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THE IMPACT OF MERGERS AND ACQUISITIONS ON PEOPLE AND ORGANISATIONS

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A research report submitted to the Graduate School of Business Administration, University of the Witwatersrand, Johannesburg, in part fulfillment of the requirements for the Degree of Master of Management (Human Resources Management).

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ABSTRACT

This research report studies the impact of mergers and acquisitions on people and organisations. The data for the research were collected by means of open-ended interview questions, administered to human resources managers of nine organisations that have gone through either a merger, an acquisition or both. The results of the study are presented in descriptive form, which attempts to explain the causal links, themes and patterns which seem to be common in all the cases studied. This study has shown that mergers and acquisitions do have an impact on people and organisations. This study has demonstrated that mergers and acquisitions can have a negative impact on employee motivation. It can also affect employee productivity negatively. Mergers and acquisitions can lead to an increase in staff turnover. Employees can suffer stress as a result of a merger or acquisition. Finally, mergers and acquisitions can have an impact on the existing culture in organisations.

to my Grandparents,

Ebenezer and Matilda Xabanisa,

who had confidence in me

DECLARATION

I declare this research is my own, unaided work. It is submitted in partial fulfilment of the requirements for the degree of Master of Management in Human Resources in the University of Witwatersrand, Johannesburg. It has not been submitted before for any degree or examinations in this or any other university.

C Tlale

Collin Columbus Tlale

This 31st day of March 1999

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CHAPTER 1

INTRODUCTION

1.1 BACKGROUND

Mergers and acquisitions are not phenomena of only the latter part of the twentieth century. Amalgamations between business firms are as old as business itself. However, the size and number of mergers and acquisitions that have taken place during the latter half of the twentieth century are such that they must be accepted as an integral part of modern industrial development.

Mergers have resulted in larger and larger firms. This trend can be seen in many parts of the world. South Africa is no exception. There has been a gradual increase in the number of mergers and acquisitions in South Africa after the 1994 democratic elections. This can be attributed to the opening of South Africa's borders to foreign investment.

Greengard (1997) actually says that these days it is seldom that any person works for a company for a long time without that company becoming caught up in a merger or two. Greengard believes that besides the talk of competitive advantage, greater efficiencies of scale and the cutting of costs, it is the human side of the equation that matters most. A merger or acquisition affects every employee as resources and different cultures are coalesced into a single entity.

The need to consolidate with a never-before-seen opportunity to buy other companies on favourable terms has led to a number of mergers and acquisitions. In South Africa, eight of the ten biggest deals of all time occurred in 1998.

The abundance of capital in world markets and the world-wide economic revolution – (a combination of infotech, deregulation and privatisation), free up capital as the affected companies are forced to operate more efficiently. Lower trade barriers liberate more capital by exposing over-capacity that used to be protected.

It is against this background that the decision to undertake research on the impact of mergers and acquisitions was taken. There seems to be a lack of academic studies in merger activity as it has affected organisations in South Africa. Mergers and acquisitions have been one of the main factors in determining the organisation and ownership of companies. There are many areas that need to be researched, and it is intended that this study will provide a basis for further research.

1.2 THE NEED FOR RESEARCH INTO THE IMPACT OF MERGERS AND ACQUISITIONS

Colvin (1999:25) says that the world has more financial capital than it knows what to do with. This extraordinary abundance of money that is available for investment has fuelled the greatest ever merger wave in a big way. This abundant capital is realigning whole industries and even economies. In short, there is a world-wide economic revolution. With privatisation and the freeing up of capital becoming commonplace, companies are forced to operate more efficiently. Lowered trade barriers allow more capital to be released. This exposes over-capacity that used to be protected, particularly in South Africa, in the past. With the recent acceleration of merger activity it would seem that sooner or later most managements will have to deal with the question, either as buyer or seller, and should therefore be familiar with the techniques and problems involved. This study will set out to understand the effect that mergers and acquisitions have on both individuals and organisations, whether direct or indirect.

In order to gain a foothold in South Africa, foreign multi-nationals have either acquired existing companies, which find it difficult to compete in the global market, or merged with existing firms so as to form joint ventures. There are also local companies that have decided to merge so that they can be strong enough to face competition.

Mergers and acquisitions are, therefore, likely to be an important feature of the South African corporate landscape in the future. They are definitely going to have an impact on individuals and corporations.

The mere recognition of potential synergy between two companies is no guarantee that a combination will actually realise its potential. In fact, mergers and acquisitions often create significant trauma for both the acquiring and acquired firm.

The significance of such trauma is underscored by research indicating that despite seemingly favourable strategic, financial, and operational assessments made during pre-merger feasibility studies, mergers have a less than equal chance of being successful (Pritchett and Jones, 1985). As Covin *et al.* (1996:275) note, "the courtship and engagement period preceding a corporate marriage create headlines; the real work, however, comes after the marriage has taken place".

Why do mergers often fail to meet expectations? The lack of post-merger success is increasingly being attributed to human factors (Covin *et al.*, 1996).

Covin *et al.* (1996) note that executives often rely on several common myths rather than facts in making merger and acquisition decisions.

These myths include:

(a) a quick merger will prevent lost productivity;

(b) if kept busy, employees will not feel the need to discuss previous uncomfortable company feelings;

(c) employees of the acquired company will feel welcome in the new company;

(d) employees of the acquired the company will feel good about the future after the acquisition takes place; and

(e) a new, improved corporate culture will automatically be established.

In fact, mergers can so change the nature, orientation, and character of one or both of the merger partners that a period of five to seven years is typically needed for employees to feel truly assimilated in the merged entity (Covin *et al.*, 1996). Organisations may enter a merger or acquisition with the expressed desire of becoming more of the same, only bigger or better. Yet years later, after a tremendous amount of agony, they are stunned to acknowledge that the new organisation has become a beast of a totally different nature (Covin *et al.*, 1996).

The purpose of this research is to gain an insight into the inter-personal, inter-personnel and organisational dynamics involved in a merger or acquisition. It is intended that the knowledge gathered will help avoid or minimise some of these problems.

1.3 STATEMENT OF THE PROBLEM

The purpose of this research is to gain an understanding of the impact of mergers, acquisitions and equity partnerships on individuals and organisational culture. It will endeavour to:

1.3.1 The First Sub-Problem

Determine the impact of mergers and acquisitions on employee motivation and morale.

1.3.2 The Second Sub-Problem

Determine the impact of mergers and acquisitions on employee productivity.

1.3.3 The Third Sub-Problem

Establish the impact of mergers and acquisitions on employee turnover.

1.3.4 The Fourth Sub-Problem

Establish the impact of mergers and acquisitions on employee s

1.3.5 The Fifth Sub-Problem

Establish the impact of mergers and acquisitions on the culture of organisations

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

There is a difference between a merger and an acquisition. A "merger" is a "marriage" between two parties that are equal. An "acquisition" is a total or partial purchase of an enterprise by another company. This implies that one of the parties is dominant - and if a controlling interest has been acquired, it is tantamount to occupation - a conquest. The way in which the victims will be treated depends entirely on the good sense, the mood, the decency and the competence of the buyer.

2.2 THE IMPACT OF MERGERS AND ACQUISITIONS ON EMPLOYEE MORALE

According to Barret (1973) in a take-over the new bosses are strangers from another world; they are not the proprietors or even the managers of the previous business. Thus the beneficial effects of previous good relationships are often lost. Management motivation and employee output can suffer. Delay in reaching a decision on a problem is often commonplace because people at the top are not familiar with the new business. In times of change there is the ever-present danger that the general scheme of control may break down. Thus where a business has a large output but works on a small margin of profit any wastage, due to lack of direction or lack of control, may prove serious in the extreme. Also personal ties may exist between the proprietor and previous management and their customers just as with their employees. Here the knowledge that the business is no longer under the old ownership and supervision may have an adverse effect.

Barret (1973) says that another disadvantage inherent in mergers arises from loss of status to employees. A director who has been the dominant character in his own business could take unkindly to a change of organisation in which he finds himself merely one of the people comprising the board of directors. His executive responsibility curtailed, and the prospect of finding himself in the minority in important matters of policy, and therefore outvoted, may well be threatening. Furthermore, two companies that have been operating as separate units and are now to be merged, will both have had their own boards of directors and, reporting to them in turn, their departmental managers (Barret, 1973). Each company can be regarded as a harmonious team. If a merger takes place between the two, duplicate boards of directors exist. In this case one director will be made senior to his colleagues in the other company. This may result in struggles. Such personality problems are, therefore, a real factor, which must be taken into account in any merger.

Barret (1973) asserts that during a merger or an acquisition people become worried about the change in name of the company. They are concerned that the organisation may lose its identity

They wonder whether the organisation structure will change and, if it does change, whether the new structure will accommodate them. People worry that there may be staff reductions during mergers and acquisitions. They are concerned about how this will impact on their jobs and their positions in the company. What will be the effect on the prestige and benefits of the people? These and many more questions remain the concern of the affected people.

Barret (1973) also says that early retirements, resignations and separations of key personnel follow many acquisitions. According to Barret (1973) about fifty percent of the top-level managers of target firms leave within three years of acquisition - either hostily or voluntarily.

Mergers and acquisitions involve people. Many human resources books focus their attention exclusively on handling the rank and file with counsel on easing

anxieties and winning them over to the cause. The advice is good but it assumes that senior managers are in charge and ready to take command of their destinies. This is not true. Company leaders are not immune from all the stresses and strains of acquisitions. Like everybody else in a company, top executives and their teams go through personal and organisational crises during a merger.

One consequence of mergers and acquisitions is lost loyalty. A poll conducted showed that sixty-five percent of middle managers sampled in Business Week's 1000 top companies believed salaried employees are less loyal to their companies today than they were ten years ago (Marks and Mirvis, 1992).

Marks and Mirvis (1992) mention that mergers and acquisitions can lead to disbelief, uncertainty and anxiety. They just do not know how they can deal with the situation. Executives facing a bid for their company become angry and afraid at the same time as the sale moves towards completion. According to Marks and Mirvis (1992) people who go through a combination react in much the same way as those who suffer an illness or tragic loss. First there is denial. Denial may entail wishful thinking - that the buyer will "save" the acquired company or that things will pretty much stay the same. When it is learned that change is inevitable, pain and anger take hold. Employees point fingers at their own management. Then they turn their anger on the new management. Many executives choose to leave the firm. A study by Lanalie Associates found that nearly fifty percent of top management in target companies departs voluntarily within one year of a merger or acquisition taking place. Another twenty-five percent leaves within three years (Marks and Mirvis, 1992).

According to Berk (1996) employees are fearful during the period of a merger and acquisition. They are resentful and are trying to protect themselves. They know that "things are going on" but they have little concept of how the changes will affect them.

Although financial and corporate culture considerations receive a lot of attention when businesses unite, the comparatively simple act of making sure employees

know where they stand is dealt with perfunctorily if at all (Berk, 1996). The results of this oversight can be disastrous. Take an example of a bank merger in which two institutions with seemingly complementary client and depositor bases decide to merge. One bank was urban, the other suburban. The service territories adjoined each other with perhaps a ten percent overlap. Even in the overlapping areas, the relationship was one of friendly competition. It was a "marriage" of equals between companies of similar sizes and employment levels. In theory everything was in perfect balance. Yet research showed that employees of both banks viewed the merger as a win / lose situation and each group believed its side had lost. As a result morale and productivity fell (Berk, 1996).

Berk (1996) also believes that business in general has a tradition of "need to know" secrecy. In many circumstances the withholding of data and plans is justified. But one of the primary truths about corporate communication is that, in the absence of specific information about how something will change their lives, people have a tendency to let their imagination run wild. The key is to address employees' concerns openly and tell each group how the merger will affect them directly. Berk (1996) sees each audience as having its interest and, in the absence of information communicated by the company, people will suspect the worst. A good start for an internal communications programme is to anticipate as many issues as possible that might be of concern to employees and address them without delay. If there are no answers yet, at least the questions and concerns must be acknowledged. Even if the answer is that the merger will eliminate a thousand jobs, this is better than employees suspecting that there might be ten thousand layoffs.

Not only must communication be made to all audiences, but it is also critical that the messages being communicated are consistent with each other. The media, after all, will not be talking to just the official corporate spokespeople. Reporters will be asking customers, vendors, employees and union leaders for their opinions. If different parties are being told different stories and, in turn, communicating them to the media, management provokes the last situation it

wants at the earliest stages of the deal - controversy and the appearance of misleading people.

During the restructuring of the new company after acquisition it is natural that some jobs will be duplicated. As result some people will lose their jobs and it is usually the senior management of the acquired company whose jobs are at stake.

According to Arkin (1997) when Lloyds went to take a company over, it would remove the management team within a week. He also mentions that the battle between Unichem and Gehe for control of Lloyds created uncertainty among Lloyds employees. About two hundred people lost their jobs in the first three months after the take-over.

The human side of implementation is easily overlooked according to Marks and Mirvis (1998). The opportunity to engage people in the change process and obtain psychological ownership of the new methods, processes and systems is missed as implementation occurs in a hasty, top-down by-the-book manner. Employees - many of whom had had a hand in designing the old ways - resist adopting new practices.

It is extremely frustrating in the post-merger organisation to sense that employees now have new targets, goals, and expectations upon which their job evaluations, pay increases and promotional opportunities are based. However, often employees do not have all the tools, information and other resources required to perform well.

Two enduring symptoms of the survivor syndrome are erosion of employee confidence in their leadership and an increase in cynicism (Marks and Mirvis, 1998). Many employees wonder why their leaders were not proactive in minimising employee stress or in preventing culture clashes in the merger.

Marks and Mirvis (1998) also believe that many employees who retain their jobs breathe a momentary sigh of relief but then later develop a dismal outlook as

they assess the post-merger organisation. Survivors feel sad about the past and anxious about the future. Employees miss their former mentors, co-workers, assignments and accustomed ways of doing things. They miss their former political connections to the powerful decision-makers in the organisation. When employees set their sights on the future, they become further dismayed. All signs point to fewer opportunities for advancement. Restructuring eliminates traditional career paths whilst a merger means more competitors for fewer opportunities along the corporate ladder (Marks and Mirvis, 1998).

Marks and Mirvis (1998) also maintain that survivors of a merger lose control over their working lives. No matter how well one performs the job, his / her track record could be erased or they could even lose their employment in the ensuing transition. The rapid pace of change in today's business means that one's position or potential for advancement could be eliminated at a moment's notice.

The vast scope of merger activity (together with the downsizing, reengineering, and restructuring of recent years) has resulted in a set of new realities in the workplace that affect employees and employers. These realities make the process of productive merger more difficult than ever.

Firstly, employee cynicism and distrust of leadership is at an all-time high. This increases the difficulty of conveying to employees a rationale for why they should feel good about an impending acquisition.

Secondly, many employees grow wary of so-called organisational change initiatives and of leadership ability to produce enhancements in their workplaces. More efforts at large-scale change in organisations fail, produce worse than expected results or take much longer to implement than originally anticipated.

Reece (1996) feels that employees might view the impending merger as a threat to their position. Whether an individual is happy or not in a particular position, job security is one of the most powerful motivators.

