respondents disagreed with this statement. 21% of the respondents had neutral opinions about the relationship between job satisfaction and work commitment.

Also, a majority (at 76%) of the respondents agreed or strongly agreed a high level of job satisfaction increased job performance or productivity, and only 6% strongly disagreed with this statement. 18% of the respondents neither agreed nor disagreed regarding the relationship between job satisfaction and job performance or productivity.

To get a general overview of how the demerger process affected employee morale, the participants were asked if the demerger process positively affected their work

morale. 3% of the respondents strongly agreed and 33% agreed the demerger process positively affected their work morale. 36% of the respondents neither agreed nor disagreed with this statement. 27% of the respondents disagreed or strongly disagreed the demerger process affected their work morale positively.

4.4   Communication

94% (73% strongly agreed and 21% agreed) of the respondents agreed that communication was important for the success of a demerger process as opposed to the 3% that disagreed. Another 3% of the respondents had neither agreed nor disagreed with this statement.

The respondents were also asked to describe the management communication to employees during the demerger process and results were as follow, see Figure 4.14 below for management communication with employees study results:

- Inclusive

  - 58% of the respondents agreed or strongly agreed that management communication to employees was inclusive as opposed to the 21% of the respondents that disagreed. 21% of the respondents neither agreed nor disagreed with this statement.

- Accurate

  - A majority at 49% of the respondents agreed or strongly agreed that management communication was accurate. 39% of the respondents neither agreed nor disagreed and 12% disagreed with this statement.

- Honesty

  - 52% of the respondents agreed or strongly agreed that management communication with employees during the demerger was honest as opposed to 12% that disagreed. 36% of the respondents neither agreed nor disagreed with this statement.

- Reliable

  – A majority (at 64%) of the respondents agreed or strongly agreed that management communication with employees during demerger was reliable. 21% of the respondents neither agreed nor disagreed and 15% disagreed with this statement.

- Clear

  – 58% of the respondents agreed or strongly agreed that management communication with employees was clear as opposed to the 18% of the respondents that disagreed. 24% of the respondents neither agreed nor disagreed with this statement.

- On time

  – Almost half (at 49%) of the respondents agreed or strongly agreed that management communication with employees during demerger was on time. 33% of the respondents neither agreed nor disagreed and 18% of the respondents disagreed with this statement.
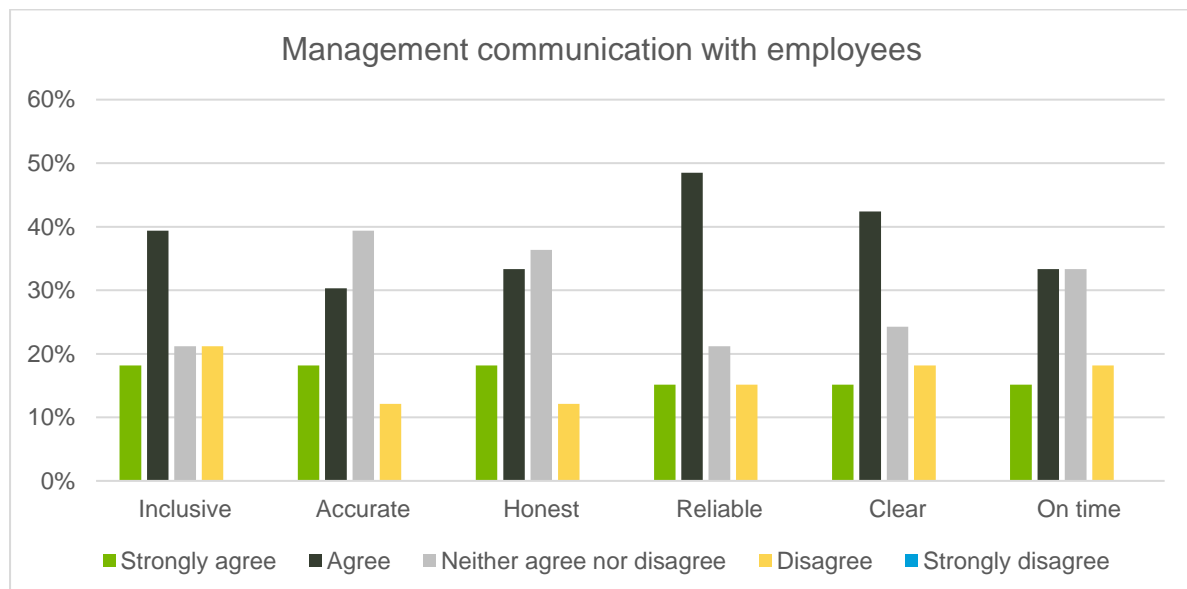

