Trust in the Climate of Mergers and Acquisitions: A Case Study

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DECLARATION

I, Sikhanyiso Ndlovu, declare that this research proposal is my work except as indicated in the references and acknowledgments. It is submitted in partial fulfillment of the requirements for the degree of Master of Business Administration at the Wits Business School, University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Sikhanyiso Ndlovu

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Signed at Rustenburg

On the 23rd day of February 2023

Dedication

I would like to dedicate this research submission to the following:

To my Lord and Saviour Jesus Christ. For continuous answers to never-ending questions.

To my parents who are both beacons to educational wealth and my forever intercessors in prayer.

To my friends who encouraged me to keep going and never give up.

To my nieces and nephews. This is my first challenge to your academic journey. Keep climbing higher and higher.

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To my supervisor, Dr Jenika Gobind. Thank you for your guiding hand, your knowledge, and your never-failing presence when needed. Our meetings always made me feel more courageous and encouraged. Thank you for our short session together.

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To the surviving employees of Lonmin– Thank you for allowing me to hear your stories and relive the past through your eyes. And a big thank you to Sibanye Stillwater for allowing me to conduct my research within their company. Your willingness, time, and trust are truly valued and appreciated.

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Abstract

In many businesses, growth, and dominance are terms that define some of their strategies and plans for the company’s future. Mergers and acquisitions are processes that help to achieve those strategic goals.

Mergers and acquisitions can happen for an array of reasons from both the seller’s side and the buyer’s side. In the basket of offerings on the table are infrastructure, technology, and resources, including the employees. Oftentimes, the human side of business transactions is neglected and not meticulously planned for concerning integration.

This neglect is noticeable especially when communication within the selling organization is not filtered to the employees. Employee engagement is crucial to routinely service the wheels of trust within the company and its leaders. Many merger and acquisition transactions rely on maintaining high levels of employee engagement and retention throughout the transaction, from the deal announcement, implementation preparation and execution. Trust in the climate of mergers and acquisitions can attribute to the success of these transactions. Lack thereof can also frustrate the latter stages of M&A, where the integration of work culture begins.

The research seeks to find the differences and/or similarities in the role of trust at different levels of the employee organogram. The study's goal is to learn more about people's perspectives, experiences, and the overall impact of trust on the behavior and performance of employers and employees in the workplace. Surviving employees of the chosen company are interviewed and requested to recall how trust played a factor during the acquisition period. Data collection was using recorded individual interviews.

The key findings from this study revealed that trust has a big role in the process of M&A. Trust in the outgoing selling company and its leaders is as important as trust in the incoming buying company. Trust is not earned instantaneously; it must be worked for. However, it may be quickly and easily broken.

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Trust in the climate of mergers and acquisitions – A case study

Chapter 1: Introduction

Managing a merger or acquisition is one of the most difficult tasks a company can undertake. Business models evolve, market priorities change, and old organizational cultures fade away. The ramifications can be felt throughout (Sachsenmaier & Guo, 2019).

Future uncertainty, various degrees of technology and management, past public discourses, and disparities in institutional and cultural norms all necessitate the creation of trust, particularly during mergers and acquisitions (M&A). Economic and emotional elements, such as mutual understanding, reliability, familiarity, and emotional bonding, can all contribute to the building of trust (Sachsenmaier & Guo, 2019). With this being said, trust in organizations has a significant influence on individuals, teams, and leadership within organizations. Individual and organizational effectiveness and competency are dependent on interpersonal trust connections, according to recent advancements in organizational behavioral science (Hassan ., 2012). At both the institutional and interpersonal levels, it has been established that trust between the employer and the employee influences coordination and integration. Only when interdependent entities work together efficiently can this complex system of coordinated action be efficient. An untrustworthy employee or employer can be very expensive and inconvenient to a company (Gregory, 2011).

1.1 Purpose of the study

Growth and market dominance is sometimes the reason for companies to merge. When undertaking mergers, too often companies focus more on the transaction than the subsequent integration of the companies.

Mergers and acquisitions (M&A) are processes that leave employees and the incoming employer apprehensive. When it comes to mergers, firms frequently put more emphasis on the deal than on the later integration of the companies. Merger and acquisition (M&A) activity is increasing as mining companies strive to diversify their portfolios and create commodities that could help power the energy shift. Companies on the other hand, are urged to reclaim the trust they have lost as a result of numerous trades that destroy rather than build value. Companies may need to discover innovative ways to deliver consistent shareholder returns, improve their environmental, social, and governance (ESG) performance, and increase their capital and operational discipline to regain investor confidence, while maintaining employee interpersonal and interorganizational trust. The purpose of the study is to investigate the role of trust pre- and post- mergers and acquisition with focus on company acquisitions.

1.2 Context

According to GlobalData's transactions database, total metals and mining industry M&A deals totaling $4.1 billion were disclosed globally in March 2022, headed by China Fangda Group's $1.7 billion acquisition of an 80 percent stake in Anyang Iron & Steel Group ("Metals & Mining Industry M&A Deals Total $4.1bn Globally in March 2022," 2022).

The South African mining industry was primarily locally based by 1990, and it was dominated by six mining houses, all of which had their headquarters in Johannesburg and primary listings on the Johannesburg Stock Exchange (JSE). However, during the 1990s, radical changes in the domestic and international political and economic environments led to the demise of the domestic mining house system, with the two largest mining houses, Anglo American and Gencor (which was absorbed by Billiton), relocating their headquarters and primary listings to London (Robinson, 2016). Unfortunately, Anglo American and BHP Billiton both pulled out of South African mining and industrial assets as a result of this move. It also resulted in the loss of financial and technological capacity, which contributed significantly not only to the mining industry but also to the development of the manufacturing industry throughout the previous century (Robinson, 2016). However, in the backdrop of M&A one seldom looks at the toll this presents and the relationships between employer and employee that are created and lost. M&A forces one to examine the element of trust whilst M&A is being brokered and finalized.

Lonmin's recorded financial worth at the close of the financial year on 30 September 2017 net cash was USD$103 million (Ltd, 2018). A statement from the former CEO

Mr. Ben Magara stated that this was due to “Lonmin having an enviable mine-to-market business with great mining assets, projects and process technology and a resilient workforce” (Ltd, 2018). However, Lonmin was deemed cash-strapped in 2016 (McKay, 2020). The widely reported 2012 industrial strike by the Lonmin employees for improved wages impacted negatively on mining production and the morale of the company. By August 2012, 34 employees had lost their lives due to the violence that escalated (Marikana Massacre 16 August 2012 | South African History Online, 2019). The company found difficulties in recovering from the impact of the strike until the solution of brokering a 100% acquisition by Sibanye Stillwater. By June 2019 the acquisition of Lonmin by Sibanye Stillwater had been completed (Sibanye Stillwater, 2019). If the merger had not been completed, the company would have run out of finance. The tabled restructuring plan by Sibanye Stillwater included the retrenchment of 12 600 employees over three years with albeit a mention of the potential of securing jobs and continued employee benefits (Sibanye Stillwater,p.24, 2017).

1.2.1 Mergers and Acquisitions

Mergers and acquisitions are more often used to gain market share, lower operating costs, expand into new territory, combine similar products and services, raise revenues, and enhance profits; all of which are designed to benefit the companies' shareholders (Hargrave, 2022). Many reasons lead companies to merge their business operations. One of them is to achieve economies of scale through greater purchasing power and reduce the costs of doing business. Other reasons for mergers and acquisitions include company diversification, growth in financial capacity, value creation, and tax purposes.

1.2.2 Types of Mergers

There are different types of mergers which include Conglomerate mergers which is a mergers between two or more companies whose business activities are unrelated. Congeneric mergers are a merger between two or more companies whose businesses operate in the same market but have overlapping components. Market Extension mergers are a merger between two or more companies that sell identical goods yet compete in separate locations. Horizontal mergers are defined as a consolidation of two or more companies in the same industry with the same services and products.

These are usually competing companies. Finally, Vertical mergers refer to a process in when companies on different levels of the supply chain combine. (Hargrave, 2022).

There are also different types of acquisitions, whose structures in the definition are similar to those described above of mergers. There are conglomerate, vertical, horizontal and market extension acquisitions.

1.2.2 Types of Acquisitions

Most mergers and acquisitions go through phases or stages. Points that reoccur in research are those that emphasize on companies doing their due diligence. Thorough research on the company to be acquired must be done. Financing the merger can be costly, hence that is also listed. A strategy must be developed and agreed upon. Due to the multilayered conditions of mergers and acquisitions, it is critical that there is a free flow of information between the 2 companies. An offer can be presented, and purchase agreement drafted.