According to Reece (1996), during a merger or acquisition, competition between staff members and layoffs often occur. Therefore fear and paranoia are fairly common responses to impending mergers.

Reece (1996) believes that some employees who do not hold senior management positions might view the pending merger as a threat and react with apathy because their input was not encouraged during the initial planning stages.

Schreitmueller (1997) mentions that, when the plans for the merger between LSG and Sky Chefs unfolded, leaders at both companies were rightfully concerned about two things: lower morale and lower productivity. The uncertainty of one's future could provoke employee anxiety and vulnerability to rumours. Even high-level managers and executives might dust off their resumes and initiate an escape plan.

During a merger, organisations are sometimes forced to change work assignments and rethink job responsibilities. This may have a negative impact on employee morale. Greengard (1997) says that during this time there is turmoil and confusion for the workforce.

According to Greengard (1997) the announcement of a merger or an acquisition can stir emotions that range from jubilation to outright anger and hostility. Surely this must have an impact on the morale of employees? Somewhere between such extremes might be a workforce that is anxious, if not downright scared. After all, jobs are usually at stake. A merger or acquisition does not only threaten job security but also has an impact on job titles, benefits and rank. This creates a disruption of epic proportions. Regardless of the type of merger and how the deal is constructed, there is always anxiety and confusion about what is going to happen and how people are going to be affected.

In the merger between Daimler and Chrysler, the Daimler staff came out in charge of the operations despite this being a merger of equals. They owned fifty-eight percent of the shares and their executives run the company. The allies of

Schrempp received most of the top jobs. This obviously had a negative impact on the morale of Chrysler's employees.

2.3 THE IMPACT OF MERGERS AND ACQUISITIONS ON PRODUCTIVITY

Pritchett and Jones (1985) say that self-preservation becomes the paramount concern in the minds of employees and employees become less willing to make decisions. There is an air of "wait-and-see" that prevails. Managers and upper level executives move into holding patterns, deliberately choosing a cautious stance. Everybody feels more comfortable with the idea of omission rather than commission. Employees seem more willing to do nothing rather than do wrong.

According to Pritchett and Jones (1985) part of the loss of productivity can be attributed to people's resistance to change. Employees throughout the organisation may not know what changes are required. Others may choose not to exercise initiative, possibly not even to act very vigorously on definite instructions, simply because they do not know why something is being required. People hesitate to embrace new work roles or tackle new assignments due to uncertainty regarding their own ability to make changes. Employees, not having a good understanding of the standards by which they will be judged, compound the problem. The big question in people's minds is "whom do I need to please?" Until that has been determined and employees know what it takes to please that person, little is going to happen. People assume a more conservative stance and are most comfortable living with the *status quo*.

Pritchett and Jones (1985) mention that the merger environment frequently sees inter-group co-operation and support being sacrificed for a better defended self. This, of course, is a direct consequence of the lowered trust level and desire for self-preservation. It is not uncommon to find one department or work group seeking to further its cause at the expense of another. The "we" spirit can evaporate in an atmosphere where people concentrate on looking after their own interests.

Sometimes team play suffers within teams. This happens when an employee decides that individual effort is a more promising avenue for being successful than team play under the new regime.

Inter-group cohesiveness may be discarded to be replaced by the feeling that it is every man for himself. In that atmosphere individual interest displaces collaborative effort.

Pritchett and Jones (1985) say that post-merger studies frequently find that tasks or projects requiring mutual effort and team play have become bogged down by organisational politics. Competition undermines co-operative interplay and the overall corporate mission suffers severely because of this splintering effect.

Power struggles can throw work into disarray. A merger causes existing power networks to be re-examined and in many instances re-negotiated. At its worst, a merger situation may deteriorate into a "free-for-all", as staff vie for positions of authority. Typically there is some jockeying for positions. The natural result is that people lose clout. This dilemma helps explain why employees move into holding positions (Pritchett and Jones, 1985).

Pritchett and Jones (1985) also say that there is often much wasted effort. Projects in progress may be stopped in the final stages just when the real layout is about to be realised. Other programmes may be sabotaged because their sponsor loses his / her power base in the organisation. Many corporate opportunities slip past disregarded or completely unnoticed because managers are preoccupied with in-fighting.

One of the most common complaints of managers and executives whose firm has been acquired relates to their loss of autonomy and control (Pritchett, and Jones, 1985). The adjustment can be very difficult to make. Until the power balance has been restructured, communicated and actually accepted by lower-echelon personnel, organisational functioning will suffer.

Unclear reporting relationships and poorly defined decision-making authority are familiar symptoms in mergers that go bad. Such problems plague, to some extent, all companies that find themselves acquired by another organisation.

Corporate goals and objectives become more obscure during the period immediately preceding and following the actual merger (Pritchett and Jones, 1985). Even departmental objectives tend to become more indefinite; particularly in those work-groups that can see themselves being consolidated, reshaped, or eliminated. This leads to weakened sense of direction on the part of employees and that, in turn, results in diminished commitment. Employees rarely maintain a strong drive and desire to achieve when the targets are out of focus.

Pritchett and Jones (1985) believe that because of the lack of well-orchestrated, focused effort, employees' energies become diffused. The overall organisation begins to drift because its various parts are not operating in a sufficiently purposeful, co-ordinated way. In fact, one department or work-group may be duplicating the efforts of another or, worse still, working at cross-purposes.

Pritchett and Jones (1985) opine that management needs to remember that resources tend to gravitate toward clear goals. If there is no well-defined sense of direction, then available resources - personnel, materials and time - will, inevitably be under-utilised and spent in ways that fall well short of producing potential returns.

According to Pritchett and Jones (1985) there is another reason for the decline in commitment from employees. They are inclined to think that the company has become preoccupied with its own financial best interests at the expense of their individual or collective well-being. Their dedication and loyalty deteriorates as a natural consequence. In most cases the leader has left the scene, too, so that the personal ties which once engendered loyalty and commitment have been broken. In its worst form, a true adversarial relationship begins to develop. People may come to perceive this situation as "me against the company". They see a merger

as essentially a financial proposition rather than something that is done out of a spirit of corporate humanitarianism. Their reaction is to shift from having a company commitment to more of a self-commitment. In the process motivation is severely eroded.

Covin *et al.* (1996) note that negative effects lead to significantly lower levels of job satisfaction and job security and less favourable attitudes toward management. Employees often cope with the uncertainty surrounding a merger by reducing levels of commitment and instead use energy either to cope with anxiety and confusion or they try to find new employment opportunities (Covin *et al.*, 1996). This attitude can spread and become endemic among employees - even those who were not disaffected by the merger. Such relationships are particularly critical, given the finding that the negative effects of mergers and acquisitions do not simply go away with time, but rather seem to become more serious (Covin *et al.*, 1996)

Marks and Mirvis (1998) believe that while executive teams are in their respective war rooms, people in one or both organisations are adrift. They say that decision-making powers become centralised and reporting relationships clog with tension and doubt. Priorities are unsettled. No one wants to make a false move. Executives from both sides jockey for positions and fight for their budgets, projects and power bases Rather than co-operate, they attack and defend.

According to Marks and Mirvis (1998) employees in many combining organisations see themselves working harder but not smarter. Risk-taking plummets at the time when innovation and creativity are needed in the new organisation. Role ambiguity also paralyses people as they wonder who is responsible for what.

Greengard (1997) believes that the human debris generated by merging firms often serves as a financial and psychological drag on productivity and profits and

can create a legacy of problems that can affect human resources and, especially, senior executives.

2.4 IMPACT OF MERGERS AND ACQUISITIONS ON EMPLOYEE TURNOVER

Pritchett and Jones (1985) say that another problem created by acquisitions is the resignation of staff. The degree to which this occurs will depend on the nature of the acquisition. Usually if it is a hostile acquisition people tend to leave in great numbers. Some people want to leave before they are displaced.

Some staff may see the merger as their certain demise because it means the loss of status. Others leave because they recognise a talented counterpart in the other firm and conclude that they, personally, will be the one to be let go because of duplicated functions. Yet other staff may take the initiative and leave because they anticipate obvious departmental consolidations that would make their talents superfluous. Sometimes, however, employees leave simply to escape the increasing ambiguity and intense anxiety the merger generates for them personally (Pritchett and Jones, 1985).

According to Pritchett and Jones (1985) there are often people who leave even though they feel very secure regarding their jobs. Their motivation can be that they see a bleak future as the new corporate direction begins to materialise. A manager in the acquired firm may feel that the company has been taken over by people who will redirect the organisation away from his / her fundamental career interests.

Another executive may fear that the organisation will be milked as a "cash cow" by the new parent company, thus drained of its resources and humbled before the eyes of the business world. Yet another person may worry about having a career stymied by a variety of new faces in superior positions.

Pritchett and Jones (1985) opine that some people leave because they dislike the possibility of encroaching new controls on their sphere of activities. Faced with the possibility that they may suffer a loss of authority and decision-making latitude, they take the initiative to search for greener pastures and leave. Sometimes it is not because they fear a loss of authority, but rather because they anticipate having to adapt to different ways after the merger.

Pritchett and Jones (1985) believe that probably the most damaging resignations are from those executives, managers or technical experts who resign because they do not like the prospect of being demoted in the organisation. They foresee a loss of status together with new management constraints from above. The fact is that frequently it is good people who leave - those critical few who made the company a viable target for acquisition in the first place. These are the people who are the key to its present success. Those who are left behind may be dead wood and unemployable.

It should also be noted that when top talent leaves it could lead to mass resignations by other employees because they are seen as key power figures and opinion leaders. They serve as role models for the rest of the organisation. Resignations also scare people who are left behind in the organisation and make them question the wisdom of remaining.

Pritchett and Jones (1985) see the people most likely to leave as top management. Key executives who fought the merger or acquisition often feel that their relationship with the parent company has been strained beyond repair. They believe that their careers are on shaky ground and, without reassurances from new top management, they decide to leave.

Pritchett and Jones (1985) maintain that sometimes the new top management fails to convince people about how the new structure will accommodate them and offer them challenging positions and career opportunities. People need more attention, encouragement and assurance of their value to the company than they receive in many instances. The irony is that if they do leave and have to be

replaced, the acquirer will end up having to spend much more time and money replacing them and bringing the newly hired employees up to standard. Moreover even when that has been achieved, the company will not have fully replaced what departing executives took with them in terms of technical knowledge, company insights and rapport with them workforce or customers.

Research that has been conducted internationally indicates that a large proportion of senior executives do not remain in the employ of a company that has been the subject of a hostile take-over for longer than five years (Pritchett and Jones, 1985).

Gleason and Hirshon (1995) agreed that during a merger between organisations there is bound to be significant reappraisal of the workforce. For example, in South Africa, there were employees who lost jobs during the merger that took place between Blyvooruitzicht and Doornfontein mines.

In a merger, one of the few areas over which employees feel they have control, is whether to stay or leave the company (Marks and Mirvis, 1998). Career tracks are obscured and employment is more transitional.

The result is that the psychological work contract between employers and employees has changed. Expectations that loyalty will be rewarded with lifelong career opportunities have been replaced with the recognition that a job and a career can end the moment the company feels it no longer needs you (Marks and Mirvis, 1998). The best and brightest among the workforce, those with skills and experience most in demand, are the most likely to walk away. Key managerial, technical or professional talent may not want to remain because of their real or perceived feelings about the owners or the nature of the new company.

Greengard (1997) says that companies have to make tough decisions about laying off excessive staff during a merger. This is necessary to avoid duplication. Greengard (1997) supports the view that during a merger there are bound to be job losses. He says that some companies make the mistake of reflexively cutting

workers after a merger. Although layoffs and outplacement are frequently valid and necessary options, he says, an unfortunate side-effect occurs: the loss of "corporate memory".

Colvin (1999) says that in the case of the merger between the Travellers Group and Citicorp, the president of Travellers Group was fired after the merger. His expulsion shocked just about everybody who followed the company and this led to a drop in the share price of the stocks. This supports the proposal that people can lose jobs during a merger including skilled people. In fact some employees from both companies were considering leaving the company after the merger.

According to Colvin (1999:40.) in the merger between Daimler and Chrysler there were already indications that the independent-minded Chrysler executives would leave. Some already complained about their Daimler colleagues' habit of telling them how things should be done.

Cassel (1996:30) mentions that when Scott Paper was acquired by its rival, Kimberly-Clark, thousands of lives were altered in the civic and social fabric. In less than a year, the 116 year old company retrenched 11,200 workers.

2.5 IMPACT OF MERGERS AND ACQUISITIONS ON STRESS LEVELS OF EMPLOYEES

According to Marks and Mirvis (1998) when merging commences, middle managers and employees become preoccupied with impending change. They are nervous and edgy. Under such intense stress, people revert to basic behaviour. Some will talk negatively about their peers in the hope of securing their own jobs. Theft and even sabotage may increase markedly following some mergers.

Marks and Mirvis (1998) say that in the first several months of a combination, merger-related dynamics can unsettle executives, put the two firms at odds, and set the combinations on the wrong course. Employees are pre-occupied with

their own emotions ranging from elation to fear. This is what Marks and Mirvis call the "merger syndrome".

Countless crises overwhelm strategic calculations. Integration planning exercises devolve into conflict. Signs of human stress are present in all combinations. The first sign of merger syndrome is heightened self-interest. People become preoccupied with what the deal means for themselves, their incomes and their careers. All this is exacerbated by the "clash of cultures". By their very nature, mergers produce a "we" *versus* "they" relationship. There is a natural tendency for people to exaggerate the differences as opposed to similarities between the two companies.

What are noticed first are differences in the ways the companies do business; maybe the relative emphasis on manufacturing versus marketing or their predominantly financial versus technical orientation. The differences in how the companies are organised, say, their centralisation versus decentralisation, or their differing styles of management and control are discerned. Finally, people ascribe these differences to competing values and philosophies - with one company seen as superior and the other as backward, beaurocratic or just bad.

Mergers and acquisitions affect almost everybody in a company. An American Management Association survey found upheavals in management structure and changes in company policies in over three-fourths of 109 acquisitions studied (Marks and Mirvis, 1992). Pay grades and benefit levels were changed in half of the cases and significant reductions in staff were undertaken in more than one-third of them. In the majority of cases, this led to significant problems in productivity, morale and turnover (Marks and Mirvis, 1992).

All of this becomes stress-inducing, and reduces a person's ability to cope effectively. Unsure of why change is occurring and how it may affect them, and unable to voice their concern or control their fate, people's ways of coping with stress are exaggerated. It is commonplace, for example, to see people handle stress through the familiar "fight / flight" reaction. Angry managers cannot work

for the common good. They are looking for a fight and usually spoil the attitudes of their direct subordinates.

Marks and Mirvis (1998) mention that stress also takes its toll on people's well-being. Marked increases in sleeplessness, headaches and back pain, alcohol and drug usage, and quarrels at work and at home are reported following the announcement of a sale or merger. According to Marks and Mirvis (1998) at the headquarters of an acquired "Fortune 500" manufacturing firm, incidence of high blood pressure among employees rose from 11 % in the year preceding the merger to 22 % in the year following its announcement. During periods of mergers and acquisitions, there is more work to do and less time to do it. The sheer amount of work involved in combining two firms - digesting enormous amounts of information and making rapid-fire decisions - is overwhelming and absorbs senior executives' time and energy. Tension filters down through the organisation.

