EMPLOYEE TURNOVER DECISIONS FOLLOWING A CORPORATE ACQUISITION IN SOUTH AFRICA

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ABSTRACT

In an ever growing and emerging economy, acquisitions are often seen as facilitated transactions for the strategic alignment of organisations that require sustainability, market growth and competitive advantage. An acquisition can be a somewhat challenging and lengthy process, from the initial bidding or offering through to the integration of the two organisations. Even though the acquisition may appear to make eminent sense from a financial and strategic perspective, somehow the two organisations fail to integrate fully. Even worse, in many cases the individuals from the acquired organisation fail to integrate or feel integrated into the new organisation. These individuals often have the skills, knowledge and experience required to plan and execute the integration in great detail, resolve issues promptly, redesign processes correctly, or adapt systems to the new organisation's needs. During the acquisition transaction, a lot of pressure is placed on the executive management team to deliver profitable results as well as maintain the structural integrity of the organisation. Once into the acquisition process itself, numerous urgent operational decisions often distract senior management from resolving people-related issues.

The significance of this study fills a research gap by identifying the factors that result in skilled employees leaving the organisation post an event, which ultimately affects the loss of knowledge and skills. Often the individuals who leave are key role-players in the operational framework and have the knowledge, experience and skills that directly impact the performance of the organisation. This study aims to identify the exit behaviour factors and addressing them in the pre and post acquisition processes. The research study highlights the importance of intellectual capital management and the human element within the acquisition transaction and warns managers against focusing too closely on the transactional or financial side of the event rather than focusing on the developmental and employee aspects of the two organisations. The research study assists managers during the planning stages of an acquisition to ensure that communication and organisational development supports the financial objectives of the event. This study follows a qualitative research methodology

approach to reach the objectives and aims to fully understand the actions and experiences that people had to endure through the acquisition event. The data for this research study was collected through pre-arranged interactive interviewing, using an open-ended questioning technique to obtain the required outcomes.

From the data provided by the interviews conducted, it can be affirmed that there are seven driving factors that contributed to the employees' turnover decision. These factors are: communication, trust, length of service, roles and responsibilities, culture and structure fit, productivity and processes, as well as emotional factors. Within an acquisition transaction all participants, employees and organisations involved, felt the impact of the strategic decisions and changes that were implemented. The management team needs to be cognisant of the degree of impact these changes would have on all parties involved and should carefully structure their integration approaches in order to increase the chances of success. An all-encompassing approach to integration needs to include a combination of economic factors, such as profitability, performance management and value creation for stakeholders, as well as non-economic factors such as communication strategy, cultural assimilation and intellectual capital management. Employee attrition rates during acquisitions directly influence the performance, profitability and return on investment due to the knowledge, skills and experience that are lost. In order to ensure and secure value creation from the acquisition (as well as return on investment) an organisation will need to minimise the attrition rate and assess key skills required for business functionalities.

Organisations involved in the acquisition should view their employees as tangible assets, rather than just an integration function which requires completion. People are the organisation and responsible for the success of the organisation.

DECLARATION

I, *Neville Asquith Winston Deverneuil*, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Neville Asquith Winston Deverneuil

Signed at Sandton

On the …………………………….. day of ………………………… 2012

DEDICATION

This research report is dedicated to my fiancé, who has been a pillar of strength and support throughout this journey. I am grateful for all the love, support, patience and guidance offered during the process which assisted me in persevering through to the end. I would not have been able to complete this journey without you and for that I thank you with all my heart.

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1.1 Purpose of the study

The purpose of this research study is to assess the implications of skilled employee turnover, post an acquisition event, on corporate organisations in South Africa. The research aims to identify and assess the exit behaviour factors of the employees leaving the organisations, post the event, as well as highlighting acquisition process factors that potentially contribute to the turnover decision-making process.

1.2 Context of the study

In an ever growing and emerging economy, acquisitions are often seen as facilitated transactions for the strategic alignment of organisations that require sustainability, market growth and competitive advantage. Through acquisition transactions, leaders try to create true and realistic synergies by yielding the best of both organisations to enhance stakeholder value (Bertoncelj and Kovac, 2007).

An acquisition can be a somewhat challenging and lengthy process, from the initial bidding or offering through to the integration of the two organisations. Mills (2007), in his research study, expresses the view point that acquisitions mainly satisfy the requirement for profit within organisations and provides added value to stakeholders. The author further expands on the element of value with a varying outlook in that there is no single view of value within an organisation as it is made up of variables (Mills, 2007). Other authors used an outlook of core competencies and value of the organisation as the nuclei to added value potentials through acquisitions (Bertoncelj and Kovac, 2007). They further expressed that executives required an in-depth knowledge of the core competencies and strong business nuclei, of the acquiring organisation, in order to fully enhance the synergies of added value potential that may be unlocked (Bertoncelj and Kovac, 2007). True synergies from acquisitions, combining strong business core competencies, have resultant benefits that can enhance strong added value potentials, create new added value potentials and strengthen weaken added value potentials within organisations (Bertoncelj and Kovac, 2007).

True synergy, as a theoretical construct of value add, can only be obtained if the acquisition is deemed to be successful through the integration and post-acquisition phases (Shook and Roth, 2011). In a merger and acquisition survey done by KPMG (2008), the results highlighted that two thirds of deals done failed to enhance value whilst only 27 percent displayed a positive impact to organisations (KPMG, 2008). In an assessment of the success of the acquisitions, value was difficult to quantify and measure, therefore various other elements were examined which resulted in added value of the acquisition (Mills, 2007). Other elements that are examined for value are the financial values and stakeholder share-price values, post the event. There is another factor to the acquisition transaction that plays a vital role in the success or failure: the human element.

In a research study written by Siegenthaler (2011), the author expresses concerns around the fact that what at first appears to be good acquisition deals sadly fail when the two organisations attempt to integrate to form one. Even though the deal may appear to make eminent sense from a financial and strategic perspective, somehow the two organisations do not blend when integrated (Siegenthaler, 2011). Even worse, in many cases the individuals from the acquired organisation fail to integrate or feel integrated into the new organisation (Siegenthaler, 2011). These individuals have the skills, knowledge and experience required to plan and execute the integration in great detail, resolve issues promptly, redesign processes correctly, or adapt systems to the new organisation's needs. Unfortunately, without the proper change management tools and integration plans in place, this fails to materialise (Shook and Roth, 2011). Integration becomes difficult to manage during the transaction as employees strive to keep control of their own roles and identities. Four main factors which seem to be prominent during the acquisition process are:

- Potential culture clashes
- Degree of integration
- Job position, roles & responsibilities
- Employees’ attitude towards the event.

(Marmenout, 2010)

These four factors affect the employees’ thinking and behaviour styles throughout the acquisition process, which ultimately impacts the integration and the organisation as shown in Figure 1. Research has shown that acquisitions can be the most dramatic changes that employees may experience within their working environment which results in high levels of dissatisfaction, anxiety and stress (Shook and Roth, 2011). While the executive management teams and strategists are scrutinising the financial aspects of the acquisition, organisational development (OD) consultants and human resources (HR) consultants are anxiously searching for answers as to the effects on the employees’ positions, titles, responsibilities and ultimately their lives, in order to manage the transition more smoothly (Shook and Roth, 2011). It has been stated that an organisation’s critical differentiating factors are the employees and the intellectual capital that they hold, not the assets or cash that it possesses (Bertoncelj and Kovac, 2007).

Figure 1: Behaviour styles throughout the event

(Marmenout, 2010)

During the acquisition transaction, a lot of pressure is placed on the executive management team to deliver profitable results as well as maintain the structural integrity of the organisation. Once into the acquisition process itself, numerous urgent operational decisions often distract senior management from resolving people-related issues (Bouckenooghe, 2010). This phenomenon, known as “organisational drift”, not only exacerbates the employees’ issues but can also have a multiplier effect that generates dysfunctional and counterproductive behaviours in the employees. This can undermine the benefits and overriding potential that the organisation may have (Bouckenooghe, 2010).

The resultant effect will be determined by assessing the exit behaviour patterns of skilled employees leaving the organisation, post an acquisition event. Can this be minimised or prevented?

1.3 Problem statement

1.3.1 *Main problem*

To assess the implications of employee turnover on corporate organisations post an acquisition event in the South African financial services sector.

1.3.2 *Sub-problem 1*

The first sub-problem is to identify and assess the exit behaviour factors of the employees which result in skilled employees leaving the organisation, post the event.

1.3.3 *Sub-problem 2*

The second sub-problem is to assess the implications on the organisation after losing these skilled employees, post the event.

1.4 Significance of the study

This study fills a research gap by identifying the factors that result in skilled employees leaving the organisation post an event, which ultimately affects the loss of knowledge and skills. The individuals who leave are potential key role-players in the operational framework and could have the knowledge and skills that directly impact the performance of the organisation. It is this loss of operational knowledge that slows or inhibits the integration process between the two organisations (Shook and Roth, 2011). This results in the organisation needing to replace those employees that have left, as well as train and develop new employees in those positions which has a financial cost and a time burden on the organisation. This study aims to fill the gap by identifying these factors and addressing them in the pre and post acquisition processes.

The research study provides guidance and added value to human resource managers, organisational development consultants, change management consultants, leaders and senior managers within organisations that are preparing to embark on an acquisition transaction. The research study also highlights the importance of intellectual capital management and the human element within the acquisition transaction and warns managers against focusing too closely on the transactional or financial side of the event rather than focusing on the developmental and employee aspects of the two organisations. The research study assists managers during the planning stages of an acquisition to ensure that communication and organisational development supports the financial objectives of the event. After the change event occurs, managers need support and guidance with various interventions to counter the impact of integrated cultures and employee uncertainties.

1.5 Delimitations of the study

The research study is aimed at acquisition transactions in South Africa and is focused specifically on the financial services sector. This allows for more in-depth research and analysis within one sector and narrowing the scope for achievable results. As the research is aimed at exit behaviour patterns, the sample group selected comes from ex-employees of organisations that have undergone acquisitions.

1.6 Definition of terms

- **Acquisition** – an acquisition (takeover) is a transaction in which an individual or company, known as the acquirer, gains control of the management and assets of another organisation known as the offeree (or target)

- **BEE** – Black economic empowerment is aimed at promoting the achievement of equality, legislative and other measures designed to protect or advance persons, or categories of persons, disadvantaged by unfair discrimination. It is a pragmatic growth strategy that aims to realise the country's full economic potential

- **Culture** – Culture is defined as the shared patterns of behaviours and interactions, cognitive constructs, and affective understandings that are learned through a process of socialisation. These shared patterns identify the members of a culture group or organisation while also distinguishing them as individuals within that group or organisation

- **Employee** – A person who is appointed to provide a service to an organisation on a regular basis in exchange for compensation and who does not provide these services as part of an independent business or contractor

- **Employer** – A legal entity or organisation that directs employees (workers) under an expressed or implied contract of employment and is obligated to pay salary or wages in compensation

- **HR consultant** – Human resource consultants are responsible for assisting organisations with strategically integrating effective human resource processes, programs and practices into their daily operations. In addition, human resource consultants are involved in employment services and must interact with job applicants by acting as a liaison between applicants and the organisation

- **OD consultant** – Organisational development consultants provide services in the development of organisational strategy planning, capacity, conflict and change management as well as customised facilitation of group interventions. Specialties include defining, initiating and guiding change; integrating diversity and specialising in assessing troubled projects within organisations to determine the critical path required to turn them around

- **Organisation** – An organisation is a registered business entity. It is an association or collection of individual real persons and/or other organisations, which each provide some form of capital. This group has a common purpose or focus and an aim of gaining profits

- **Strategy** – Strategy is the direction and scope of an organisation over the long-term. This aims to achieve advantage for an organisation through its configuration of resources within a challenging environment, to meet the needs of the markets and to fulfil stakeholder expectations

- **Transition** – Transition is the journey from one form, position, state, stage, subject or concept to another, often including an abrupt change in energy levels, usually accompanied by some form of loss or gain.

1.7 Assumptions

The following assumptions have been made regarding the research study:

- The total number of respondents were acceptable to gain sufficient research data
- The respondents had adequate knowledge of the industry and organisation to be able to share information
- Lack of knowledge of the acquisition event negatively affects the research results
- Exit behaviour pattern information was communicated honestly and truthfully by the respondents
- False data presented by the respondents would severely skew the data collection and results of the study.

2 LITERATURE REVIEW

2.1 Introduction

The literature review follows explanatory evidence of the key elements that affect employee behaviour. The first section will highlight how acquisition transactions are focused around financial aspects and tend to omit the human element from the transaction. The second section will discuss the pre and post merger activities and behaviours from an employee perspective. The section will be concluded with an overview of the key elements from the literature review.

2.2 Acquisitions are seen as financial transactions

Acquisitions have become an effective value creation tool for organisations (Zhou, Shin and Cannella, 2008), as well as satisfying a requirement for profit to add value to stakeholders (Mills, 2007). With an increase in globalisation and cross-border acquisition transactions, it seems that expansion has become part of organisations' discussions, strategies and everyday business (Raukko, 2009). Organisations are seeking to grow rapidly by acquiring new institutions that can fulfil sustainability, new capabilities, new operations and access new markets (Raukko, 2009).

Even though acquisitions seem to form a more integral part of the strategic corporate environment, they seem to be highly volatile and susceptible to failure (Panchal and Cartwright, 2001). It has been stated that acquisitions are no easy path to fortune creation and often there may not seem to be any better alternative within an ever changing competitive environment or conditions (Bertoncelj and Kovac, 2007). With acquisitions becoming more fundamental in the strategic decision-making process of organisations, it is clear that it has become the growth strategy of choice for many (Bertoncelj and Kovac, 2007). However, even with the increase in acquisition transactions, the success rate or value enhancement does not seem to increase according to the KPMG merger and acquisition survey (KPMG, 2008). In 2008 only 27% of acquisition transactions reflected an increase in value to stakeholders (KPMG, 2008) whilst 39% actually reduced value to the organisation, as shown in Figure 2.

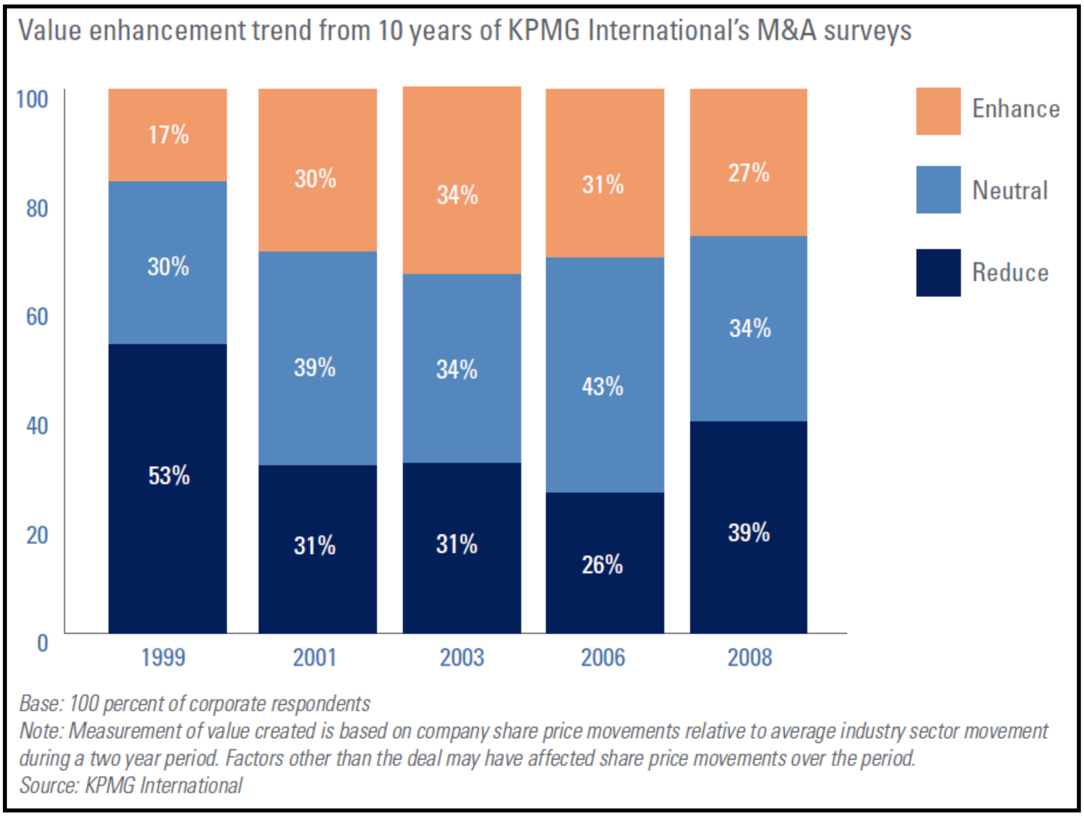

Figure 2: KPMG Merger & Acquisition Survey

(KPMG, 2008)

In a research paper written over two decades ago, the author reflects upon an acquisition of one of the United States' (US) big banks called Banc One (Svare, 1990). The author focuses and boasts predominantly about the bank's total assets post the acquisition transaction and geographical diversification; highlighting no elements of the employees attained or growth in skilled resource (Svare, 1990). More recently, Gruidl and Tucker (2010) presented a research paper on various transactional costs in acquisitions and who benefits from the transaction. The study focuses around four common structures used in acquisition transactions such as: stock acquisition (directly or indirectly), asset acquisition using a new corporation or partnership, stock acquisition through an election process and acquisition transfer of interest to the acquirer (Gruidl and Tucker, 2010). Through the acquisition transaction the seven levers of financing are analysed and investigated (Bertoncelj and Kovac, 2007). These levers are:

- Finance mix (net asset value, operating profit, balance sheet)
- Maturity (or acquiring organisation, including all assets)
- Basis (estimations of acquiring value)
- Currency (if applicable within the deal, cross-border)
- Terms of acquisition (standard terms, exotic terms, etc)
- Controls (financial control of assets, cash, future sales)
- Distribution (financial distribution to acquiring stakeholders).

(Bertoncelj and Kovac, 2007)

Bertoncelj and Kovac (2007) highlight in their research that the ultimate goal for accountants and strategists, within an acquisition transaction, is to create the optimal capital structure for maximum reward. This structure would be one that capitalises on stakeholder value by lowering the weighted average cost of capital and exploiting the increase in organisational value (Bertoncelj and Kovac, 2007). Stakeholder value is also viewed as the executive management team's commitment to long-term sustainability and profitability of the organisation (Davis, Kee and Newcomer, 2010). The executive management team needs to have the capabilities to effectively create the environment in which to lead the successful transition process of the acquisition that can guarantee longevity and sustainability of the organisation (Davis et al., 2010). This can only be accomplished by not ignoring the non-obligatory responsibilities to the employees, from both the acquired and acquiring organisation, throughout the acquisition process (Chun, 2009).

Acquisition transactions are based on quantifiable and tangible data by financial analysts and strategists (Cartwright and Cooper, 1995) who are accustomed to reviewing these facts and data. Subsequently, due to insufficient tangible data collected to encapsulate the human capital factors and behaviours of employees, these would be dismissed from the acquisition review process when decisions are made in the final acquisition review process (Cartwright and Cooper, 1995).

Even though acquisition transactions have been researched for more than thirty years (Cartwright and Shoenberg, 2006) from various disciplines and theories such as financial, strategic, behavioural, operational and cross-cultural (Raukko, 2009); it remains a complex phenomenon. When one organisation attempt to acquire the other, there is a level of chaos that may ensue (Zhou et al., 2008). This usually starts from the first stages of the transaction, when the organisation focuses solely on the financial aspects and neglects the fact that there are employees and human emotions embedded within the transaction (Raukko, 2009).

2.3 Pre- and post-acquisition effects on employees

The following articles, extrapolated from acquisition research studies, reflects the human capital factors and behavioural elements that predominantly focus around the integration issues that arise from pre and post acquisition events (Cartwright and Cooper, 1993, 1995; Searle and Ball, 2004; Harrison-Walker, 2008; Raukko, 2009).