Figure 4.14: Management communication with employees during demerger

The study also assessed the impact or effect of management communication with employees during the demerger process and the results were as follow (see Figure 4.15 below):

- A majority at 58% agreed or strongly agreed that management communication with employees during the company demerger resulted in reduced confusion. 15% of the respondents disagreed with this statement and 27% of the respondents neither agreed nor disagreed with this statement.

- 42.4% of the respondents neither agreed nor disagreed that management communication to employees caused employees detachment from the organisation as they felt that they are not part of the process. 33.3% of the respondents disagreed with this statement and 24.3% agreed or strongly agreed with this statement.

- Half (at 49%) of the respondents neither agreed nor disagreed that management communication with employees during the company demerger resulted in a loss of trust. This was followed by 42% of the respondents disagreeing or strongly disagreeing with this statement. 9% of the respondents agreed or strongly agreed that management communication with employees resulted in a loss of trust.

- 43% of the respondents agreed or strongly agreed that management communication with employees during the demerger process reduced anxiety or anxiety-related stress caused by the process as opposed to 27% of the respondents that disagreed. 30% of the respondents neither agreed nor disagreed with this statement.

- 45.5% of the respondents disagreed or strongly disagreed that management communication with employees during the company demerger reduced employees' job dissatisfaction. Another 45.5% of the respondents neither agreed nor disagreed with this statement. Only 9% of the respondents agreed that management communication reduced employees' job dissatisfaction.
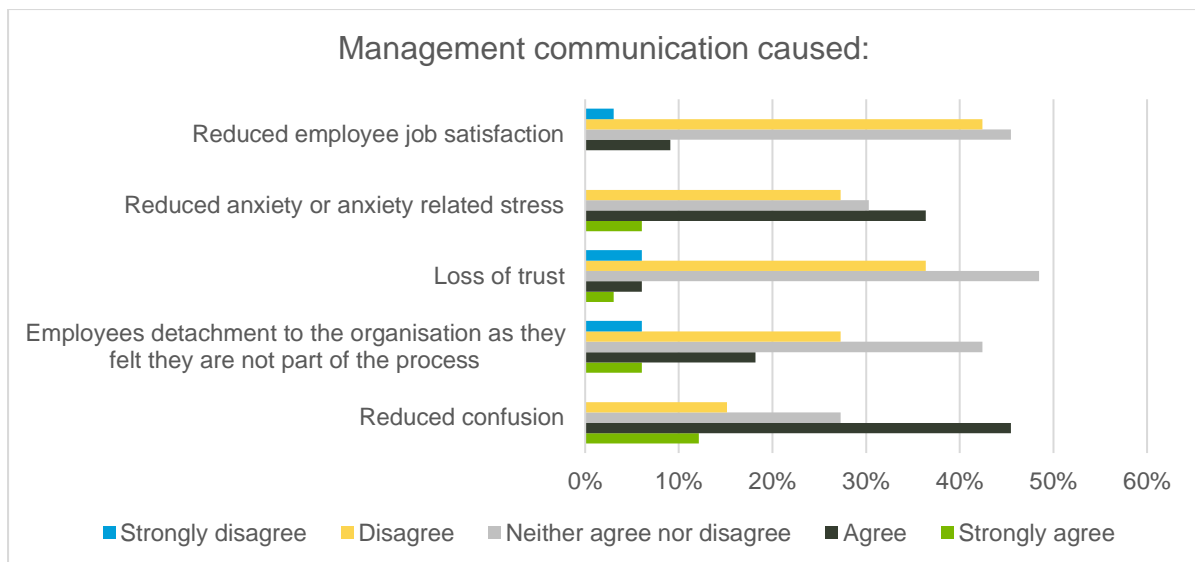
Figure 4.15: Impact and effects of management communication with employees during demerger

Participants were also asked again if the management communication addressed corporate cultural changes to test the consistency of the responses. The same percentage (i.e. 52%) as above of the respondents agreed or strongly agreed that management communication addressed corporate cultural changes. However, the number of respondents that disagreed or strongly disagreed increased from 12% to 24%. Thus, reducing the number of respondents that neither agreed nor disagreed with this statement to 24%.