Staff and lower level managers are called upon to assemble information without knowing the reasons therefor. There is a great deal of uncertainty as to the future. Questions abound for which no answers are given.

According to Pritchett and Jones (1985) people like to take and be in control of their lives and the world around them. The more ambiguous the work climate, as in a merger, the more this human goal is sabotaged. High levels of ambiguity lead to excessive uncertainty. Employees become confused, less sure of themselves, and sometimes highly anxious. Pritchett and Jones (1985) mention that, even after the initial impact of the shock has diminished, employees in the acquired firm are hit with repeated demands for change and adaptation.

This invariably disrupts their established and previously successful adjustment to life, as they are afraid of losing their jobs as well as fear of the unknown. These uncertainties, fears and inner tensions do distinct damage to individual productivity. Anxiety inhibits creativity and interferes with one's ability to

concentrate. It acts as a drain on physical energy and frequently lowers the person's tolerance (Pritchett and Jones, 1985).

The impact of a lowered trust level within the organisation is similarly negative. This, too, can cause anxiety. Tension mounts, contributing to the psychological stress load employees have to carry. Individuals may become more fearful or noticeably more angry, hostile and defensive.

Covin *et al.* (1996) see handling a merger / acquisition as being traumatic for most members of the organisation, to the extent that they may even sabotage certain changes which threaten the pre-existing culture. The most susceptible people to a culture clash are those who feel threatened and are resentful of the whole exercise.

According to Covin *et al.* (1996) mergers and acquisitions often create significant trauma for both the acquiring and acquired firm. They see mergers and acquisitions as creating significant trauma for the employees and managers of both acquiring and acquired firms, often resulting in attitudinal and productivity problems, as well as increased turnover of valued personnel. One of employees' major concerns after a merger is loss of personal and corporate identity. Employees attach themselves to jobs, co-workers, work routines, the application of personal skills and performance and career goals. Many employees experience a powerful sense of loss when these strong attachments are destroyed or changed (Covin *et al.* (1996). Even for organisational members who do not change jobs, changed role expectations may occur in the context in which individual roles are enacted (Covin *et al.* (1996).

Covin *et al.* (1996) say that the acquiring firm may feel proud of its managerial finesse in accomplishing the merger and that this kind of pride is quickly communicated, although unwittingly to the members of the acquired organisation, exacerbating feelings of insecurity.

Marks and Mirvis (1998) also state that in reality most mergers and acquisitions are costly. Stress levels can be acute and workloads exhausting. Former colleagues may be fired and careers derailed. Corporate cultures often clash. New structures may not align. These are the typical predictable and troubling trials people face when they join in a combination.

According to Marks and Mirvis (1998) combination stress takes its toll on people's psychological and physiological well-being. Reports of tension and conflict increase at the workplace and at home because spouses and children worry about their fates and grow anxious too.

Marks and Mirvis (1998) also mention that during the post-combination phase there is renewed merger syndrome. First, people experience a renewed surge of stress. They have to contend with new systems, new co-workers, new leaders and new ways of doing things.

Another factor that influences mergers is the sense of "burn-out" that is experienced by employees. Organisational life has an increasingly tense pace. Rampant technological change, economic developments in other countries, and widespread availability of information, put pressure on organisations and employees. The announcement of a merger is anything but welcome to a workforce already saturated with stress (Marks and Mirvis, 1998).

Threatened job loss, together with all of the associated worry about one's self and family, can be as debilitating as the actual loss of one's job. Worrying about not fitting in, lamenting about the loss of one's track record, or agonising over what might happen to one's career, all produce stress. Even a proposed change in name, location and reporting relationships stimulate fear of wholesale change.

The multiple transitions brought about by a merger, often preceded by waves of downsizing and restructuring, overwhelm people's capacity to cope with stress.

Schreitmueller (1997) also believes that a merger can lead to a stressful situation for employees and this can lead to illness and an increase in absenteeism.

Marks and Mirvis (1998) say the causes of corporate stress include lack of job clarity, poor consultation, thwarted ambition and inconsistent staff management practices. They believe that most employees report feelings of anxiety as result of uncertainty about various changes in South Africa. These include corporate mergers and rationalisation. In a study of 1000 workers attending counselling at Harper's Consultancy, Tracy Harper has found the most common areas of problems were interpersonal conflict, overwork, retrenchment, management of affirmative action and dealing with change in the workplace.

2.6 IMPACT OF MERGERS AND ACQUISITIONS ON THE CULTURE OF ORGANISATIONS

2.6.1 What is Culture?

According to Marks and Mirvis (1992) the concept "culture" draws from anthropology and interprets how people live and organise themselves. It links surface characteristics of a society (such as language, appearance, and dress), with their roots in the knowledge, beliefs and values of the native population. As such it is often represented as a system where behaviour, such as rituals and interactions, are based on people's assumptions about the natural world, society, human nature and the self.

These deep truths about the world come from how people are socialised, which is culturally determined, and are reinforced in the cultural institutions of the homeland. Scholars of formal organisations have made the point that how a company goes about doing business is indicative of its culture. Professor Edgar Schein of Massachusetts Institute of Technology, for example, contends that company cultures provide "answers" to people about how their organisation adapts to its environment and provides for their material and psychological needs (Marks and Mirvis, 1992). Expressed another way, Professor Andrew

Pettigren, defines culture as the "glue" that holds the human organisation together (Marks and Mirvis, 1992).

Culture connects the formal organisation (including company policy, strategy and structure) with the informal organisation (that is, the way people interact, think and go about their everyday behaviour).

According to Marks and Mirvis (1992) corporate culture has been likened to breathing. You do not really think about it until it is threatened. People frequently take their company cultures for granted until a change, like a merger, creates fears that desired aspects of their way of life might be lost. Implicit knowledge of how their company works and how policies and systems sustain the firm, come to be explicit as employees compare their ways with those of the other side and reflect on what might be lost.

According to Marks and Mirvis (1992) managers agree that long after the merger companies struggle to integrate such diverse factors as personnel policies, career paths and management styles. The ability to recognise and deal with various corporate cultures can be more critical to the ultimate success of a merger.

Marks and Mirvis (1992 stress the importance of a common culture that brings together shared values and beliefs and that can also generate high levels of co-operation and commitment. It can help create a highly efficient organisation. They say that culture can affect organisations in many ways, such as:

(a) The way business is conducted, markets defined and customers handled;

(b) Structure: Culture influences the way people and tasks are organised;

(c) Performance appraisal: Culture determines which criteria and methods used in measuring individual, group and organisation goal-setting.

(d) Motivation: Culture determines how incentives and pressures are used to guide individual / group performances.

Marks and Mirvis (1992) state that mergers and acquisitions can cause a variety of basic organisational behaviour problems prior to and after the transaction. The two major problems are corporate culture shock and the loss of key management personnel.

Other problems include role conflicts, ambiguity, anxiety, antagonism, anger and fear, personnel stress, depression, distrust, absenteeism, high staff turnover, job dissatisfaction, organisational ineffectiveness and overall resistance to change.

According to Marks and Mirvis (1992) when the cultures of two organisations are mismatched - when the wrong ones are put together - the resulting organisation does not function effectively, and so does not achieve a natural harmony. They say there is a need for numerous adjustments as a direct result of the new organisation's attempt to integrate conflicting values, roles, organisational cultures, structures and climate.

Marks and Mirvis (1992) argue that merging companies generally fail to recognise the importance of "people issues" due to lack of a meaningful framework that asks appropriate questions and provides concrete guidelines for assessing the people-fit issues in the consolidation process. They conclude that what is abundantly clear is that when different corporate cultures are brought together at an operational level, the scene is set for a number of conflict situations: it is precisely these differing values, beliefs, assumptions, etc, which are the major sources of conflict.

Marks and Mirvis (1992) say that in all mergers and acquisitions one should expect to see some level of anger in the acquired organisation as a result of a change in the dominant culture.

In their latest book Marks and Mirvis (1998) say that employees of the acquired find themselves "sold" as a commodity and may suffer from feelings of worthlessness. They may also feel inferior because of loss of autonomy and status.

Marks and Mirvis (1998) believe that once the contract is legalised, the dominant partner moves to impose its values and beliefs on the subjugated partner and make it more like the dominant partner. The acquirer or dominant partner assumes the responsibilities of redesigning the acquired organisation and displacing its culture as quickly as possible. It runs into difficulties, such as resistance to change, when the target company does not accept its values and beliefs. In one consumer products industry, for example, entire levels of management were alternated between the two companies. Excellent performers were let go simply because they had the misfortune of being employed on the wrong staff for their level (Marks and Mirvis, 1998).

By their very nature mergers produce a "we" *versus* "they" relationship, with a natural tendency for people to exaggerate the differences rather than the similarities (Marks and Mirvis, 1998). The differences are discerned in how the companies are organised: for example, their centralisation versus decentralisation or their differing styles of management and control.

Eventually, one side "wins" as their way is adopted in the merged organisation, leaving the other side feeling like "losers". When left unmanaged, the clash of cultures pulls sides apart rather than unites them.

Greengard (1997) says that when Wells Fargo and First Interstate banks merged, there was a problem dealing with two widely divergent cultures. First Interstate had a long-standing habit of handing out titles rather freely. When time came to streamline, Wells Fargo employees did not want to have their titles cheapened, but First Interstate workers insisted on not losing the titles they had earned.

Also the two companies handled work and decision-making in drastically different ways. The Wells Fargo method was rapid-fire while First Interstate was meticulous about conducting research and creating formal presentations before teams would take any action. The work patterns helped dictate the entire organisational structure at First Interstate. Because the company had greater reliance on teams and had built up a larger infrastructure, it acquired additional

layers of management. Whereas a Wells Fargo manager might have had three or four supervisors reporting directly to him or her, a First Interstate manager could easily have had eight or ten (Greengard, 1997).

Greengard (1997) states that the idea that you can slap together a management team or an interrogations team and enjoy clean sailing is flawed. In one chemical company he witnessed a full-scale, cultural war that almost dismantled the merger.

According to Greengard (1997) cultural issues, too, often become a nagging concern because they are not examined during due diligence. He believes that it can take years for cultures to coalesce and for the intended synergy to play itself out.

Colvin (1999) says that in the merger between the Travellers Group and Citicorp it became clear that one part of the business union could go desperately bad as a result of a clash of cultures. In the case of these two companies there was a definite clash of cultures. The people from the Travellers Group were used to a lean, efficient way of operating and they were determined to impose their style on the Citicorp culture that had traditionally been bored by the details of day-to-day managing. That would bring an interesting clash according to Loomis (1999).

In the case of the merger between the Travellers Group and Citicorp, each side had relationships that it perceived itself as owning. It became difficult for the other side to fit in. For instance, in this case, the investment bankers thought of themselves as superior to commercial bankers.

According to Loomis (1999) there were few instances where cultural stereotypes and arrogance of investment bankers stood in the way of the merger. Nine months into the merger, the two sides were still arguing over how to combine two derivatives operations. The two operations were still at loggerheads.

When Daimler and Chrysler merged, the two companies presented problems for Schrempp as both had different cultures and ways of operation. Daimler has been run as a conglomerate with twenty-one separate businesses, while Chrysler is a highly centralised car and truck manufacturer. Geography, tradition and national culture separate the two companies.

Taylor (1999) has seen some cultural differences in the merger between Daimler and Chrysler. He says these may take a long time to work out. For instance, in German tradition, reports have to be big and meetings and discussions should be long. This is different from the way the Chrysler people hold meetings.

Again in the post-combination phase, the cultural norms developed in the combination period are refrozen or reinforced. According to Marks and Mirvis (1998) this is by default rather than by design. Typically, leadership has done an inadequate job of articulating a desired new culture. So the norms that employees see during the merger phase, such as constricted communication, solidify into employee expectations of what life will be like in the post-merger organisation.

For example, in an acquired manufacturing firm that had enjoyed excellent employee management relations as an independent company, employees felt abandoned as their leaders concentrated on managing relations with the new owner during the merger phase. Morale plummeted as result.

According to Weber and Pliskin (1996) organisation culture acts as a filter through which members grasp the realities inside and outside the organisation. Organisation culture affects practically all aspects of the way in which a group of people interacts.

Culture is not easily modified. Its full potential can be realised when two autonomous cultures are brought into close contact. This happens when two firms merge (Weber and Pliskin, 1996).

Marks and Mirvis (1992) divide culture into four areas, namely:

(a) business-related behaviour;

(b) interpersonal behaviour;

(c) values, and

(d) philosophy.

2.6.2 Business-Related Behaviour

Marks and Mirvis (1992) see business-related behaviour as referring to matters of policy, practice and custom in the running of a business. Business-related behaviour relates to matters like the frequency and extent of monthly reports from subsidiaries or branches; planning meetings per year to review results, and the development of business projections. For example, when Times Mirror bought Graphic Controls, there were business-related differences between the two organisations (Marks and Mirvis, 1992). Times Mirror expected detailed monthly reports from all its subsidiaries and hosted two in-depth planning meetings per year to review results. By contrast, Graphic Controls executives had a different approach to running their company. Managers were given liberal capital expenditure budgets and met quarterly to review targets and results in a free-wheeling atmosphere. Annual planning meetings focused on products and markets, much more than on finance. Budget projections were revised regularly in line with changing business conditions.

2.6.3 Interpersonal Behaviour

Interpersonal behaviour comprises the norms and behaviour that one has in an organisation. In one company it is the norm for people to be businesslike, crisp and decisive, particularly when they are seeking information or proposing changes (Marks and Mirvis, 1992). This is a sign of strong product orientation. In other organisations more time is spent in the process of decision-making and everything is put on the table to be discussed.

2.6.4 Values

Organisations differ in their values. Some companies are concerned only with profit and do not care much about the welfare of their people. Other companies see the welfare of their employees as very important. Companies who value their employees will empower them to make decisions and give them responsibilities and challenging assignments (Marks and Mirvis, 1992). In other organisations people are not allowed to make their own decisions and are expected to carry out instructions given to them without questioning those instructions. For instance, in the Times Mirror and Graphic Controls acquisition, Times Mirror managers operated with low levels of responsibility (Marks and Mirvis, 1992).

2.6.5 Philosophy

Behaviour and values are usually encapsulated in the philosophy of the company. Some organisations are authoritarian in their management style, while others are participatory in their approach. Marks and Mirvis (1992) point out that Times Mirror was a "benevolent authoritarian" kind of organisation in contrast to the "family oriented" Graphic Controls. Graphic Controls, as a result of its makeup and traditions, had a different management philosophy and believed strongly in achieving "extraordinary results from ordinary people" (Marks and Mirvis 1992).

There are three realms of culture. They are philosophy, values and behaviour.

Although we can differentiate these realms, cultures are unified and consistent. Philosophy is expressed in values. Values are evident in behaviours. Behaviours, in turn, gi meaning to peoples' underlying philosophy. This means that changes in the way things are done in a company can change over time.

2.7 THE CLASH OF CULTURES

The culture clash between combining companies unfolds in four stages according to Marks and Mirvis (1992). They are:

- Perceiving differences
- Magnifying differences
- Stereotyping, and
- Put-downs.