Research shows that most M&As are largely unsuccessful, where overemphasis on financial issues at the expense of human and organizational aspects is a recurring theme in explaining merger failure (Calipha ., 2010). Psychological factors are disregarded at the premerger stage over financial gains (Levinson (1970) as cited by (Calipha ., 2010). Further research supports this statement stating that “management usually pays great attention to the M&A’s financial issues and not enough to organizational fit, cultural issues, and psychological factors (Mirvis and Marks (1992) as cited by Calipha ., 2010).

According to research, many merging or acquiring companies emphasize the importance of retaining and acquiring key talent; 47% of senior management in the acquired firm leaves within the first year, and companies experience a 50 percent drop in productivity on average during the first 6-8 months of integration (Das (2003) as cited in (Singh, 2012)). Das (2003) compares the pre-merger and post-merger operating profit margins for a group of 14 purchasing companies and finds that eight of them lose money following the merger.

Most M&A have focused their attention on economic and political stability to maximize profits, while ignoring employee morale and well-being during the transition. During and after an M&A, human capital is frequently disregarded (Ramsuraj, 2019).

Employees have received insufficient attention following mergers and acquisitions. To ensure continuous productivity in the firm, tools to support employee emotions and morale must be implemented.

1.2.3 Trust

Employer–employee relationships can be described as a psychosocial contract where mutual obligations exist between an employee and employer but aren't explicitly stated (Conway & Briner, 2005 as cited in Bankins, 2015). Integrity in the workplace entails fairly distributing benefits that are of value to every employee. Benefits could include things like the right to safety, the resources needed to accomplish the position, job security, development opportunities, and organizational culture. The concept of the psychological contract also impacts an employee's ability to fulfill his collective obligations and individual expectations (Linde, 2015); (Bankins, 2015).

Trust increases employee loyalty and the willingness to stay with an organization. Trust decreases stress levels and hostility in the work environment. Employees enjoy their place of work with enhanced citizenship behaviour and the desire to be productive (Ozyilmaz ., 2018). It overcomes resistance to change and breaks down corporate silos and isolating behaviors. If trust is breached feelings of unfairness, disappointment, distrust, and anger are generated. This can lead to high employee turnover rate, increased stress and anxiety (Gregory, 2011). Employee turnover has long been one of the most frustrating and pervasive issues confronting organizations and businesses. The Herzberg's Hygiene/Motivator Theory has a central focus on how much money an employee is getting and how well they are treated by the organization (Alshmemri ., 2017). The theory recognizes that factors such as salary and working conditions contribute to workers' feelings of loyalty – or lack thereof – toward their organization. The theory also acknowledges that dissatisfaction with these factors will lead employees to seek another job. However, the theory also recognizes that when other aspects of an employee's job are well-received by them – such as the nature of their work or opportunities for training or promotion – those same employees may stay on even if they are dissatisfied with other elements of their job (Alshmemri ., 2017).

The research will be focused on the trust element between employers and employees of the former Lonmin Mining company based in Rustenburg when the process of M&A occurred with Sibanye Stillwater.

1.3 Research problem

Mergers and acquisitions (M&A) in the mining sector are generally large transactions which often come with a high risk of failure. M&A transactions are focused on the needs of the buyer and the seller.

Financial, strategic, and operational considerations have dominated theoretical frameworks for explaining M&A success and failure to date. Given the recent trend of large-scale acquisitions combining companies from various industries, research attention has shifted to sociocultural issues such as cultural fit, socialization mode preferences, the social climate surrounding the acquisition, dominance patterns between acquirers and acquired organizations, and the amount and quality of inter-firm communication. These elements have been demonstrated to be crucial in determining whether a merger or acquisition will succeed or fail (Birkinshaw, Bresman & Hakanson, 2000; Cartwright & Cooper, 1996; Hambrick & Cannella, 1993; Hitt, Harrison & Ireland, 2001; Schweiger & Goulet, 2000 as cited in (Stahl & Kremershof, 2004). These kinds of transactions can take anything between six months to several years.

During this period, research must be carried out. The cultural and human resource compatibilities are soft due diligence aspects and significant markers for a merger's transition. Integration, especially during the overlap period between the two entities, might be difficult if these elements are not effectively handled. Successful cultural integration requires a cohesive integration plan that includes collaborative teams, good communication, and other suitable human resource strategies.

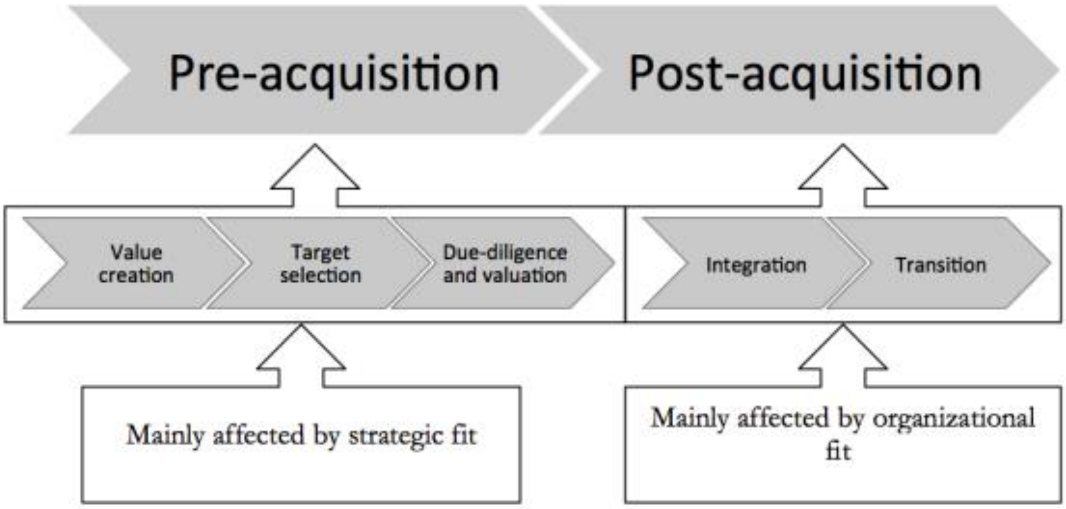

Figure 1.1 Summarized Acquisition process mode (Fredriksson & Weidman, 2014)

Figure 1.1 describes the process flow of acquisitions. The pre-acquisition process is characterized by the set of strategic motives for undertaking an acquisition, and the evaluation of different acquisition targets to see which target best creates synergies for the acquirer (Lasserre, 2017). The main criteria that determine if synergies will exist are evaluated by the strategic fit. The post-acquisition process is oriented to the integration of the acquired company and transition to new standards/ cultures as well as transferring business operations that are supposed to create increased value (Lasserre, 2017). This process is mainly taking into consideration organizational fit as organizational differences often cause issues which decrease likelihood of succeeding with extracting financial and operational gains (Gomes ., 2013)

Trust is a greatly overlooked element that is often neglected and mishandled during M&A. Employees from the acquired firm depend on management to keep them informed about their job security, risk of retrenchment and altered prospects of career advancements.

The objective of the research is to gain knowledge about people's perspectives, experiences, beliefs, and overall effect the element of trust has on the behavior and performance of employers and employees in the workplace during the climate of mergers and acquisitions.

1.4 Research Questions

Based on the research problem the following research questions have been derived.

- What is the process of an acquisition?
- What implications does an acquisition have on employers and employees?
- How does trust play a role in acquisition process?

1.5 Significance of the Study

The purpose of this study is to critically analyze the effects of trust in the climate of the pre-and post-merger and acquisition of a mining company in the Rustenburg area. Organizational behavior will be analyzed.

The importance of this study and its results is to bring light to the element of trust and its impact on the success of M&A. Post-M&A integration efforts in the new company impact greatly company performance and recovery from the financially taxing procedure. The employees' emotional needs and general feelings towards the new company often influence levels of loyalty and performance. The study will be used to give recommendations on strategies for future mergers and acquisitions.

1.6 Delimitations of the Study

The delimitations of the study are:

i. The study will be conducted with employees at one mining company in Rustenburg South Africa.
ii. The study will be conducted within the operations of only one identified company in South Africa.
iii. The study includes an organizational culture concerning trust while excluding other components of the psychological contract in organizational culture.
iv. The study only included interviews and responses from middle-level to executive-level employees.