2.3.1 *Pre-acquisition behavioural factors*

When the acquisitions are announced by the executive management teams, they always appear to emphasise the positive and desirable results that will emerge from the transaction. However, employees see the transaction quite differently (Zhou et al., 2008). Research has shown that acquisitions are known to be major destabilising life events that impact employees involved in the process (Cartwright and Cooper, 1995). The level of stress and personal adjustment that is encountered can sometimes be compared to loss or death (Cartwright and Cooper, 1995). Put a different way, the transaction can be seen as an extreme change which is often perceived as a threat to employees (Searle and Ball, 2004). This threat to employees heightens their vulnerability and loss of security within the process (Searle and Ball, 2004). Research articles highlight the mutual expectations that exists between the employee and employer, based on the reference of trust (Searle and Ball, 2004). Within the acquisition transaction, employees will change their perceptions and understanding of the organisation they work for, as well as the organisation that acquires them (Searle and Ball, 2004). Trust is based on the sharing of knowledge and meeting of expectations, failure of which will cause a break this trust (Searle and Ball, 2004). This will result in intense, cynical and emotional behaviours from the employees that may end in disappointment and distrust (Searle and Ball, 2004).

It has been highlighted in various research studies that a lack of communication, from the organisation, in the early stages of the transaction may also affect the employees by creating cynicism and distrustful behaviours (Bertoncelj and Kovac, 2007; Shook and Roth, 2011). Communication is often poor, secretive, minimalistic or non-existent in some cases (Bertoncelj and Kovac, 2007). Due to the fear of the corporate financial and market implications that may result from the news of the event, communication from the organisation is often disingenuous (Shook and Roth, 2011). Managers and employees are communicated partial truths relating to the transaction, their positions, their responsibilities and the effects this may have on their lives which leads to assumptions and office speculations (Shook and Roth, 2011). Without true and relevant content regarding the objectives of the transaction, managers are often left to improvise their answers when faced with difficult questions from employees which causes more confusion, uncertainty and disorientation (Bertoncelj and Kovac, 2007).

In more recent studies, the important roles of OD and HR consultants in the early stages of the process are accentuated through the perspective of fulfilling a crucial function that may assist in averting mishaps and crises in the initial stages of the acquisition (Shook and Roth, 2011; Siegenthaler, 2011). Even though the consultant's role may seem minimalistic in comparison to the strong financial focus of the acquisition event, their function is critical in the planning, rebuilding and communication process of the transaction (Shook and Roth, 2011). Including the OD and HR consultants early in the process will ensure that clear objectives can be designed, developed and communicated to the managers and employees in a timely manner (Shook and Roth, 2011). Communication needs to be real and meaningful; aimed at targeting the correct audiences, at the correct times (Siegenthaler, 2011). It has been stated that including the OD and HR consultants early on in the process also allows for the formulation of an information and communication strategy which can be implemented prior to the start of acquisition process (Bertoncelj and Kovac, 2007).

Another important element that OD and HR consultants need to factor into their pre-acquisition planning and integration processes is the aspect of organisational culture fit (Applebaum, Gandell, Yortis, Proper and Jobin, 2000). In former research articles there is an affirmation that the greater the cultural differences between acquiring organisations, the greater the resistance anticipated by management and employees (Applebaum et al., 2000). The resultant effects of the mismanagement of cultural differences are lower employee morale, decreased efficiencies and effectiveness of operational processes as well as an ultimate lack of added value to financial performance (Applebaum et al., 2000; Bertoncelj and Kovac, 2007). During the assessment of the cultural differences between the organisations, the OD and HR consultants may need to decide on a suitable execution model that best suits the particular transaction and organisations (Applebaum et al., 2000). These models may include:

- Choosing one of the existing cultures, between the two organisations

- Creating a culture that encapsulates and incorporates the strongest elements and aspects of both organisations

- Creating a brand new culture that does not use either organisation as a base.

(Applebaum et al., 2000)

Culture cannot be defined by an individual or one specific action, it is not an isolated island or activity within the organisation (Bertoncelj and Kovac, 2007). It is the construct of the attitudes, behaviours, routines and heritages that the employees adopt that forms the engrained culture of the organisation (Bertoncelj and Kovac, 2007). Even though there may be a thorough assessment of cultural differences and execution models required to integrate the organisations, OD and HR consultants need to remain vigilant of the fact that all managers and employees will face the same experiences of dissatisfaction, disorientation and discontent (Applebaum et al., 2000). These experiences however, can be managed more effectively through the integration and post-acquisition phases to produce long-term sustainability and performance results that surpass the financial performance of organisation (Bertoncelj and Kovac, 2007).

2.3.2 *Integration behavioural factors*

Entering into the integration phase of the acquisition the role of the OD and HR consultant escalates, as they are required to manage the transition of the two organisations as well as supply ongoing support to the managers throughout the process (Shook and Roth, 2011). OD and HR consultants will face many challenges throughout the integration process, many of which are employee and behaviour related rather than built on the business rationale of the specific transaction (Bertoncelj and Kovac, 2007). Due to the complexities of the acquisitions and the organisations, there is seldom a standard approach that can be adopted in the integration phase

(Bertoncelj and Kovac, 2007). Some of the challenges that may be emphasised during the integration phase are:

- Prevent confusion, disorientation, dissatisfaction and discontent
- Communication – articulating a clear and simple message
- Acknowledgement that not all questions may be answered, at that time
- Cultural integration of managers and employees from both organisations
- Employee placements, roles, responsibilities – fair and equitable
- Provision of transition process for employees who do not fit in the designated roles, or require new roles.

(Cascio, 2010)

Research has highlighted that there are two essential features that contribute to the successful integration process, namely comprehensive planning and prompt execution (Bertoncelj and Kovac, 2007). The comprehensive integration plan needs to include information around the communication strategy, intellectual capital distribution, employee retention, compensation schemes, cultural integration, various training programmes and monitoring tools for performance and development (Bertoncelj and Kovac, 2007; Siegenthaler, 2011). To ascertain the best possible outcome for the implementation plan will require effective communication, determination and speed as any delay in execution generates more uncertainty with employees and prolongs successful transformation (Bertoncelj and Kovac, 2007).

Communication in integration:

Communication throughout the integration requires the real and meaningful articulation of the executive management team's strategic vision and objectives resulting from the transaction (Siegenthaler, 2011). Communication also needs to be appropriate for the various audience groups by emphasising topics that are relevant to their daily preoccupations and lives (Siegenthaler, 2011). The medium used to deliver the message is as important as the message itself (Applebaum et al., 2000). Examples of some communication mediums used during integration phases are: internal website highlighting all relevant information (and query management), presentations offered to groups, question-and-answer sheets that are circulated, emails, newsletters and public announcements (Siegenthaler, 2011).

Communication needs to address the immediate fears that managers and employees are faced with while entering the integration phase of which the most obvious would be the loss of employment (Applebaum et al., 2000). Various other types of losses also need to be attended to through effective communication such as losing co-workers, bosses, titles, roles and responsibilities. Managers also need to be managed throughout the integration phase as the stresses that they are faced with often causes them to band together into a cohesive unit creating a "groupthink" mentality (Applebaum et al., 2000). This "groupthink" mentality can cultivate an "us versus them" attitude which results in seemingly reasonable requests from the organisation been perceived as intrusive, invasive and threatening (Applebaum et al., 2000). The managers' attitudes and behaviours can also be passed down to employees which creates more confusion, disconnect and disorientation or the managers become defensive and isolate themselves from employees (Applebaum et al., 2000). When management becomes isolated in this manner, communication suffers and becomes more disassociated and fragmented (Applebaum et al., 2000). OD and HR consultants' role will be to ensure that all relevant knowledge, information and facts are relayed to the managers in a timely manner to prevent stress levels from escalating, thereby avoiding the need for isolation from employees and "groupthink" behaviours (Applebaum et al., 2000).

Cultural integration:

Managing cultural integration is complicated and requires specific planning and articulation of the integration culture structure that is to be integrated (Shook and Roth, 2011). Employees often develop confusion around which behaviours, traditions and processes need to be adopted as well as from which organisation these originate (Shook and Roth, 2011). OD and HR consultants need to manage the employee's acculturation into the new organisation, as employees may display distinctive adverse modes to the cultural integration.

These modes are:

- Semi-integration – employees want to preserve their own culture and identity. The resultant effect of too many employees following this behaviour is structural assimilation of two organisational cultures with no cultural of behavioural assimilation

- Assimilation – this is a unilateral process in which the employees willingly adopt the culture and identity of the acquiring organisation. The resultant effect is the acquired organisation ceases to exist as a culture and identity

- Separation – employees attempt to preserve their culture, identity and independence by remaining isolated and separated from the groups. The resultant effect of too many employees following this behaviour is cultural division within the organisation and silo processes creating inefficiencies

- De-culturation – employees lose contact with both their cultural and psychological groups, remaining outcasts of both from the organisation. The resultant effect is that a new culture may form if there are enough outcasts of the cultural integration.

(Applebaum et al., 2000)

The pride, confidence and integrity of employees are ultimately crushed during the cultural integration phase and they will feel a sense of loss. OD and HR consultants are required to equip employees with the necessary tools to productively deal with concepts of ever changing environments, develop new relationships with new environments and adaption of new managerial support (Applebaum et al., 2000). Even with these tools in place, OD and HR consultants will still have the critical and sensitive task of supporting the manager and employees through the cultural integration. This task can be streamlined and enforced if strongly supported by the executive management team (Shook and Roth, 2011). However, this is often not the case as studies have shown that the executive management team seems to underestimate the importance of the cultural integration within the transaction and often suggests that cultural integration will ensure its own success over time (Shook and Roth, 2011).

Intellectual capital integration:

Understanding the importance of intellectual capital management and distribution during the transaction, can assist in emphasising the development of value creation and sustainability of the organisation (Bertoncelj and Kovac, 2007). The two organisations involved in the transaction need to view their employees as tangible assets and the greatest assets that they have (Shook and Roth, 2011). The evaluation and analysis of intellectual capital, having been completed in the early stages, needs to form part of the integration plan to ensure that the knowledge and skills are comprehensively and fairly distributed to create the most effective and efficient skill-set within the organisation (Bertoncelj and Kovac, 2007). OD and HR consultants need to ensure that the current roles, titles, grades and responsibilities of the employees are closely matched to the old ones as this is where much of the confusion and disorientation stems from (Shook and Roth, 2011). Some critical factors, that may need to be addressed during the intellectual capital integration stage, emphasise the developmental and strategic management of this stage throughout the integration (Applebaum et al., 2000). These factors are:

- Effects on employee well-being
- Employees' understanding of their new roles and expectations
- Managers support the integration to the new roles and teams
- Employee preparedness for environmental changes
- Are team change schedules in place and being implemented effectively?

(Applebaum et al., 2000)

In multiple articles and research studies, it has been emphasised that communication and the speed of execution are pinnacle factors to a successful integration phase (Applebaum et al., 2000; Shook and Roth, 2011; Siegenthaler, 2011). It is the timely and accurate dissemination of information to employees relating to roles, responsibilities, expectations and environmental changes that allows employees the time to digest the information and adapt to the changes. Lack of relevant information and any delay in execution may exacerbate the employees' behaviour to resist the organisational integration changes (Applebaum et al., 2000; Bertoncelj and Kovac, 2007).

2.3.3 *Post-acquisition behavioural factors*

With more than thirty years of acquisition research trying to find the factors of failure, it is only recently that the human factor has been included as an influential force in these transactions (Cartwright and Shoenberg, 2006). Recent research has shown that the low success rate of acquisitions is directly linked to the human behavioural elements affecting the transactions and recognised to be a misunderstanding and lack of knowledge of its implications throughout the transaction, including the post-acquisition phase (Chun, 2009).

In the acquisition transaction, the role of communication is expressed as one of the significant elements in the reactions of employees, and the effects on the relationships this has within the organisation and its leaders (Bhal, Bhaskar and Ratnam, 2009). Another element discussed in acquisition research studies is organisational culture fit. The leading conclusion is based on the premise that strategic fit is a prerequisite to the transaction when in fact the issue of culture fit needs to be taken into consideration (Cartwright and Cooper, 1995). The changes within the organisation are traumatic for employees in the post-acquisition phase. This largely relates to issues around organisational fit, cultural differences, level of integration and speed of execution (Raukko, 2009). The process of change within the transaction relating to organisational culture can be complex, slow and may encounter resistance (Raukko, 2009). The speed of integration will be directly related to the level of employees' commitment (Harrison-Walker, 2008), as well as the extent of synergy and mutual purpose from the leaders within the organisation (Raukko, 2009). This ultimately means that the bond the employees have with the direct reporting manager or leader during the post-acquisition phase affects the commitment and attitude to change (Raukko, 2009).

There is never a segregation of affect (feelings) and cognition (thinking) to help understand how the behaviours of employees are linked to the post-acquisition phase (Bhal et al., 2009). The most important role of the organisation is to manage the employees and managers effectively through the changes of the integration phase into the post-acquisition phase of the newly created environment (Cascio, 2010). Without doing this successfully there may be negative consequences in the employees' behaviour such as low morale, increased stress, anxiety, uncertainty and lack of commitment (Raukko, 2009). If the executive management teams and managers of the organisation fail to address the issues that arise from the post-acquisition phase then the acquisition transaction will continue to fail to meet the return on investment expectations of the stakeholders (Chun, 2009).

The post-acquisition phase stills holds many challenges even though the OD and HR consultants did as much planning and preparation as they could have done, during the pre-acquisition and integration phases. Challenges in the early stages of the post-acquisition phase relate to generalised employee behaviour and thinking (Applebaum et al., 2000). These challenges need to be managed very carefully by OD and HR consultants through the support of the executive management team and managers. These challenges are:

- First stage of denial – employees fail to accept that the acquisition is actually taking place and still hold on to hopes that the offer will be withdrawn somehow with things returning to normal

- Second stage of anger – employees become angry and resentful at the acquiring organisation as well as turn their anger on their own executives and managers for allowing the acquisition to take place

- Third stage of bargaining – employees try to create autonomy for themselves as a sense of holding on to power. These employees will also have unrealistic demands and expectations of the acquiring organisation

- Final stage of acceptance – employees realise that the acquisition will or has taken place and that they are valued within the team and the organisation for their knowledge and skills.

(Applebaum et al., 2000)

During this period it is of paramount importance that the OD and HR consultants demonstrate to the employees that they are working with the employees' best interests in mind to obtain their objectives and not with the organisation's best interests to obtain profitability (Applebaum et al., 2000). This aids in building an element of trust between the employees and the consultants as well as between the employees and managers (Searle and Ball, 2004). However, a key variable in the building of trust, through the employees' perception, is the fulfilment of expectations of the personal benefits that are either promised or communicated throughout the acquisition process (Searle and Ball, 2004).

Many organisations, post an acquisition transaction, do not reflect upon the importance of performance monitoring and development of employees due to the changes in work criteria and functions in order to assess the progress of each individual as well as the progress of the acquisition collectively (Siegenthaler, 2011). The most convenient period in which to begin monitoring the performance and development behaviours of employees would be during the first twelve months of the acquisition. This should continue for an estimated three year period (Applebaum et al., 2000). OD and HR consultants need to emphasise the importance of these monitoring programmes as they affect how business may view the success or failure of the acquisition as well as impact on the succession cycle and growth of the organisation (Siegenthaler, 2011). A superior monitoring programme can adopt various measuring methodologies such as: employee attitude surveys and questions, confidential one-on-one interviews, focus group forums and skip-level meetings (employees meet with managers two levels their senior) (Applebaum et al., 2000).

In order for the monitoring programme to be superior and successful, the organisation may require that at least the following questions are answered:

- Do employees understand and support the changes?
- Has there been any dramatic effect on employees' well-being?
- Have the changes been implemented effectively and efficiently?
- Has there been any dramatic effect on productivity and work quality?
- Do employees fully understand their expectations and new roles?

- Are managers, at all levels, minimising negativity and building positive rapport?

- Has the acquisition achieved its operational and financial objectives?

(Applebaum et al., 2000)

Even after all the preparatory planning, execution, monitoring and development; the organisation will still experience an overall rate of employee turnover due to the acquisition (Cartwright and Cooper, 1995). The resultant effect is employees' behaviour and thinking that cannot be swayed into accepting the changes of the environment and the acquisition. More often than not these are well trained, skilful and knowledgeable employees that become highly marketable to be placed within other organisations (Shook and Roth, 2011). These resignations result in a tremendous loss to the organisation, both financially as well as the loss valuable intellectual capital (Cartwright and Cooper, 1995). Within the first year of the acquisition these costs are often masked in the financial reports as "once-off" costs and economies of scale, whereas they should be analysed further to reflect the realistic impacts such as: recruitment costs of new employees, retraining costs of new employees, loss of time to recruit and train new employees as well as the loss of intellectual capital and expertise (Cartwright and Cooper, 1995).

2.4 Conclusion of Literature Review

In conclusion to the literature review, the key elements around employee behaviour during an acquisition transaction stem from a change to their environment and life that they perceive as a threat and ultimately resist (Cartwright and Cooper, 1995). Research studies have highlighted the importance of communication, and the role of leaders within the transaction, to assist employees with coping through the acquisition process. Timely dissemination of current and relevant information regarding the acquisition, may assist in evading behavioural tendencies such as anger, low morale, increased stress, anxiety, uncertainty and lack of commitment (Raukko, 2009).

Post the acquisition phase, the other important element for organisations to measure and monitor, is the loss of intellectual capital through the resignations of key skilled and knowledgeable employees (Cascio, 2010). The executive management team and managers need to be cognisant of this loss both during the integration phase and post-acquisition phase to ensure these skills are adequately handed over as well as to ensure productivity and operational excellence is not hindered by the process (Cascio, 2010). However, intellectual capital of the acquired organisation's processes, procedures, customers and sales force is often accumulated by the individual over years and cannot simply be replaced by new recruitment and training as there is an element of behavioural style, thinking style and personal culture that cannot be mimicked (Bertoncelj and Kovac, 2007; Shook and Roth, 2011). These characteristics will ultimately be lost as the individual departs and the organisation suffers the loss of costs, time, expertise and ultimately a loss in return on investment (Cartwright and Cooper, 1995; Shook and Roth, 2011).

2.4.1 *Research Question 1:*

What are the eminent driving factors affecting employee behaviours, post the acquisition event, ultimately resulting in the decision to leave?

Research question 1 is derived from the literature review of Siegenthaler (2011), Bertoncelj and Kovac (2007), Cartwright and Cooper (1995) as well as Searle and Ball (2004) as discussed in Chapter 2.

2.4.2 *Research Question 2:*

How does this impact the organisation and what are the resultant effects on value creation for the stakeholders?

Research question 2 is derived from the literature review of Cascio (2010), Bertoncelj and Kovac (2007) as well as Shook and Roth (2011) as discussed in Chapter 2.

3 RESEARCH METHODOLOGY

This section outlines the research methodology that was followed to address the research questions identified in the literature review section. The selected research methodology will be discussed, followed by the research design and instruments used in the study. The next section will cover the important issue of data collection, data analysis, interpretation and limitations of the study. The final section will cover the validity and reliability of the data.

3.1 Research methodology / paradigm

This study follows a qualitative research methodology approach to reach the objectives of answering the research questions that have been presented. The aim of qualitative research is to fully understand the actions and experiences that people have lived through, in various situations in their lives (Elliott, Fischer and Rennie, 1999). It can also be articulated by the design around the study of experiential life (Morrow, 2007). Based on the actions and experiential behaviours that this study is addressing, it seems that qualitative research methodology will be best suited. This methodology follows an interactive dialogue and interpretation process to uncover hidden meanings and deep reflections (Ponterotto, 2005). The findings of these interactions emphasise the lived experiences from the viewpoint of people who have experienced them (Ponterotto, 2005).