2.7.1 Perceiving Differences

In this mode people focus first on discernible differences between the two companies' leaders, such as their style, their respective products, their reputation with regard to the kind of people that work there and how the two companies operate and do business. Even the most mundane differences come to people's attention.

2.7.2 Magnifying Differences

Perceived differences between two companies become sharper and more polarised over time. People often start to draw conclusions that differences in, say, business systems reflect deeper differences in values and philosophy. When, for example, ACN merged with Dunn and Bradstreet, ACN, managers were struck by the heavy financial emphasis and reporting requirements of Dunn and Bradstreet, the dominant partner.

2.7.3 Stereotyping

The next thing that happens is that people begin to label those from the other side. They note that their kind of people look the same and indeed are the same.

Stereotyping is intensified when organisations from different countries and even firms from different parts of the same country come together. Differences in the

religious affiliations and racial make-up of people can also beget widespread denigration.

2.7.4 Put-downs

This epitomises the final stage of culture clash. This happens when the other company is put down as having a less desirable culture. It is a question of seeing ourselves as "superior" and them as "inferior".

For instance Northwest Airlines flight attendants regarded their Republic Airlines counterparts as "prima donnas" because they did not have to clean aeroplanes or share hotel rooms on overnight flights (Marks and Mirvis, 1992).

A sense of superiority has consequences beyond attitudes and perceptions. USAir, for example, not only exuded superiority over the acquired Piedmont and PSA, it also forced its acquirers to follow a "mirror image" strategy whereby all would conform to the same policies and procedur- Rather than search for the "best practice", USAir simply imposed its methods. PSA flight attendants, normally spontaneous and witty during the safety briefing of passengers, were required to follow a corporate-mandated script after the merger (Marks and Mirvis, 1992).

2.8 THREE WAYS OF ACHIEVING CULTURAL CHANGE

There are many possible ways of achieving cultural change following a merger or acquisition. The most important are:

- Cultural assimilation
- Cultural blending, and
- Cultural pluralism.

2.8.1 Cultural Assimilation

In cultural assimilation, the lead firm imposes itself on the target. As a result, the acquired company is assimilated into the dominant concern. In the most dramatic instances the lead company dictates integration decisions and deposes and replaces the top leadership in the targeted company. Researchers Karen Siehl and Gerald Ledford of the Centre for Effective Organisations of the University of Southern California, call this a "pillage and plunder" model of integration (Marks and Mirvis, 1992).

Assimilation need not involve cultural conquest. As history teaches us, although the ancient Romans sacked their conquered conquers and installed their own gods, the ancient Chinese were far subtler and less monolithic. They merely "civilised" the conquered people by showing them how to eat, dress and trade like other people in the empire (Marks and Mirvis, 1992, p 184).

Many big companies have well thought out plans for socialising smaller company executives into their ways. This means subsidiary managers have to adapt to new practices and systems, but it also affords them brighter opportunities.

2.8.2 Cultural Blending

Cultural blending, by contrast, involves the mutual integration of the two combining companies. This requires two way influences in integration decisions and usually produces benefits and sacrifices for both sides. The Allied / Bendix combination is often cited as a case where two companies integrated the "best of both" (Marks and Mirvis, [illegible] Bendix executives, for example, secured 33 % of the top management po[illegible] combined company, and a surprising post-merger survey found that Bendix people had a more favourable view of the integration than the did Allied employees (Marks and Mirvis, 1992).

Cultural blending can, however, have unforeseen consequences. A bank merger studied by Buono and Bowditch (1989) cited in Marks and Mirvis (1992) seemed to yield the "worst of both". After the end of one year of trauma in both companies, surveys found the majority of people in both banks felt a lingering resentment toward their merger partners (Marks and Mirvis, 1992).

2.8.3 Cultural Pluralism

Marks and Mirvis (1992) say that cultural pluralism defines combinations wherein the companies establish a relationship based on mutual coexistence as with USX and Marathon, or where the parent company grants a subsidiary full sovereignty. Gould Inc., a mid-western automotive supplier that has become a high technology company, follows this strategy. It grants its subsidiaries full sovereignty.

CHAPTER 3

RESEARCH PROPOSITIONS

3.1 INTRODUCTION

From the literature review it is clear that mergers and acquisitions do have an impact on people and organisations. In order to test what the impact is, a number of propositions have been put forward.

The first proposition is:

3.2 MERGERS AND ACQUISITIONS HAVE A NEGATIVE IMPACT ON EMPLOYEE MOTIVATION AND MORALE

When a merger or acquisition takes place, the lives of many employees who work in the affected organisations are bound to change. There is the possibility that they will lose jobs. There is also the possibility that they may be demoted. Employees face the prospect of working with new people. These and other factors will have an impact on the morale and motivation of employees. This proposition is designed to test the theory that the impact of mergers and acquisitions will be negative on the morale and motivation of employees.

The second proposition is:

3.3 MERGERS AND ACQUISITIONS LEAD TO A DROP IN EMPLOYEES' PRODUCTIVITY

When a merger or an acquisition takes place, there are many factors that can impact on employees' productivity. Low morale and motivation are only two of

the factors. Fear and anxiety are others. All these and too many others to mention can lead to stress. Stress causes sickness and absenteeism. Resignations of key people can lead to a drop in productivity. The aim of this proposition is to test this theory.

The third proposition is:

3.4 MERGERS AND ACQUISITIONS LEAD TO RESIGNATIONS AND SEPARATIONS OF KEY PERSONNEL

During a merger or acquisition it happens that some positions become duplicated. Some employees feel that it is pointless to stay around without clarity about their future. They decide to look for alternative employment. In some cases the restructuring or integration takes so long that some staff tire of the process and decide to leave. It is usually skilled employees whose services are in demand in the job market who leave first. This proposition is designed to test that theory.

The fourth proposition is:

3.5 MERGERS AND ACQUISITIONS LEAD TO AN INCREASE IN EMPLOYEE STRESS LEVELS

In a merger or acquisition there are things that happen which have an impact on the happiness of employees. A merger or acquisition means change for many people in an organisation. There may be a change in fellow workers. There may be a change in the content of the job. There are many changes that take place. People are afraid of changes. They also fear the unknown. These fears cause stress. Proposition 4 aims to test this theory.

The fifth proposition is:

3.6 MERGERS AND ACQUISITIONS HAVE AN IMPACT ON THE EXISTING CULTURE OF AN ORGANISATION THAT MAY RESULT IN A CLASH OF THE TWO CULTURES

Every organisation has its own culture. These are the norms, traditions and values by which the employees live in the organisation. A merger or an acquisition must, therefore, have an impact on these values and traditions. In some cases a merger or an acquisition can lead to a clash of the two cultures. Proposition 5 is designed to test that theory.

CHAPTER 4

RESEARCH METHODOLOGY

4.1 INTRODUCTION

A case study approach was used in this research. A number of organisations, which have recently undergone a merger or an acquisition, were studied to explore the impact on them. These cases were used to make comparisons, build theory and propose generalisations. In-depth, structured open-ended interview questions were used to collect data. Human resources managers were interviewed in identified organisations. Their responses were recorded on tape so as to ensure a smooth flow of the interview as well as to not waste the time of the respondents. The use of a tape recorder also ensured that everything was recorded verbatim from the respondents.

POPULATION RESEARCHED

The organisations that were used in this research are those that underwent a merger or an acquisition recently, that is, between 1996 and 1997.

4.3 SAMPLE SIZE AND METHOD OF SAMPLING

The aim of this study is to establish the impact of mergers and acquisitions on organisations and individuals. It made sense, therefore, for the researcher of this phenomenon to use organisations that have had this experience. The research was conducted in nine organisations from both the service and manufacturing sectors. That is why the option of non-probability sampling was used in this research. In particular, convenience sampling was selected because of the limitation of time and the fact that it would not be possible to have access to all

of the organisations, which have gone through this exercise. The research was limited to nine organisations because of time constraints.

4.4 COLLECTION OF DATA

The source of data collection was the human resources managers of the companies that had recently experienced a merger or an acquisition. The intention was also to review other supporting documents or records such as staff turnover statistics, absenteeism records, sick leave records and so on. This was not possible because most companies would not give access to such records to the researcher or they did not keep records.

Human resources managers were chosen because they are the people who have access to personnel information like absenteeism; stress-related sickness and they are the people in whom employees confide about personal problems. It was understandable that the personnel managers would not furnish complete information because of time constraints. However, human resources managers were the people who had the information about employees who may have left the organisation because of restructuring and retrenchment or through resignations. It was difficult to trace ex-employees and interview them to obtain their feelings and experiences. It would have been too time-consuming to interview everybody in an organisation that went through this exercise.

The method of data collection took the form of face-to-face, open-ended interview questions presented as a questionnaire to the human resources managers in the chosen organisations. Their responses were recorded on tape to save time and capture everything that was said in the interview. Open-ended questions were asked so as to allow the respondents to elaborate and cover all relevant issues related to the question.

The questions asked were pilot-tested on colleagues to ensure that the questions tested the propositions put forward by the researcher. Twelve questions were asked of the respondents. All the questions were designed to collect qualitative

data as the perceptions and actions of the population were being investigated. The chief advantage of using direct, open-ended interview questions is that the responses to open-ended questions often convey information that cannot be derived from responses to a fixed set of pre-specified questions. They may also be a better means of obtaining information about sensitive, controversial or taboo topics. This information may provide insights into the issues important to employees and management. One of the biggest advantages of open-ended questions is that they allow respondents to answer using their own frame of reference, without undue influence from pre-specified alternatives. It also allows for the respondent to ask anything that he / she may feel is not clear from the question.

4.5 ANALYSIS OF DATA

Once all the data were collected from the respondents, the responses were summarised and presented according to each human resource person's response to each question. This made it possible to record individual responses. The differences and similarities experienced during the merger / acquisition by the various organisations studied could be identified. These qualitative data also made it possible to formulate percentages and see emerging patterns and themes, from which to build theory.

The data that emerged out of the in-depth interviews were analysed by means of content analysis. The purpose was to reduce accumulated data into manageable statements. Long descriptions were summarised without losing content and meaning of the sentences. The consistency among respondents to the issues asked in the questionnaire was analysed. Issues which came out of the interview which supported or rejected the research propositions were identified through analysis.

After the analysis, certain generalisations which emerged were used to develop explicit theory. The researcher examined the data for constructs, themes and patterns to describe and explain the phenomena studied. In this manner the

researcher was able to pick up any recurring themes to build theory and propose generalisations.

4.6 LIMITATIONS TO THE RESEARCH

The limitation to the research was the lack literature written about the effects of acquisitions and mergers. This limited the amount of literature that could be reviewed. It also limited comparisons that could be made from this research report itself with any similar findings or comments made by other researchers.

The fact that it was not possible to do longitudinal studies of the cases researched also limits the ability to look at the conditions in the organisations studied before the merger, during the merger and after the merger or acquisition. If it were not for the time constraints such a study would have more complete and accurate information about the impact of mergers and acquisitions. It was not possible to obtain a true reflection of the impact of mergers and acquisitions in the post-merger period because it was too early to make such judgements for some of the organisations. Also people who were affected by the merger or acquisition and who have since left those organisations could not be reached to record their views. This also puts a limitation to the research. Lastly, it was not possible to find the records or information about certain issues because of the confidentiality of such information or the fact that some organisations did not keep detailed records.

CHAPTER 5

PRESENTATION OF RESULTS

5.1 INTRODUCTION

The nature of the topic being researched is a sensitive issue. Many respondents expressed a desire to keep the identity of their company confidential. In order to maintain that confidentiality the companies studied were allotted letters of the alphabet as a means of identifying them. Table 5.1 below shows the industry / sector of the companies researched. This table also shows the workforce profile for each organisation. This is important as it has a bearing on some of the observations made in the study, which will become apparent in the results of the research. The content analysis of the responses provided by the Human Resources Managers to the questions follow after Table 5.1

TABLE 5.1

Sector and skill level profile of companies interviewed

Company	Industry/Sector	Skill level split		
		Unskilled	Semi-skilled	Skilled
A	Chemical Industry	40	30	30
B	Chemical Industry	40	30	30
C	Plastics	40	30	30
D	Banking	-	20	80
E	Insurance	-	20	80
F	Accounting/Auditing	-	10	90
G	Micro-Lending	-	50	50
H	Fibre-glass	40	30	30
I	Information Technology	-	10	90

Question 1 researched impact of mergers and acquisitions on employee morale and motivation. The findings are summarised in table 5.2.

COMPANY A

Company A is a chemical company that was taken over by an American company in December 1996. The take-over was perceived as hostile because the buyers wanted to stop competition and dominate the market for certain chemical products. The take-over was aimed at securing certain key strategic operations that were in the core business of the buyer. The take-over was not aimed to help the company that was bought to survive and re-establish itself. The take-over was intended to destroy Company A. The morale of employees was low as a result. This was demonstrated by complaints, feelings of insecurity, anxiety resignations, an increase in industrial accidents, absenteeism and demonstrations by union members. The restructuring took a long time to complete.

COMPANY B

Company B is also a chemical company that was taken over at almost the same time by the same American company. The take-over seemed to have been hostile. The interview revealed that the conditions surrounding this take-over were similar to those of company A. A merger that had taken place immediately before the take-over had led to a complete restructuring of the organisation. People were faced with the prospect of losing jobs as a result of the merger and restructuring when the take-over took place. The morale of the employees plummeted. Indications of the low morale were the drop in productivity, absenteeism, unnecessary complaints, the increase in industrial accidents, resignations, and an increase in job hunting. As in company A, the restructuring of company B took a long time to complete.

COMPANY C

Company C is in the packaging business. It was taken over in December 1996. The take-over was kept secret to most employees until it was complete. Management told employees nothing formally but information leaked through informal communication channels. Employees became suspicious of the intentions of management. They became negative towards their work, productivity dropped, and the staff demanded their provident fund contributions. These were all signs of poor morale.

COMPANY D

Company D is a financial institution that merged with another financial institution called Y. Company D was run on the old traditional and relaxed way of operation with little emphasis on the bottom line. Company Y is a company that is run on a modern, entrepreneurial goal-orientated and profit motive approach. The merger meant that employees in company D had to change their way of doing things. This has sparked some fears, particularly from the older staff who have been with the company D for a long time. The majority of staff affected is the white males, with long service, who climbed the corporate ladder through their loyalty to the company. They are the people who were seen as retarding progress and standing in the way of the young, enthusiastic and qualified. The merger has posed a threat to their job security. They know it will be difficult to find alternative employment. Their morale dropped significantly.

COMPANY E

Company E is an insurance company that merged with another one called X. Company X was bigger than E despite the fact that they merged. Employees of company E felt that they were treated as the minority by employees of

company X. All senior posts were given to the employees of company X. Company X behaved as a major holder in the merger. All the systems were changed over to those of company X. Employees in company E did not like this. They were not involved in decisions taken. Decisions were not communicated to them. Staff morale dropped. Productivity diminished. Feelings of frustration ran high. Feelings of insecurity were reported to the Human Resources Manager. Many skilled workers resigned.