1.7 Definition of terms

The definition of terms used in this research study is represented in Table 1 below:

Table 1.1 Definition of Terms

Term	**Definition**
Mergers and Acquisitions (M&A)	A merger occurs when two companies unite to become a single new business, usually with a new name. In most cases, the companies involved are of a similar size and stature and so the term ‘merger of equals’ is sometimes used. An acquisition is a corporate action in which one company purchases another company. The acquired company, or target, is purchased by the acquiring company, or buyer. (Ramsuraj, 2019)
Trust	“A psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another.” (Rousseau ., 1998)
Psychological contract	Employer-employee interactions can be regarded as a psychological contract in which reciprocal obligations exist but aren't formally articulated between the two parties (Conway & Briner, 2005 as cited in Bankins, 2015)
Interpersonal trust	A combination of cognitive thinking and emotional factors between two or more people (Borum, 2010)

Interorganizational trust	It is the level of trust that members of one organization hold with another organization (Shenkar & Reuer, 2006)
Organizational culture	Organizational culture is the collection of values, expectations, and practices that guide and inform an organization’s actions. It is often defined as a mix of a company’s cultural traits, which include everything from its sense of importance to internal values and beliefs to its exceptional customer service policies.

1.8 Assumptions

The assumptions that will be made during the study that there is a process of merger and acquisition are that mergers and acquisitions influence the employers and employee relationship, and that trust does play a role in the merger and acquisition process. There are further assumptions in addition to those expressed above. There is an assumption that participants will be honest in their responses during the interview and that participants will freely accept to be part of the interview process.

1.9 Structure of the report

The first chapter gives a summary of the study's research problem, background, and goals. Chapter 2 covers the literature review of the research. It covers the concepts of trust in organizations during company changes and processes. The outline of the proposed research methodology is covered in Chapter 3. Chapters 4 and 5 will present the interview results and the discussions thereof. Chapter 6 will be the conclusion of the research study where further recommendations will be made.

Chapter 2: Literature Review

In this chapter, key terms of the research are discussed. After the Introduction (2.2.1) and the Background (2.2.2) the Interpersonal and Interorganizational trust topic is unpacked. The psychological Contract (2.2.4), Trust (2.2.5) are key terms that will also be discussed in how trust is pivotal during mergers and acquisitions. The Conceptual Framework (2.2.6) will discuss business approach to mergers and acquisitions. This then introduces how Employee engagement (2.2.7) affects the process of M&A and vice versa.

2.1 Introduction

This chapter presents a literature review of the key themes of trust in the climate of mergers and acquisitions. The themes relate to employee-employer trust in the work environment pre and post-acquisition. The chapter will further explore the trust-related expectations and needs of the employee. The psychosocial contract will also be probed as an umbrella theme of the research focus element of trust.

An evaluation will be made on the significance of the element of trust in organizations pre and post-acquisitions. A discussion on the consequences of neglecting the psychosocial contract by the outgoing and incoming companies will also be outlined.

2.2 Background

Managing an acquisition is one of the most daunting tasks a company can undertake. Business models evolve, market priorities vary, and long-standing organizational cultures might vanish. The ramifications can be felt all throughout. People in an organization shape its culture, and when it comes to merger and acquisition failure, cultural disparities are at the top of the list. An acquisition may appear to be a feasible seamless proposal on paper, but it might fail if the firms' cultures are even somewhat different. Building trust at all levels is essential. Maintaining personal ties inside the workplace, consideration of employee motivations, consistently delivering promised outcomes, and managing varied work styles are all techniques that business leaders may use to gain that trust.

Trust is vital to a healthy workplace, and it cannot be forced, mandated or dictated. Trust develops naturally from day-to-day interactions with others. An employee's ability to trust is directly related to the extent that he or she believes in what their employer says and does; that their employer will provide them with stability, fairness and dignity (Bankins, 2015). Several elements can affect an employee's level of trust, including an employer's reputation for honesty, integrity and leadership; being treated fairly and openly as an individual; having access to information needed for self-development; receiving benefits that make achieving a balance between work and personal life possible; knowing that they can disagree with authority without facing negative consequences; and being respected as a citizen of the company community.

Employees are always required to maintain a certain level of trust in the organization of which they are a part. Trust is therefore, based on an awareness of imperfect knowledge (Searle & Ball, 2004). Changes to organizational structure, such as acquisitions, force employees to examine and often change, their understanding of the organization. They are an extreme form of change, and change is often perceived as threatening to individuals, heightening vulnerability and loss of security (Saunders and Thronhill, 2003 as cited by Searle & Ball, 2004). Limited attention has been given to trust within the acquisition context, particularly the interpretations of those who remain in the company.

It is important to also recognize that a purchasing company also does its due diligence before a purchase is made. The planning and integration stages entail developing a new vision and goals for the combined companies, as well as forming joint committees and teams to make decisions about leadership changes, staffing plans, and the new organizational structure (Seo & Hill, 2005). However, culture – which is a contributing element to building rapport and trust, is often neglected during these processes. Research done by Marks & Mirvis, 2011, worked to first investigate the link between differences in culture and M&A outcomes, as well as how culture expresses itself in combinations and the inducers and stages of culture clash (Marks & Mirvis, 2011). Their article clarifies HR actions for four unique cultural end-states: pluralism (where the companies involved coexist), integration (where the partners seamlessly integrate their existing cultures), assimilation (where one company absorbs the other), and transformation (in which the partner companies completely adopt new values and norms, letting go of former traits) (Marks & Mirvis, 2011).

2.3 Interpersonal and Interorganizational Trust

Interpersonal trust is driven mainly by a combination of cognitive thinking and emotional affective emotional factors (Borum, 2010). Borum (2010) further states that the difference between a positive, negative, or neutral baseline for trust is dependent on context. The starting point for trust and/or distrust may be influenced by a person's traits (for example an incoming line manager), the situation, and past knowledge of the potential employer. Trust influences how motivated a workgroup is and translates into its processes and performance (Dirks, 1999).

Similarly, inter-organizational trust is the level of trust that members of one organization hold with another organization (Shenkar & Reuer, 2006). This research, however, explores the interpersonal trust that the employees have in the organization.

2.4 The Psychological Contract

Employer-employee interactions can be regarded as a psychological contract in which reciprocal obligations exist but aren't formally articulated between the two parties (Conway & Briner, 2005 as cited in Bankins, 2015). Integrity in the workplace means fairly distributing valuable advantages to all employees. The right to safety, the resources needed to complete the task, job stability, development opportunities, and corporate culture are all possible benefits.

The degree to which target company employees trust the acquiring firm's management is thought to influence a variety of socio-cultural integration outcomes as well as business performance (Stahl & Kremershof, 2004). Hostile takeovers of companies can “can result in sharp inter-organizational conflict and major difficulties integrating the acquired company” (Buono & Bowditch, 1989; Hambrick & Cannella, 1993; Larsson, 1990 as cited by (Stahl & Kremershof, 2004). However, the authors, Stahl & Kremershof, (2004) also state that a friendly acquisition can increase trust from the acquired company’s employees.

2.5 Trust

Trust can also be increased if the acquiring company is deemed to have a higher power differential, being perceived as a rescuer. Hopes of job security increase with a decrease of stress and anxiety (Stahl & Kremershof, 2004). In hindsight, the opposite applies. According to research, giving one or more executives from the pre-acquisition company's top management team a position in the newly combined organization is vital for post-acquisition performance and leads to greater performance (Cannella Jr. & Hambrick, 1993).

A process of mending a violated psychosocial contract where trust is broken requires remediation with interpersonal and inter-organizational behaviors return to positive exchange perceptions (Bankins, 2015).

2.6 Conceptual framework

In a business, trust plays a major part in enhancing the relationships between employees and clients. Employees' trust in their leaders has been considered an important element behind positive organizational outcomes. Hassan (2012) states that trust is built through trustworthy behaviors and organizational characteristics. Mergers and acquisitions are often based on the premise of business planners' potential for leveraging economies of scale and improving production or efficiency. However, many acquisitions also place a heavy focus on financial performance and reward shareholders at the cost of other stakeholders, like employees (Ramsuraj, 2019).

Singh P (2012) stated in his article reasons for failure in M&A. Reasons included overpayment with an expectation of greater profitability, poor strategic planning, integration issues, corporate culture differences, loss of customers, power politics, and loss of talented employees (Singh, 2012). Little or no focus is put on trust and its effects pre- and post-M&A.

During M&A, it is not uncommon to see an exodus of high-ranking executives from the company due to restructuring (Cannella Jr. & Hambrick, 1993). This occurs in the eradication of duplication of leadership roles, however, people tend to feel trusting of individuals they know, who they have or whose reputation they have heard about (Lipponen ., 2020).

2.7 Employee engagement in mergers and acquisitions

Employee engagement necessitates an emotional investment or psychological contract with a company, which results in a higher level of engagement and emotional devotion (Hanafy ., 2019). Increasing employee engagement involves studying company organizational behavior which aids in producing positive work environments and experiences by employees. During M&A, the human resources department must constantly provide information to the employees. Changes occur rapidly and frequently (Rice, 2002 as cited by Hanafy ., 2019).