3.2 Research Design

The research design follows a simplistic interactive interviewing process using the constructivism–interpretivism model (Ponterotto, 2005). This model is a stimulated interactive dialogue between researcher and respondent to obtain the objective of the investigation and data collection (Ponterotto, 2005). Advantages in choosing this model in research design is the use of interactive interviewing and probing questions which gives respondents the chance to reply in their own words, rather than forcing them to select from fixed responses such as surveys. This model also encourages engagement and searching for answers, with the respondents, through careful listening and requesting the respondents to elaborate on certain answers. A potential disadvantage within this model is that the researcher could probe or highlight their own personal anticipated responses to the questions (Elliott et al., 1999). Throughout the communication and development of the interview the researcher may attempt to recognise their interest and assumptions and portray them upon the respondents (Elliott et al., 1999). This was avoided through upholding neutrality and integrity of interviewing and probing by the researcher.

3.3 Population and sample

3.3.1 *Population*

The population of the research study was employees that have resigned or were about to leave the organisation post an acquisition transaction. The employees ranged from staff level to senior management, giving diversity to the experiences and recollection of the event.

The employees were selected from the organisations listed in Table 1:

Table 1: Acquisition organisations

Organisations			Number to be sampled
JSE Limited acquiring Bond Exchange of SA			
Employee = 2	Team Leader = 1	Middle Manager = 1	4
Momentum acquiring Metropolitan			
Employee = 2	Middle Manager = 1	Senior Manager = 1	4
Nedbank Limited acquiring Imperial Bank			
Employee = 1			1
		TOTAL	**9**

3.3.2 *Sample and sampling method*

This research study follows a quota sampling method (Elliott et al., 1999). In quota sampling, the researcher decided how many respondents to include in the interview process while designing the research study. In order to obtain the relevant information required for this study, eight to ten respondents would be sufficient to include in the interview process. A list of respondents was compiled and contacted to arrange the interviews. Anonymity was inherent and enforced within this research study.

3.4 The research instrument

The interactive interviewing process was conducted using semi-structured questions as shown in the research instrument schedule of Appendix A. In highlighting the research questions from the literature review, the purpose was to guide the dialogue and interaction towards obtaining answers to these questions (Ponterotto, 2005). During the interactive interview the researcher opted to pose additional exploratory questions relative to the conversation, to expand on the answers provided. The semi-structured questions schedule was followed somewhat loosely but in a probing manner so as to triangulate the necessary data required. The shortcoming with this interactive interviewing process may stem from the respondent's reluctance to share sensitive information regarding the emotional process endured, as well as the sense of confidentiality that needs to be upheld by the researcher. These shortcomings were eliminated through confidentiality non-disclosure commitments as well as providing a safe and secure environment for interactive dialogue and sharing of sensitive information.

3.5 Procedure for data collection

The data for this research was collected through pre-arranged interactive interviewing, at a venue of their choice and convenience, using an open-ended questioning technique to obtain the required outcomes. Each respondent's interview lasted approximately 60-90 minutes, giving enough time to complete all questions without a sense of haste. Open-ended questioning allowed the respondents to interact with the researcher and divulge all relevant information, in their own words as well as allowed for the researcher to probe more deeply. Only through this interaction could trust and deeper meaning be obtained and uncovered (Ponterotto, 2005). Even though the interviews were open-ended, there was a structure that was followed through questioning in order to obtain critical information required for the research study.

The interviews were recorded so as to accumulate as much data as possible during the session and each recording was converted into transcripts. Additional hand written notes were made during the sessions to ensure conversations could be steered towards triangulation of data collection. Data was also collected on the respondent's reactions to questions, such as body language, facial expressions and tone of the responses.

The assumption of honesty and integrity on the part of the respondents was taken into account in this research study.

3.6 Data analysis and interpretation

The data analysis process that was used in this research study follows the Three Components Principle by Miles & Huberman (Miles and Huberman, 1984). The components consist of data reduction, data display and conclusion drawing/verifying (Miles and Huberman, 1984). The transcripts from the interviews were converted into valid observation and counting data in order to include all important information. The initial steps of data reduction were to sort through the data to identify similar phrases, relationships, themes or common sequences that occurred in the transcripts. Isolating these patterns or similarity themes, assists in assigning a set of coding to the data to be analysed (Miles and Huberman, 1984). The next steps would be the data display which helps the researcher by; identifying useful categorisations, aiding in the clear conceptualisation and construction of multi-dimensional data, and enabling the data to be summarised in a more simplistic form for further analysis (Miles and Huberman, 1984).

Drawing or verifying conclusions from the summarised data is never simplistic, as there may be exceptions in the findings that do not fit into any categories (Miles and Huberman, 1984). Often the temptation is to smooth over the data, ignore the outliers or explain them away in summation (Miles and Huberman, 1984). Exceptions and the ends of distributions often strengthen the data as well as test the data and should always be included (Miles and Huberman, 1984). Conclusions and findings were verified and tested to prevent against the researcher's self-selecting and opinionated biases and to ensure the integrity of the findings. The research methodology process, as highlighted above, can be reviewed in more detail in Figure 3.

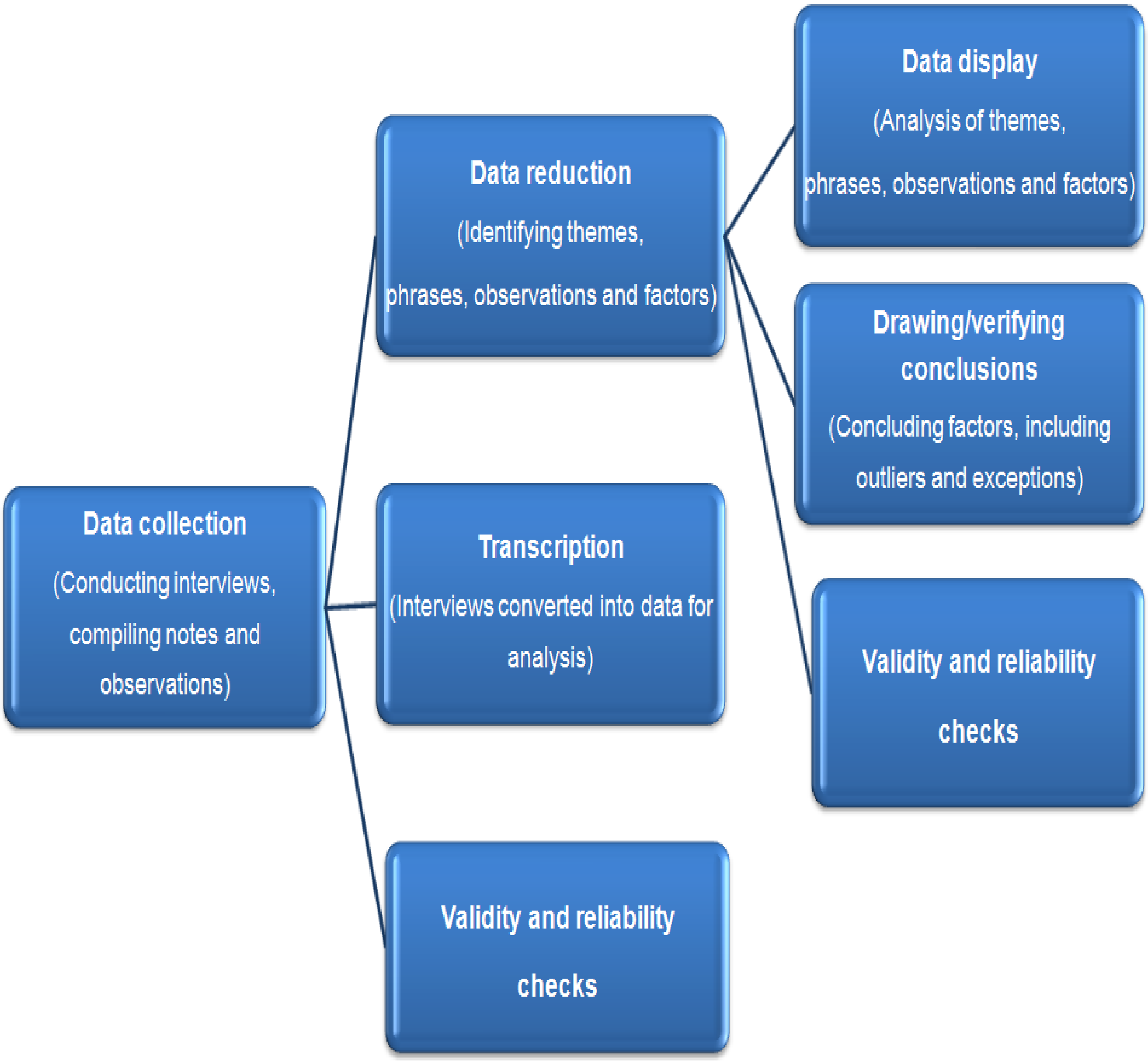

Figure 3: Research methodology process

(Miles and Huberman, 1984)

3.7 Limitations of the study

- Number of respondents interviewed was nine based on respondents upholding their commitments to the appointments. This resulted in the sample size being smaller than anticipated, to extract data

- Limited timeframe allocated to completing all appointments. This was a direct limitation in the collection of data.

3.8 Validity and reliability

3.8.1 *External validity*

There are various forms available to the researcher to check the validity and credibility of the data, thereby ensuring the reliability and relevance of the research study. Within this study, the researcher performed validity and credibility checks with certain respondents to ensure the understanding of the data presented and conclusions discussed (Elliott et al., 1999). An additional step that was taken by the researcher within this study, was reviewing the data for discrepancies, overstatements or errors that may be stated by a supervisory authority within this field of study (Elliott et al., 1999). The final external validity and credibility check performed by the researcher was a comparability of the conclusion data with two or more qualitative perspectives within this field of study to ensure reliability (Elliott et al., 1999).

3.8.2 *Internal validity*

The researcher conformed to the semi-structured interviews using as much uniformity as possible to ensure consistency. To ensure internal validity of this study was obtained, the researcher created an understanding in concluded data that achieved coherence and integration (Elliott et al., 1999). All these elements fitted together to form a narrative story and framework that will guide the readers through the underlying structures of the research study (Elliott et al., 1999). The researcher also ensured that the study was not compromised by self-reflecting aspects and assumptions that may have been made throughout the study (Elliott et al., 1999).

3.8.3 *Reliability*

Reliability of the research is the extent to which the study stimulates resonance within the readers/reviewers, judging the content and conclusion to have accurately represented a clear understanding of the results (Elliott et al., 1999). Reliability of this study is ensured by the respondents who have chosen to participate, as well as the validity checks of their responses. The researcher also ensured that they captured the respondents' experiences that may have been difficult to express, as well as ensuring that the responses were put into a language deemed to be trustworthy (Elliott et al., 1999).

4 PRESENTATION OF RESULTS

4.1 Introduction

The results of the research study are presented in this chapter through three phases, namely the pre-acquisition phase, the integration phase and post-acquisition phase. Each phase will highlight the topical themes and factors that have been extracted from the respondent's interviews. Each interview was conducted through a semi-structured, interactive and open interviewing process in order to extract the best possible results for the research study. The original sample size was estimated to be fifteen respondents, however the resultant number of respondents interviewed for this research study was nine. Graphical and tabular representations are used as a contextual summary of the factors and themes that have emerged from the interviews. The graphs are aimed at being a visual depiction of the factors, themes and observations that have been extracted from the data.

4.2 Demographic profile of respondents

The respondents comprised of a group of individuals that had resigned or were on the verge of resigning, post an acquisition transaction between two organisations. These respondents were all from the acquired organisation and left the organisation either during the integration phase or post-acquisition phase of the transaction. The respondent's organisational demographic consisted of various levels within the organisation from employee level through to senior management level, allowing for diversification of views and experiences of the acquisition transactions.

4.3 Research Question 1: What are the eminent driving factors affecting employee behaviours, post the acquisition event, ultimately resulting in the decision to leave?

All respondents were comfortable to engage in the interview process and some were even pleased to be able to discuss their experiences regarding the acquisition process. Confidentiality was assured to all respondents and this will be respected throughout the research study. Even though the sample size was small, the responses received and data collected was definitive and consistent throughout the interviews. This allows for the results to be presented by the researcher with confidence and conviction.

4.3.1 *Pre-acquisition phase driving factors*

Most respondents highlighted that there was a clear differential shift in the organisation, in terms of atmosphere, mood and interaction between employees once the announcement was made that the acquisition would be taking place. One respondent expressed it as a sense of calm and serenity that suddenly came to a halt as it felt like a bomb was being dropped in the office. Chaos, confusion and disbelief began to set in while everyone retreated back to their offices and cubicles to absorb the information while creating more questions than answers. This created a process of speculation as indicated by respondents.

63% of the respondents confirmed that they were informed of the acquisition event by the Chief Executive Officer (CEO) through a staff meeting that was called to gather all employees together, although some had prior knowledge of the event at the meeting. 37% were informed by the head of the department or division through an informal gathering. Respondents that had prior knowledge of the event, acquired this information through internal emails informing them of the acquisition event, electronic public announcements made on the Stock Exchange News Services (SENS), Reuters and Bloomberg company news screens as well as through the newspapers which highlighted more details than the employees were given in any meetings.

Further details relating the data results of the pre-acquisition phase can be reviewed in Table 2 below:

Table 2: Data results of pre-acquisition phase

Pre-acquisition phase				
Factors & Conditions	**Employees**	**Team Leaders**	**Middle Managers**	**Senior Managers**
Communication	Informal, high-level	Informal, high-level	Formal, high-level	Formal, high-level
Length of service	Average of 3 years	Average of 16 years	Average of 6 years	Average of 10 years
Pre-acceptance of event	No	Reluctant and negative	Reluctance	Inevitable, knew it was coming
Morale, stress, anger	Low morale, mixed emotions, high stress, frustration	Mixed emotions, lack of benefits, frustration, uncertainty	High stress, frustration, insecure, angry	Uncertainty, disbelief, speculation

63% of respondents felt frustrated due to the lack of communication and information received, post the announcement, that they deemed necessary in order to answer critical questions. One respondent affirmed this view by quoting: “There is some sort of restructuring, decisions made and some sort of consultative work being done that needs to be highlighted. I am not entirely sure to what extent the decision making seems to be changing or who is making the specific decisions”. The more time passed with no communication, the more negative the employees became. One respondent, who is a manager, stated that after meeting with the employees they were feeling insecure about keeping their positions as well as uncertainty regarding new roles and responsibilities after integrating into the new organisation.

78% of respondents expressed a reluctance and resistance to accepting the acquisition and the eminent changes that they were about to encounter. 22% of the respondents were neutral with no real feelings or emotions attached to the acquisition event. The following statement from one of the respondents confirms the reluctant of employees accepting the acquisition and changes: “There was a lot of negativity, a lot of anger and a lot of uncertainty. Everyone saw the acquisition as a negative thing and everyone was reluctant to change, as there was no real benefit to us”. This was affirmed by a another respondent who stated that everyone was not ready to accept the changes as they were all waiting for the offer to be withdrawn or the transaction opposed, so that everything would return to normal. Most respondents indicated that the pre-acquisition phase was highly stressful and frustrating with increased levels of anger, insecurity and uncertainty.

Driving factors of the pre-acquisition phase:

- **Lack of communication**

- **Emotional factors:**
    - **Stress**
    - **Anger**
    - **Insecurity of job loss, downsizing and retrenchments**
    - **Uncertainty of new titles, roles and responsibilities**
    - **Frustration.**

4.3.2 *Integration phase driving factors*

The integration phase aims at highlighting other potential turnover driving factors of employees. This phase involves the assimilation of employees, the allocation of roles and responsibilities and the introduction of employees into the new environment. The data reduction has been completed using the interviews conducted with all the respondents and will be presented in the following section using a table.

As indicated by most of the respondents, even upon entering the integration phase the lack of communication seemed to have persisted, as there was no information sent out regarding the progress, current process or even the decisions being made. 63% of the respondents were absolutely oblivious to the existence and the implementation of any policy and strategy that was directed towards the integration of employees into the new organisation. However, some respondents did specify that they received some form of high-level internal communication regarding the process later on in the integration phase. Again, this communication did not answer the questions that had arisen from the employees, nor did it contain sufficient detail regarding the step-by-step process of the integration phase. One respondent accentuated the lack of communication through the following statement: “It was only four or five months later that we started getting grumblings and rumours, nothing formal, about what was actually going to happen with the acquisition and it looked as though they were going to downsize and redefine what they needed”.

78% of the respondents indicated that they only had some form of interaction with OD and HR consultants after moving to the new organisation. The remaining 22% stated that their interaction was solely with their managers or executives, with little indication of direction or objectives of the integration. Some of the respondents confirmed that there was no clear point of contact within the integration phase that could assist with queries, questions, concerns or even just basic orientation into the organisation. Some of the respondents also emphasised the lack of integration in terms of cultural fit and structural fit within the new organisation. The respondents stated that many employees did not know how or who would be performing the operational functionalities, in terms of the processes, systems, protocols and procedures. Were they required to be done the “same as before” or assimilated into a “new way” which would require guidance, training and support? Respondents were also unclear as to who would have the authority to be making the decisions around which processes and systems would remain and which would be decommissioned. One respondent articulated their opinion to the above-mentioned points in the following statement: “We were not introduced to the people, organisational culture or how things were done within the organisation and it really felt like we were outsiders that did not form part of the organisation. Our way of doing things structurally did not fit into their structure and it seemed as though we were just doing things as we went along as a requirement for the organisation”. Another respondent affirmed these points by stating that business itself was really challenging specifically with having to justify the existence of original systems and processes and retaining them over the new organisation’s systems and processes, it was never the other way around.

Detailed breakdown of the data results from the integration phase can be reviewed in Table 3:

Table 3: Data results of integration phase

Integration phase				
Factors & Conditions	**Employees**	**Team Leaders**	**Middle Managers**	**Senior Managers**
Communication	Lack of communication around process	No communication, minimal information sharing	No clear communication or objectives around the process	No communication, just pockets of information at times

Factors & Conditions	Employees	Team Leaders	Middle Managers	Senior Managers
Process of integration	Process was slow, confusing, created disorientation	Some explanation of process, some staff were just moved	No direction during integration, which operational processes stayed/changed	Outline of restructuring & consultative work. Constant decisions & changes made by someone, no-one knew who
New titles, roles, responsibilities	Mismatched jobs, roles, functions, titles	HR did not remain neutral and unbiased when assigning roles and responsibilities	Downgraded in management level, title, function	Re-applied for own positions, interviewed and tested. Based on outcome, were allocated new roles
Organisational trust	Distrusting	No trust	Break in trust	Distrusting
Managerial trust	Unsupportive	Bad decisions	Lack of honesty	Disbelief
Adaptability to change	No introductions to culture, no change objectives, feeling of segregation	Positions were re-applied for, un-skilled people filled them. Drastic moves made across organisations without warning	Felt like hands were cut off with no power, very politically driven with agendas, feeling of invasion	Lack of understanding, speculation, unanswered questions
Morale, anxiety, disorientation	Frustration, confusion, high stressed	Confusion, frustration, anger	Devastation, vulnerability, anger	Anger, rejection, speculation

89% of the respondents showed signs of anger and frustration at the misalignment and mismatching that occurred between their current roles and responsibilities versus their new roles and responsibilities. Respondents also highlighted the fact that some of their titles and grades were completely different to what they enjoyed previously and some were even downgraded from senior positions to junior positions in the process. One respondent further endorsed this opinion and indicated that they felt that the process was not given enough due diligence to be completed fairly and accurately, to benefit all parties involved. They also felt that the OD and HR consultants that were involved in the roles and responsibilities process did not stay neutral when assigning new roles and were biased in some of the decisions that were made that affected certain employees. A number of respondents reviewed the roles and responsibilities process by articulating their dissatisfaction of the new roles to either their direct line managers or to the relevant HR consultants involved, with no action or effort taken to rectify these mismatches. The respondents further confirmed this view point that they had not seen a resolute effort from the organisation that justified this as being a problem or that there was a process in place to address and rectify the issues as there was still very much a disregard to this critical factor within the organisation. Some of the respondents indicated that they did not feel that they were receiving the recognition or appreciation for their extensive experience, contributions and added value when they were assigned these new roles. The respondents felt that any contributions or career growth that they believed they could potentially have in the future was by no means going to occur in these new roles or within the organisation.