COMPANY F

Company F is an international auditing firm that merged with a similar company in order to benefit from the effect of combined resources. The merger meant that company F is the biggest auditing firm in the world. The company's capacity has been increased and it can handle more work. It has a bigger client base and enough skilled employees who have both experience and qualifications. In this company the only people who were affected by the merger were administrative support staff. The merger resulted in the administration departments of both companies having to be restructured to streamline operations and reduce duplication. The people in these departments were the ones whose jobs were at risk. The qualified employees, most of whom are accountants, were not much affected by the merger. They are skilled people and their services are in demand. If anything, the merger meant that their positions were more secure than before.

COMPANY G

Company G has acquired a number of organisations. It is an investment company that buys smaller companies for investment purposes with the aim of improving the profitability of the companies they have purchased and also of

increasing its asset base by acquiring a wide range of portfolio investments in the companies they have acquired.

Company G assured the staff of their jobs and also invested in developing employees in the organisations they had acquired because they believe that people are the most important asset in their organisation. Whenever they were negotiating to take over a company, preparations and plans were made to manage the take-over. Proper communications to the affected employees were made and all questions were attended to. Arrangements were made to counsel all employees and presentations were made to inform employees of the profile of the group under which they fall. The morale of staff did not drop substantially in the companies they acquired.

COMPANY H

Company H is in the manufacturing sector and manufactures fibreglass components. The company arose from a merger between a South African company and an American company. The American company has a 51 % holding in the joint venture. The merger was not properly discussed with and communicated to employees. Employees were not told the truth about what would happen to their benefits and conditions of employment after the merger. The staff was in fact told that nothing would happen to their benefits. This was apparently a strategy to make them accept the merger without causing unnecessary panic. After the merger, the employees discovered that their benefits had been changed without consultation and this frustrated them.

Some of their colleagues lost their jobs and this led to a strike by members of the union. They did not trust management and they demanded their pension money. They went on strike and even went to the extent of hold management hostage. Employees' morale was low.

COMPANY I

Company I is a holding company similar to company G. It has acquired a number of companies in the It industry for growth purposes. In all the companies it has bought there has been a strategy and proper planning to effect acquisition. People have been properly informed about the take-over as well as what would happen to them. It employs highly skilled people who are an asset to the organisation and the acquisitions made were done for purposes of growth. No jobs were threatened by the acquisition. Their morale has generally been positive in those organisations. Their organisations have grown from strength to strength after the acquisition. This organisation is also a black empowerment organisation.

TABLE 5.2

Summary of responses to question 1:

What was the impact of mergers and acquisitions on the morale and motivation of employees?

COMPANY	RESPONSE		
	NEGATIVE	POSITIVE	NO IMPACT
Company A	X		
Company B	X		
Company C	X		
Company D	X		
Company E	X		
Company F		X	
Company G		X	
Company H	X		
Company I		X	

Question 2 researched the impact of mergers and acquisitions on employees' productivity. The findings are summarised in table 5.3.

COMPANY A

In company A (an acquisition) the acquisition led to an increase in industrial accidents. There was an increase in absenteeism due to ill health. The staff affiliated to unions went on strike. Although no statistics were kept, there was an increase in machine breakdowns and, therefore, down-time. Skilled people began to leave and an increase in scrapped and reworked items was noticed.

COMPANY B

Company B experienced an increase in down time and machine breakdowns. There was an increase in absenteeism. Skilled people began to leave. Intellectual property was lost. There was an increase in scrapped items. Managers started to abdicate responsibility because they did not know what decisions to take and not to take. Inexperienced people were expected to run operations and this led to more problems. Generally people were unhappy and were not committed to the organisation.

COMPANY C

For company C the interview revealed that after the take-over there was a drop in productivity. This was caused by industrial action like "go-slows" and "work-to-rule". Employees embarked on these actions because some of their colleagues were retrenched and replaced by machines. These were people on the shop floor. Conditions of employment were changed without employees being consulted.

Skilled workers left for two reasons. Firstly, they left because there was a change in their benefits without consultation. Secondly, they left because they felt insecure in their jobs. People were assigned new jobs for which they did not have skills and experience. No training was offered to staff who had been re-deployed.

COMPANY D

Company D experienced a drop in productivity immediately after the merger. In the opinion of the Human Resources Manager, this was caused by people holding back. They concentrated on selfish interests like trying to secure jobs for themselves. Alternatively they were busy protecting their gains and territory and did not want to share information with others. They were afraid that sharing information would make them redundant.

COMPANY E

Company E also experienced a decline in productivity. The Human Resources Manager who was interviewed in this company explained that there was an actual drop in transactions processed which is an index of productivity. Workers had a backlog in their work and could not meet quotas. The drop in productivity was high during the actual merger operations. Employees were assigned different roles. It took employees time to adjust to new roles and learn about new systems and processes. Productivity drop mostly affected lower level employees because they are not skilled and they were worried about the possibility of losing their jobs.

Productivity also dropped at middle management level. Managers' time was taken up by meetings and attending to questions and concerns of their subordinates. Staff were also required to re-apply for their jobs so as to give everybody a chance to have an opportunity. This made people feel uncertain

about their future. Job security was not guaranteed even in cases of skilled employees. People resigned and those left behind were not sure of their future.

COMPANY F

In company F productivity dropped during the actual merger exercise. This was caused by time taken to swap information and to align and streamline the operations between the two firms. Time was taken up in meetings of senior managers to re-evaluate objectives and strategies for the new organisation.

COMPANY G

In company G, a holding company, senior managers lost productivity during the period of the take-over. This was because senior managers, who were assigned some duties in the acquired organisation, had to struggle to find their feet in their new roles. Also the staff had to work with new bosses or colleagues, which had an impact on the dynamics of inter-personnel relationships. It takes time for people to work as a team after a merger or take-over.

COMPANY H

In company H there were problems after the merger. Employees did not interact along well with the new chief executive officer appointed after the merger. They were unhappy about the change in benefits without consultation. They were not happy that their colleagues were retrenched despite management having employees promised that nobody would lose his / her job. Workers went on go-slows, demonstrations and, lastly, they embarked on a legal strike that lasted two months. This had a negative impact on productivity.

COMPANY I

Company I, which is also a holding company, said that productivity suffered at the beginning of the merger. This is because there is time spent educating employees. Hence, initially productivity drops but thereafter improves.

TABLE 5.3

Summary of responses to question 2:
What was the impact of mergers and acquisitions on employees' productivity?

COMPANY	RESPONSE		
	NEGATIVE	POSITIVE	NO IMPACT
Company A	X		
Company B	X		
Company C	X		
Company D	X		
Company E	X		
Company F	X		
Company G	X		
Company H	X		
Company I	X		

Question 3 researched impact of mergers and acquisitions on employee turnover. The findings are summarised in table 5.4.

COMPANY A

In company A retrenchment packages were offered to employees who volunteered to leave. Skilled employees were happy to take the retrenchment package. They took the retrenchment packages that were offered and thereafter looked for alternative employment. This showed lack of planning by management. The new management saw this as an opportunity to reduce staff levels. They found themselves losing all their skilled people. They were left with the unskilled and dead wood. Most of these were low-level employees. They were the people who were forced to take retrenchment packages. It also emerged from the interview that employees with long service saw the benefit of taking retrenchment packages. They left the company with all the expertise and experience. The company was forced to re-hire them as consultants at higher rate of pay. Another reason for the increase in staff turnover is that all senior managers were forced to take retrenchment packages. There was the perception that this was done to remove the senior staff, which caused more anxiety and concern to other employees. Others asked for a retrenchment package or resigned when it was not granted.

COMPANY B

In company B senior management was retrenched. This meant that a lot of money was spent to retrench these people. As in company A, there was a flight of skilled people when voluntary packages were given in order reduce staff levels. Those people who felt uncertain about their future left the company. These were generally skilled people. Only the unskilled and dead wood

remained. The company had to re-hire the services of their retrenched staff at a higher rate of remuneration.

COMPANY C

In company C, people at executive level and skilled people left. They resigned or took retrenchment packages. Unskilled staff did not leave voluntarily; they were retrenched. Employees left because the culture brought in by the buying company was different from their own. Some people left because their benefits were changed.

COMPANY D

In company D, which is in the banking sector, the merger with another bank made people worried about their jobs. They started looking for jobs but the state of the economy and the scarcity of jobs in the banking industry made it difficult for them to find alternative employment. It was clear that there were people who were going to lose jobs. In the opinion of the Human Resources Manager the retrenchments would affect middle-aged, white men who still did things the traditional way. They would be removed to give opportunities the young. The concern was that with equity and affirmative action it would be difficult for them to secure jobs. Those over the age of 55 years would receive early retirement.

COMPANY E

In company E, which merged with another insurance company, a number of people left because the cultures of the two companies were different. Although it was a merger they felt they were treated as minority partner in the merger.

Mostly the young people who left were skilled and qualified. They complained that they were made to feel inferior. Employees from both companies fought to keep their cultures and identities. There was never a proper merger of the two companies and the result was that the merger failed. People from the smaller company did not receive posts. Other employees resigned because they were required to relocate. This would disturb family life, for example, careers of spouses, distress for children and cause the loss of friends.

COMPANY F

In company F the merger between the two accounting firms had no effect on the staff turnover of the company in the form of resignations because of dissatisfaction. The people who were affected by the merger were the staff who worked in the administration department. The merger had resulted in duplication the of administrative jobs. These would be absorbed in the structure. Alternative employment would be found for them. Staff who resigned was not replaced.

COMPANY G

In Company G, which is a holding company that acquired various organisations, there was an increase in jobs rather than a decrease. This was due to the growth in the company. Staff turnover decreased instead of increasing. The manager agreed that in the case of a merger the turnover could increase because of rationalisation.

COMPANY H

In company H the research revealed that the merger resulted in some job losses. Most people affected were lower level, unskilled and semi-skilled employees.

After discussions with staff, an agreement was reached to retrench the older, less educated people rather than the younger, energetic people. This would inject new blood in the organisation. The "last in, first out" system was abandoned.

COMPANY I

In company I is a holding company that is g ·owing. The research showed that there were no forced resignations to reduce staff levels. The resignations that took place were voluntarily. They came from skilled people who felt that the development and promotion that they had planned for themselves would be affected by the acquisition.

TABLE 5.4

Summary of responses to question 3:

What was the impact of mergers and acquisitions on employee turnover?

COMPANY	RESPONSE		
	INCREASE	DECREASE	NO IMPACT
Company A	X		
Company B	X		
Company C	X		
Company D			X
Company E	X		
Company F			X
Company G			X
Company H	X		
Company I	X		

Question 4 researched the impact of mergers and acquisitions on stress levels of employees. The findings are summarised in table 5.5.

COMPANY A

The Human Resources Manager confirmed that employees were stressed because of the initial merger exercise and later take-over. Signs of stress were tiredness, sickness, alcohol and drug abuse, high blood pressure and cases of diabetes. There was an increase in industrial accidents. The main causes were fear of job loss, change in status, change in benefits and demotion.

COMPANY B

In company B the Human Resources Manager also reported an increase in industrial accidents, incidence of high blood pressure, absenteeism, and alcoholism and drug abuse. The cause of stress was attributed to fear of job loss, demotion for senior managers and loss of benefits.

COMPANY C

In company C there was an increase in stress as evidenced by employees' demands for their pension monies. They believed that they were going to lose their accumulated benefits like leave and provident fund monies. Another cause of stress was the secrecy surrounding the take-over. Workers were "kept in the dark". They only found out when the deal was completed. Employees went on "go-slows" and demanded their pension money. They did not trust management because they had lost some benefits already.

COMPANY D

Company D experienced an increase in stress after the announcement of the merger between the two banks. A number of em, 'oyees expressed concern and kept visiting the Human Resources Manager to ask questions. He did no. have answers. Most workers visited the company psychologist for counselling. Those mostly affected were middle-aged men.

COMPANY E

Company E also saw an increase in stress levels. This was shown by an increase in alcohol and drug abuse. There was a drop in productivity. People were de-motivated and came to work and did nothing. The Human Resources Manager confirmed that she suffered stress as well because suddenly her career was threatened. In her organisation it was mostly senior people who felt marginalised.

COMPANY F

In company F the only people who were concerned because their jobs were affected were in the administration department. The impact of this did not affect their stress levels greatly they were assured of alternative jobs.

COMPANY G

In company G there was no noticeable rise in the stress levels of employees. All employees were assured of their jobs. Relationships were good. There was no attempt to take over the running of the company. Staff was happy and relaxed. Productivity and growth increased.

COMPANY H

Company H confirmed that there was an increase in stress levels of employees. This was caused by lack of trust between management and employees. After the employees lost some of their benefits, and some of their colleagues were retrenched, they went on strike and demanded their pension money. The chief executive officer resigned.

COMPANY I

In company I the Human Resources Manager mentioned that in the companies that were acquired people suffered less stress because staff were regularly told what was happening and which people were affected. The Human Resources manager stressed that, in their cases of acquisition, good management of the process meant less stress. Decisions were made quickly, communicated and implemented. People were able to adjust and even find other careers. They are counselled properly and helped to stand on their own.

TABLE 5.5

Summary of responses to question 4:

What was the impact of mergers and acquisitions on the stress levels of employees?

COMPANY	RESPONSE		
	INCREASE	DECREASE	NO IMPACT
Company A	X		
Company B	X		
Company C	X		
Company D	X		
Company E	X		
Company F			X
Company G			X
Company H	X		
Company I			X

Question 5 researched the impact of a merger or acquisition on existing cultures of organisations. The findings are summarised in table 5.6.

COMPANY A

Company A found that the acquisition brought in some new ways of doing things in the company. Matrix structures were introduced where people reported to different bosses. People were assigned multiple roles. Structures were flattened. Decision-making was centralised. All functions like human resources, sales and marketing were centralised. This created a lot of resistance. Managers were stripped of their decision-making powers, paralysing some functions. The organisation suffered.

COMPANY B

Company B also experienced the forcing down of the new culture. New structures were put into place. Decision-making was centralised. All functions were also centralised and controlled from one place. There was resistance from employees to these changes. They were expected to do things in different ways. Productivity suffered.

COMPANY C

Company C also experienced a change in the way things were done. Some traditional activities were stopped, like hiring a bus to ferry employees to funerals during times of bereavement. This caused a lot of dissatisfaction and anger. Employees became uncooperative. There was a lot of resistance. Productivity suffered and management-worker relations were bad – they had reached the lowest in years according to the Human Resources Manager.

COMPANY D

In company D, the Human Resources Manager expressed concern that the cultures of the two merging banks were different. The one was a relaxed, conservative, traditional culture that was bureaucratic. The other had a business-like, professional and entrepreneurial culture. Their emphasis is on customer service, service delivery and profits. The aim is to replace the former with the latter. But there was already resistance from employees, particularly from older and long-standing employees. In his opinion it would take a long time to change that culture. It has been entrenched in the organisation for decades. It would need influencing and pulling those people who resist to bring them on board. If a new culture is forced on people, they will resist. Proper training and communication had to be provided to change the corporate image.