Employee engagement can also affect productivity and performance of the company. Employees who perceive an M&A as a threat often have lower amounts of creativity. Those who have access to resources tend to view the process as an opportunity and thus creativity and production increase (Zhou ., 2008). This often leads to an assumed increase in financial performance of the merged companies. Often the overpowering feelings of anxiety, distrust and loss result in job dissatisfaction, increased turnover, absenteeism and counterproductive practices (Yusuf & Raimi, 2020).

2.8 Summary

Research has shown that when the psychological contract between an employee and the organization is violated, performance appraisal is lower and levels of exit from the company, neglect and disloyalty are higher (Turnley & Feldman, 1999). The psychological contract is important to managers because it shows how people perceive their work or organizational environment; it also helps managers identify high-risk areas that they can target to reduce employee turnover (Turnley & Feldman, 1999). Psychological contract violations occur more frequently among managers working in downsizing or restructuring firms, as seen during an M&A, than those in stable organizations, particularly in terms of job security and opportunities for advancement (Turnley & Feldman, 1999).

Chapter 3: Research Methodology

In this chapter a description of the research and how it was conducted given. A qualitative case study research approach was taken. The study setting, population and sample size was described. Inclusion and exclusion criteria was also discussed.

3.1 Research approach

The purpose of the research was to ascertain the importance of trust in the climate of mergers and acquisitions in a mining company situated in Rustenburg. The mining area of Rustenburg is unfortunately scarred with the violent history of the Marikana massacre, where miners and policemen lost their lives during a strike (Marinovich, 2016). Due to this backdrop, the researcher opted a more discrete approach so as not to have insight any potential internal unrest in the mining company. The research method used will be a qualitative case study research approach.

3.2 Research design

Qualitative research is the study and interpretation of human behavior, based on data gathered primarily through the use of observation, interviews and questionnaires. It is concerned with meaning; therefore, Qualitative Research explores people’s interpretations, rather than analyzing people's statements directly. It is essential for successful qualitative research to gain insight on the participants' subjective meanings, behaviors, and psychosocial factors (Ellie Fossey, 2002).

3.2.1 Case study

A case study is a type of research methodology that produces a thorough, holistic understanding of a complex subject in its actual case study site. It is described as a 'systematic inquiry into an event or a set of related events which aims to describe and explain the phenomenon of interest' (Bromley (1990) as cited by (Zucker, 2010)). Case study research may entail a close evaluation of individuals, groups, problems, or initiatives. Entities are seen as specific cases that are distinctive in both their content and nature. Case studies are employed to give data for decision-making or to identify causal threads in circumstances where complicated and obscure cause-and-effect interactions exist (Hays, 2003). Because the researcher has been (and currently still is) an employee of the company identified pre and post acquisition period, the case study site in this definition, is the mining company identified.

The individual interviews conducted were semi-structured. There were no focus groups conducted in the collection of data in this research. As much as the interviews were conducted in a certain manner, other questions emerged from the dialogue. The interviews were the sole source of data for this research (DiCicco-Bloom & Crabtree, 2006). Each interview was scheduled to last between 30 minutes to 1 hour.

3.3 Population and Sample

The research will be conducted in the mining company identified in Rustenburg. The company has a mix of employees from the purchasing company, survivors from the pre-merger company, and new employees who have since been onboarded post-merger to date.

3.3.1 Population

The mining sector in South Africa, to date, has 549 mines registered in the country, of which nearly 300 are located in the North West Province (*Mines in South Africa | Africa Mining IQ*, 2022.). Ownership of some of these mines has changed over the years, including some plants belonging to Anglo-American and Lonmin being sold to Sibanye

Stillwater. The population targeted was that of the mining company identified in Rustenburg.

3.3.2 Sample and sampling method

The sample size was a non-random selection. The sample was from one mining company that underwent an acquisition process in 2019. The participants were of selected employees of this mine. The sampling method of a non-random selection ensured that the quality and richness of information obtained is relevant to the research. This was also to ensure that the aim of the research remains non-political. The research was focused on a selected group of people who represent the following groups from the company:

- Executive committee member from the pre-acquisition company
- Mining operations managers from pre-acquisition
- Human resources managers from pre-acquisition company
- Employees from the pre-acquisition company within C-level Paterson Scale

The estimated total number of people to be interviewed was ten.

4.3.3 Inclusion criteria

The researcher used the convenience sampling method to select participants. This method was chosen because the researcher used existing relationships with the study population to easily gain research data. The sample group was made up of surviving employees who have been present pre-acquisition and post-acquisition.

4.3.4 Exclusion criteria

Excluded from the research were:

- Employees of the company who joined the company post-acquisition.

- Employees who resigned from the pre-acquisition company but have returned to perform duties as contract employees.
- Contractors to the company
- Employees who rank below the C-level Paterson Scale

3.4 Data Collection

Interviews were conducted with the sample population, using a semi-structured interview schedule. The interviews were recorded, and transcriptions of the recordings were produced.

3.5 Data analysis and Interpretation

The responses from the interviews were consolidated, using the principles of Thematic analysis, a theme or a few themes were observed from the interviews. The recorded interviews were transcribed and coded. The codes corresponded with common traits that appeared in the interviewees' responses. Thematic analysis is a flexible theoretical approach to qualitative data analysis versus a certain epistemological or theoretical perspective. It is a technique for finding, analyzing, and reporting patterns (themes) within data is thematic analysis. The data set is minimally organized and richly detailed. However, it regularly goes beyond this and interprets different facets of the research issue (Boyatzis, 1998; Braun & Clarke, 2006).

3.6 Limitations to the Study

A noted limitation of the research was the researcher's proximity and personal history. The researcher's relationships and shared history with the employees were noted. These limitations, though, did not overcome by the researcher's reflexivity. The researcher's consciousness and acknowledgment of their active role in the research process and their possible influence on the study outputs was accepted as reflexivity.

3.7 Validity and reliability

3.7.1 Trustworthiness

To ensure that the study was accurate and valid, the researcher aimed to provide a thorough description of the research context and assumptions that were central to the study. The researcher aimed to ensure that the sample and sample size were appropriate and that the participants understood the purpose and nature of the study and were willing to participate in it.

3.7.2 Transferability

The transferability of the research was mainly based on the study population and the sample population. They were uniquely selected to provide broad-based insights. The choice of interviewees was based on their experience and knowledge, which combined with a rich data set helped us provide distinctive insights.

3.7.3 Credibility

The use of multiple interviews in this study provided further verification and credibility to the results. This form of triangulation provided deeper insight into the research by exploring a variety of perspectives.

Considering the researcher's work history, the researcher's use of reflexivity, in self-reflection of their role within the study, personal background, subjective experiences and biases which may influence the interpretation of the data, aimed to heighten credibility.

3.7.4 Dependability

A study is considered reliable when the selection, reasoning and application of the research approach is clarified by the researcher. Additionally, credibility is ascertained when the validity of concepts (questions and assumptions) is critically examined while interpreting data. This was applied throughout the research.

3.7.5 Confirmability

This criterion has to do with the level of confidence that the research study's findings are based on the participants' narratives and words rather than potential researcher biases. Confirmability is there to verify that participants shape the findings more so than they are shaped by the researcher. Transcripts will be produced as data and interpretations of the interviews will be evidence that results are derived from the data. This was applied in this research.

3.8 Ethical considerations

The researcher applied for ethics clearance from the mining company's Ethics Department in the academic department of the Learning and Development division of the company. Adherence to the mining company's ethical standards and those of the Wits Business School was maintained. Once ethics approval was granted, the researcher set up an appointment firstly with the manager to discuss the purpose of the research. The researcher set up appointments with the selected interviewees. Written informed consent was obtained from each of the study participants after a briefing session regarding the nature and purpose of the study. Participants were briefed about voluntary participation, confidentiality, and anonymity for all participants. Compliance with the POPI Act was upheld and informed consent was required prior each interview

3.9 Summary

The research required that the participants were well aware of the questions that will be asked. Their participation was of their willingness and acceptance. The questions were about the acquisition that happened in the company where they are currently employed. Therefore, buy-in from the current company, by way of research approval was requested and granted.

The validity and reliability of the research were maintained throughout the research as much as every ethical consideration from WBS and the Academy from the mining company's learnership department.

Chapter 4: Presentation of findings

In this chapter, the findings from the research conducted are presented. Responses from the participant are detailed in this section.

4.1 Introduction

The qualitative research findings of this study are presented in this chapter. The research questions described in Chapter 2 are presented. Data for this research was collected through individual interviews. Thematic analysis of the data collected from the participating interviewees was subsequently conducted. The table below summarizes the questions asked together with the themes that emerged from the interviews.