A few respondents, in managerial positions, felt discouraged due to either the lack of authority they had to make decisions that were necessary for operational efficiency and performance effectiveness or that their authority was undermined by the person to whom they reported. One respondent stressed this view point by affirming that the inability to make decisions within a current role or position creates frustration in delivering on key objectives, which impacts negatively on the team and the team's ability to perform effectively.

78% of all respondents expressed their anger and frustration towards the organisations, both the acquiring entity and the acquired entity, specifically around the treatment that they had received during the integration process. Respondents also specified that this treatment and behaviour generated a lack of trust towards the new organisation as their actions had been of a distrusting and disbelieving nature. 63% of the respondents emphasised their additional frustration and devastation at the treatment and behaviour that they received from the executive management teams, from both organisations, as well as their direct reporting managers. They further articulated that they felt this treatment and behaviour was unsupportive and had a tendency to be of a dishonest and secretive nature.

There were respondents who indicated that within the new organisation, the culture and atmosphere that was formed during the integration process felt a lot like an "adapt or die" environment with little space for variability or adaptability. One respondent accentuated this point in the following statement: "You felt like your hands were cut off and you were powerless because you could no longer do X, Y and Z as before. It could only be done one way: the new organisation's way". 63% of the respondents felt isolated and segregated from the rest of the organisation feeling like "outsiders and invaders" that did not fit in to the new organisation. Another respondent expressed similar view points by stating that the integration process and assimilation was very politically driven with specific agendas involved that had little regard for the impact and integration of employees. 78% of respondents felt vulnerable and exposed within the new organisation, with little to no assistance or support in dealing with the constant environmental changes. This was further confirmed by respondents, who stated that the lack of understanding of the processes and objectives as well as various unanswered questions created more confusion, anger, frustration and speculation amongst the employees.

Driving factors of the integration phase:

- **Lack of communication**

- **Mismatched roles and responsibilities**

- **Break in trust**

- **Lack of assistance and support to adapt to change**

- **Cultural and structural clashes**

- **Emotional factors:**
  - **Anger**
  - **Confusion**
  - **Frustration**
  - **Vulnerability**
  - **Speculation**
  - **Increased levels of stress.**

4.3.3 *Post-acquisition phase driving factors*

The following section focuses more specifically on the post-acquisition phase and involves highlighting the behavioural traits of employees post the transaction. It is also aimed at extracting the additional driving factors that potentially exist in the employees' decisions to leave the organisations. This phase involves the post assimilation affects on the employees relating to the new roles and responsibilities, cultural fit into the new environment and the extent that overall expectations were met within the transaction. The data reduction was completed using the interviews conducted with all the respondents and is presented in the following section using a table and graphs.

56% of the respondents indicated that, once the employees were relocated and new roles were allocated, the communication and interaction with the organisation immediately stopped. There was no further communication regarding post-acquisition activities, progress or additional changes. Some of the respondents noted that due to the fact that this had been a recurring theme throughout the transaction that they did not anticipate anything different. One of the managerial respondents made an interesting comment regarding communication: “Everybody wants communication all the time but to the extent that nobody knows what is happening and I am convinced that even the people making the decisions do not have all the information. Information is often created in the processes as opposed to being withheld from the people intentionally”. However, without sufficient, tangible and related communication from the organisation, the employees remain disorientated, frustrated and confused about events and the environment. Based on the information provided by the respondent it can be conclusively deduced that there is a direct correlation between a lack of communication and a decrease in morale, as shown in Figure 4. The less information that the organisation provides to the employees throughout the transaction, the lower the morale and energy levels become.

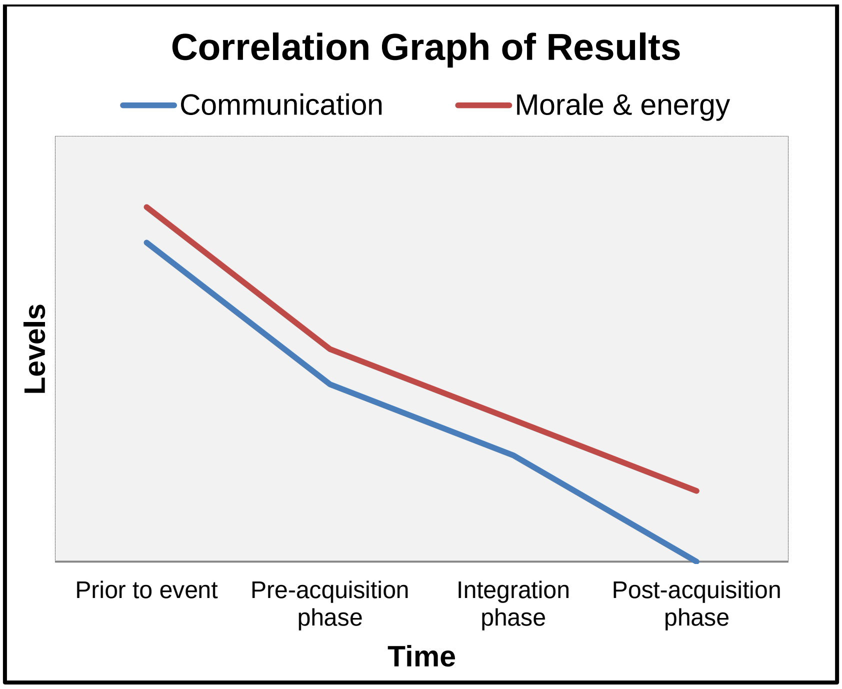

Figure 4: Correlation between communication and morale & energy

63% of the respondents enforced the view that the new roles and responsibilities were not properly defined and that the actual functions required to be performed were vague and distorted. Respondents also affirmed that there was a definitive feeling of up-rootedness that created more confusion and disorientation within their functions and performance levels. 37% of the respondents highlighted the fact that there was no clear direction or leadership which had a devastating effect on their new role and their new team as well as a resultant increased level of anxiety, stress and negativity.

Detailed breakdown of the data results from the post-acquisition phase can be reviewed in Table 4 below:

Table 4: Data results of post-acquisition phase

Post-acquisition phase				
Factors & Conditions	**Employees**	**Team Leaders**	**Middle Managers**	**Senior Managers**
Communication	Communication became less and less until it stopped completely	No post-acquisition communication	No communication	Everybody wants communication all the time. Sometimes information is created in the process
Effect on roles, functions, lives	New roles were undefined, functions were unclear, felt uprooted	No hand-over, no training. No value on skills or expertise that could be offered	No direction, undefined roles, devastating effect on lives	Insecurity, uncertainty, no power

Factors & Conditions	Employees	Team Leaders	Middle Managers	Senior Managers
Length of service	Skills, knowledge, experience developed over time was not factored into role and function allocations	Loyalty of service, knowledge of business and experience were ignored	Accumulated so much valuable knowledge and skills over the years and then down-graded role post the event	Devoting over a decade of service and loyalty to an organisation that rejects you, makes you rethink organisational loyalty to personal loyalty
Overall expectations being met	Promises made prior to move were not upheld	After many years of service the expectation was to be treated better	Expectations were not too high, but still were not met	Personal expectations not, but what organisation is expected to do they will do
Organisational culture	Outsiders, "us versus them", isolated	Incorporation of new culture, that did not fit	Cultural clash that leaves staff confused	Incorporation of new culture, that did not fit
Post-acceptance of event	No	No	No	No
Productivity	Productivity decreased, no operational efficiencies	Productivity decreased, systems changed, process changed, staff changed	Productivity decreased, systems changed, process changed, staff changed	Productivity is low, morale is low, energy levels are low

Factors & Conditions	Employees	Team Leaders	Middle Managers	Senior Managers
Morale, discontent, dissatisfaction	Dissatisfaction, low morale, negativity	Low morale, discontent, anger, unhappiness	Disappointment, anger, high stress	Disappointment, anxiety, high stress

78% of the respondents confirmed that, from a role and responsibility point of view, they believed and felt that they were not performing challenging or value generating work as a result of the new role allocations. One of the respondents articulated this point in the following statement: “The work I was doing was not challenging and it was a constant fight for your voice to be heard, having to fight for getting work done and fighting for how things should be done”. This suppressed the employees’ ability and space to formulate different operational ways of doing things. Other respondents expressed that they were not being challenged beyond their knowledge and expertise, resulting in a lack of excitement or creativity within in their new functionalities. The new roles had just become another regular position with no real value and the employees would arrive at the office merely to complete tasks and fill the day. One of the respondents indicated that the resultant effect of this environment was an increased sense of insecurity with no real power or authority which created more dissatisfaction, discontent, unhappiness and higher levels of anxiety and stress. As shown in Figure 5, there seems to be a direct correlation between constant environmental changes and an increase in the levels of anxiety and stress. As deduced from the data, the change in environment, change in roles and responsibilities, change in teams and change in mangers had a direct impact to the levels of stress and anxiety that the respondents were experiencing.

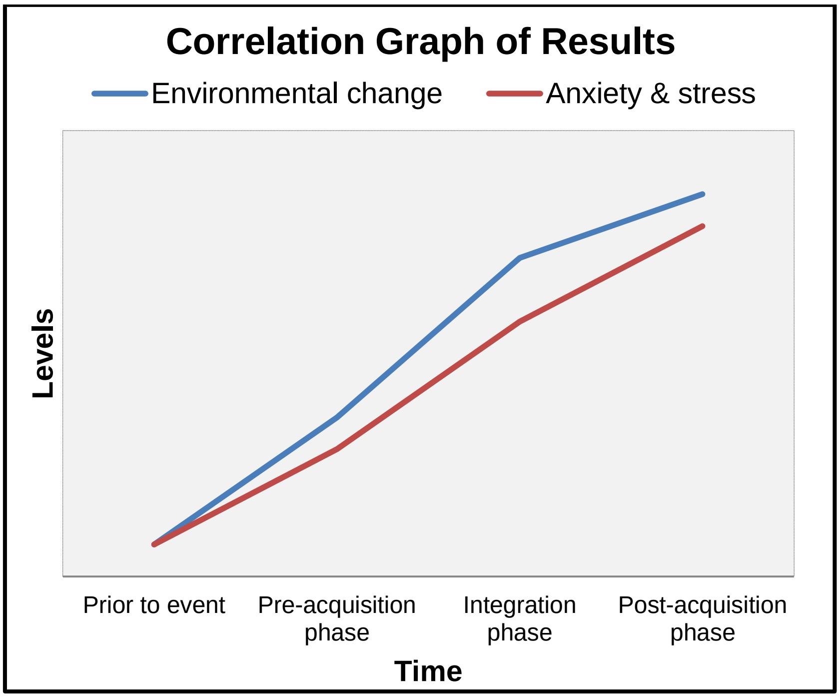

Figure 5: Correlation between environmental change and anxiety & stress

Various respondents reviewed and reflected upon the post-acquisition phase, as well as the entire transaction process, and revealed that the length of service as a consideration factor in making decisions was completely ignored in the process. One of the respondents expressed that skills, knowledge and expertise accumulated gives a person an added advantage into how the business operates and functions. They further affirmed that after expressing their concerns regarding underutilisation of their experience and expertise to a senior manager in the organisation that the response was simply that they needed to free up spaces to do other things. 63% of the respondents agreed that underutilisation of intricate knowledge and skills of business sales force and operations, by moving employees into another area or another role, has a detrimental impact on the productivity and ultimately the profitability of the organisation. One of the respondents affirmed the view point of loyalty by stating that after an extended length of service, to be rejected by the organisation can potentially make the employee rethink organisational loyalty and revert to personal loyalty with decisions that will benefit the individual.

89% of the respondents had overall expectations, both personal and organisational, which were not met during or post the acquisition phases of the transaction. Some of the respondents also confirmed that they were made verbal promises by the executive management team of the acquired organisation, in terms of bonus payments and increases, that were broken and not upheld post the acquisition phase. One of the respondents emphasised that the only expectation that they had was better treatment by the organisation, after so many years of service and not even this expectation was met. Another respondent expressed that their personal expectations of the changes were not met but that their expectations of the organisation to act unrealistically and unfairly were definitely met.

All the respondents agreed that the inability to embrace the organisational culture and structure was an important factor to be considered due to the fact that it ultimately determines the working environment and the success or failure of performance within that environment. Some respondents further affirmed this view point by stating that it was very important for an organisation to allow employees the environment and space to bring their own unique differences into the workplace as that will create a platform for a more holistic cultural assimilation. In this way the organisation will be able to bring about more significant and acceptable cultural changes that can be transformed throughout the entire organisation. In one of the acquisition transactions, the culture between the organisations differed in that the one organisation had a close community-based culture and was forcefully assimilated into a culture that was predominantly isolated and silo driven, which was a clear clash in cultural environments. In another transaction, the cultural difference between the organisations was one of incorporation and communication versus one that was hierarchical and intimidating, also resulting in a definitive cultural clash. 56% of the respondents indicated that they experienced a classic “us versus them” mentality and atmosphere within the culture and were often referred to as the ex-organisation people. This further highlighted that culture clashes and not properly assimilating employees created an environment that provides very little opportunity for employees to infuse their own cultural uniqueness in the business operations as they always feel like outsiders. 37% of the respondents affirmed that although they were dissatisfied with the new organisational culture, they had no other choice but to adopt it without direction or support and be content with the new culture.

89% of the respondents agreed that the level of productivity, post the acquisition, was extremely low with little to no operational efficiencies or effectiveness. Some of the respondents further reiterated this view point by stating that in the organisation, the productivity decreased due to the constant changes in systems, process, procedure and staff that were either leaving or were moved to other areas. Other respondents reflected that an organisation cannot run effective and efficient operations without correctly functioning systems, skills and knowledge in place, as these all create a more structural approach to productivity.

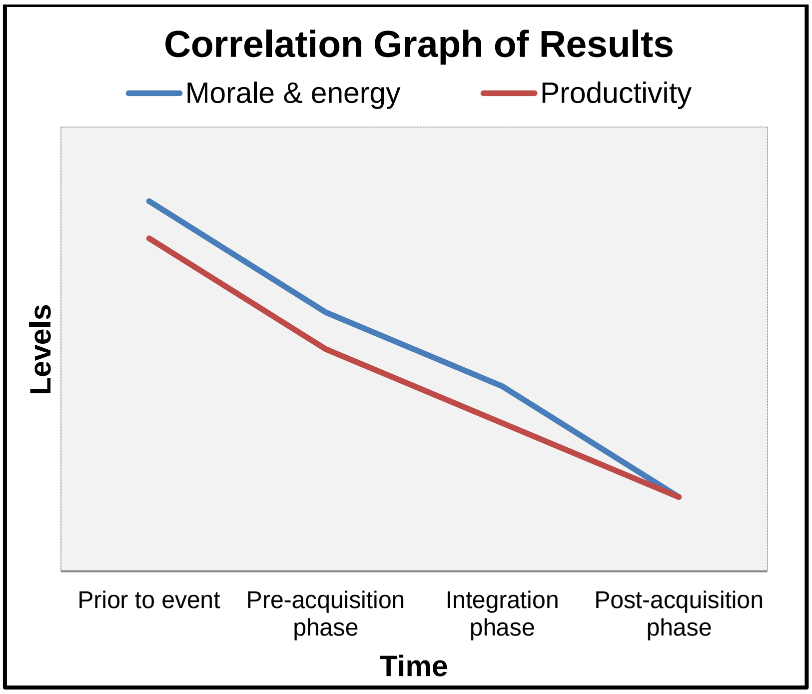

Figure 6: Correlation between morale & energy and productivity

Some of the respondents also affirmed that the lack of full assimilation into the organisation and employees placed in incorrect roles and functions had the tendency to generate an environment of low energy and low morale which directly impacted on the level of productivity and operational performance. This can also impact the return on investment and profitability of the organisation if productivity persists at low levels. Based on the cumulative data collected it can be deduced that there is a direct correlation between low morale and low energy versus low productivity, as depicted in Figure 6 above. The lower the morale and energy levels of the employees within an organisation, the lower the productivity is expected to be.

Driving factors of the post-acquisition phase:

- **No communication**
- **Negative effects on lives, positions and functions**
- **Length of service – accumulated skills, knowledge and experience were ignored during the process**
- **Lack of trust and overall expectations not been met**
- **Cultural and structural clashes – "us versus them", outsiders, only one way of doing things**
- **Operational processes – constant change in systems (non-functional), processes, policies and staff (resigning or moving)**
- **Emotional factors:**
    - **Dissatisfaction of new roles, functions and responsibilities**
    - **Discontent with the environment and organisational behaviour**
    - **Anxiety**
    - **High stress levels**
    - **Low morale and energy levels.**

4.4 Research Question 2: How does this impact the organisation and what are the resultant effects on value creation for the stakeholders?

The following section will highlight the overall impact of employee turnover within the organisation, as well as indicate the effects this potentially has on value creation for the stakeholders. The data and formulas used in this section have been collected by means of research through articles and business case studies. The data will be presented in a summary format as a holistic and detailed representation of the impact and the effects that employee turnover has on an organisation.

In most acquisitions one side or the other will, at various times, feel at a disadvantage within the transaction. Even in the most evenly matched transactions there is a situation that develops where one organisation will likely be perceived to be in the ascendency power state. Employees from the weaker position, most likely the acquired organisation, begin to lose positive social identity and morale because they are unable to identify with the new roles and responsibilities and the new organisational culture. Integration then becomes difficult to manage as employees strive for control and power of their roles, their lives and their identities. While many employees attempt to integrate into the new organisation, some will resist and attempt to maintain their original identity and self worth. Failure at these attempts results in employees, mostly from the acquired organisation, resigning and leaving the organisation either during the integration phase or post the acquisition phase. During this research study, through observations and data collected, the average attrition rate within the organisations involved in acquisition transactions were between 30% and 40% throughout the transaction as well as post the transaction.

While many organisations regard this as natural attrition behaviour within the acquisition transaction, they seldom consider the overall implications or costs to the organisation of these employees leaving. One such aspect would be the loss of intellectual capital that needs to be factored in regarding accumulated skills, experience and extensive knowledge of the business operations and functions of the acquired organisation. Depending on the length of service, this intellectual capital has been accumulated over a period of time and may be difficult to replicate or replace which potentially has a direct impact on productivity. The next aspect is the recruitment, which is often a lengthy process to endure in order to find the replacements. The last aspect is around the costs of replacing an employee. Many executives and managers consider the recruitment or salary costs to be the only impact to the organisation, whereas the replacement costs of an employee include many other variables. These will be discussed later in the section.