Overall, 43% of the respondents neither agreed nor disagreed that management communication boosted their work morale. 27% of the respondents agreed or strongly agreed that management communication boosted their work morale, and this is lower than 30% of respondents that disagreed or strongly disagreed.

Also, the participants were asked an opposing statement that management communication during the demerger process negatively affected their work morale. The number of respondents that had a neutral response decreased from 42% to 33%. 46% of the respondents disagreed or strongly disagreed that management communication negatively affected their work morale whereas, 21% of the respondents agreed or strongly agreed with this statement.

5   CHAPTER 5. DISCUSSION OF RESULTS

This chapter discusses the findings of the study and it is structured into sections that give answers to the set research questions recapped as below:

1.   Which factors influence employee morale in a South African engineering consulting firm?

2.   What is the impact of the demerger process on employees' job performance/productivity, and commitment?

3.   How important is communication during the demerger process?

5.1   Demographics

Most of the technical employees of Company XYZ experienced only demerger process. Few of the employees that indicated they have experienced both demerger and, merger & acquisition could have been employed by Company XYZ during the merger with an international engineering company back in 2009/2010. This corresponds with the few respondents who indicated they had been with the organisation for more than 10 years.

18% of the respondents indicated they had worked for the organisation for less than a year. This means these respondents did not experience all three stages of the demerger process (which are pre-demerger, execution phase, and post-demerger phase) because the demerger process took more than a year.

Initially, the respondents were asked to indicate their gender as it was thought there might be a gender correlation in terms of employee morale. However, research data obtained confirmed that gender had no relevance within the context of the thrust of this research.

5.2   Factors that Influence Employee Morale

The study indicated (i.e. indicated by a majority of the respondents) the following factors influence employee morale:

- Personal motivation

- Work environment

- Compensation and Rewards

- Self-confidence

- Job satisfaction

- Work commitment

- Retrenchments, talent turnover, and stress

These factors match the factors that have been identified in the literature that positively or negatively affected employee work morale. Chandrasekar (2011) argued that personal motivation and a conducive work environment increase employee morale. It was found in the study that personal motivation and a conducive work environment positively affected work morale. Also, an unfavourable work environment was found to affect work morale negatively however not in the same percentage (i.e. 68% of the respondents agreed that a conducive work environment positively affected work morale). This might imply that a conducive work environment has a greater impact on work morale as compared with an unfavourable work environment.

It is mentioned in the literature that employees expect adequate compensation for their skills and, enough salaries, advancements, and rewards keep the confidence of the employees high (Mallik, Mallik, and Keerthi, 2019). The study results indicated that adequate compensation and rewards positively affected the work morale of the majority. As well as the lack of it (i.e. inadequate compensation and rewards) negatively affected work morale. The study results indicated that employees do expect adequate compensation for their skills and rewards, this can boost morale of employees.

It was also found in the study that self-confidence positively affected work morale of employees and lack of self-confidence negatively affected work morale. These results agree with Pandian (2009) that employees who lack self-confidence generally have low work morale. It is therefore expected that adequate compensation and rewards can improve self-confidence of employees and as a result boost their work morale.

It is suggested in the literature that job satisfaction and work commitment also have a positive effect on employee morale. Job satisfaction and job commitment were found in the study to have a positive effect on employee morale. Whereas job dissatisfaction and lack of work commitment were found to have a negative impact on employee morale. The study results indicated that job dissatisfaction results in absenteeism, a high rate of employee turnover, low performance, or productivity. Talent turnover amongst others (i.e. retrenchments and anxiety-related stress) was found to have negatively impacted employee morale.

5.3   Impacts and Effects of Demerger Process

In the literature, it is said that company restructuring such as demerger can result in increased management and talent turnover, anxiety among employees due to uncertainty and insecurity about the future, employee dissatisfaction, corporate cultural changes, and stressful work environment among others.

It has been found in the study the company demerger process resulted in the following:

- Stressful work environment

  – However, morale of some of the employees was not affected by this changing environment during the demerger. Most of the respondents had a neutral opinion about the work environment improving post demerger. This could be due to the Covid-19 pandemic which affected the work environment of most companies as many employees worldwide were requested to work from home. The pandemic coincided with the post-demerger phase of the company demerger process. However, a majority of those that had an opinion disagreed that their work environment improved post demerger.