The predominant themes that emerged during the interviews will be discussed in this chapter. The key areas of conversation were around: basic knowledge and understanding of what an acquisition is – information sharing and awareness, quality of trust between employee and outgoing company and its leaders, development of trust between the incoming company and surviving employees of previous company, and the overall significance of trust during mergers and acquisitions. This is all outlined in the table below:

Table 2.1 Themes for the research study

	Sub-theme	**Discussion points**
4.2.1. The process of an acquisition	4.2.1.1 Knowledge of terminology and awareness	Description of what an acquisition is
		Describing the role of trust during the process of acquisition
4.2.2 Implications an acquisition has on employers and employees	4.2.2.1 Trust between employee and outgoing company and its leaders	When the acquisition of Lonmin by Sibanye was announced what were the means of communication used to explain what was going to happen
		Expectations of what would happen when Sibanye acquired Lonmin

		Implications or effect an acquisition has on employers and employees
		Changes experienced in the workplace when the acquisition was announced
		Acknowledgment of the feelings of trust by the outgoing company
		When asked to recall the relations that Lonmin leaders had with the employees in the beginning of the acquisition, how assured did they feel that Lonmin kept them fully and honestly informed about things that affect them in their professional and personal capacity pre-and post-acquisition
4.2.3 How does trust play a role in acquisition process	4.2.3.1 Trust between incoming company and surviving employees of previous company	Acknowledgment of the feelings of trust by incoming company
		Inquiry into whether prior notice that role profile would potentially change
		Describe how their role was affected by the acquisition
		If the role was not affected, inquiry into whether they were given assurance that the role was not going to change.
		A psychological contract between an employer and employee loosely defined is the unwritten agreement between an employer and an employee such as integrity, honesty, and job stability. A description of the psychological contract felt with Sibanye company was asked to be described.
		A description of Sibanye's approach toward the employees during the acquisition
		Describe their method of cultivation of trust during that process
		Description of changes in workload.
		It has been 3 years since the conclusion of the acquisition. Description of the current work culture now.
		A reflection on personal relations with the company, how they would describe their trust relationship

		Describe the implications the acquisition had on employers and employees
4.2.4 Significance of trust in M&A process		How would you describe the significance of the element of trust during mergers and acquisition processes?

Information from the company's Human Resources department was also acquired. The data shared by the HR department is the same information that is available on the company's public annual reports. The data collected will be used to analyze trends observed from 2019 to 2021 of the employee absenteeism within the company, employee turnover and the observed abuse of sick notes by employees.

The participants that agreed to participate in the study were a total of 10. However due to unavailability due to personal and work-related circumstances, 3 participants were not interviewed and only 7 interviews were successfully conducted. As participation was voluntary, the researcher respected their decisions of the participants who withdrew. It is crucial to highlight that none of the interviewees are direct reports of the participants interviewed. However, some did fall under indirect management ascending higher up in the organogram structure of the company.

4.2 Interviews with participants

The research conducted is 3 years after the completion of the acquisition process. The surviving employees of the previous company have stayed within the company pre- and post-acquisition. They were asked to recall moments before, during and after the acquisition. The thematic analysis from the responses will be unpacked in this section.

The following was the distribution of participants as was identifies in the sampling process:

- Executive committee member from the pre-acquisition company
    - Participants D and F

- Mining operations managers from pre-acquisition

- Participants B and I

- Human resources managers from pre-acquisition company
  - Participant H

- Employees from the pre-acquisition company within C-level Paterson Scale
  - Participants A and C

4.2.1 The process of an acquisition

In this section, the researcher determined to reveal how much of an understanding the participants have on the process of acquisitions. The responses were a blend of a layman's understanding and more technical definitions. Knowledge of basic terms in a process is crucial especially in large-scale processes.

Knowledge of terminology and awareness

The findings in this section showed that the participants understood what acquisitions are and what they entail. Some participants displayed a clearer understanding of the terminology with more detail to the answers.

> *Additional value or additional kind of resources on top of what you already have.* (Participant A)
>
> *OK, I don't know. In layman's terms, I think acquisition is maybe if you see something that you like. And then you had a desire to acquire it or to have it. And then you see it, you like it and then maybe you see, uh, whatever. I'm gonna benefit from it. And then you say let me just go get it because I can get it.* (Participant B)

Not to be too technical or scientific. It's when, you know, one company takes ownership of another company. It could be a full ownership, or part of ownership, or a joint venture. And the company, which is taking over the ownership of another company, either as a joint venture or full ownership or some percentage of it and, you know, Takes over management and governance of this new company. That's in a nutshell. My understanding of acquisition. (Participant F)

Think it is when you acquire a stake in a business. Whether it's a company or some other form of industry and obviously it, it entails ensuring that you make sure that you comply with all legislation. (Participant D)

The participants showed understanding and good grasp of the basic meaning of what an acquisition is and described a general shift in control and management from one entity to another, expressing cognizance of governance and legislation as factors in the acquisition process.

When asked to describe how trust plays a role during the process of acquisition, the consensus was that it is difficult for a new company to establish trust right away. Managers have the responsibility (based on the trust that subordinates have on them) to communicate with lower-level employees, explaining the forecast of the events coming. Trust is earned and maintained by communication. Visibility of the Executive Committee and high-level management would have helped gain empathy from employees thus growing trust during the season of uncertainty. Trust, therefore, would have aided a swifter smoother transition period.

Look, I don't think a new company acquiring an existing company can create any trust at that stage because trust is pulled over a period of time. What we needed to do is we needed look for internal trust amongst each other and that from our managers… Being clear on the processes and letting us know what needs to *happen. Exco and higher level managers: If you actually experience their visibility or at least you know, get opportunity to meet them or understand the structure properly or I mean that's how you're getting trust from your employees. And you also gain drive through empathy, and we didn't experience any empathy. So, I don't think there was any trust actually at that stage.* (Participant A)

So, when the acquisition happens, everyone is in the same page and then it becomes a bit better. The process does become better in some type of way, but in a way the transition won't be that difficult and there won't be any resistance. (Participant C)

4.2.2 Implications an acquisition has on employers and employees.

In this section, participants responded on the implications of trust between the employee and the outgoing company and its leaders. Participants shared information regarding trust, psychosocial contracts and possible breach of such. Respondents spoke freely on their experiences and observations during the period. The trust that existed between the outgoing company and the employees is scrutinized under the light of expectations, feelings evoked and relations.

Trust between employee and outgoing company and its leaders

During processes of acquisitions, communication will be shared, and employees will eventually know that they will have a new employer to report to. Communication is one of the key factors in a trust relationship between an employee and an employer, albeit the fact that the company discussed in this section is the outgoing employer. When asked how communication of the acquisition was disseminated, the participants alluded that there was little or no communication. Some heard about the announcement through informal channels and the media. Other forms of communication used were emails, phone calls, tabloids, television, and meetings.

> *Honestly speaking, uh, I heard it from the media first? I worked for Lonmin. The communication was not there. It was not written. I believe in formal communication and written communication, especially in engaging people. For now, I just only found out about the intention of Sibanye following memes through media. I was just shocked watching the news late in the evening and wow, OK. There was no communication at all. The only communication we got, it was from the street, of which I would say it's not that really reliable if it's not from the horse's mouth.* (Participant C).

> *I think that official communication was broken to us. If I recall correctly on e-mail. Obviously, we experienced a lot of our managers talking about this, but never officially.* (Participant A)

> *Yeah, no, the communication part was not really, it was not forthcoming. Some of the things you just had to pick it through the news. So, it is not direct communication to the affected employees. I don't even remember Ben Magara saying goodbye. I don't even remember him saying or explaining that the company is down. I don't even know what happened to the poor guy.* (Participant B)

However, slight deviations to the trend in responses was observed. Some were privy to physical meetings and emails. This could be attributed to the differences in working environments and eventual dissemination of information. Despite this, the information was still erratic and not giving of full information. Employees were still in the dark with regards to the finer details of circumstances that led to the selling of the company.

> *Uh, well, at first it was just a talk. And then came to a point where senior management spoke to people about the acquisition. Yeah, that was it basically. The senior manager from our side, told us that. Physical meetings - Yes, I remember we had that with our manager where he was explaining to us. But we never really given*

the full story behind the acquisition. It's not like it was gonna make any difference, but yeah. (Participant I)

It was more verbal announcements and verbal meetings. Umm, just announcements than actual meetings. And then there was a (email) communication here and there. (Participant H)

I would have wished the management to come forward, engage me and tell me about the intention and what the company is going through. Should it be through financial crisis or anything and probably ask for some innovative ways from us employees. (Participant C)

Process should have been explained well enough why Lonmin was sold to Sibanye. A lot of things still do not make sense. How does the company make a huge profit a year after acquisition. trust was broken. Like, was Lonmin sold because of Marikana massacre. (Participant I)

After finding out that the company would be acquired by another, the expectations of the participants with regards to the acquisitions and the future were examined. Thoughts of the unknown future and possibilities were shared:

On one hand we were grateful for a for an opportunity to umm, keep our work; that we were able to continue, but on the other hand, we felt a lot of, like I said, worry and fear that we will lose our jobs. (Participant A)

Yes, we were happy that maybe our jobs were safe in terms of Lonmin didn't close down. So obviously with the new company taking over, you also expect things to run more or less the same way as the previous one without any without major changes obviously might be changes, but not something major. (Participant B)

I expected change. Looking at the fact that Sibanye is a bigger company compared to what Lonmin was. Well, I've seen currently *where the company is. So, I expected some sort of good change, positive change rather if I can put it like that.* (Participant I)

The general response was initially faintly positive. Some of the participants expressed relief that they had a chance to keep working, but still had the sense of fear that they would be retrenched.