COMPANY E

In company E the research also showed that people were required to do things in the way the organisation that merged with them did. Systems were changed to those of the other company. There was a concentrated effort to remove anything that resembled the culture of their company. The dominant company tried by all ways to destroy the previous culture so that their culture would remain. This only caused division and conflict. There was in-fighting and this affected the organisation negatively. When an international company later acquired the organisation, they were not forced to change their culture. In a merger one should look for similar cultures. People were not forced to change overnight. This removed most resistance from the staff. They were also consulted about how to improve ways of doing things and they co-operated. The difference was that the latter event was an acquisition and not a merger.

COMPANY F

In company F, the cultures of the two organisations are similar and this made the merger smooth.

COMPANY G

In company G, which is a holding company, the researcher found out that the companies they have acquired were not required to change their culture. The acquiring company made sure the cultures of the companies they acquired were similar to their own. This eliminated most problems and reduced any potential staff friction. Where there were minor differences, these were negotiated and agreed amicably.

COMPANY H

Company H initially experienced problems when the American company tried to force its culture and values on its employees. Thereafter they negotiated with employees, particularly on productivity issues and work ethics. Agreement was reached and this has actually opened doors for negotiations on many issues relating to culture. A compromise was reached after talks and the partnership is working well.

COMPANY I

Company I actually mentioned that they tend to buy small companies with a similar culture to their own. This has caused fewer problems in merging the two cultures.

TABLE 5.6

Summary of responses to question 5:

What was the impact of mergers and acquisitions on existing cultures of organisations?

COMPANY	RESPONSE	
	SIGNIFICANT IMPACT	NO IMPACT
Company A	X	
Company B	X	
Company C	X	
Company D	X	
Company E	X	
Company F		X
Company G		X
Company H	X	
Company I		X

Question 6 researched the impact of mergers and acquisitions on organisational behaviour. The findings are summarised in table 5.7.

COMPANY A

In company A, the acquisition led to restructuring. The structures were changed. Reporting lines were changed. People were assigned multiple roles. Matrix structures were introduced. All this was done without consultation. This led to conflict and confusion. This, in turn, led to resistance by the staff. Little planning was done to implement the changes.

COMPANY B

In company B changes were also introduced in the company structure. employees were assigned different roles without consultation. Employees felt that their career aspirations and ambitions were being thwarted deliberately. Functions were centralised, for example, accounts, sales and marketing. Staff resisted the changes as the changes were forced on to them. Multiple roles were assigned to people. Team spirit broke down. Workers were generally not happy. More breakdowns and down time were reported in the plants.

COMPANY C

In company C the feeling was that with the take-over the employees of the acquired company were being marginalised. This caused a negative attitude towards management. Commitment to the organisation was low. People were no longer prepared to "go the extra mile". They refused to work overtime.

COMPANY D

In company D the merger had an impact on organisational behaviour. The two financial institutions had totally different cultures. People were expected to change their ways of doing things from a relaxed, *laissez-faire* manner to that of an entrepreneurial enterprise. This caused some culture shock. The organisation had been long in existence and people had their established norms and values. The Human Resources Manager predicted that it would take some time to change from the old ways to the new paradigm. It would be futile to expect people to change overnight.

COMPANY E

In company E the Human Resources Manager said that the merger led to changes in roles for some people. Staff were removed from positions and in some cases demoted. Also the management styles of the two companies differed. This made it difficult to create a synergy in the new organisation. Conflict situations arose and there was general dissatisfaction. Employees resisted the changes forced upon them. Morale decreased, contributing to failure in the merger. Supervisors were expected to manage change, yet they did not know what to do or was expected of them.

COMPANY F

In company F the merger did not have any negative impact on the organisational behaviour. The cultures of the two organisations were similar, as was the management style. It was a perfect partner with which to merge. It was relatively easy to merge systems and operations. The integration was properly planned and, in short, everything was planned with a good strategy to manage change leadership, integration and operations of the merged organisations.

COMPANY G

In company G the Human Resources Manager explained that their acquisitions have been properly managed through communication and obtaining understanding and acceptance. There has been little or no interference in operational issues in the acquired organisations. Any changes are made at strategic level and these are filtered down through the existing management structures. This minimises resistance

COMPANY H

In company H the merger had a negative impact on organisational behaviour. The way the merger was done led to a lot of dissatisfaction Employees were not happy because of exclusion in decision-making. The newly appointed chief executive officer wanted to force his ideas on staff. Employees did not co-operate with him. They went on go-slows and on strike. He had to resign and be replaced. It was only then that negotiations were re-opened and relationships improved.

COMPANY I

In company I the Human Resources Manager agreed that an acquisition does affect the relationship, the climate, roles, team spirit and so on. What is important according to him is how a merger or an acquisition is managed. If there is a strategy and a plan in place, there should be few problems He also emphasised the importance of acquiring or merging with companies with similar cultures, values and norms. This makes the integration smooth. He also stressed the question of size. If you merge with or acquire an organisation that is smaller, it is easy to influence them to change. It is difficult to do so with big companies

TABLE 5.7

Summary of responses to question 6:

What was the impact of mergers and acquisitions on organisational behaviour of companies?

COMPANY	RESPONSE		
	NEGATIVE	POSITIVE	NO IMPACT
Company A	X		
Company B	X		
Company C	X		
Company D	X		
Company E	X		
Company F		X	
Company G		X	
Company H	X		
Company I		X	

Question 7 was aimed to establish whether anyone became disadvantaged in a merger or acquisition and what is the impact. The findings are summarised in table 5.8.

COMPANY A

In company A, the acquisition led to the removal of top management as well as certain senior managers. Some people were demoted and others lost certain benefits. Their jobs were changed without consultation. This caused a lot of resentment and conflict. People felt that this was a deliberate move to frustrate and marginalise them.

COMPANY B

In company B, the same thing happened as in company A. Top management was removed and some senior managers were removed or demoted. This caused a lot of unhappiness. People felt insecure about their future. Some staff left and most of them were skilled people. There was a general anti-management feeling among the workers. This led to some demonstrations calling for re-instatement of retrenched managers.

COMPANY C

In company C, the Human Resources Manager said that employees felt that they were the ones who lost most. Senior executives were retrenched in the exercise. Managers lost certain benefits. Employees at shop floor level were retrenched. This caused a lot of unhappiness. Employees felt aggrieved and unhappy. They protested by "go-slows" and refusal to work overtime. Relationships were soured. Productivity dropped.

COMPANY D

In company D, the employees who were resisting the new changes, introduced by the merger, felt that they were losing their positions. They felt that they were losing control in the organisation. There was the fear that, with the coming into operation of the Equity Act, their position was helpless. This happened at the same time that the company introduced new technology and affirmative action. The situation led to general resistance to the changes introduced.

If not managed well, they felt it was going to undermine the change as well and not achieve what it was supposed to do. These people had a feeling that they were losing and they would not allow the situation to continue without a struggle through resistance. They were afraid of the future.

COMPANY E

In company E, the employees felt that because their organisation was smaller, they had been taken over. Most senior positions were given to managers of the bigger company. The systems were converted to those of the bigger organisation. This caused unhappiness. There was resistance to the changes. As a result there were two camps in the organisation. Employees from the smaller organisation were not co-operative. Productivity and morale dropped and the organisation suffered. It was later acquired by an overseas company because it was not doing well. Under the new management, people felt treated better. Management was participatory and progressive. The company showed better results.

COMPANY F

In company F, the merger was seen as a win-win situation. It was going to benefit everybody. Nobody was going to lose his / her position or job. Everybody was going to be accommodated in the merger. Alternative positions were created for the affected people who worked in the administration department. They were promised training to fill the new jobs they were going to perform.

COMPANY G

In company G, the acquisition proved to be a win-win situation. This was because in the acquired organisations nobody lost jobs or positions. There was no attempt to take away control from managers. There was no resistance. New opportunities emerged for employees. There were plans to inject money and resources to improve operations in those organisations. Employees were developed to equip them with better skills. Their structures were not changed. In short people saw the acquisition in a positive light rather than a negative one.

COMPANY H

In company H, the merger led to all sorts of problems. The employees no longer trusted management. Workers felt that they had been cheated and were not consulted in the process. They did not co-operate. They felt that they had lost because they lost some benefits. Some employees lost jobs. Productivity suffered as a result. There was a strike. They did not agree with the chief executive officer who was appointed. He wanted to force issues without consultation. He finally resigned. Both parties lost heavily.

COMPANY I

In company I, it was revealed in the interview that the presence of a plan and strategy played an important role in a merger or acquisition. If the approach in a merger is that the whole is bigger than the sum without any party believing it is bigger, then there will be no losers. It will be a win-win situation for everybody. In the acquisitions nobody felt disadvantaged.

TABLE 5.8

Summary of responses to question 7:

Was there anybody who felt disadvantaged in the merger or acquisition?

COMPANY	RESPONSE		
	THE ACQUIRER	THE ACQUIRED	NOBODY
Company A		X	
Company B		X	
Company C		X	
Company D		X	
Company E		X	
Company F			X
Company G			X
Company H		X	
Company I			X

Question 8 researched the impact of mergers and acquisitions on projects / work in progress. The findings will be summarised in table 5.9.

COMPANY A

Company A had no projects planned or work in progress because of its poor financial status.

COMPANY B

In company B, the acquisition meant that some projects planned had to be put on hold. For example, before the acquisition took place, plans were already at an advanced stage to outsource transport to an independent contract. This was put on hold.

COMPANY C

In company C, there were no projects or work in progress. The acquisition did not have an impact in this area.

COMPANY D

In company D, the merger resulted in the acceleration of the process of implementing projects that were planned by the financial institutions. This has had a positive impact.

COMPANY E

For company E, the take-over has resulted in stoppage of all projects. They were told not to carry on with any projects in progress or in the planning stages. Management of the company who merged with them took control of everything immediately. The stoppage of projects angered the people who initiated the projects. Time and money were wasted as a result of stopping the projects.

COMPANY F

In company F the merger did not have any impact on projects. Company F is in the service industry and could not afford to put projects on hold. They would lose customers if they did so. Projects had to continue. Only internal projects were put on hold. These were projects related to human resources and marketing. The reason for doing this was to align the processes of the two firms.

COMPANY G

The Human Resources Manager of company G mentioned that the projects of companies acquired were not put on hold. Instead money was put into these projects to consolidate existing positions.

COMPANY H

In company H, some of the projects were put on hold after the merger. They were put on hold because when they were planned they did not take into account global markets. They were geared for the South African market only. This resulted in delays in delivery and in meeting deadlines.

COMPANY I

The Human Resources Manager of company I said that in the acquired companies, projects or work in progress were, in general, not stopped. This depended on the aim of the acquisition. If the acquisition it was for growth, this should not have a negative impact on projects. In fact in those companies they have acquired, they have put money into the acquired companies' projects to make the projects more viable and to get them going faster. This has yielded in positive results and growth for those companies. He also mentioned that, in his opinion, it is only in mergers where projects should be affected. This has to be done to align and streamline projects.

TABLE 5.9

Summary of responses to question 8:

What was the impact of mergers and acquisitions on projects / work in progress?

COMPANY	RESPONSE		
	NEGATIVE	POSITIVE	NO IMPACT
Company A			X
Company B	X		
Company C			X
Company D		X	
Company E	X		
Company F			X
Company G		X	
Company H	X		
Company I			X

Question 9 researched the impact of mergers and acquisitions on the identity of organisations. The findings will be summarised in table 5.10.

COMPANY A

The take-over resulted in the removal of logos by which the organisation was identified by the public and with which employees identified. Many people found it difficult to adjust to the new identity: they still identify with the old company. They did not accept or come to terms with the change. Customers were also confused by the many changes that took place. Some customers were lost especially when some contact people like salesmen and buyers left the organisation. Business went down dramatically.

COMPANY B

In company B, the staff did not want to identify with the new organisation. Attempts were made to change the identity of the organisation after the acquisition. The old signs and logos were removed and new ones installed. This only served to create confusion with customers.

COMPANY C

Company C was also made to change their logos, values and norms after the take-over. This was resisted by employees. They did not see the reason why they had to change the way they used to do things.

COMPANY D

In company D no attempt was made to change the identity of the company. It is a big company with signs and logos with which it is identified by customers and the outside world. This has made the staff feel that they have not lost their identity. The Human Resources Manager believed that it would take some time before the identity of the company would be affected by the merger. He believed that it is not important to change the organisation from outside. He believed that in order to change the organisation, there is a need to have a "paradigm" shift in employees. A "paradigm" shift is a change in norms and values. This requires leadership with vision that will align the process values and norms to the desired direction and standards. The impact was that employees felt threatened by the new changes and felt insecure. Productivity dropped.

COMPANY E

In company E, the merger between the small and the big organisation led to the displacement of the values, norms, processes and systems of the smaller organisation. A decision was taken to convert the business from the smaller company to the bigger company. The signs and logos of the bigger company replaced those of the small company. These changes were resisted by the employees of the smaller company. This decision has caused some confusion in the market and some customers were lost.

COMPANY F

In company F, the Human Resources Manager said that the merger between the two organisations would be managed so that it does not impact negatively on people. The values, norms and cultures of the two organisations are similar.

The transition has been planned and managed in such a way that people do not feel threatened that they will lose their identity. The name of the merged company has included both names of the merging companies. It is an equal partnership. It is meant to make the organisation grow stronger. The integration proceeded smoothly.

COMPANY G

The norm has been to leave the acquired organisations as they are in terms of culture, values and norms, particularly at operational level. They have established that the acquired organisation was willing to identify with the main organisation. There has been little resistance from employees.

COMPANY H

Company H lost its identity after merging with the American company. The culture, values and norms were changed, particularly the working standards and customer service. When these changes were initially introduced and forced on employees there was resistance and this created problems. Some of the things that were stopped when the new management came in were very close to the hearts of the staff. It is benefits like being allowed to buy flowers and gifts for the sick; hire buses for funeral attendance, and hold Christmas parties. A compromise had to be reached between the two parties. Values like work ethic, fewer strikes and no disruptions of operations were also agreed. Values, norms and standards from both sides were incorporated in the new organisation. This led to a smooth transition and integration.

COMPANY I

In this company, the philosophy is that if they buy a company it should be a company whose values are aligned with their values or similar to their values. It must also be a company that is small enough so that its values can be influenced with ease. In that way there are fewer problems. He also expressed the opinion that where the old identity of the organisation has been identified with failure or poor performance its identity should be changed. This needs proper planning and strategy so that the customers should see a different improved company that has emerged from the change. In that way the change in identity becomes a business imperative. Otherwise there is no need to change a company's identity for the sake of change. For companies acquired by company I there has been no attempt to change the identity of those companies. The impact has been positive attitude and less conflict. Productivity has improved.

TABLE 5.10

Summary of responses to question 9:

What was the impact of mergers and acquisitions on the identity of organisations?

COMPANY	RESPONSE	
	SIGNIFICANT IMPACT	NO IMPACT
Company A	X	
Company B	X	
Company C	X	
Company D		X
Company E	X	
Company F		X
Company G		X
Company H	X	
Company I		X

Question 10 researched the impact of mergers and acquisitions on other stakeholders, like suppliers, customers and families of employees. The findings will be summarised in table 5.11.