– It can be said the confusion and/or anxiety among employees due to uncertainty about the future of the organisation and/or job insecurity found in the study due to demerger contributed to the stressful work environment. The confusion about the future of the organisation and anxiety about job insecurity or fear of job loss both negatively affected employees' work morale during the company demerger.

– It is said in the literature that work environment and job insecurity are correlated with work commitment. So, if the demerger resulted in a stressful work environment which is said to negatively affect work morale, employees' work commitment might have been negatively affected.

■ Employee dissatisfaction

– It was found in the study that employee dissatisfaction results in absenteeism, high employee turnover, and low performance or productivity. The findings correspond with the findings of Rue and Ryars (1999) about job dissatisfaction. It was mentioned that employee dissatisfaction can result in absenteeism, high turnover, lateness, and strikes.

■ Talent turnover

– The talent turnover matches what Thomasson and Janusonis (2012) proposed about demerging companies experiencing increased management and talent turnover.

– The company demerger resulted in talent turnover which is said to be an indication of employee dissatisfaction (Rue and Byars, 1999).

■ Employee detachment from the organisation

■ Retrenchments

– However, some of the employees did not agree the demerger resulted in retrenchments. This could be since the Covid 19 Pandemic negatively affected jobs.

■ Corporate cultural changes and new organisational structure

– However, the new organisational structure did not seem to have positively affected work morale of a majority of the respondents because the majority had

a neutral opinion or response. A majority of those affected indicated the new organisational structure positively affected their work morale.

− It was further found that corporate culture management is considered important to a successful demerger and this finding corresponded with the literature. A majority agreed that corporate cultural changes were successfully addressed by management during the demerger process.

Therefore, the impact of the demerger process on employee job performance/ productivity, and commitment was negative because of the following:

- It was found in the study that a high level of job satisfaction increased job performance or productivity. Also, job dissatisfaction was found in the study to result in low performance or productivity. The demerger process resulted in job dissatisfaction which can negatively influence execution and profitability because of its negative impact on employee morale.

- Mallik, Mallik, and Keerthi (2019) mentioned that employees are energetic when their work commitment is high, resulting in organisational effectiveness. Even though most of the respondents had a neutral opinion about the company demerger affecting their work commitment, a majority of the few that had opinions disagreed the demerger positively affected their work commitment. Furthermore, it was found that a high level of job satisfaction increased work commitment. The demerger process resulted in job dissatisfaction therefore, reducing work commitment. Also, work commitment is positively correlated with job security and working conditions amongst others (Uma-Devi and Vijayakumar, 2016). Therefore, the stressful work environment and fear of job loss during the demerger negatively affected work commitment.

In general, the demerger process negatively affected employee morale because it resulted in factors that were found in the study to have a negative impact on employee morale. However, it was found most respondents had neutral opinions or agreed about the demerger affecting their work morale positively.

5.4   Importance of Communication

Communication is considered in the literature as a tool that can be used to boost morale and as a gateway to the successful restructuring process including demerger. This research concurred with this.

The organisation's management communication with the employees during the demerger was found in the study to be inclusive, accurate, honest, reliable, clear, and on time. Furthermore, the management communication was found to have reduced confusion and anxiety-related stress caused by the process and did not result in loss of trust and employee detachment to the organisation as they felt they were not part of the process. This might be because the communication about the demerger to employees was once the facts were known (Young and Post, 1993) and reliable. However, management communication did not reduce employee dissatisfaction.

The management communication was found to have addressed corporate cultural changes. However, it is not clear from the study results whether management communication positively or negatively affected employee morale. A majority (of those that had opinions) disagreed that management communication positively affected their work morale and that it has negatively affected their work morale which is contradicting.

Therefore, it can be said the organisation (i.e. Company XYZ) had some sort of effective communication strategy as the employees did not experience substantial levels of uncertainty. Also, the management communication was inclusive and adequate for the demerger process.

6   CHAPTER 6. CONCLUSIONS

In conclusion, the following significant findings of the study related to the study objectives are as follow:

- Personal motivation, work environment, compensation and rewards, self-confidence, job satisfaction, work commitment, retrenchments, talent turnover, and anxiety-related stress are factors that influence employee morale in a South African consulting firm. These factors were also identified in the literature review to influence employee morale. Personal motivation, conducive work environment, adequate compensation and rewards, self-confidence, job satisfaction, work commitment were found to have a positive impact on employee morale. Whereas, stressful work environment, inadequate compensation and rewards, lack of self-confidence, job dissatisfaction, lack of work commitment, retrenchments, talent turnover, and stress were found to negatively influence employee morale.