Organisations that embark on the recruitment process to replace employees will often have to endure the following selection process. The selection process below reflects a high-level overview of the phases that will need to be completed, in order to ascertain the resources and time consuming activities that need to be completed (Lumley and Clarke, 2011):

Selection process:

- **Job profiles** – HR consultants will be required to perform a job analysis on the open position by defining the purpose of the job as well as describing the job and how it can be measured. They will also need to design and develop a comprehensive job description using some form of competency base model to align to a specific level or grading

- **Salary benchmarking** – The consultants will conduct a salary benchmarking survey to ensure that the remuneration for the positions are in line with market related benchmarks

- **Attracting talent** – All vacant positions must first be advertised internally to facilitate employees with career opportunities and provide employee retention. The next steps will be to write quality job advertisements for publications as well as streamline employment brand and value proposition

- **Employer of choice** – HR consultants will define the “Employee Value Proposition” due to the fact that there is a fight for talent in the marketplace hence the organisation cannot afford not to be an employer of choice

- **Employment contracts** – The employment contracts must be aligned with both legislative and business requirements

- **Employment equity** – HR consultants will need to assess and identify any opportunities that may arise to fulfil the organisational BEE requirements

- **Recruitment process and policy** – The consultants are required to establish and define a recruitment framework and policy within the organisation which will be aligned with legislative and business requirements

- **Competency based assessments** – Interviews will be conducted on potential candidates that meet the recommended criteria. Short-listed candidates will be subjected to a series of psychometric and behavioural tests to ensure a suitable fit to the organisation and position. Successful candidates will then be offered the position and package based on acceptance criteria predetermined by business and organisational needs

- **Training needs** – HR consultants will also be required to establish and define the training requirements framework and policy that is aligned to the purpose, description and performance of the specific position.

(Lumley and Clarke, 2011)

Based on the data highlighted in the selection process, it can be concluded that the recruitment process to replace an employee is extremely time consuming and resource-dependent. With a turnover rate of between 30% and 40%, it is clear that replacement of these employees will have a major impact on the organisation’s time and resources, as well as impact on the organisation’s growth and development as these positions will need to be filled first. It also needs to be noted that the competencies and abilities of new employees that are recruited will not be anywhere near the calibre of the exiting employees due to the knowledge, skills and intellectual capital that the exiting employees are leaving with.

The impact of employee turnover, post an acquisition transaction, has often not received considerable attention by executives and senior management as well as HR consultants within the organisation. The turnover costs are regularly regarded as one of the most costly and seemingly difficult HR challenges that confront organisations with rapidly increasing attrition rates (SIGMA Assessment Systems, 2012). In organisations where the turnover rate is high, post an acquisition transaction, the organisation potentially faces a loss of knowledge, skills and experience as well as the loss of ability to meet business objectives and strategic goals. Research analysis around turnover costs present seemingly high estimates based on a multitude of factors that need to be considered in calculating the turnover costs. The high cost of losing key skilled employees can potentially have a serious impact on the organisation's profitability, sustainability, growth and even survival within a competitive marketplace (CIPD Research, 2007). Many organisations do not endure the process of calculating employee turnover for various reasons. Some of these reasons may be that the organisation does not require the information, it is too time consuming to complete the analysis and calculation, it may be too complicated to compile the different factors or it may be too costly to perform the analysis and calculation.

There are a number of cost implication factors that result from employee turnover and these factors can be derived from a number of different variables. Some of the factors are listed below:

- **Recruitment and appointment costs** – The recruitment and appointment costs refer to all the costs associated with the selection process, including the advertisement costs for posting the positions availability and any extended advertising that may be required. If the position is assigned to an agency, who advertises the position on behalf of the organisation, then an agency cost needs to be included which ranges between 15% and 20% of the employee's annual salary depending on the level of the position. There is a cost calculation associated to the time and resources spent on reviewing resumes and conducting interviews, as these are productive hours now assigned to position replacements. Included in these costs are the calculation of costs relating to assessments and pre-screening of short-listed candidates which is often a direct cost to the organisation but never factored in as a recruitment cost

- **Training costs** – Training costs refers to all costs associated with setting up the new employee and the training required in order to meet the standards and objectives of the job specification. The calculation includes the costs of orientation into the organisation, the cost of orientation materials as well as the costs of new employee set-ups such as computers, password creation, email accounts, security access, business cards, and telephones. These calculations also need to include the cost of the person conducting the orientation, as a portion of their salary. Training costs also need to include the departmental training of the processes and systems which can span for up to eight weeks. This also needs to include the cost of the person conducting the training, as a portion of their salary, due the fact that they will be less productive during this period. There is also a supervisory cost that needs to be included which is related to explaining and assigning work during the initial period as well as reviewing and assessing the outputs. This is generally assigned a value of seven hours per week for eight weeks, as a portion of the supervisor's salary

- **Cost of position being vacant** – Calculating the cost of the position being vacant involves including the costs of temporary employees that may fill in while the position is vacant or the cost of existing team members that will be performing the duties of the vacant position as well as their own. This calculation will be a proportionate percentage of their salary as a cost for completing the duties. Another associated cost may include the cost of overtime rates that may be required to sustain the workflow, processes and productivity levels. There is a cost assigned to the manager who is required to identify the duties delegated to the person leaving and unattended duties as well as assign and delegate the work to other team members until a candidate is found to replace the vacant position. There is also a proportionate cost of the salary of the person who is leaving that needs to be factored in for the period that the position is vacant

- **Cost of lost intellectual capital** – The loss of intellectual capital is probably the most important factor and calculation to be considered as it is an intangible asset that needs to be justified. As this intellectual capital has been accumulated over a period of time, it is sufficient to say that there needs to be an element of length-of-service included in the calculation. A formula developed to calculate the intellectual capital uses the employee's annual salary at a rate of 50% for the first year of service and increases this by a calculation of 10% for every year of service thereafter

- **Cost of lost productivity** – The loss of productivity is also deemed to be an intangible cost and is an important cost factor that needs to be considered. Due to the fact that the new employee will be training and assimilating to the organisation and the new role, there will be a period that they will not be fully productive according to the specification standards. A formula has been developed as a guide to calculating the cost of lost productivity. During the first two to four weeks, once the initial training and assimilation has taken place, the productivity levels of the new employee will be at approximately 25% which means that the cost to the organisation is 75% of the new employee's salary during that time period. The next period ranging from five to twelve weeks will have the new employee contributing at a rate of 50% of the productivity levels. Therefore, the cost to the organisation will be 50% of the new employee's salary during that period. The final period is between thirteen and twenty weeks when the new employee will be contributing at approximately 75% of the full productivity, leaving the cost to the organisation at 25% of the new employee's salary for that period. Additional costs that need to be included in calculating the loss of productivity are the costs of mistakes that will be made by the new employee during the extended training and assimilation period as well as the cost of lost productivity of team members and the supervisor who lose productivity based on the time spent on the new employee with assistance and training

- **Cost of lost revenue** – Loss of revenue is often omitted from these calculations when in fact they need to be included to ensure the comprehensive cost implications of employee turnover are conclusive. In order to guarantee the accuracy of the calculation, the organisation will need to begin by calculating the average revenue per employee which is accomplished by dividing the total organisations net revenue by the average number of employees of the financial period. All employees have definitive roles and responsibilities that are required and necessary to generate revenue for the organisation in a holistic view of the functional processes performed within the organisation. This is regardless of whether the employee that is leaving was a direct or indirect contributor to the generation of revenue. The formula for calculating the loss of revenue is defined by multiplying the average weekly revenue per employee by the number of weeks the position remains vacant, including the training and assimilation time.

(Bliss, 2011)

Based on the data presented above it needs to be affirmed that time, intellectual capital, productivity and revenue are as important cost factors to be considered in the calculation as the costs that are physically paid out by the organisation for services rendered. These are classified as real costs associated with employee turnover and impact the organisation just as extensively as the tangible costs. Using the calculation formulas above the average turnover costs could significantly amount to approximately 150% of the employee’s annual salary, which may vary from organisation to organisation depending on the input variables. Turnover costs of replacing managerial positions may be considerably higher and can potentially reach up to 200% of the annual salary (Bliss, 2011). It can now be clearly distinguished that there is a difference between recruitment costs and replacement costs, as replacement costs include additional factors that define a more conclusive value of the turnover cost. As shown in Figure 7 it depicts the comparative differences between the recruitment and replacement costs as they exponentially increase over time.

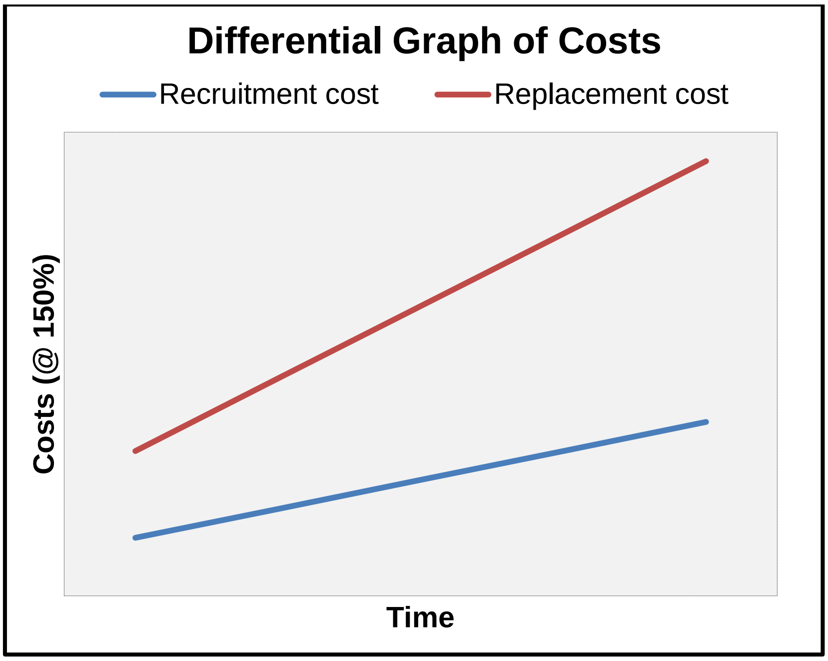

Figure 7: Comparative graph between recruitment & replacement costs

The following formulas as depicted in Figure 8, makes use of example totals for the purposes of explanation and the purposes of completing the calculations:

<u>Formula:</u>

(Total number of staff x attrition rate %) **X (multiplied by)** **(Total annual salary x replacement cost as % of salary)**

Figure 8: Calculating employee turnover costs

(Bliss, 2011)

Calculation example for employee turnover costs:

If an organisation that was acquired had approximately 70 employees and the attrition rate, post the acquisition transaction was 30% (e.g. 21 people from acquired organisation left) with these employees average salary being R 350,000 pa then the turnover cost to the organisation would be as follows:

Replacement cost of 150% of a salary of R 350,000 means the cost to replace each vacant position would be R 525,000.

The employee turnover cost would therefore be calculated as 21 X 525,000 which equates to R 11 million for a year as a “once-off” cost to the organisation’s revenue.

If the organisation had an approximate salary budget of R80 million per year then this “once-off” cost of R 11 million would equate to a rate of 14% of the overall annual salary budget. The resultant effect of this “once-off” cost to the organisation is loss of revenue and loss of value to stakeholders who are expecting a return on investment from the acquisition and the business performance. Often organisations reflect the attrition rate as a decrease in operational spending costs and therefore reflect it as a savings within the reported annual year. This distorts and alters the economies of scale that truly impacts the organisation in terms of cost implications and value creation for stakeholders.

4.5 Summary of the presentation of results

In summary of the presentation of results from the above section, as deduced from the data provided by the interviews conducted, it can be affirmed that there are a number of driving factors that contributed to the employees' turnover decision. In order to compare the weightings of the turnover factors, values were assigned to each factor (equating to 100) based on the intensity of impact to the respondents, extracted from the data, as well as the reoccurrence of the factor throughout the acquisition process. The weightings of the turnover factors are depicted in Figure 9 below and portray an explicit sense that three of the factors, namely communication, roles and responsibilities and emotional factors, had a much higher weighing than the other four factors. There was a greater importance and emphasis placed on these three factors throughout the acquisition process that increased the employees' decisions to leave the organisation.

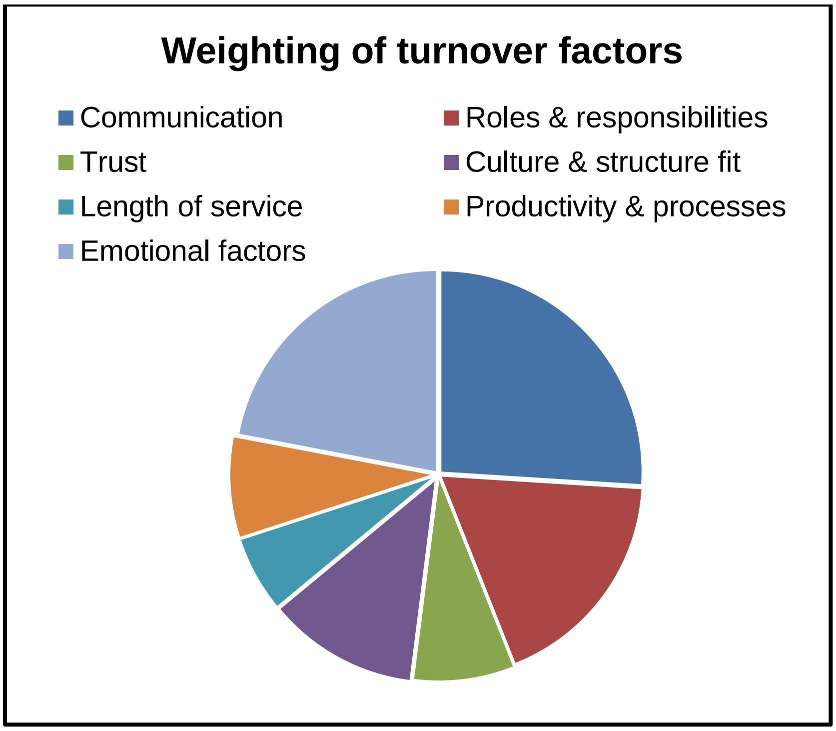

Figure 9: Weightings of employee turnover factors

In summary, the contributing driving factors are highlighted in more detail below:

- **Communication** – Communication, or the lack thereof, has been a common theme through all phases of the acquisition transaction. The respondents affirmed that there was specific high-level communication that was disseminated throughout the various phases but not enough to conclusively explain direction or objectives of the various processes. The communication also seemed to raise more questions than answers which caused additional frustration and confusion for the employees

- **Roles and responsibilities** – The respondents emphasised great importance to this factor throughout the interviews, as well as the effects that this had on their lives. The respondents confirmed that the roles and responsibilities were mismatched, some downgraded, undefined and unclear with no clear direction or objectives. It was also noted that in some cases HR did not remain neutral and unbiased when assigning the new roles, which meant that they did not have the employees' best interests in mind. The lack of defining the role and direction within the role has the potential to affect many characteristics, such as the perceived importance of the role, the challenges to utilise expertise and the capacity to elicit a sense of purpose. A position's title and status was also perceived as an important variable within the role and responsibility factor

- **Organisational culture and structure fit** – The respondents agreed that due to the lack of full assimilation of employees, systems, processes and procedures within the new organisation created an environment of isolation and segregation. The integration of two different cultures and structures also tended to cause clashes and created resistance amongst the acquired employees. It also made them feel like invaders and outsiders to the new organisation. Not much attention was given to the cultural integration and assimilation of employees throughout the integration and post acquisition phases which accentuated this as being a turnover factor

- **Length of service** – Many respondents reflected upon their discontent around the fact the length of service was ignored and not factored in to the decisions of role and responsibility allocations. Some of the respondents had shown loyalty of service and accumulated valuable knowledge, skills and experience over the years of the businesses operations and functions which were ignored when assigning new roles. Other respondents felt a sense of rejection after years of service and reverted organisational loyalty to personal loyalty in order to make decisions that will benefit them, as opposed to decisions linked to organisational loyalty

- **Organisational trust** – Within the interview process, the respondents expressed the disheartening break in trust that they felt towards their organisation as well as the acquiring organisation. Some respondents articulated their disbelief at the treatment and behaviour that they received from the executive management teams, from both organisations, as well as their direct reporting managers. They further emphasised that the treatment and behaviour was unsupportive and had a tendency to be of a dishonest and secretive nature

- **Productivity and processes** – Due to the low morale and low energy levels, the productivity will be extremely low, even though the unrealistic expectation from the organisation will be to perform at 100%. Based on non-functional systems, constant process changes as well as staff and team changes, the respondents felt that this created an environment of disillusionment and frustration. In this environment no expectations will be realised, neither those from the organisation for productivity nor those from the employees which features this as an important turnover factor

- **Emotional factors** – In addition to the factors listed above, there are also emotional factors that are specific to the individual that influenced the turnover decisions. These emotional factors arose from the start of the acquisition process and escalated throughout the integration and post-acquisition phases. The emotions are an accumulation of anger, frustration, confusion, uncertainty, vulnerability, stress, anxiety, negativity and low morale. Each one of these were either felt by the employees or heightened in the different phases of the acquisition process. Some respondents asserted their feelings of low energy levels and no motivation around the organisation or their newly allocated functions.

To summarise the implications of the turnover costs to the organisation, it is evident that the turnover costs are regarded as one of the most costly and seemingly difficult HR challenges that confront organisations embarking on an acquisition transaction. It is therefore determined that the organisation potentially faces a loss of knowledge, skills and experience as well as the loss of ability to meet business objectives and strategic goals. Based on the research data provided, it can be deduced that the turnover costs present seemingly high estimates and the cost of losing key skilled employees can potentially have a serious impact on the organisation's profitability, sustainability and growth. Many organisations do not contemplate performing the process required in calculating employee turnover costs, in order to comprehend the full impact to the organisation.

Using the calculation formulas provided, it can be determined that the average turnover costs amount to approximately 150% of the employee's annual salary. This may vary from organisation to organisation depending on the input variables. This percentage may be up to 200% of the annual salary for the replacement of a managerial position. Due to the distinct differences, it can now be highlighted that there is a clear segregation between recruitment costs and replacement costs. Calculating the turnover costs of all employees that left during and post the acquisition transaction potentially equates to a rate of between 8% and 14% of the overall annual salary budget of the organisation, depending on the size of the organisation, the revenue and the attrition rate. The resultant effect of this cost to the organisation is loss of production revenue and loss of value to stakeholders who are expecting a return on investment from the acquisition and the business performance.

5 DISCUSSION OF THE RESULTS

5.1 Introduction

The following chapter will outline the explanations and discussions relating to the results that have been presented from the data collected throughout the research study. These explanations and discussions are presented in three phases, namely pre-acquisition phase, integration phase and post-acquisition phase which encompasses the entire acquisition process. The discussion points are accompanied by graphical representations to further accentuate the distinguishing points being made. The graphs are a visual depiction of the results and discussions that have emerged from the data. As part of the explanation and discussion chapter, there will be an alignment and integration between the results presented in Chapter 4 and the literature review study presented in Chapter 2. The chapter will conclude with a summary of all discussions relating to the themes, factors and findings highlighted in the research study.

5.2 Discussion of Research Question 1: What are the eminent driving factors affecting employees turnover behaviour post an acquisition?

From recent research studies it has become evident that many acquisition transactions fail to produce results or even create value for the stakeholders. In a KPMG merger and acquisition survey done in 2008 the results showed that 73% of the transactions failed to produce results and even went as far as to highlight that 39% of the transactions showed a decrease in stakeholder value creation (KPMG, 2008). Acquisition transactions are complex processes from the pre-deal initiation of the transaction through to the post-acquisition phase. Value extraction becomes an important (yet challenging) element to accomplish, with various factors and challenges that emerge throughout the process. The following discussions will illustrate the importance of the financial and human capital factors that need to be prioritised within the acquisition process and the implications that these factors have on the organisation.

5.2.1 *Discussion on pre-acquisition phase driving factors*

As determined by the results of the data presented in section 4.3.1, it has been stated that most respondents experienced a clear differential shift in the organisation, in terms of atmosphere, mood and interaction between employees post the acquisition announcement. Some respondents described an environment of chaos, confusion and disbelief that set in while everyone attempted to absorb the news with more questions being raised, which resulted in a process of speculation and guessing on the part of the employees. These statements are validated in the research studies done by authors Zhou, Shin and Canella (2008), who affirm that within the announcement made by the executive management teams, there always seems to be emphasis placed on the positive and desirable results that will emerge from the transaction rather than highlighting the potential negative impacts this will have on the employees' lives, jobs and futures (Zhou et al., 2008). In other research studies the results show that the impact to the employees involved in an acquisition can be compared to a major destabilising life event and can often be perceived by the acquiring employees as a threat of extreme changes. This threat to employees heightens their vulnerability and loss of security within the process (Cartwright and Cooper, 1995; Searle and Ball, 2004).