COMPANY A

In company A, the acquisition caused a lot of fears and anxiety on friends, relatives and families of employees. They were worried that their spouses, parents and children were going to lose jobs. More important was the fact that, in some cases, the unhappiness at work spilled over to the home situation. Families could not longer make long-term plans without the re-assurance of a job. Customers were also concerned about the availability of products. They were afraid that some product lines might be stopped. Suppliers were also concerned that their supplies might not be required and there was the possibility that new suppliers might be preferred. This actually happened.

COMPANY B

In company B, there was concern among families, relatives, suppliers and customers as well. The acquisition affected the family lives of certain employees. Some people lost jobs during the acquisition. This had far-reaching consequences in that they could not meet their financial commitments. There were major commitments like house bonds that could not be paid. Some employees started drinking heavily. Incidents of drug abuse were reported by spouses of employees to the human resources department. Suppliers and customers were affected because there were some product lines that were stopped or and operations that were sold.

COMPANY C

In company C there were customers who were lost after the take-over, particularly when most sales people and buyers left. The families of employees who were retrenched were affected negatively, particularly the relatives of unskilled people who were unable to or struggled to find jobs. No attempt was made to give these people training or to help them find alternative employment.

COMPANY D

In company D the merger had an impact on the spouses of people who were likely to lose jobs. They were middle-aged men of 50 years old and upwards. There were fewer prospects of them being absorbed anywhere in the job market because of their age as well as the threat of equity and affirmative action. Also the finance field depended mostly on specialised skills and the poor economy of the country played a negative role.

COMPANY E

In company E the merger had an impact on families of employees whose jobs were at risk. The general unhappiness of employees affected their family lives. The confusion, which was sparked by the conflict situation during the merger, had an impact on the service and delivery levels to customers. Customers were affected negatively by this and as a result some customers were lost. Some suppliers were dropped after the merger.

COMPANY F

In company F, the merger had no negative impact on families of employees. Nobody was going to lose his / her job. The merger had a positive impact on customers and suppliers. Custor rs received better and more varied range of services. These services were backed by a stronger company with a good skill base. Suppliers also received more business because of the growth.

COMPANY G

In company G, the take-over did not have any negative impact on families of employees because there were no job losses. Customers were also not affected negatively by the exercise. In fact customers received better service from a company that received financial backing from the mother body. The only people who suffered in the acquisition were the suppliers. This happened in cases such as banking institutions, medical aid and other services where there were already established suppliers for the holding company.

COMPANY H

In company H, the merger had a negative impact on the families of employees. Some employees lost their jobs. The employees also lost some of the benefits they used to receive before the merger. When the employees went on strike for two weeks, their families lost income. The strike also had an impact on suppliers and customers. Products of suppliers could not be delivered during the time of the strike and conflict. Customers also suffered during that time. Their products were not delivered.

COMPANY I

Company I agreed that in the acquisitions they did, there were instances where they had to streamline their activities and change the suppliers and vendors of acquired companies. In the case of mergers, the Human Resources Manager pointed out that this was necessary in order to streamline operations. This meant that some people had to lose jobs in the process. This would affect their dependants. He suggested that the best thing is to explain the problems to suppliers, customers and families like you do to the employees affected. This would enable those affected to suggest solutions that would lessen the pain and suffering.

TABLE 5.11

Summary of responses to question 10:

What was the impact of mergers and acquisitions on other stakeholders like suppliers, customers and families of employees?

COMPANY	RESPONSE		
	POSITIVE	NEGATIVE	NO IMPACT
Company A		X	
Company B		X	
Company C		X	
Company D		X	
Company E		X	
Company F			X
Company G			X
Company H		X	
Company I		X	

Question 11 was aimed to establish the category or level of people most negatively affected by mergers or acquisitions. The findings will be summarised in table 5.12.

COMPANY A

In the case of company A, the acquisition affected employees across the board because there was already a merger in progress when the acquisition took place. The merger had led to complete restructuring of the organisation. When the acquisition took place, the senior managers were forcibly removed from their positions. This was done because it was a hostile take-over. In the merger most of the people affected were the unskilled and the dead wood.

COMPANY B

In the case of company B, which was also a hostile take-over, all the senior managers were removed from their jobs. In the case of the merger, the people who lost jobs were the unskilled and the dead wood.

COMPANY C

In the case of company C, employees at lower level were the ones who were most adversely affected by the take-over.

COMPANY D

In company D, the people who were most negatively affected were the older staff and the poor performers.

COMPANY E

In company E, the most negatively affected people were people at management level. During the merger many senior managers and some middle managers from company E, which was the smaller company, lost their jobs or were demoted. Some left the company in frustration but most of the staff who lost jobs were the lower level people and poor performers.

COMPANY F

In company F, relatively few people were affected negatively by the merger of the two auditing firms. Negatively affected staff were generally the semi-skilled and were working in the administration department. They, however, did not lose jobs, but were trained for alternative posts.

COMPANY G

In company G, nobody was negatively affected. The acquisition was made for the purposes of growing the business in the acquired companies. What is important is that the Human Resources Manager emphasised that people were developed and equipped with better skills in those companies. Employees were regarded as an important resource.

COMPANY H

In company H, when the merger took place, it was the lower level, unskilled people who lost jobs. It was these people who were unsure about what was happening in the organisation. That is why they eventually went on strike.

COMPANY I

Company I is in the Information Technology business and it employs mostly skilled people. During an acquisition these people are seldom affected negatively by the acquisition. Their services are needed in the organisations acquired. The Human Resources Manager agreed that in the case of mergers the people who are normally the worst affected, are the lower level, unskilled people. Also poor performers are the first to be retrenched. He also agreed that it is the lower level people who tend to be told least during mergers.

TABLE 5.12

Summary of responses to question 11:
Which category of employees was negatively affected by mergers or acquisitions?

COMPANY	RESPONSE			
	UNSKILLED	SKILLED	MANAGEMENT	NONE
Company A	X			
Company B	X			
Company C	X			
Company D			X	
Company E			X	
Company F	X			
Company G				X
Company H	X			
Company I				X

Question 12 asked whether a merger or an acquisition could lead to a clash of cultures. The findings will be summarised in table 5.13.

COMPANY A

In company A, there was a clash of cultures. There was a difference in the way each company did things. This included management style and values. The structures were made flatter and people were assigned multiple roles. There were too many controls and functions were centralised, causing confusion and resistance. The cultures of the two companies were too different.

COMPANY B

In company B the staff experienced a "culture" shock after the take-over. There were too many things that were done differently by the American company. Their values, management-style and structures were different. This caused a lot uneasiness and resistance from staff. A number of people left the company and those who stayed behind were not happy. Morale and productivity dropped. Incidents of suspected sabotage were reported as there was an increase in plant breakdowns.

COMPANY C

Company C experienced a clash of the two cultures. They were expected to do things differently. Employees were used to receiving regular communication and being involved in issues affecting them. These were stopped and structures were changed. Management style was different. People were just "told" and not "consulted". The result was a rift between management and workers.

COMPANY D

In company D, there was a definite clash between the cultures of the two banking institutions. The one had a relaxed, traditional culture that was not focused on bottom line results. The other is entrepreneurial and emphasis is on the bottom line. The result was that the expected improvement in productivity was not realised by the merged companies. There was still resistance from the people in the old traditional bank. People found themselves expected to things differently. Most of them were old employees and it was difficult to cope and adjust.

COMPANY E

In company E, there was a definite clash of the two cultures. The culture of company E was that of participatory management where people were allowed to make decisions. The company they merged with had an autocratic approach and decision-making was centralised at the top .The result was conflict and resignation of key personnel. Productivity suffered because of the in-fighting and the merger failed.

COMPANY F

In company F, the two companies had similar cultures. This made the integration easy and there was little clash of cultures. The result was improved service to customers and an efficient organisation.

COMPANY G

In company G, there was little clash of cultures because the companies that were acquired had similar cultures to those of the acquiring company. In most cases

where there were differences, they were small and were discussed and agreed and the changes were not forced on people. Also the fact that the control was not taken from managers ensured that their culture was not affected, particularly at operational levels.

COMPANY H

In company H, there was a clash of cultures after the merger. There was a difference between the way things were done by the Americans to the way people in South Africa did them. The Americans were more businesslike and professional than the South Africans who were more relaxed. The work ethics differed. This caused a clash of the two cultures and led to a conflict situation.

COMPANY I

In company I the Human Resources Manager agreed that there is bound to be a clash of cultures if the transaction is not planned carefully. He felt that "if you want to buy" you must understand "what you are buying". This can minimise the likelihood of a clash of cultures. "If you buy, and there is a clash, it means you bought a wrong asset". In the same breath a he felt that a merger should be made with companies which are similar if it is to be a success; otherwise problems may occur.

TABLE 5.13

Summary of responses to question 12:

Was there a clash of cultures during the merger or acquisition in your organisation?

COMPANY	RESPONSE	
	YES	NO
Company A	X	
Company B	X	
Company C	X	
Company D	X	
Company E	X	
Company F		X
Company G		X
Company H	X	
Company I		X

CHAPTER 6

DISCUSSION OF RESULTS

6.1 INTRODUCTION

This chapter discusses the results that were presented in the chapter five. The aim of the discussion in this chapter is to review the results and establish whether there is any agreement in the responses from the human resources managers of different organisations to the propositions put forward by the researcher on the impact of mergers and acquisitions. It seeks to interpret the data and establish the themes and relationships that emerged from the responses of the different organisations studied. This will form the basis for building theory from the patterns that emerge.

6.2 SECTORS REPRESENTED

The five economic sectors represented by the sample of five sectors studied showed a wide spread of commercial activity, ranging from the chemical industry to information technology. The workforce profile also shows that all levels of employees were represented in the organisations studied, ranging from highly skilled to the unskilled. The answers provided by the human resources managers are linked to the propositions put forward in chapter 3 and the questions researched in chapter 5.

6.3 PROPOSITION 1: QUESTION 1

Mergers and acquisitions have a negative impact on employee motivation and morale.

Analysis of the results show that 67 % of the organisations studied agreed that a merger or an acquisition had a negative impact on the morale and motivation of employees. The organisations have shown some common elements surrounding an acquisition or merger. Either the acquisition is hostile and there is a definite aim to remove certain people, or one organisation wants to dominate the other in a merger. In all the organisations that experienced a drop in the morale and motivation of employees in this study, one or both of these factors played a major role. In the organisations where this did not happen, relationships were cordial and there was no aim to remove people from their positions. Few conflict situations arose in these mergers or acquisitions.

The responses to question 1,which tested proposition 1, vary. In those companies where the acquisition was seen to be hostile and the relationships were adversarial, the motivation and morale of staff were affected negatively. In such companies the acquisition was not geared to benefit both organisations. It was an acquisition to consolidate the position of the buying organisations. The result was that management was marginalised or removed in those organisations. Very little communication or consultation was done with the stakeholders.

In those organisations where people were consulted and there was proper planning and communication with stakeholders, the morale of employees did not drop. Examples of such organisations are those which were acquired by companies G and I. It showed that constructive engagement of employees in a merger or acquisition can yield positive results. A comparison between a hostile and positive acquisition shows that people tend to be negative in a hostile environment and positive in a positive environment. Positive people are co-operative while negative people are unhappy and uncooperative in a merger or acquisition. In this case one sees that there is a common trend that develops in

those companies faced by the same conditions in a merger or an acquisition. In the case of companies A, B and C the acquisition was perceived as being hostile and the treatment of employees was similar. Management in these companies was removed and marginalised and the reaction was resistance in many forms, like demonstrations or strikes. This is in line with what Covin *et al.* (1996) have suggested that employees often cope with uncertainty surrounding a merger or acquisition by reducing levels of commitment. In company A and company b one sees the development of adversarial relationships. This supports the argument by Pritchett and Jones (1985) that when leaders are made to leave the company, ties that engendered loyalty and commitment are broken. Adversarial relationships develop. The reaction is a shift from commitment to the company to self-commitment. Again one sees that in company A and company B the reaction of employees is to use their energy to look for alternative employment as Covin *et al.* (1996) have suggested. The negative attitude can spread easily to all employees. In a similar way, the mergers in company E and H were mergers of imperfect partners and led to conflict situations. On the contrary the research found out that in the cases where the merger or acquisition is for growth (as in companies F, G and I), their relationships are good and the impact is less negative on the morale and motivation of employees than it was in the other organisations. The lesson is that in any merger or acquisition exercise it is better for the buyer to try to build a healthy relationship in order to be able to obtain support from all the stakeholders.

6.4 PROPOSITION 2: QUESTIONS 2 AND 9

Mergers and acquisitions can lead to a drop in employees' productivity.

This study has shown that productivity dropped in all the companies studied The drop in productivity was for different reasons, and by varying degrees. Again 67 % of the companies experienced a drop in productivity. The drop was sustained over a long period, starting from the time when there was first talk of the take-over to a number of months after the take-over or merger. These were the companies where the staff felt that the take-over was hostile. In these

companies one party dominated the merger and the other was forced to abandon its identity or culture.

In cases where the merger or acquisition was smooth with little marginalisation, integration proceeded went smoothly. This is what happened in the merger involving company F as well as take-overs under the holding companies G and I.

Question 2 was asked to test proposition 2 which says that mergers and acquisitions can lead to a drop in employee productivity. Most companies agreed that a merger or an acquisition did lead to a drop in productivity immediately after the merger or acquisition. The results show that in a merger where one party wants to dominate the other, there is bound to be conflict. This is what happened in the case of the merger in company E and company H.

The responses to question 9 which also tested proposition 2, have shown that in general there will be resistance from employees if a change of identity is forced on them. Identity has a bearing on the motivation, morale and productivity of employees. The changes that were made to the identities of some of the organisations caused problems, particularly in companies A and B. It is difficult to change people's norms and values. It is better to acquire or merge with companies with similar values, culture and norms. Otherwise it is better to leave the identity of acquired organisations alone. In terms of merging organisations it is imperative that the values of both merging organisations should be incorporated. Where changes are envisaged, they should be discussed and agreed with stakeholders before being implemented. Where a change in identity needs to occur as a business imperative, the change should be implemented once it is accepted by stakeholders as a better option. In that way the change of identity will have a positive impact with employees and the organisation.

6.5 PROPOSITION 3: QUESTIONS 3, 8 AND 12

Mergers and acquisitions lead to resignations and separations of key personnel.

The results of this study have shown that about 77% of the companies interviewed agreed that there was an increase in staff turnover, particularly of the skilled people in senior management. The important thing is that there were different reasons for this loss of skilled people. On top of the list is the feeling of insecurity in an environment that was perceived to be hostile. In some cases the cause was competition for fewer jobs (in cases of mergers). Also the fact that there was no proper planning and communication with employees made people feel uneasy about their future and their career path. Skilled employees who left in company A and company b did so most probably because they saw no future for themselves in those companies. As Pritchett and Jones (1985) have suggested these are the people who may have made the companies viable targets for acquisition. The removal of top talent may have triggered resignation of skilled employees in company A and company B. There were no reassurances about job security from the new top management. People left because of lack of security. They saw no opportunities for themselves. In cases where the acquisition or merger was aimed at growth, the flight of skilled people did not take place.