- The demerger process was found to have resulted in a stressful work environment, talent turnover, job dissatisfaction, retrenchments, and anxiety-related stress which negatively affected employee morale. Therefore, the impact of the company demerger process on job performance or productivity and work commitment is negative because job dissatisfaction negatively influences execution and profitability because of its negative impact on morale. Also, the stressful work environment and fear of job loss during the demerger process negatively affected work commitment. It is argued in the literature that employees are energetic when their work commitment is high, resulting in organisational effectiveness.

- Communication is critical to a successful demerger and it must be inclusive, accurate, honest, reliable, clear, and on time to reduce the negative impact of the demerger process on employee morale.

7   CHAPTER 7. RECOMMENDATIONS

The study revealed that a demerger process can positively affect employee morale regardless of the factors caused by demergers that can negatively affect employee morale. This outcome is unusual for demergers. It is therefore recommended that further studies be carried out on other companies to determine the most contributing factor during the demerger that can keep employee morale positive. It could be that this outcome was influenced by the impact of the Covid 19 pandemic in a sense that employees were grateful for having a job whereas most people lost their jobs.

Also, communication was found to be significant for a successful demerger therefore, the following are recommended to improve communication in the organisation:

- The organisation must have a communication strategy from pre-demerger phase to post-demerger and the strategy must also include employees as a key target audience.

- The communication should be honest, in a sense that it fully communicates future organisational changes to employees and external stakeholders.

- The communication must be accurate and on time. This will reduce uncertainty and confusion amongst employees.

- The communication must be reliable to reduce anxiety-related stress and other negative feelings.

- The communication must be inclusive so that employees feel they are part of the process. That is, management should encourage communication between themselves and employees.

- The communication should address corporate cultural changes and new organisational structure.

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APPENDIX A: PILOT TEST & RESEARCH QUESTIONNAIRES

Impacts and Effects of a Demerger Process on Morale of Technical Employees

Criteria / Demography Questions

1. Which of the following restructuring processes have you experienced:

    Mark only one oval.

    ( ) Demerger

    ( ) Merger & Acquisition

    ( ) Both

    ( ) None

2. What was your position at the company at the time of the demerger process?

    Mark only one oval.

    ( ) General employee

    ( ) Technical employee

    ( ) Technical employee in middle management

    ( ) Senior management

3. Where you permanently employed at the time of the demerger process?

    Mark only one oval.

    ( ) Yes

    ( ) No

4. How long were you employed by the company at the time of the demerger process?

    Mark only one oval.

    ( ) Less than a year

    ( ) 1 - 5 years

    ( ) 5 - 10 years

    ( ) More than 10 years

5. Please indicate your gender

    Mark only one oval.

    ( ) Male

    ( ) Female

Work Morale

Morale is defined by the Business Dictionary as the "description of emotions, attitudes, satisfaction and overall outlook of employees during their time in the workplace environment".

6. The following factors affect my work morale positively:

Mark only one oval per row.

	Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly disagree
Personal motivation	◯	◯	◯	◯	◯
Conducive work environment	◯	◯	◯	◯	◯
Adequate compensation & reward	◯	◯	◯	◯	◯
High level of job satisfaction	◯	◯	◯	◯	◯
Work commitment	◯	◯	◯	◯	◯
Self confidence	◯	◯	◯	◯	◯

7. The following factors affect my work morale negatively:

Mark only one oval per row.

	Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly disagree
Anxiety related stress	◯	◯	◯	◯	◯
Unfavourable work environment	◯	◯	◯	◯	◯
Inadequate compensation & reward	◯	◯	◯	◯	◯
Job dissatisfaction	◯	◯	◯	◯	◯
Lack of work commitment	◯	◯	◯	◯	◯
Lack of self confidence	◯	◯	◯	◯	◯
Retrenchments	◯	◯	◯	◯	◯
Talent turnover	◯	◯	◯	◯	◯

Impacts and Effects of Demerger Process

8. The demerger process resulted in the following:

Mark only one oval per row.

	Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly disagree
Stressful work environment	◯	◯	◯	◯	◯
Talent turnover	◯	◯	◯	◯	◯
Employee dissatisfaction	◯	◯	◯	◯	◯
Employees detachment from the organisation	◯	◯	◯	◯	◯
Retrenchments	◯	◯	◯	◯	◯
Corporate culture changes	◯	◯	◯	◯	◯
Anxiety among employees due to uncertainty about the future and/or job insecurity	◯	◯	◯	◯	◯

9. The following affected my work morale during the demerger process:

   Mark only one oval per row.

	Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly disagree
Fear of job loss	◯	◯	◯	◯	◯
Confusion and uncertainty about the future of the organisation	◯	◯	◯	◯	◯
Changing work environment	◯	◯	◯	◯	◯
New corporate culture	◯	◯	◯	◯	◯

10. The demerger process affected my work morale positively.

    Mark only one oval.

    ◯ Strongly agree

    ◯ Agree

    ◯ Neither agree or disagree

    ◯ Disagree

    ◯ Strongly disagree

11. Corporate culture management is important to a successful demerger process.

    Mark only one oval.

    ◯ Strongly agree

    ◯ Agree

    ◯ Neither agree or disagree

    ◯ Disagree

    ◯ Strongly disagree

12. Corporate culture related issues were successfully addressed by management during the demerger process.

    Mark only one oval.

    ◯ Strongly agree

    ◯ Agree

    ◯ Neither agree or disagree

    ◯ Disagree

    ◯ Strongly disagree

13. My work environment improved post the demerger process.

    Mark only one oval.

    ◯ Strongly agree

    ◯ Agree

    ◯ Neither agree or disagree

    ◯ Disagree

    ◯ Strongly disagree

14.   The demerger process affected my work commitment positively.

Mark only one oval.

◯ Strongly agree

◯ Agree

◯ Neither agree or disagree

◯ Disagree

◯ Strongly disagree

15.   High level of job satisfaction increase work commitment.

Mark only one oval.

◯ Strongly agree

◯ Agree

◯ Neither agree or disagree

◯ Disagree

◯ Strongly disagree

16.   High level of job satisfaction increase job performance or productivity.

Mark only one oval.

◯ Strongly agree

◯ Agree

◯ Neither agree or disagree

◯ Disagree

◯ Strongly disagree

17.   Job dissatisfaction results in:

Mark only one oval per row.

	Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly disagree
Absenteeism	◯	◯	◯	◯	◯
High employee turnover	◯	◯	◯	◯	◯
Low performance or productivity	◯	◯	◯	◯	◯

18.   The new organisational structure (organogram) affected my work morale positively.

Mark only one oval.

◯ Strongly agree

◯ Agree

◯ Neither agree or disagree

◯ Disagree

◯ Strongly disagree

Demerger Process & Communication

19. Communication is important for the success of the demerger process.

Mark only one oval.

○ Strongly agree

○ Agree

○ Neither agree or disagree

○ Disagree

○ Strongly disagree

20. The management communication to employees during the demerger process was:

Mark only one oval per row.

	Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly disagree
Inclusive	○	○	○	○	○
Accurate	○	○	○	○	○
Honest	○	○	○	○	○
Reliable	○	○	○	○	○
Clear	○	○	○	○	○
On time	○	○	○	○	○

21. The management communication to employees caused the following:

Mark only one oval per row.

	Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly disagree
Reduced confusion	○	○	○	○	○
Employees detachment to the organisation as they felt they are not part of the process.	○	○	○	○	○
Loss of trust	○	○	○	○	○
Reduced anxiety or anxiety related stress	○	○	○	○	○
Reduced employee job satisfaction	○	○	○	○	○

22. The management communication to employees during the demerger addressed corporate culture changes.

Mark only one oval.

○ Strongly agree

○ Agree

○ Neither agree or disagree

○ Disagree

○ Strongly disagree

23.   The management communication during the demerger boosted my work morale.

Mark only one oval.

- ( ) Strongly agree
- ( ) Agree
- ( ) Neither agree or disagree
- ( ) Disagree
- ( ) Strongly disagree

24.   The management communication during the demerger affected my work morale negatively.

Mark only one oval.

- ( ) Strongly agree
- ( ) Agree
- ( ) Neither agree or disagree
- ( ) Disagree
- ( ) Strongly disagree

Thank you for your participation.

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