Umm, I was more scared. Umm, in the sense of I think we were all, you know, basically worried that we're gonna lose our jobs. And because you hear all these things, you know, of a company taking another company over and replacing them with the current people. (Participant H)

After the information that the acquisition was going to take place, the environment shifted within the outgoing company and its employees. Anxiety and fear were the predominating emotions that affected the employees. The impending changes caused a lot of uncertainty. All participants expressed this trend in response. This sentiment was also felt from the Executives within the company, disseminating outward to the rest of the senior leaders. The announcements of Section 189 of the Labour Relations Act exacerbated the already tense environment.

I think, there were mixed feelings. We felt betrayed. why would we give up now and give everything over. Trust faded internally in the exec team - CEO and finance team with production executives lost trust between each other. We felt that the vision and the mission was no longer the same. Certain level of smoke screening (Participant D)

The intensity of the shock, anxiety and fear reportedly got to extreme levels, where there was a surge in acute and major depression amongst the workforce.

Because I was a bit involved day by day. We did manage a lot of cases of mental health. From acute stress disorder, post-traumatic stress disorder to full blown MDD- major depressive disorder, in fact. I remember giving counselling while waiting for ICAS to one employee, who was not actually a junior employee. After getting a (retrenchment) letter, he was almost suicidal, so mental health at *all the levels. It is something which I was, you know, part of.* (Participant F)

However, on the other side of the spectrum, what people did not easily know is that efforts had been made to keep the Lonmin doors open.

> *And I think referring to the efforts that we made before the acquisitions; the sort of help that we hate to call them for in the form of, you know, selling some of our shares. You know, putting it up for public acquisition and to raise money to save the company. And it was sort of exhausting, and at that time the markets wasn't also, you know favourable. So, it was very difficult for a company like ours to survive.* (Participant D)

4.2.3 The role of trust in an acquisition process

In this section trust between incoming company and surviving employees of previous company is explored. The significance of this section and its findings is that they shed light on the element of trust and its impact on the success of M&A transactions. Post-merger and acquisition integration efforts in the new company have a significant impact on company performance and recovery from the financially taxing procedure. Employees' emotional needs and general feelings about the new company frequently have an impact on their levels of loyalty and performance.

Cultural and human resource compatibility are important soft due diligence indicators for a merger's transition. Integration may be difficult, especially during the overlap period between the two companies if these elements are not effectively handled. A cohesive integration plan that includes collaborative teams, good communication, and other appropriate human resource strategies is required for successful cultural integration.

Trust between incoming company and surviving employees of previous company.

Interpersonal trust is primarily influenced by a combination of cognitive thinking and affective emotional factors. The starting point for trust and/or distrust may be influenced by a person's characteristics, the circumstance, and previous knowledge of the potential employer. Trust affects how motivated a work group is, which affects its processes and output. This section explores the element of trust held between the surviving employees and the overtaking company. The business is a going concern and needs to still be lucrative and profitable.

When asked to discuss whether the trust was cultivated and acknowledged by the incoming company, participants expressed distrust. They also felt that the company did not trust them mutually.

> *I think I'm the last person in the food chain to be considered like good people, if I may say so. In the current work and work environment regime, you just as important as you deliver what's required of you. And when they came in, it felt like, no, you know what? You guys, you didn't know what you were doing. That's why Lonmin went down. So, because you didn't know what you're doing, we come in here to tell you how things are done.* (Participant B)

> *Hahaha! I'm laughing because I still don't trust these guys. It's been three years now and I still don't trust this company. Trust is earned.* (Participant C)

It must be noted that not all participants shared the same views. With change came new opportunities for career growth and deep exposure beyond what the previous company could have offered.

> *I put my trust in the company, both the new and the old. And what will be will be. There were so many opportunities that came my way that I am so grateful for that I would have not received with the old company. Umm and I'm not meaning to bad mouth*

anybody in the old company because look, I think I cried the most tears of you know, tears of sadness of an old company that we had to leave the things we knew the things we were used to and having to, you know, go to a new company. But I think for me my career basically bloomed with the new company and they I think I was basically seen. (Participant H)

I mean a global company coming in, we were localized and now not localized but not globalized. Obviously, we've got some people that we that we also supplied with our products which is not local but in terms of assets being global. Secondly also felt that, you know, I'm going to be part of a bigger scheme of things. (Participant D)

The participants all responded the same when asked if their role profiles had changed if they were given prior notice that their profiles would be affected by the acquisition. They all responded that there was no prior notice given. The role titles changed but the work increased enormously. Those who's departments were affected by Section 183 were forced to absorb the responsibilities of those who had been retrenched with no forecast of any new assistance being allocated to help carry the load. Participant A's role profile did not change, however the responsibilities changed and increased as was described by the other participants.

A form of a subliminal psychological contract developed by the company is one that the company imbedded in its values. The iCARES values are an acronym which stands for Innovation, Commitment, Accountability, Respect, Enabling, Safety. These values were mentioned by participants as a form of communication from the company to form rapport across the whole company. Integrity, honesty and job stability, respect and ethical conduct are some of the measures that the company has dispensed.

The iCARES values are part of the company values. However, one sided. (Participant A)

Deep emotional cyclical level, where I believe that the company has some interest in me. I believe that the company believes in

> *me, and the company is out to look after us also, not only as an individual.* (Participant F)

With a backdrop of an already strained communication system and distrust rife in the acquired company's workforce, the approach used during the administrative shift was described as 'brutal' by Participants A and C; 'harsh and Napoleonic' by Participant I. However, Participant D shared insight into this harsh takeover:

> *So obviously when the employees heard it's Sibanye that is coming, there was resistance. This company's gonna come in with this reputation of firing. They've heard so many negative stories about Sibanye. But then, obviously, reputation goes a long way. So, Sibanye essentially knew what was coming. They did their homework, and they knew it was going to be a bumpy ride. And they knew what they had, and they knew what they were in for. They let their reputation do the work for them.* (Participant D)

It has been 3 years since the conclusion of the acquisition and the participants share sentiments that they have since adapted to the culture of the company albeit a lot of resistance. The implication of the acquisition has left wounds that will take time to heal. And just at the beginning of these 3 years, the global pandemic Covid-19 caused production at the mining company to grind to a halt. The Covid-19 pandemic didn't assist the strained trust either. With little trust, the anxiety of the employees increased.

> *It was something new to everyone when Covid hit. It was something new to everyone and everyone was shocked. And imagine having a new company again. They are a company that doesn't wanna hear anything. So, it's just a recipe for disaster. That combination was just too much. I personally kept on shifting the blame and saying no, maybe it's not the new company taking over; or me adapting to change per say; but it's Covid because it's the new one.* (Participant C)

4.2.4 Significance of trust in M&A process

The new company will bring anxiety because you operate so much in your domain there, and you're so used to what you have, you don't know what this other company's bringing. That's the fear of unknown. (Participant D)

Participants gave an overview of the element of trust and its significance in the process of acquisitions. Their responses were alike in that they said that trust must be earned. It is very important. Participants said everything must be clear and transparent. If there is trust, the process will be completed quickly. The key is trust. Employees feel safer when they are given reassurance. Many people resigned because they were unsure whether they could trust the new company. Some returned after seeing how their old colleagues were adapting.

4.3 Trends analysis from HR report

As mentioned in Chapter 3, a trends analysis on employee absenteeism, employee turnover and recorded abuse of sick notes was meant to have been presented in this chapter. However, the HR department politely declined to share the specific information requested but did direct the researcher to the annual reports of the company which are available on the public domain of the company's website. It must be noted that there were no records of sick-note abuse recorded in the annual reports. The summary discussed below is from reports from 2019 to 2021. This is due to the release dates of the reports with respect to the financial year end of the company, also in relation the conclusion date of the acquisition.

Employee turnover in within the company was greatly affected by the Covid-19 pandemic, where the risk of spreading the virus was high in the mining sector. Employee turnover was reported to have been on the high, however this, according to the report, was attributed to the voluntary medical separation due to vulnerability and the impact of the pandemic. However, in retrospect, the rate was decreasing when compared to the latest report.