Many of the respondents felt frustrated by the lack of communication and information they received, post the announcement, which they deemed necessary and critical to answering important questions. The longer the time period continued with no communication, the more negative and frustrated the employees became. These statements are validated by the opinions of Bertoncelj and Kovac (2007) who further articulate that the lack of communication in the early stages of the transaction has a direct resultant impact on the employees' cynicism, frustration and confusion. The authors further confirm the fact that communication from the organisation is frequently of a minimalistic and poor nature and perceived by the employees to be secretive and disingenuous (Bertoncelj and Kovac, 2007). In another research study conducted by Shook and Roth (2011), the authors validate the above statements by stating that communication of partial truths relating to the transaction, the roles and responsibilities as well as the potential effects that the transaction will have on their lives, leaves the employees to assume and speculate the full details (Shook and Roth, 2011). Communication is an important factor in the acquisition process as it gives the organisation the opportunity to convey the relevant information, specific details and strategic objectives regarding the transaction which allows for the employees to be better prepared for the phases they are about to embark on.

As presented in section 4.3.1, many of the respondents were reluctant and resistant to accepting the transaction as well as the eminent changes associated to the process that they were about to encounter. Some respondents saw the acquisition as a negative life altering event which further accentuated the lack of readiness to embrace the changes. The respondents further validated their opinions by expressing their increased emotions of stress, frustration and anger with increased levels of insecurity and uncertainty. Shook and Roth (2011) also highlight in their research study that the involvement of OD and HR consultants, in the early stages of the transaction, fulfils an important function required to managed the communication and crises that may arise from the employees within the initial phases (Shook and Roth, 2011). Including the OD and HR consultants in the early stages of the process ensures that a clear communication strategy can be designed, developed and executed in a timely manner throughout the organisation, to all the managers and employees (Shook and Roth, 2011). It also allows for the OD and HR consultants to formulate a comprehensive information strategy as well as coordinate the strategic objectives and goals which can be implemented prior to the start of transaction process (Bertoncelj and Kovac, 2007).

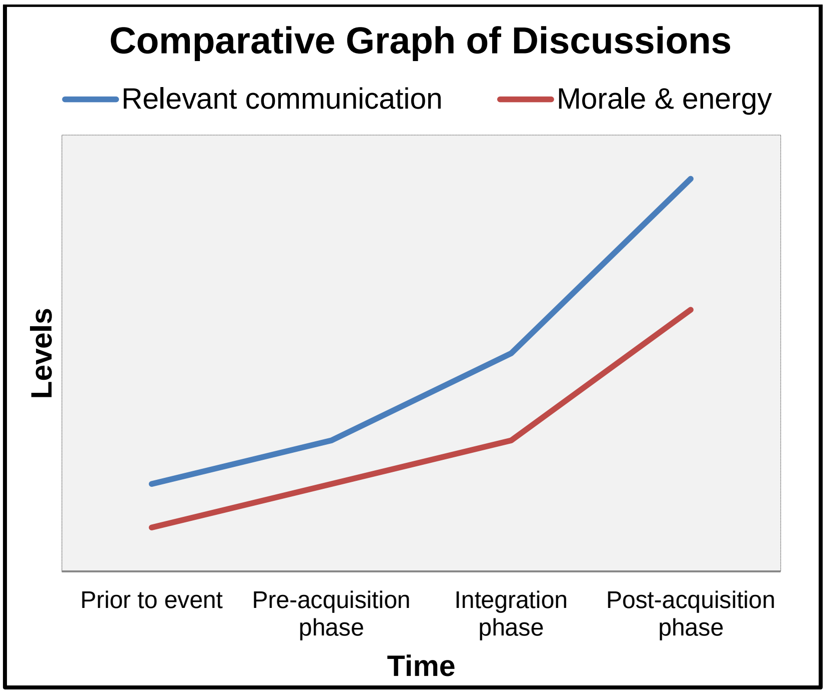

Figure 10: Comparison between relevant communication and morale & energy

By ensuring the design and implementation of a comprehensive communication strategy at the beginning of the acquisition process, the dissemination of constant relevant information will be easier to manage. As shown in Figure 10 above, by confirming that all relevant information is communicated on time to the target audiences then the employees will be less likely to be demoralised. Therefore, constant relevant communication will directly impact the morale and energy levels of the employees, in a more positive way.

5.2.2 *Discussion on integration phase driving factors*

Upon entering the integration phase, the role and importance of the OD and HR consultants will increase as it is necessary for them to manage the integration activities of the two organisations, as well as supply ongoing support to the managers and employees throughout the process. Based on the complex nature of the transactions and the organisations, there is rarely a generic approach available that can be followed during the integration phase. This unfortunately amplifies the many challenges that face the OD and HR consultants, many of which are employee and behaviour related. As indicated in section 4.3.2, most of the respondents identified a persistent lack of communication, as no information was shared regarding the progress, current happenings or even the decisions that were made. Many of the respondents were unaware of the existence or the implementation of any policy and strategy that was directed towards the integration phase. These statements are validated by the opinion of Siegenthaler (2011) who expresses in his article that communication from the OD and HR consultants, during the integration phase, requires the real and meaningful articulation of the organisation's strategic vision and objectives that result from the transaction. The author further affirms that communication needs to be relevant and appropriate for the various audience groups to highlight topics and questions that require immediate attention (Siegenthaler, 2011). In another study done by Applebaum, Gandell and Yortis (2000), the authors further validate the importance of relevant communication by stating that communication needs to address the immediate fears that managers and employees are facing of which the most apparent would be the feeling of loss. There are various types of losses that require attention through effective communication such as loss of employment, loss of co-workers, loss of managers and loss or changing of roles and responsibilities (Applebaum et al., 2000).

As presented in section 4.3.2, many of the respondents confirmed that they had little interaction with OD and HR consultants after moving to the new organisation. Other respondents reflected that, even with consultant interaction, there was no identifiable point of contact within the integration phase that could assist with queries, questions, concerns or even just basic orientation into the new organisation. Shook and Roth (2011) criticise the above statements by accentuating the importance of the OD and HR consultants within the integration phase. The authors further articulate that the consultants have a critical and sensitive task to complete of supporting and guiding the managers and employees during the integration phase. This task can be more simplified, streamlined and enforced if the right amount of support is offered by the executive management teams (Shook and Roth, 2011). Some of the respondents reviewed the lack of integration from a cultural and structural perspective into the new organisation which directly impacted the functionality and performance of the operational teams, processes, systems, protocols and procedures. There was no clear direction in terms of the way things needed to be done from either the "same as before" operational functionalities or assimilated into a "new way" which would require training. Respondents were also frustrated about the lack of power and inclusion in the decision making process regarding which processes and systems would remain and which would be decommissioned. Shook and Roth (2011), in their research study, highlight the fact that managing cultural integration between two organisations is extremely complex and requires substantial amounts of planning and communication to ensure that employees do not develop confusion around which behaviours, traditions, processes and functionalities need to be followed (Shook and Roth, 2011). During this period the OD and HR consultants need to carefully manage the managers and employees behaviours and assimilations into the new organisation as many may display distinctive adverse attitudes to the cultural integration (Shook and Roth, 2011). Other authors confirm this statement that the pride, confidence and integrity of employees are often crushed during cultural integration and employees will feel a very real sense of vulnerability (Applebaum et al., 2000). They further articulate that it is necessary for the OD and HR consultants to equip the employees with the tools required to proactively deal with notions of ever changing environments, develop new relationships within the new organisation and adapt to new managerial support (Applebaum et al., 2000).

As further highlighted in section 4.3.2 of the results, there was plenty of anger and frustration expressed by the respondents towards the organisations, both the acquiring organisation and the acquired organisation, specifically around the treatment that the respondents were receiving during the integration process. Some of the respondents also affirmed that the treatment and behaviour from the organisations revealed a lack of trust as the activities were perceived to be of a distrusting and disbelieving nature. They further noted that the treatment and behaviour by the organisations were unsupportive and inclined to be of a dishonest and secretive nature. In a research study done by Searle and Ball (2004), the authors highlight that there is a mutual expectation that exists between the organisation and the employees with reference to trust and that employees will often change their perceptions and understandings of the organisations throughout the acquisition process (Searle and Ball, 2004). The authors further affirm that trust is based on sharing of knowledge and meeting of employees' expectations, failure of which will cause a definitive break in trust between the parties. The resultant effect of this may end in disappointed and distrusting employees which leads to intense, cynical and emotional behaviours that affect the integration phase (Searle and Ball, 2004).

The majority of the respondents showed signs of anger and frustration at the misalignment and mismatching that occurred during the allocation of new roles and responsibilities and some even highlighted the fact that their titles and grades were downgraded from senior positions to junior positions in the process. Respondents also indicated that the process was not completed fairly and accurately, to benefit all parties involved and that the people that were involved in the allocations process did not stay neutral or unbiased. Some of the respondents confirmed the lack of recognition or appreciation that they received when assigned these new roles which ignored their extensive experience, potential added value and contributions over the years. The respondents also emphasised that any contributions or career growth that they potentially could have in the future was by no means going to materialise in these new roles. The above statements are validated by Shook and Roth (2011) who state that the organisation needs to ensure that the new roles, titles, grades and responsibilities, of the integrated employees, must correspond strongly to the existing roles as this is often where the confusion and disorientation amongst the employees originates from (Shook and Roth, 2011). Other authors further validate the importance of intellectual capital management by emphasising the necessity of a comprehensive and fair distribution of the knowledge and skills to ensure the creation of the most effective and efficient new skill-set within the organisation (Bertoncelj and Kovac, 2007). The authors also accentuate the fact that a clear understanding of intellectual capital management and distribution, throughout the transaction, greatly increases the chances for the development of value creation and sustainability of the new organisation (Bertoncelj and Kovac, 2007). It also needs to be noted that the two organisations involved in the transaction should view their employees as tangible assets and the greatest assets that they have, rather than just an integration function which requires completion (Shook and Roth, 2011).

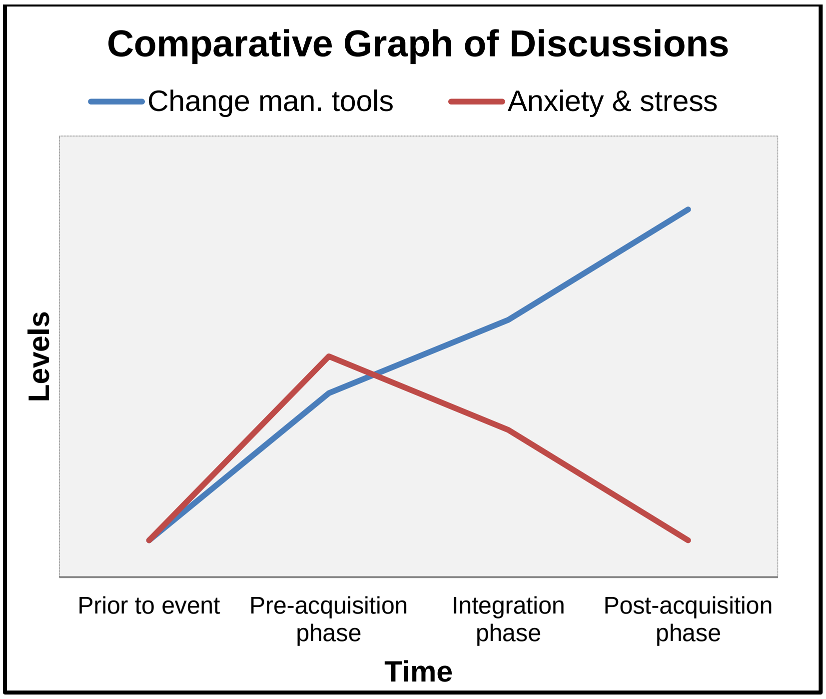

Figure 11: Comparison between change management tools and anxiety & stress

It has been noted that communication and the speed of execution are important factors to the success of integrating two organisations. However, not only is it based on the accurate dissemination of information to employees, it is also based on the employees adaptability to change throughout the process. If change management tools are introduced to the employees early in the process and they are equipped to deal with changes to environments, culture and teams then the employees will feel less anxiety and stress around the acquisition. As shown in Figure 11 above, the introduction of change management tools has a direct impact on decreasing the anxiety and stress levels within the employees.

5.2.3 *Discussion on post-acquisition phase driving factors*

Throughout the acquisition transaction, it has been noted that the role of communication is one of the most important aspects that needs to be managed as it directly affects the employees' reactions and behaviours. In the post-acquisition phase it is one of the significant elements that potentially affect the relationships within the organisation between executives, managers and employees. Many of the respondents did not experience this by indicating that the communication and interaction from the organisation halted once the relocation and role allocations had taken place. Other respondents further validated these statements by emphasising that there was no further communication regarding post-acquisition activities, progress or any additional changes that may be taking place. The respondents also experienced that, without sufficient or relevant communication from the organisation, they continued to feel disorientated, frustrated and confused within the environment. The authors; Bhal, Bhaskar and Ratnam (2009), highlighted in their research that there is certainly no segregation between the affect (feelings) and cognition (thinking) of how the attitudes and behaviours of employees are linked to the post acquisition phase within the transaction (Bhal et al., 2009). Another author validates this statement by reflecting that one of the most important aspects for the organisation, within the transaction, is to carefully and effectively manage the employees through the changes of the integration phase into the post-acquisition phase reflecting the changed environment of the organisation (Cascio, 2010). Providing adequate and relevant communication to the employees helps feed the cognition (thinking) element which impacts the affect (feelings) on the employees' behaviours more positively (Bhal et al., 2009).

As indicated in section 4.3.3, many of the respondents articulated the lack of ability to assimilate into the new organisational culture and structure was an important determining factor for them, due to the reality that it influences the success or failure of performance within the working environment. Other respondents further stated that it was important for the organisation to potentially tolerate an environment where the employees could bring their own unique differences into the workplace as that would allow for the creation of a more integrated cultural assimilation. The experience of certain respondents confirmed that there were distinct "us versus them" scenarios created within the culture and they were often referred to as invaders or outsiders. Cartwright and Cooper (1995) validate the above statements regarding culture clashes within acquisition transactions. Within the author's 30 year acquisition research study, the leading conclusion is based on the principle that strategic fit is a prerequisite to the transaction when in fact the cultural assimilation and differences need to be analysed more extensively (Cartwright and Cooper, 1995). Organisational culture is a series of patterns, norms, beliefs, attitudes and assumptions that shape the ways in which employees behave and perform operational functions within an environment. In another research study the author reflected that the change processes within the post-acquisition phase, relating to cultural assimilation and integration, are potentially complex, slow and can often encounter resistance from the employees (Raukko, 2009). However, the changes that take place within the organisation, throughout an acquisition, are traumatic for employees specifically relating to issues associated with organisational fit and cultural differences (Raukko, 2009). The author also concludes that the unsuccessful assimilation of cultures into the new environment may potentially lead to negative consequences in the employees' behaviour such as low morale, increased stress, anxiety, uncertainty and lack of commitment (Raukko, 2009).

In section 4.3.3 it was further ascertained that the length of service was not a consideration factor in the decision making process based on the premise that knowledge and experience are accumulated over a period of time. This knowledge and experience potentially provides the employee with an advantageous overview of the business operational functions and processes. Other respondents corroborated these opinions by stating that the underutilisation of intellectual capital, within the organisation, often has a negative impact on the level of productivity and ultimately affects the resultant profitability of the organisation. In an acquisition research study by Bertoncelj and Kovac (2007), the authors confirm the importance of value creation and sustainability within the post-acquisition phase by comprehensively understanding the development of intellectual capital and how to manage it (Bertoncelj and Kovac, 2007). The authors further highlight that the employees posses the knowledge and skills that characterises the intellectual capital of the organisation which needs to be perceived as the organisation's tangible asset (Bertoncelj and Kovac, 2007). The difference between successful and unsuccessful assimilation is the environment in which individuals are allowed to collaborate and constantly develop by unleashing their creative potentials (Bertoncelj and Kovac, 2007).

During the post-acquisition phase, many of the respondents experienced an overall lack of fulfilment to their expectations, both personal and organisational. Other respondents identified that there were promises broken or not upheld during the post-acquisition phase, based on either verbal affirmation from their direct reporting managers or written confirmation from the executive management team. The following authors validate the above statements and affirm the importance of the role that OD and HR consultants play during the post-acquisition phase (Applebaum et al., 2000). The OD and HR consultants need to express to the employees that their interests are being protected and decisions are not only based on the organisations benefit to obtain profitability (Applebaum et al., 2000). Other authors confirm that the key variable in the fulfilment of expectations, through the employees' perceptions, is the delivery of promises and benefits that are communicated (Searle and Ball, 2004). The organisational expectations are based on the principles of employees' functionality, behaviours and productivity which is often referred to as the psychological contract (Applebaum et al., 2000). If any one of the counterparts do not fulfil the expectations of the other then the resultant affect would be a sense of betrayal (Applebaum et al., 2000). However, employee expectations are critical and sensitive to manage by having the potential to raise immense amounts of inter-personal issues relating to the employees' behaviour and attitude. The HR and executive management team are required to address these issues that are raised in a timely manner, otherwise the acquisition will fail to meet the expectations of the stakeholders which is productivity and profitability (Chun, 2009).

As shown in Figure 12, if there is an increase in the expectations and satisfaction of employees being met, there will be a direct positive impact on the emotional factors and behaviours ultimately leading to more positive outcome.

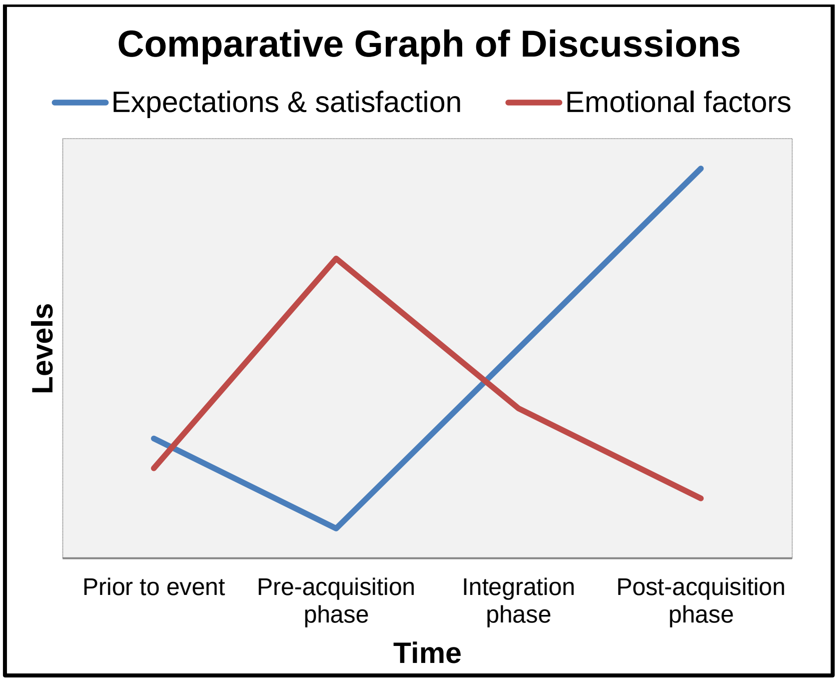

Figure 12: Comparison between emotional factors and expectations & satisfaction

Included in section 4.3.3, most of the respondents were in agreement regarding the level of productivity which was exceptionally low in the operational functions and processes with no streamlining or efficiencies. Other respondents validated the statement by highlighting that the constant changes that they were subjected to, such as changes in systems, process, procedure and staff, resulted in the decrease in productivity. The respondents affirmed that due to role and function mismatching, as well as cultural clashes within organisation, the environment that was created potentially resulted in low energy and low morale within the employees. This environment has an inclination to affect the employees' level of productivity and operational performance. The above statements are validated by the following authors in their research study, by stating that during the post-acquisition phase, the employees experience heightened emotions resulting from having to cope with multiple changes within their environment. They also had to continue performing their old and new operational functions to maintain productivity (Applebaum et al., 2000). The authors further express that during this period the employees may be more dependent on others within new organisation, due to lack of assimilation, instead of being strong and independent as they previously were (Applebaum et al., 2000). Managers that now lead these newly acquired employees cannot perceive this dependency as a weakness or incompetence, but should rather assist by providing leadership, coaching and guidance to ensure that productivity maintains at expected levels (Applebaum et al., 2000). Other authors also affirm the fact that maintaining or increasing productivity requires the stabilising and improving of the organisational environment, within the post-acquisition phase, through new operational and HR processes as well as protocols (Shook and Roth, 2011). It should be noted that lack of training and development interventions throughout the acquisition process potentially contributes to the employees' escalated stress and frustration levels. This has a tremendous impact on the individual's performance as well as the team's performance and productivity levels (Shook and Roth, 2011).

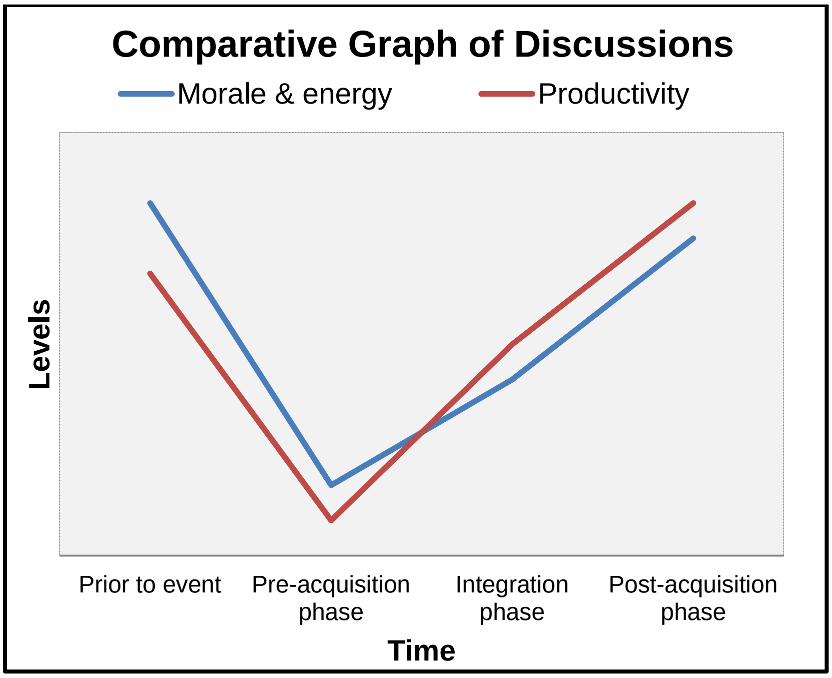

Figure 13: Comparison between productivity and morale & energy

As depicted in Figure 13, the careful communication and management of employees' satisfaction regarding their positions and environment will increase their morale and energy levels. The resultant effect of the increase in morale and energy levels will be an increase in performance and ultimately an increase in productivity levels. Therefore, the comparative effect, as shown in Figure 13, is an increase in morale and energy versus an increase in productivity.

It has been noted in acquisition research by the following authors that organisations fail to embark on performance monitoring initiatives post the acquisition which is a point of concern due to the fact that an accurate performance monitoring programme can gauge the progress of each individual's performance as well as the progress of the productivity and profitability of the organisation (Applebaum et al., 2000; Siegenthaler, 2011). It is the responsibility of the OD and HR consultants to design, develop and enforce a suitable monitoring tool that encompasses elements of HR principles as well as business principles in order to obtain a holistic view of the employee-driven performances and revenue-driven performances (Siegenthaler, 2011). The above statements are validate, by confirming that the monitoring of the organisational performance should begin during the first twelve months of the acquisition and continue for at least a three year period (Applebaum et al., 2000). The authors also highlight that a superior monitoring programme will be successful and beneficial to the organisation if the following questions can be obtained and answered from the measuring methodologies:

- Do employees understand and support the changes?
- Has there been any dramatic effect on employees' well-being?
- Have the changes been implemented effectively and efficiently?
- Has there been any dramatic effect on productivity and work quality?
- Do employees fully understand their expectations and new roles?

- Are managers (at all levels) minimising negativity and building positive rapport?

- Has the acquisition achieved its operational and financial objectives?

(Applebaum et al., 2000)

The answers to the above questions will assist in gauging the level of integration that the employees are experiencing as well as the emotional factors that may be apparent within the phases. The results also assist in integrating the business results and performance results with the employees' performances in order to accurately assess the level of productivity that the organisation has acquired during a certain period. The analytical evaluation and assessment of the results can then be presented to the executive management team for strategic guidance and decisions that may be required for the upcoming period, such as additional communication, training interventions, cultural assimilation or performance reviews.

5.3 Discussion of Research Question 2: How does this impact the organisation and the resultant effects on value creation for stakeholders?

Throughout the acquisition transaction and post the acquisition, organisations will be affected by a certain level of attrition which ultimately impacts the performances of teams and departments through the loss of skills and experience. There are predominantly three mindsets that employees can be categorised into while embarking on the changes of an acquisition transaction. These mindsets are:

- **“The Ready”** – these employees portray emotions of excitement and acceptance by viewing the acquisition as positive both for them and the organisation. These employees reflect upon new ways of functioning and improving; such as systems, processes, protocols and procedures. They are often customer-centric and focus on the best possible service to the end customer

- **“The Wanting”** – this is the group of employees that initially resists the acquisition but still attempt to assimilate into the new organisation. They are often disgruntled, frustrated and angry due to misalignment of functions or ending up in the wrong teams with different managers. They feel unappreciated and disrespected throughout the process. These employees need to be supported and managed carefully to ensure they fully integrate and assimilate into the new organisation

- **“The Wrung-out”** – these employees are highly emotive, negative and extremely pessimistic towards the acquisition as well as towards the new organisation. They feel as though they are trying to survive through a life altering disaster with little support or assistance. They often feel that their careers have reverted to dead-end jobs that they are now stuck in, but still continue to do the work. These employees resign and leave the organisation at some point of the acquisition transaction, either during the integration phase or post the integration phase.

(Applebaum et al., 2000)

As stated in section 4.4, organisations will be required to replace the employees that have left by following some form of selection process in order to find the appropriate candidates. The selection process, as detailed in section 4.4, is extremely time consuming and requires an enormous amount of assigned resources from HR to complete (Lumley and Clarke, 2011). This is further validated by stating that the calibre of newly appointed employees, based on experience, abilities and competencies will not be close to that of the exiting employees due to knowledge, skills and experiences that they have acquired over time (Shook and Roth, 2011). The replacement of these employees has a definitive impact on the organisation's time, resources and costs which ultimately impact on the growth and development of the organisation (Lumley and Clarke, 2011).

Even though most organisations consider the acquisition attrition rate to be a natural phase of business, the overall implications around loss of intellectual capital and its resultant cost are rarely considered. In a human behavioural study the authors affirm the above statement and state that organisations typically experience an employee turnover rate of between 30% and 60% within the first two years, post the acquisition transaction (Cartwright and Cooper, 1995). Other authors highlight that these are predominantly knowledgeable, skilful and experienced employees that become highly marketable and easily placed within other organisations which may be competition to the current organisation (Shook and Roth, 2011). Further confirmation that the factors, such as: recruitment costs of new employees, retraining costs of new employees, loss of time to recruit and train new employees as well as the loss of intellectual capital and expertise, are often lost or submerged in the first year of financial reporting which affects the true reflection of the impact to the organisation (Cartwright and Cooper, 1995).

The formula, as shown in Figure 14, highlights the simplicity of a very complex calculation, specifically around the replacement costs which varies based on different input factors. Bliss (2011) affirms the above by stating that average replacement costs vary from organisation to organisation due to differential input factors and values. The author further expresses the important calculation factors that need to be included such as productivity, time, intellectual capital and revenue even though these costs are not physically expended they are still costs (Bliss, 2011). The analysis of the turnover costs from employees that affects the organisations have a direct implication on the overall revenue and stakeholder value that is reported and reflected in the financial results. This implication has a resultant affect of loss of revenue and ultimately loss of return on investment for the stakeholders who, at the end of the day, were expecting growth and added-value from the acquisition within a three to five year period.

(Total number of staff x attrition rate %)
X (multiplied by)
(Total annual salary x replacement cost as % of salary)

Figure 14: Formula for calculating employee turnover costs

(Bliss, 2011)

It is due to this attrition rate that the role of the OD and HR consultants becomes more vital and distinct within the organisation as they are required to assist, support and equip managers with the tools necessary to prevent increased attrition rates. In a research report the author shows that the managers' role, during this time, is seen as a catalyst (Kreisman, 2002). The author further states that the tools required to equip the managers will assist them in reaching each employee on their team and supporting them to release their unique talents that can be converted into productive performance (Kreisman, 2002). The managers need to deal with each employee individually in order to effectively motivate these talented employees to find satisfaction in their roles and functions (Kreisman, 2002). The ultimate key to the employees' final decision to stay or leave an organisation resides with satisfaction which can be provided through recognition, respect, fulfilment of needs and embracing unique styles (Kreisman, 2002).

5.4 Summary of the discussion of results

To summarise the discussion section we can now conclude, from the data presented in section 4, that there are seven factors that influence the employees' decision to leave the organisation as a result of an acquisition. There was a greater importance and emphasis placed on three factors throughout the acquisition process, as depicted in Figure 15, which increased the employees' decisions to leave the organisation and these factors were communication, emotional factors as well as roles and responsibilities. The other four factors are also important and critical to the decision making process, but comparably receive less emphasis than the three mentioned above.

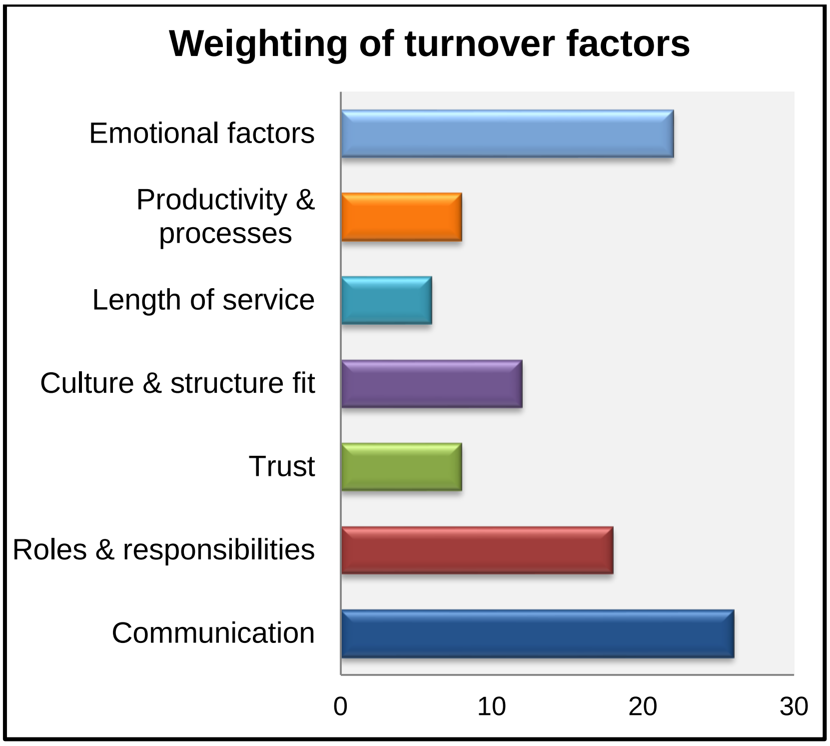

Figure 15: Employee turnover factor weightings

The discussion points relating to the factors are summarised in more detail below:

- **Communication** – The lack of or limited communication that was disseminated throughout the acquisition transaction was a recurring issue raised by the respondents. The respondents expressed that there were certain high-level notifications sent out but that this was not considered sufficient as it did not contain enough detailed information. Communication was required to explain direction or objectives of the various processes as well as answer critical questions that were raised regarding the impact to the employees. With additional questions being raised by the employees, they felt more frustrated and confused as the acquisition process continued. There was affirmation of the importance of communication by several authors, from various research studies. In summary of the authors' reflection, they stated that the lack of communication had a direct impact on the employees' emotional behaviour such as frustration, confusion and negativity. They further articulated that communication is often lacking in detail and perceived by the employees to be disingenuous or secretive. Relevant communication needed to address questions, concerns and fears that employees would face such as the feeling of disorientation and the apparent feeling of loss. Adequate and relevant communication provided to the employees assists in the support and management of the employees' behaviours by portraying a more positive outlook

- **Roles and responsibilities** – The respondents emphasised great importance to the effects that the mismatching and misalignment of roles and responsibilities had on their lives. Some positions were completely different to existing roles while others were downgraded in level and title. The positions were not defined and no direction was giving as to the scope of the role which increased the employees' perceptions of under utilisation, cynicism and lack of importance. The respondents also reflected upon the importance to the position's title and status within the organisation which they deemed to be ignored when the roles were allocated. Various authors validated the importance of roles and responsibilities by stating that the new roles, titles, grades and responsibilities needed to be strongly aligned to the employees' existing roles. They further stated that the misalignment of positions was often where disorientation, anger and confusion originated from. The authors expressed the view that the organisations should perceive their employees as tangible assets rather than merely processes of the acquisition transaction that required completion. Intellectual capital management is critical within the acquisition transaction for the comprehensive and fair distribution of the skills, knowledge and experience to create an appropriate new skill-set for the organisation. In order to increase productivity and value creation throughout the acquisition transaction, the organisation needed to acquire a clear understanding of intellectual capital management and the appropriate distribution of those talented employees

- **Organisational culture and structure fit** – The respondents felt that no attention or importance was assigned by the organisation in regards to the cultural integration and assimilation of employees into the new environment. The respondents agreed that the only environment that was created throughout the acquisition transaction was that of isolation and segregation. The assimilation of two different cultures and structures caused emotional clashes and resulted in employees feeling like outsiders and invaders to the new organisation. In acquisition research studies, the authors commented on the complexities of cultural assimilation through comprehensive planning and communication required ensuring the employees adapt to the changes of the environment. There was further acknowledgement that the employees' pride, confidence and integrity are affected during cultural assimilation by developing emotional behaviours that impact on the performance of processes and functionalities. These emotional behaviours resulted in low morale, increased stress, anxiety, uncertainty and lack of commitment. In order to effectively manage these behaviours, the OD and HR consultants needed to equip the employees with the necessary tools required to deal with the changes of the environment and assist in developing new relationships within the organisation as well as adapting to new managerial support

- **Length of service** – Respondents attributed their increased feeling of discontent and frustration to ignoring the length of service in the decision making process of role allocations. Loyalty, valuable knowledge, skills and experience of the businesses operations and functions were seemingly not a factor and not acknowledged as important by the organisation. Respondents also stressed the feeling of rejection after years of service and felt mistreated by the organisation. The authors validated the importance of acquired knowledge and skills that employees possess and highlighted that these aspects characterise the intellectual capital of the organisation. They further commented on the need for comprehensive understanding and management of intellectual capital within the organisation in order to create value and sustainable productivity. The perceptions and expectations of employees, relating to length of service, were sensitive to manage and potentially raised emotional issues impacting the employees' behaviours and attitudes. The organisation needed to address these issues sooner rather than later, in order to manage the employees' expectations which would have a direct impact on productivity and performance levels

- **Organisational trust** – Various respondents confirmed felling disheartened by the treatment they received from the organisation which lead to a clear break in trust between them and the acquiring organisation. Other respondents indicated that the behaviour and treatment they received from the executive management team, as well as their direct reporting managers were unsupportive, dishonest and secretive in nature. In acquisition research study the affirmation of trust is confirmed by highlighting the existence of mutual expectations between the organisation and the employees and those employees will often change their perceptions and expectations throughout the acquisition process. Further indication is stated that trust needed to be built and earned through sharing of information and meeting of expectations, failure of which caused a break in trust. This break in trust invokes emotional behaviours within the employees that results in increased pessimism, negativity and cynical behaviour

- **Productivity and processes** – The performance and productivity levels of the employees and teams were extremely low due to the fact that the employees were experiencing very low morale and energy levels. The respondents acknowledged that there was an environment of disillusionment and frustration that was created as a result of constant changes to systems, processes and teams. Affirmation of productivity levels was noted by authors in their research study by stating that most employees will experience varying levels of emotions relating to the changes within their environment but will continue to perform their operational functions to maintain productivity, perhaps not at full capacity. They further confirmed that during the assimilation period employees were more dependent on other team members instead of being as strong and independent as they previously were. In order to increase productivity levels, within the organisation, the environment needed to be improved and stabilised through new and integrated operational processes, functions and systems

- **Emotional factors** – Throughout the various acquisition processes, the respondents experienced a variety of emotional factors that directly contributed to their turnover decisions. The emotions that were experienced during the acquisition phases were combinations of anger, frustration, confusion, uncertainty, vulnerability, stress, anxiety, negativity and low morale. The varying level or degree of intensity of these emotions differs depending on the individual as well as the stage of integration that they are enduring. Various authors confirmed the emotional effects on employees throughout the acquisition and stated that such events can be perceived as disastrous or destabilising to the employees which can often be compared to as extreme threats towards the employees. This threat very often heightens the employees' vulnerability and insecurity during the process. Further indication that the lack of support and training contributed to the escalated stress and frustration levels. Affirmation that successful assimilation into the organisation would create an environment where employees can openly collaborate and develop their creative potentials which would minimise their emotional behaviours.

In summary of the implications of turnover costs to the organisation, it has been concluded that the costs are extremely high which has a serious impact on the organisation's profitability, sustainability and growth. Therefore, the loss of skilled employees resulted in the organisation losing the ability to meet productivity and strategic objectives. Due to this impact, the role of the OD and HR consultants becomes critical within the organisation as they are needed to assist, support and equip managers with the necessary tools to avoid an increase in attrition rates. The managers, equipped with these tools, are required to support and lead individual employees in order to effectively motivate them to find satisfaction in their roles and functions. Without the decrease in attrition rate, the organisation will fail to deliver the return on investment and creation of value which is expected from the executive management team as well as the stakeholders.

6 CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

This final chapter will consist of three significant sections, starting with the summary of all conclusions that have resulted from the research study and questions. The next section will be an articulated presentation of recommendations and identified solutions that may have become apparent based on the conclusive evidence presented in the research study. The last section identifies and lists any suggested or proposed future research study that could follow on from the research presented in this study.

6.2 Conclusions of the study

In conclusion to research question 1 posed in section 2.4.1, it has been conclusively presented that there are seven factors or themes which affected the employees' turnover decisions, resulting in them leaving the organisation post the acquisition event. It stands to reason that within an acquisition transaction all participants, employees and organisations involved, felt the impact of the strategic decisions and changes that the organisations implemented. The executive management team and managers needed to be cognisant of the degree of impact these changes would have on all parties involved and should carefully have structured their integration approaches in order to increase the chances of success. An all-encompassing approach to integration needs to include a combination of economic factors, such as profitability, performance management and value creation for stakeholders, as well as non-economic factors such as communication strategy, cultural assimilation and intellectual capital management. As discussed in Chapter 1, integration is one of the most difficult elements to manage throughout the acquisition as it entails human behavioural styles and attitudes that are subjective and prone to alter during the different phases. It has also been ascertained that an acquisition transaction is one of the most dramatic changes that an employee will experience in their working career. Therefore, significant effort, dedication and support from the executive management team and managers would be required to effectively manage an acquisition transaction.