Employee absenteeism was also affected by the Covid-19 pandemic in 2020. Absenteeism was a cumulative report measuring the reasons which include absent without permission, leave, sick leave, training, Covid-19 and other. The reports showed little or no observable change in the trends from the reports.

4.4 Summary

The participants responded in their own ways in separate interviews. Their views and feelings with respect to trust between the employee and the outgoing employer; employee and incoming employer, and general overview of trust gave insight into the importance of honesty, transparency, integrity. Trust, according to some of the participants is earned. And distrust can be the result of poorly disseminated information and/or lack thereof.

Despite the predominantly bleak outlook displayed, some respondents had positive recollections of the period. Acquisition periods are said to come with new opportunities, growth and expansion, career-changing opportunities and, in this case, a platform to perform on a larger global platform.

The annual reports on absenteeism and turnover did not show any direct correlation to the research or the research topic.

Chapter 5: Discussion

In this section the discussion of the findings is delved into. In answering the research questions posed in Chapter 1, the findings in Chapter 4 are extracted.

5.1 Introduction

The research findings presented in Chapter 4 are subject to the detailed discussion to answer the research questions:

- What is the process of a merger and acquisition?
- What implications does an acquisition have on employers and employees?

- How does trust play a role in mergers and acquisition process?

The discussion will include, but not limited to the following the experience of the participants during the company's acquisition. The participant's perception of trust in the company and their productivity and the conclusion.

5.2 The process of an acquisition

Knowledge of the basic meaning of the process of acquisition shows understanding of what happened to Lonmin. Knowledge of what will happen and sharing of that knowledge can increase employee buy-in and synergy to smooth the transitions. This knowledge and information sharing also entails letting the employees know the background of such a major potentially life-changing transaction. Giving employees a peephole into the transaction and definitions thereof is a way of equipping them with knowledge about their future and the future of their work environments.

> *Think it is when you acquire a stake in a business. Whether it's a company or some other form of industry and it, it entails ensuring that you make sure that you comply with all legislation.* (Participant D)

> *Process should have been explained well enough why Lonmin was sold to Sibanye. A lot of things still do not make sense*. (Participant I)

5.3 Implications an acquisition has on employers and employees.

Acquisitions of this magnitude are almost always accompanied by anxiety. Employees experience anxiety prior to integration as they attempt to cope with uncertainty by predicting, usually in the worst-case scenario, the impact of the M&A on their future jobs and careers (Seo & Hill, 2005). Astrachan (1995) discusses separation anxiety that can occur as a result of seeing co-workers terminated, a feeling that occurs before, during, and after the termination takes place (Astrachan 1995, as cited by Seo & Hill, 2005). The employees from the outgoing company seemingly experienced this form of separation anxiety because, according to Astrachan (1995), separation anxiety is characterized by intense emotions such as depression, hostility and withdrawal.

> *I think, there were mixed feelings. We felt betrayed. why would we give up now and give everything over. Trust faded internally in the exec team - CEO and finance team with production executives lost trust between each other.* (Participant D)

> *Because I was a bit involved day by day. We did manage a lot of cases of mental health. From acute stress disorder, post-traumatic stress disorder to full blown MDD- major depressive disorder, in fact. I remember giving counselling while waiting for ICAS to one employee, who was not actually a junior employee. After getting a (retrenchment) letter, he was almost suicidal, so mental health at all the levels. It is something which I was, you know, part of.* (Participant F)

However, the opportunities brought in by the acquisition did not go unnoticed by all employees. Acquisitions that provide the acquiring firm with new knowledge that can be used to improve its market advantage normally create value. It can boost innovation if the target company has comparable science and technology to that held by the acquiring company (Hitt ., 2013). It can also create positive career enhancing opportunities where employees get to prove themselves in a different environment. It was also recognized that this acquisition in particular put the company into a bigger global unit which has assets internationally. The global competitive environment that has emerged over the last twenty years has inspired and enabled an increasing number of cross-border acquisitions (Hitt ., 2013).

> *There were so many opportunities that came my way that I am so grateful for that I would have not received with the old company. Umm and I'm not meaning to bad mouth anybody in the old company because look, I think I cried the most tears of you know, tears of sadness of an old company that we had to leave the things we knew the things we were used to and having to, you know, go to a new company. But I think for me my career basically bloomed with the new company and they I think I was basically seen.* (Participant H)

I mean a global company coming in, we were localized and now not localized but not globalized. Secondly also felt that, you know, I'm going to be part of a bigger scheme of things. (Participant D)

Seo . 2005 discuss a Social Identity theory, whereby the buyer has a sense of superiority and dominance over the seller (Marks and Mirvis, 2001 as cited by Seo & Hill, 2005). They further explain that the initial reaction from employees on announcement of selling the company is one similar to the feeling of bereavement. It is then followed by anger directed towards the leadership for selling out (Seo & Hill, 2005). Traits which were observed in Chapter 4. This could be the link that explains the 'brutal' takeover of Lonmin, and the employees increase in anxiety and mental health cases.

I think let's start with the former, I think. Employees immediately start asking questions as to why the company would, you know, sell. And you also they feel that, that top management sold you (Participant D)

5.4 The role of trust in an acquisition process

Trust during the process of mergers and acquisitions plays a role between the selling and buying companies. Often there is an asymmetry in the levels of trust; where sellers trust their buyers, but most buyers distrust their sellers (Graebner, 2009). There is a risk that buyers will introduce unwelcome strategies and practices (Jemison & Sitkin, 1986 as cited by Graebner, 2009), and change leaders along with succession plans (Hartzell ., 2004 as cited by Graebner, 2009).

The development of a psychosocial contract within the workforce is not a quick or easy process. Cultural and psychological integration typically take longer than other types of integration (Buono & Bowditch, 1989 as cited by Seo & Hill, 2005). Cultural adjustment takes more time to assimilate than integration and operational adjustments. The sense of injustice still lingers and could still prolong anxiety and poor mental health.

> *Hahaha! I'm laughing because I still don't trust these guys. It's been three years now and I still don't trust this company. Trust is earned.* (Participant C)

However, the company that was acquired is a going concern and must remain profitable despite the process of acquisition. Anxiety is a predicted emotion and reduced levels of trust will be present. As mentioned in Chapter 4, the buying company was aware of the predicted resistance to be received. Birkinshaw, Bresman, and Hakanson (2000) as cited by Seo & Hill, 2005 state that Human integration must not take precedence over task integration. Indeed, if the task integration process requires it and the company can still function, some level of employee unhappiness is probably acceptable. According to researchers Marks & Mirvis, 1998 as cited by Seo & Hill, 2005, not all types of disagreements always have to be eliminated, and that a certain amount of culture clash can stimulate positive dialogue about what is best for the new company. Not all employees distrust the new company. Some may see the new change as a bearer of positive opportunities and outcomes for personal and professional growth and exposure.

> *Sibanye essentially knew what was coming. They did their homework, and they knew it was going to be a bumpy ride. And they knew what they had, and they knew what they were in for. They let their reputation do the work for them.* (Participant D)

5.5 Summary

The results of the research conducted examined the importance of the element of trust during mergers and acquisitions. The researcher’s case study on the acquisition showed the spectrum of reactions, feelings, and retrospective emotions experienced during the process.

Different depths of understanding of the process were observed. Empathy towards employees and the incoming company also was different. The acquiring company, according to the participants has made efforts to integrate and unite the company in all its divisions by integrating and sharing its values on both public platforms and directly to the employees. However, the resistance and its response seem to have been calculated and aligned with the literature above.

Chapter 6: Conclusion, limitations, and Recommendations

6.1 Introduction

This concluding chapter will highlight the principal contributions to the research problem amidst the literature review within the fields of trust in the climate of mergers and acquisitions. The chapter further outlines the study's limitations, makes recommendations to relevant stakeholders, and generates suggestions for further research.

6.2 Conclusions per research question

The process of acquisition

The responses given by the participants were convincing in that there was an understanding of what an acquisition is. However, there was no clear evidence of understanding that the process often entails the downsizing of employees especially due to duplication of operational roles. Considering that the sample was a non-random selection, targeting employees above the C-level Paterson Scale, the level of understanding of the complete term of acquisition would have been better understood had it been explained to them.

Implications an acquisition has on employers and employees.

The process of an acquisition evokes emotions similar to bereavement. The sadness, anxiety, and depression associated with the process affect the employees. There is a feeling of having been sold. These feelings are unavoidable as a sense of trust and security in former company leaders is severed. Communication of relevant information to the employees is useful in reducing the impact of shock and anxiety in the future. Trust is lost, but empathy can still be restored if communication is filtered down through the company.