The following conclusive points relating to the turnover factors further detail the requirements for successful integration:

- **Communication** – Communication has been one of the predominant themes throughout the acquisition phases and plays a crucial role in the success of the integration. Designing, developing and implementing a communication strategy which provides clear, consistent, factual, sympathetic and relevant information will assist employees in absorbing and coping with the constant changes that they are about to endure. Employees will be more at ease with the extra information they obtain and employees should therefore be constantly supplied with relevant and up-to-date information. Adequate and relevant communication provided to the employees through empathetic means assists in supporting and managing the employees' behaviours by reducing their stress and anxiety levels and portraying a more positive attitude

- **Roles and responsibilities** – Job stability, positions, titles, roles and responsibilities are very important factors to employees that have often worked hard to obtain recognition for their accomplishments. Fear of this being taken away is detrimental to them. Titles, grades, roles and responsibilities need to be strongly aligned to the employees' previous position and communicated to them immediately to prevent any confusion or disorientation. It should be noted that the organisation should perceive their employees as valuable tangible assets throughout the integration process and fully utilise the intellectual capital that is being obtained. Intellectual capital management is critical within the acquisition transaction for the comprehensive and fair distribution of the skills, knowledge and experience. Management must support and assist the employees in feeling comfortable and important in their new positions and teams. They are also required to define roles and provide clear direction as to the objectives, tasks and outputs that are expected from the employees

- **Organisational culture and structure fit** – Very little importance is assigned to the cultural assimilation of employees from two different organisations. Culture, which is exceptionally resistant to change, can be assimilated with a relevant communication strategy and integration plan in place, ready to be executed. It is for this reason that the role of the OD and HR consultants becomes critical in the integration process. OD and HR consultants need to design and implement a communication strategy and manage the implementation of the integration plan in order to ensure successful cultural assimilation. The OD and HR consultants are also required to equip the employees with the necessary tools needed to deal with the changes that they may be confronted with; such as environmental changes, relationship changes, team changes and new managers

- **Length of service** – Loyalty of service and accumulated knowledge, skills and experience is perceived as sensitive to manage and raises emotional issues within employees. In order to minimise these emotional issues, employees should feel important and that their contributions over time to the organisation have been recognised. Without these feelings of recognition and importance, the risk of the employees' resistance will increase resulting in escalated negative behaviour and potential team sabotage. Length of service should also be factored into the decision making process of position allocations in order to fully utilise the knowledge and experience obtained in operational functions

- **Organisational trust** – Trust needs to be earned and built through the dissemination of information and meeting of expectations. Throughout the acquisition process employees can never receive too much relevant information; in fact the more information communicated the better. As for expectations, very often there are too many promises made within the acquisition process and very few promises kept by the end of the process. Broken trust is a direct result of broken promises, resulting in employees feeling angry, betrayed and dissatisfied. Organisations must never make promises that cannot be kept and should always keep the promises that are made as these are the expectations that the employees attach to the organisation and build their trust upon

- **Productivity and processes** – The performance and productivity levels of the employees may vary depending on the different phases of integration and the managers need to be cognisant of these levels, through monitoring. Managers will be required to become stronger leaders and supporters for those employees who no longer envision or perceive their objectives to be clear or defined. Having said that, it is also important for the managers to define and explain the organisation's goals and objectives to the employees as well as the proposed targets that are to be reached within the designated time frame. In so doing, the goals and objectives of the organisation can be clearly linked to the productivity and performance of the employees and measured accordingly

- **Emotional factors** – Throughout the acquisition process the employees experienced a multitude of emotional factors, behaviours and attitudes that directly influenced their turnover decisions. These emotional factors are all compounded, in some way or another, by the six factors listed above. During times of drastic change employees become more vulnerable, insecure and demanding requiring additional support and guidance. The best strategy to employ is a constant stream of relevant factual communication of all that is currently known, so that employees are always receiving the most up-to-date information. In this way, employees have ample time to process the information and proactively relay any questions or concerns relating to the changes rather than emotionally reacting to the changes or decisions that are being implemented without warning. Within the acquisition process, organisations also need to discover their humility in order to better understand the employees' emotional factors and in so doing increase the success of integration and assimilation into the new organisation.

Organisations may perceive the factors listed above as being either within their control or beyond their control to change. In essence, with the appropriate strategy, planning and execution of the acquisition phases, the organisation will have some control over all the factors listed above which will result in reduced turnover behaviour in employees. Adopting an effective monitoring programme is an efficient and cost effective method of measuring both productive and counterproductive employee behaviours to provide the organisation with information for reducing employee turnover. This research study has shown that employees who are satisfied with their positions and environments will be more committed to their newly formed organisation and are more likely to stay than those who are not.

One of the elements of this research study was to interview employees that had resigned from the organisation, post an acquisition event. It can be conclusively stated that these employees resisted the changes to their roles, their teams and their environment, resulting in them making the decision to leave the organisation. Factors affecting their decisions have been discussed and highlighted in the section above. The implications of employee turnover on the organisation results in losses to the organisation, such as loss of intellectual capital with regards to accumulated skills, experience and extensive knowledge of the business as well as loss of costs and revenue associated with the replacement of that person. Other losses experienced by the organisation would be the employees' relationships and interactions with customers which have been accumulated over the years as well as personal culture and characteristics that are difficult to replace or replicate.

Before embarking on the replacement of these positions, the organisation needs to ensure that the strategic objectives for recruitment procedures are in place. These strategic objectives are:

- Make sure that all selection processes and recruitment policies are current to ensure a streamlined, consistent and transparent process. Policies must be compliant with the latest Basic Conditions of Employment Act (BCEA) as well as aligned to the International Labour Organisation's (ILO) decent work concepts

- Maintain diversity and cultural integrity in the placement of the right skilled talent, in the right position and at the right cost

- Set achievable human resource targets and goals while supporting managers in the growth and development of their departments

- Integrate the selection and replacement processes with the newly formed functions to ensure adequate assessment, defining, developing and performance management mechanism are in place.

In conclusion to research question 2 posed in section 2.4.2, the implications of turnover costs on organisations presented extremely high estimates and are time consuming but has a direct impact on the performance, profitability, sustainability and growth of the organisation. Although many organisations do not perform the turnover cost calculation in order to deduce the impact to them, it needs to be stated that the turnover cost calculation is a critical function to ensure a comprehensive analysis of the implications of employee turnover. When pursuing an organisation for the purposes of acquiring them, there is a definitive element of expectation attached to the transaction specifically from the stakeholders who have an expectation of value creation in the newly formed entity as well as return on investment from performance and profitability. Employee attrition rates during the transaction directly influence the performance, profitability and return on investment due to the knowledge, skills and experience that are lost with the employees. Therefore, in order to ensure and secure value creation from the acquisition (as well as return on investment) an organisation will need to minimise the attrition rate and assess key skills required for business functionalities. Systems, processes, procedures and operational functionalities are all merely tools that support the business environment and the organisation. They all require the unique and creative abilities of people to integrate, develop, transform and support the organisation to ensure success. People are the organisation!

6.3 Recommendations

The recommendations that will be presented in this section are a combination of evidence highlighted in Chapter 2 as well as conclusive data extracted from Chapters 4 and 5 relating to this research study. The recommendation will be an incorporative process for organisations embarking on an acquisition transaction, from initiation phase through to post-integration phase, emphasising the key elements that should be included to increase the rate of successful assimilation and value creation. Organisations that initiate an acquisition will face many challenges throughout the transaction, as confirmed in this research study. However, these challenges can be overcome with the appropriate planning and communication strategy in place as well as seamless and prompt execution of the integration plan. The acquisition process flow will be a guide to executives, managers, change management consultants as well as OD and HR consultants who are preparing for an acquisition transaction. The acquisition process flow will be a high-level overview highlighting critical steps in the different phases that aim to support and increase the successful integration of the organisations.

Further details regarding the acquisition process flow are stated below:

Deal initiation phase – The organisation will assemble a team of experts to review, target and validate a potential organisation to be acquired. This will be based on the strategic objectives and goals of the organisation. The following will be reviewed and validated:

- Assess the strategic importance of the acquisition and capacity for organisational growth
- Is the acquisition strategy aimed at quality asset accumulation for financial growth or an acquisition of new business for entering and growing into new markets
- Is the acquisition strategy aimed at geographical diversification or global expansion
- Does the acquisition lend itself to increase competitive advantage within the marketplace
- Within this phase, OD consultants need to be included to incorporate the human element of the acquisition as well as the financial element. The review and assessment of potential target organisations needs to factor in the acquisition of the employees. What are the human resource capacities, potential sales forces and existing inter-customer relations that are potentially being acquired?

Deal analysis phase – During the deal analysis process the strategists, economists and analysts will scrutinise, analyse and assess all the relevant data available to compile a report that will be presented to the executives and the stakeholders for decision making. Key elements in this assessment process are shown below:

- The financial analysis will include the assessment of all tangible data relating to financial activities, balance sheets, annual reports and operating capital. Calculations around return on investment, return on equity and weighted average cost of capital will be included to analyse the profitability of the organisation

- The strategic analysis will include the operating market, current customers and strategic growth estimates over the next five years. This analysis will also involve the strategic and structural integrity of the organisation and the alignment (or fit) to the current organisation

- The economic analysis will entail an assessment of the socio and economic implications that may arise from the acquisition and the impact that this will have on the organisation. This needs to be included as an analysis of marketability, profitability and sustainability for the organisation

- The key element in this phase will be the inclusion of intellectual capital management analysis. This needs to include the assessment and due diligence of the positions, grades, salaries and length of service of all employees within the acquiring organisation. The analysis report needs to articulate and confirm the skills, knowledge and experience of the employees being acquired in order to assess the requirements of operational and business functionalities. The report will also need to highlight any gaps or key-man dependencies that may currently exist within the targeted organisation.

Prior to announcement – Once the deal is approved by the executives and the stakeholders, the legalities regarding the details of the transaction are negotiated and finalised. At the stage of finalising the transaction details, it is vital for the organisations to appoint an integration management team prior to the announcement. This team needs to consist of one executive from each organisation, two senior managers from each organisation as well as OD and HR consultants from both organisations. This team will be responsible for the designing, planning and executing of the integration process.

Comprehensive communication strategy – Communication is one of the critical elements to the success of the acquisition integration and requires that a communication strategy is in place that can be executed throughout the integration process. The integration management team will design a communication strategy that needs to include:

- Announcing the acquisition to all parties. How will this be done, in what medium and in what forum
- Post the announcement, assigning managers to hold smaller group meetings to discuss the acquisition and any concerns that may be raised by employees
- Comprehensive information dissemination throughout the integration process, through various mediums, at various intervals and designing a feedback loop for questions and concerns from employees
- Ensure all managers and stakeholders have the most up-to-date, correct and relevant information, at all times, to support and assist employees.

Detailed integration plan – To ensure the seamless and prompt execution of the organisational integration, the integration management team will be required to develop and document a detailed integration plan. The integration plan needs to include the following:

- Allocation of positions and grades as well as ensuring that all roles and responsibilities are properly defined with clear objectives. This is the first aspect and concern that will arise from employees post the announcement and therefore needs to be finalised and defined prior to the announcement

- In line with the above, the departmental and team structures also need to be finalised as well as the new or existing managers assigned to these teams

- The design and implementation of change management workshops for employees and managers, to equip them with the necessary tools required to cope with the coming changes

- A detailed plan needs to be developed around cultural assimilation and introducing the new employees into the organisation. Which groups will be introduced first, will this be done team by team, potential off-site team building events to facilitate introductions and assimilations? This is an extremely sensitive process and needs to be planned and managed carefully, as opposed to simply relocating and orientating the employees

- The detailed integration plan needs to include the integration of business and operational functionalities as well as assigning them to the relevant areas within the new organisation. There may also be an element of overlap that needs to be addressed in terms of efficiencies and operational effectiveness and how this needs to be aligned with the overall running of the combined businesses. This can be addressed and resolved with the inclusion of the various area managers, post the integration

- The integration management team will be required to make suggestions and proposals as to the systemic integration of all the applications, with the assistance of information technology managers. Strategic decisions will need to be made regarding which systems stay and which ones will be decommissioned based on business and strategic requirements.

Pre-acquisition phase – Once the planning and preparation is complete, the integration process is ready to begin. The critical aspects within these next phases are communication and prompt execution, as any delay may result in employees speculating and increased vulnerability:

- Communicating the announcement and all aspects associated to the announcement that are in the communication strategy

- Have line managers communicate new positions, roles and responsibilities directly after the announcement to facilitate job security. Communicate the decision making process around allocation of positions and teams for the sake of transparency and commitment

- Communicate the new departmental and team structures to all employees, as well as the managers of those teams to ensure structural assimilation is clear. Engage with employees that have any concerns, questions or hesitations around what is being communicated

- Conduct an attitude and behavioural survey shortly after the announcement as a tool for feedback. The survey needs to include employees' impressions of the announcement, how the acquisition is being received and the employees' collective values, attitudes and behaviours prior to integration.

Integration phase – The integration phase is probably the most important and intense process to manage as it involves the physical uprooting and relocating of employees which often results in emotional behaviours and resistance. This can be eliminated by managing, supporting and assisting the employees to deal with the change processes:

- Continual communication on integration progress and the next steps to the implementation process

- Re-communicate the positions and teams structures to all employees to ensure that there is a clear understanding of the requirements and objectives. Immediately address any employee’s concerns regarding their new position, team or structure and attempt to resolve it

- Initiate the cultural assimilation process based on the plan developed in the detailed integration plan, prior to announcement. Assess the requirement for external consultation to assist with this process as it is a sensitive and vulnerable process that needs to be implemented successfully and carefully

- Communicate the final relocation plans, including the employees, furniture, computer hardware and system applications

- Once the employees are relocated, conduct another survey to gauge and assess the employees’ emotional and behavioural state. This feedback survey is important to assess if there are any issues relating to cultural assimilation, team dynamics or emotional resistance to the acquisition. Management can assess any interactions or decisions required based on the results from the survey.

Post-acquisition phase – Most often this is where organisations stop managing the integration process, viewing the relocation of the employees as the end of the process. Unfortunately there are still many aspects that require managing, assessing and monitoring:

- Communicate the progress and status of the integration plan as well as any further activities that may arise which would affect the employees

- Integrate the systems and operational functionalities as designed in the detailed integration plan and implement any systems decommissioning projects that may be required

- Assess the effectiveness and efficiencies of the operational and business processes, in line with the detailed integration plan, and make supportive suggestions for any changes that are required to improve the efficiencies with the specific area managers
- Implement performance and productivity management tools and methodologies to assess the impact of the integration as well as track the productivity and profitability levels, post the acquisition transaction. This will also assist in measuring the return on investment that can be reported back to the executives and stakeholders

- Implement a monitoring system for employee attrition during the acquisition process and potentially address any issues that could prevent key employees from leaving the organisation

- Conduct another feedback survey approximately twelve months after the integration to assess the success of the integration and assimilation of the new employees. Based on the feedback from the report, address any issues that may have arisen or become apparent to ensure there is no escalation in negative or emotional employee behaviours

- Conduct exit interviews on all employees leaving the organisation, to ascertain what the driving factors were to their resignations.

It is inevitable that there will be some level of fear, insecurity and conflict that may arise throughout this volatile process of integration. However, what will ultimately be remembered long after the acquisition will be the tone and the manner in which the organisation resolved these issues as well as the solutions that were offered to overcome these issues. Organisations need to make use of management support throughout the process due to the fact that the employees will rely on the existence and importance of this management support when the acquisition is initiated. Reward and recognition programs may need to be reviewed during this period as it can be used to provide motivation and incentivise the reinforcement of the organisational values to ensure overall acceptance. Employee performance measures need to be developed in order to reflect the objectives and goals of the new organisation. These measures need to be communicated effectively and monitored regularly to ensure the strategy of cooperation and integration is conveyed to the employees during and post the acquisition transaction. It is through this process that the new organisation's culture begins to emerge and become the experience and culture for all employees working within that environment.

The recommended acquisition process flow is presented by a flow diagram in Figure 16, using a high-level representation of the structural phases. The key elements that are critical in each of the phases have been stated in the flow diagram for ease of reference.

Figure 16: Recommended acquisition process flow

6.4 Suggestions for further research

Suggestions for further qualitative and longitudinal research studies are listed below:

- Analyse and assess the behaviours, attitudes and emotional factors of the employees from the acquiring organisation, in terms of the impact, influence and effect the transaction had on their lives, positions and future careers. Was there an element of employee turnover from the acquiring organisation as a result of the acquisition transaction? What are the implications of this to the organisation?

- Analyse and review the retention and reward programmes aimed at acquisition transactions and organisations attempting to retain key employees. Are there currently any in place? If so, what is the effectiveness of these programmes versus employee turnover? What changes can be made to the structures of the retention and reward programmes to make them more effective?

- Analysis of the potential brand and reputational damage that occurs during and post an acquisition event. This may be as a result of the loss of key employees, loss of customers or a loss in quality of service and goods. Assess the implications that this has on the organisation as well as potential solutions for correcting the damage.

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APPENDIX A:

Actual research instrument

Interview Questionnaire:

<u>Context</u>

- What was your role in the organisation before the merger/acquisition?
- What was your level and title in the organisation?
- How long did you work for the organisation?
- Describe the aspects of your role that you most enjoyed?
- Describe the aspects of your role that you least enjoyed?

<u>Fact finding</u>

- How did you come to hear about the merger/acquisition?
- What were your initial thoughts and feelings about it?
- How did your co-workers react to the news?
- What happened during the transition process (pre and post)?
- How did that make you feel?
- If you had been running the process, how would you have done it differently?
- If they had done it this way would you have stayed?
- If yes, why – if No, why not?
- Would you ever work for them again?

APPENDIX B:

Letter to respondents

Dear Respondents,

I am a MBA student at The University of Witwatersrand (Wits), currently in the process of completely my studies. My research report is on the exit behaviour factors of employees post a merger and acquisition event. As part of completing my research I would appreciate it if I could have an hour of your time to conduct an interview with you. I would be grateful if I could get your valuable insight into the merger and acquisition event, as well as an explanation of your experiences throughout the process.

The interview will not involve questions that will make you feel uncomfortable or uneasy, as they are tailored specifically around collecting data. Confidentiality will be inherent within this research study and observed throughout the process. The final research report will be use for academic purposes only. The interview can be conducted at a time and place of your convenience.

Thanking you in advance for your assistance.

Sincerely yours,

Neville Deverneuil
082 709 2202

__________________________ __________________________

Respondent's Signature Date

APPENDIX C:

Consistency matrix

Table 5: Consistency matrix

Research problem: Assess the implications of employee turnover on corporate organisations post an acquisition event in the South African financial services sector.					
Sub-problem	**Literature Review**	**Research questions**	**Source of data**	**Type of data**	**Analysis**
To identify and assess the exit behaviour factors of the employees which result in skilled employees leaving the organisation, post the event.	(Applebaum et al., 2000) (Bertoncelj and Kovac, 2007) (Bhal et al., 2009) (Cartwright and Cooper, 1995) (Cascio, 2010), (Chun, 2009) (Raukko, 2009), (Searle and Ball, 2004), (Shook and Roth, 2011), (Siegenthaler, 2011) (Zhou et al., 2008)	What are the eminent driving factors affecting employee behaviours, post the acquisition event, ultimately resulting in the decision to leave?	Interactive interviews with respondents Journal articles Research studies	Qualitative data	Data reduction Data display Conclusion drawing/verifying (Miles and Huberman, 1984)
To assess the implications on the organisation after losing these skilled employees, post the event.	(Bertoncelj and Kovac, 2007) (Bliss, 2011) (Cascio, 2010) (Lumley and Clarke, 2011) (Shook and Roth, 2011)	How does this impact the organisation and what are the resultant effects on value creation for the stakeholders?	Interactive interviews with respondents Journal articles Research studies	Qualitative data	Data reduction Data display Conclusion drawing/verifying (Miles and Huberman, 1984)