The role of trust in an acquisition process

The amount of trust during the process of an acquisition fluctuates. The psychosocial contract has to be rebuilt with the new employer and the surviving employees. The employees' levels of loyalty and performance can waiver at this stage. Trust during this process should start in the planning phase of the process. Executive teams must align and trust each other to drive a successful process. In this research, there is a report that there were cracks and 'smoke screens' during the acquisition preparation. An extremely unfortunate response to this lack of trust from the employees lead to an increase in clinical anxiety and depression, to the extent of one of the employees affected by the acquisition made a suicide attempt. Trust is earned and cultivated by communication.

6.3 Limitations

The limitations of the study include the following:

- The study was based on interviews where the participants were required to recall historic events from 3 to 4 years ago. Recollection of certain events is based on the memory of the participant. This is also related to the level of honesty of the participants.

- The sample of the study was taken from one mining company in South Africa and focused on one acquisition process that occurred. The buying mining company has been part of several acquisitions. Also, many other mines in South Africa have been through the process of M&A.
- Employees of the selling company who left during the acquisition process were not interviewed to get their perspective on trust during M&A and explain in detail why they chose to leave.
- The sample size was reduced after the cancellations and unavailability of 3 participants who had agreed to participate in the study.

6.4 Recommendations

A consensus in this research is that trust must be earned. It is to be cultivated and maintained through honest communication especially top-to-bottom flow of information.

A clear concise process flow parallel to the pace of the happenings in the acquisition must be set in place, where a professional communications team is enlisted to dispense information to employees. Commonly used platforms are roadshows and safety breaks are common in the mining area. During these shows and breaks information is shared.

The researcher recommends that qualified social workers, counselors, and where necessary, psychologists be readily available to manage the depressed and suicidal employees. These healthcare workers must be available even after the acquisition is complete to assist with the integration of the culture of the new company and help cultivate a new psychological contract with the buyer.

6.5 Practical Implications

The practical implications are based on the contributing factors of low levels of trust that seem to have been exhibited and experienced by the participants. Aspects of poor communication that lead to feeling like the seller and the acquirer do not care about the employees need to be lessened. It is the researcher's opinion that these could have been mitigated had the 2 companies, buying and selling, engaged a communications expert to communicate relevant non-confidential information to the employees.

Information sharing as to the circumstances of the sale should have been shared and translated into the local language where necessary. This could have lessened the distrust and feelings of abandonment throughout the levels.

The reputation of the buyer cannot be easily undone; however, the take-over should not be described as brutal. This can be viewed as one side of the coin, where the other side of the coin could be the amount of resistance the acquiring company received. There is no record of the amount of resistance received to warrant 'brutality'. Expectations of an easy takeover or a mild integration must be managed on both the buyer's and seller's sides. Extensive planning and consistent communication could help reduce resistance.

6.6 Future Studies

Although the research determined to unveil the role of trust during mergers and acquisitions, it did not investigate the perspective of the buying company. One of the participants in this study mentioned that the buying company did its research and prepared itself for the operational, interpersonal, and cultural integration process together with its challenges. It would be interesting to study input and strategies of buying companies in M&A concerning growing and cultivating trust from the acquired company's employees.

6.7 Researcher's Reflections

'*Trust is earned'* is a comment that was frequently used in the different individual interviews the researcher conducted. They were said in undertones heavy with the pain of neglected wounds from the past. In my observation, the participants still feel that sense of bereavement and anxiety – despite having forcibly adapted to the new environment of their employer. However, there was a sense of hope in some responses. Some participants shared some glimmer of hope for the future of their trust relationship with the new company.

Trust can also be increased if the acquiring company is deemed to be a bigger entity with a higher power differential. Often the bigger company is perceived as a rescuer. Hopes of job security are assumed to increase with a decrease in stress and anxiety (Stahl & Kremershof, 2004). However, in this instance, the polar opposite happened. The bigger company that bought Lonmin was not perceived as the rescuer. Some participants are still not sure why Lonmin was sold in the first place.

The researcher believes that communication, formal and informal, is one of the cornerstones of trust. Integrity, honesty, openness, and benevolence are all factors that internal and external stakeholders such as communities look to when they give trust to one who is unknown.

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7.1 Appendices

7.1.1 Appendix 1 - Consent form

Wits Business School

Sculpting global leaders

Researcher: **Sikhanyiso Ndlovu**

Study Title: **Trust in the climate of mergers and acquisitions**

Consent form for participation and audio recording

I ______________________________ agree to participate in the research study of

Sikhanyiso Ndlovu, titled: **Trust in the climate of mergers and acquisitions**.

The purpose and nature of the study has been explained to me.	Yes	No
I am participating voluntarily.	Yes	No
I give permission for my interview to be audio-recorded.	Yes	No
I understand that I can withdraw from the study, without repercussions, at any time, whether before it starts or while I am participating.	Yes	No
I understand that I can withdraw permission to use the data within two weeks of the interview, in which case the material will be deleted.	Yes	No
I understand that anonymity will be ensured in the write-up by concealing my identity.	Yes	No
I understand that disguised extracts from my interview may be quoted in the research report and any subsequent publications.	Yes	No
I agree that other researchers may use the information I provide in my interview (depending on their own ethics clearance being obtained) but my name and any personal information will not be used or passed on	Yes	No

Signature: ____________________ Signature: ____________________

Name of participant: ____________________ Name of researcher: ____________________

Date: ____________________ Date: ____________________

7.1.2 Appendix 2 - Interview questions

Interview questions

- Briefly indicate what your position is within Sibanye Stillwater and what are your responsibilities?
- In your own words, can you describe what an acquisition is? Why do companies choose to go through these processes?
- When the acquisition of Lonmin by Sibanye was announced, did you understand what that meant with respect to the two companies? How was this explained to you? What were the means of communication used to explain what was going to happen?
- Did you play any significant role during the acquisition? How closely involved were you during the process of acquisition of Lonmin by Sibanye?
- In your words what did you expect would happen when Sibanye acquired Lonmin?
- How would you describe the implications or effect an acquisition has on employers and employees?
- Can you recall and describe the changes you experienced in your workplace when the acquisition was announced?
- With emphasis on the element of trust, how would you describe how trust plays a role during the process of acquisition? With respect to the employees of the company being purchased, how much focus do you think the architects of the acquisition process should place on the trust element?
- Can you describe how your feelings of trust were acknowledged when the outgoing company made the announcement of the acquisition? How were your feelings of trust acknowledged and cultivated by the incoming company?
- Can you describe how your role was affected by the acquisition? Were you given prior notice that your role would potentially change?
- If your role was not affected, may you describe how it came about that your role was not affected? Were you given any assurance that your role was not going to change?
- Please recall the relations that Lonmin leaders had with the employees in the beginning of the acquisition. How assured did you feel that they kept you fully and honestly

7.1.3 Appendix 3 - Participant information sheet

30 November 2022

Dear Sir / Madam

My name is Sikhanyiso Ndlovu. I am a Masters student in Wits Business School at the University of Witwatersrand, Johannesburg. My supervisor is Dr Jenika Gobind. I am conducting a research study to investigate the role of trust pre- and post- mergers and acquisition with focus on company acquisitions. The study title is Trust in the Climate of Mergers and Acquisitions – A Case Study.

I am inviting you to take part in an interview. If you decide to take part, your participation in this research study will last about 1 hour. The interview will take place online on a Teams meeting at a time most suitable to your schedule. With your permission, I would like to audio record the interview. This data will be stored for 2 years. Only the researcher will have access to the data.

The interview will be confidential, and the results obtained from the interview will not be linked to you to ensure anonymity. When I share the results of the research study, I will not include your name or anything else that could identify you. With your permission and approval from the Wits Human Research Ethics Committee (HREC), other researchers may use the data collected from this research study, but your name and any personal information will not be used or passed on.

Permission has been granted by the Ethics Committee from the Academy of SibanyeStillwater to proceed with this research. If you decide to take part in the research study, it should be because you want to volunteer. You do not have to take part. You can stop being in the study at any time. You do not have to answer any questions if you do not want to. You will not get any direct benefits if you choose to join the research study. You will not lose any services, benefits or rights you would normally have if you decide not to join. Taking part in the research study will not cost you anything. It will be free of charge. You will not be paid for being in this research study.

7.1.4 Appendix 4 – Research approval from company

Sibanye Gold Academy Proprietary Limited
Registration No. 2004/006126/07

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20 February 2023

Mrs. Sikanyiso Ndlovu

Dear Mrs. Ndlovu

APPLICATION – RESEARCH OPPORTUNITY IN SIBANYE-STILLWATER 2023

We refer to your application for the abovementioned research opportunity in the Company.

Your application to conduct research in the Company was approved by the Sibanye-Stillwater Research Committee.

We thank you once again for your application.

Please do not hesitate to contact me should you have any questions.

Yours Sincerely

Denis McDougall
Manager Technical Development