Responses to question 3, which tested proposition 3, have revealed that mergers and acquisitions affect the turnover of people in organisations. The difference is in the reasons for the resignation or leaving of people. It seems that norm is that where the take-over is hostile, the buyers have a tendency to try to dispose of certain people especially senior and long serving staff. This was the perception in company A, B and C. The strategy of the buying companies is to remove senior level managers so the acquiring company can take control of the power positions. This is in agreement with what Arkin (1997) has noted that when a company takes over another one, it removes the old management. This happened in company a and company B. It could be they are hoped to reduce the level of

resistance. In most cases this worsened the situation. It has also highlighted that it is not easy to replace the existing culture with another one if the cultures are different. Without proper strategy there is the possibility of losing the people you need in an organisation.

The most important personnel are those with skills who will leave if they feel marginalised and inferior. Organisations might find themselves having to hire retrenched people as consultants if they do not strategize and plan the take-over. The take-over may end up being a failure. As for mergers, it has been shown that in a merger situation there are bound to be people who lose jobs. The nature of a merger is that restructuring is imperative to streamline operations. A difference that has emerged from this study is that where acquisitions have been properly studied and planned to ascertain growth potential and compatibility between the two organisations, there has been success. Where there has been conflict, tension and head hunting, there has been less success. This was the case in company A, B, C, E and H. The case of company H has also highlighted the problems that the LiFo principle (last in, first out) may bring to organisations during mergers and acquisitions. If this principle were followed, organisations with low staff turnover would find themselves sitting with ageing employees after restructuring.

Question 8 was asked in order to test proposition 2. In most cases there are projects in progress in any organisation. These projects are usually started by specific people. It may happen that such projects may be stopped after a merger or acquisition. This may cause dissatisfaction to the people who started them. The result is that the staff may decide to leave the organisation. The results have shown that where a merger is done for growth purposes with positive aims by the buyer, this will have a positive impact on the projects planned or in progress. This is what emerged in the interview with the Human Resources Managers from companies G and I. Where the acquisition or merger is aimed to kill the other business or party, the tendency will be to stop those projects.

Another point that has emerged is that some companies bought into other organisations without proper planning and knowledge about the status of those organisations. These companies found out only after they had concluded the deal that they had bought problematic companies. A few months later they were having personnel and production problems. This happened in companies A and B. These companies were making losses and sitting with disgruntled employees after the acquisition. Those companies are on sale again. The acquisitions have failed. The lesson that emerged from the exercise is that it is better that buyers should study the conditions prevailing in companies they intend to buy or merge with before making a decision. It also appears that some of the buys they made had operations which were way beyond the core business and operations of the buying organisation. The caveat is that companies should be careful and not buy or merge with companies involved in activities too far removed from their competencies and core business. This may lead to the failure of the merger. They should also be careful not to merge too many activities. This study has also shown that growing organisations focus on building alliances with organisations that are involved in similar business. The growth of acquired organisations and the development of their projects are accelerated. Existing positions are consolidated. This is a result of good strategy or planning in the whole process of merging or acquisition. The research also shows that, in the case of an acquisition, the closer the asset you are buying to your core business, the greater the chances of success. This reduces the chance of stopping projects in progress. The further the projects are from the core business of the acquiring firm, the higher the risk of failure.

It is important, therefore, that before an acquisition or merger is made, a study should be undertaken to establish the suitability of the merging companies in terms of their cultures. It is better to merge companies with similar cultures. If this is not the case, there is the possibility of a clash of cultures. It has also been shown that it is best to buy smaller organisations whose cultures can be influenced by the culture of the bigger organisation. Where organisations are big and have an established culture, it requires a lot of work to change their culture.

It may take a long time to change them. It is better to leave acquired organisations as they are and let them change naturally with the passage of time instead of trying to force change immediately. Enforced immediate change may cause resistance and conflict.

6.6 PROPOSITION 4: QUESTIONS 4, 6 AND 11

Mergers and acquisitions lead to an increase in employee stress levels.

In all nine companies interviewed the results showed that in all the companies which were affected by a merger or acquisition, employees experienced an increase in stress levels, though to varying degrees. It is a natural response from people when an announcement about a merger or acquisition is made. They feel uncertain. The results revealed that, in most cases, employees across the board are affected by a merger. The results are based on reports of incidents that were reported by the local medical station or psychologist. People who visited private doctors have not been covered in the study. This makes it difficult to establish an accurate figure. It is, however, clear from the responses received from Human Resources Managers and the observations made that there was definitely an increase in the stress levels of employees. This supports what Covin *et al.* (1996) discovered in their research findings. They discovered that mergers and acquisitions often create significant trauma for employees of both the acquiring and the acquired firm resulting in attitudinal and productivity problems. Again it is interesting to note that the stress was experienced in varying degrees according to the type and intention of merger or acquisition.

Where the acquisition was perceived hostile and certain people were removed from office, the extent of the stress was felt throughout the organisation. In other cases stress was felt by few individuals. Stress affected particularly the older and less skilled people. Absenteeism and illness rose in the workforce of companies a and b, as Marks and Mirvis (1998) have suggested. Drug abuse was noticed in company E as evidence of an increase in anxiety and stress levels.

Question 4 was asked to test proposition 4. The responses to this question show that in a take-over or merger where the relationships are adversarial, there is bound to be conflict and an increase in stress levels. This is not healthy for the organisation and may affect the progress of the organisation. This is what happened in the case of companies A, B and C. Once relationships sour, people become engrossed in fighting each other instead of doing constructive work. They become consumed by in-fighting and productivity drops. The results show that adversarial relationships are likely to occur in organisations where the take-over is hostile. In such organisations people tend to resist if they feel that they are being pushed. The two sides are usually engaged in a power struggle, which only helps create more tension. The study has also revealed that stress affects both the individuals and the organisations concerned. It is clear that organisations like company G and I, who communicate with their employees about what is happening, manage to reduce stress levels in employees. The use of the "pull" technique instead of the "push" technique has helped reduce tension and conflict in these organisations. The "push" technique, which seems to be used in hostile take-overs, helps increase tension and can lead to an escalation of confrontation and a power struggle.

Question 6 was asked to test proposition 4 that says that mergers and acquisitions do have an impact on stress levels. The climate in the organisation also has an impact on stress levels. In some cases of acquisition or merger, the climate is affected by the changes that take place in the organisation. This is because relationships that have been in existence for many years may be changed. It is important in a merger or acquisition that such relationships are not affected negatively by the merger. What emerged from the interviews on the question of organisational behaviour is that mergers and acquisitions do have a major impact on this factor

In those organisations where the merger or acquisition was not properly planned or implemented, this had an adverse impact on the behaviour of the organisation's staff. Relationships were bad in those organisations. This affected the organisational climate as well as the behaviour of those organisations. Again

it was organisations like A, B and C which were negatively affected. In those organisations where the take-over was smooth this did not happen. Good examples are F, G and I. A message that emerges is that proper planning and good management of the process, are very crucial to the success of a merger or an acquisition. If a plan and a strategy are well prepared, there will be fewer problems. This means that organisations earmarked for a merger or an acquisition should be investigated and studied to ascertain whether organisations will integrate smoothly with the purchasing organisation. If not, there will be problems. Also the size of the organisation plays an important role. A big and old organisation with its own traditions is difficult to change. Smaller organisations are easier to influence.

If it is necessary that changes should be made as a result of the acquisition, it is important not to force such changes. Influence should rather be used. This works well if change is done through existing structures rather than removing them. This is how company G and I managed to integrate their acquired organisations. In those acquisitions where changes were imposed it was difficult to integrate: namely, companies A, B and C. In those acquisitions where influence was used proved to integrate well.

Question 11 was asked to test proposition 1 (which relates to morale and motivation) as well as proposition 4 (that relates to stress levels of employees). The responses varied and pointed to the most vulnerable employees in the organisations. These are unskilled and semi-skilled people. They are the people who are least likely to find alternative employment in the case of job loss. Next on the list were middle-aged people who were over the age of 50 years. They were also less likely to find employment again unless they were highly skilled and had skills that were scarce in the market. Again the research showed that people were most vulnerable in those take-overs that were not meant to grow the acquired companies (like A and B) where the workforce profile showed a large number of unskilled employees.

6.7 PROPOSITION 5: QUESTIONS 5, 7 AND 10

Mergers and acquisitions have an impact on the existing culture of organisations, which may result in the clash of the two cultures.

The responses have shown that about 67% of the companies studied, experienced a clash of culture after the merger or acquisition. This is not surprising if one takes into account that every organisation is unique. What is important is how this difference in cultures is managed and how integration is brought about. What emerged from the interviews is that where one culture was forced on the other party, this led to resistance from the employees. This was experienced mostly in hostile take-overs and mergers where the cultures were vastly different. In cases where a change of culture was not forced on the other party, the integration was smooth.

In response to question 5, that tested proposition 5, the respondents all agreed that a merger or an acquisition does have an impact on the existing culture of organisations. In companies A, B and C the culture of the buying organisation was forced onto the acquired organisation. This caused a lot of resistance in many forms including "go slows". The same reaction was experienced in the case involving company E. The result was conflict and in-fighting. In company E people tended to see differences rather that similarities as Marks and Mirvis (1998) have suggested. The bigger company seemed to see itself as superior to company E. This caused problems and led to a clash of cultures. The failure of the acquisitions in companies A and B as well as in company E shows that the negative impact can result when people are not engaged in the change process. In these companies management failed to obtain the support of employees in the implementation of new methods, processes and systems. The result was that employees resisted adopting the new practices. Such mergers and acquisitions did not work out. As Covin *et al.* (1996) have noted, there was some level of anger in company E as a result of the change in existing culture. In this case the bigger company wanted to impose its values and beliefs on the smaller company in the merger. This supports what Marks and Mirvis (1998) have argued that this

is what usually happens in most mergers and acquisitions. They believe that the dominant partner or acquirer usually moves quickly to displace the existing culture in the acquired organisation. But then it runs into difficulties. This is what happened in companies A, B and E. The clash of cultures led to the pulling apart of the two sides in company E. Again, what happened in company h is testimony to what Pritchett and Jones (1985) have suggested that until the changes have been communicated and actually accepted by employees, the organisation will suffer. This happened in company H when changes were unilaterally implemented by management. Employees resisted and eventually went on strike. In the case of company A, the acquiring company is endeavouring to sell it as the synergy and core business operations of the acquired company is incompatible with their own. In the case of companies where the cultures were similar, as in company F, such problems were not experienced. In companies G and I the respondents explained that in their case, they only acquired companies with similar cultures as theirs or acquired small companies that would easily be influenced. The lesson from this is that it is important for a company to acquire another company that has a similar culture to theirs. This is particularly important in a merger because if the cultures are not similar, it will be difficult for those companies ultimately to merge. There will be power struggles and conflict. In an acquisition it is better not to force the acquired company to change its culture. If the culture has no negative impact on the business, it is best to leave it alone. Otherwise it is necessary to consult and negotiate about changing the culture, with compromises being made from both sides.

Question 7 also tested proposition 5. The responses to this question have revealed that it is important that in a merger or acquisition, people should not feel they are losers. It has emerged that where people have felt that there is hostility towards them by new management, they will not co-operate. They will resist and there will be tension and conflict. It is important that employees should be made to feel accepted and not just pushed aside and marginalised. If that happens there is bound to be resistance and power struggles. These will

retard progress and there will be no integration. There will be division. It is also important in a merger to choose a partner that has the same or similar values, norms and standards. It is also important to share a common vision. In that way there will be co-operation and a win-win situation. The interview has also highlighted that in the case of an acquisition or merger where change should take place, there is a need to establish the merger and acquisition change imperative. This can be achieved by raising change awareness in people's minds and embedding this awareness. In that way integration will take place. This requires the presence of visionary leadership, which is able to create vision that is supported by everybody. The processes to manage the change should be in place and the transition should be managed.

Question 10 was asked to test proposition 5 that says that mergers and acquisition do have an impact on relatives of employees, their families, suppliers and customers. The responses have shown that this is true. Many companies have established relationships with the families of employees, the suppliers and the customers. When there is a merger or an acquisition these values are sometimes changed. This is what emerged from the responses from company A, B, C and E.

When the buying companies brought in a new culture it was not welcomed and led to all sorts of problems, like demonstrations and resistance. It is better that merging organisations should avoid creating a conflict situation, which may have an impact on consumers. It is very important that issues are discussed and agreed with all stakeholders during a merger or an acquisition.

6.8 REVELATIONS OF THE RESULTS AND THEIR IMPLICATIONS

The results have shown that in a merger or acquisition there are both logistic and process issues that need to be considered.

6.8.1 Logistic Issues

Information about the other partner

In order for a merger or acquisition to be successful, sufficient information is needed about the other partner. This information relates to the culture, the values and the norms of that organisation. These are important to ensure that there will be synergy between the two organisations when they merge. If these are different it will make it difficult to integrate the two organisations. Each partner will want to do things its own way and this will definitely lead to conflict and the potential failure of the merger.

In the case of an acquisition, the acquirer will want impose its values on the other partner. This may cause resistance and even sabotage. This is suspected to have happened in companies A, B and H.

Wrong partner

The study has also shown that, in certain instances, companies chose to merge with wrong partners. This was definitely the case in the merger involving companies D and E. Both these companies merged with totally different partners. The result was that the merger of company E failed because they had different cultures, values and norms. Company E had a participatory management style while the partner they merged with had an autocratic approach to management. It is therefore important that the partner chosen for a merger is similar in many respects, as is seen with company F (where the merger was successful). These two organisations had similar cultures and synergy and integration was smooth.

Too far removed core competencies

The research has also shown that in a situation where the acquirer purchases an organisation that has operations that are far removed from its core competencies, there might be problems in the acquisition. For example, company A was

acquired by an American chemical company. The acquisition package meant that they had to buy all the operations of company A. It turned out that there were operations that fell outside the core competencies of the buying company. These included chemical by-products like alcohol and yeast. The purchasing company's core business and competency is in chlorine production. The acquisition has led to a situation where they had to sell or close those operations leading to huge losses.

Changing environment

Changing environment is another issue that needs to be taken into consideration wherever organisations go into mergers or acquisitions. Initially a merger or acquisition may seem to be an attractive proposition because of the belief that there is a good market for a certain product. Experience has shown that global markets can change quickly.

This may result in huge losses for companies. In the companies studied some of the acquisitions have not yielded the results that were expected. The acquisition of company A by the American company has proved to be a failure in that it is making losses and is currently being sold by the acquirer. This is a result of over-estimating the market in a fast-changing environment. Competitors have entered the market and have brought down prices. It is important that in mergers and acquisitions the volatility of markets is taken into account.

6.9 PROCESS ISSUES

6.9.1 The Impact of Widely Differing Cultures

The issue of different cultures and their impact on the integration process emerged from the research. In most of the companies interviewed the question of diverse cultures and their role in causing friction and resistance was highlighted. Where the cultures of merging organisations differed significantly, it became difficult to establish synergy. This was definitely the case with organisations A,

B, C and E. The result was the failure in the mergers and acquisitions of these organisations. It is very important that the cultural issues are looked into carefully before a decision is made to merge with or buy an organisation.

6.9.2 Poor Integration

The question of poor integration has also been demonstrated strongly in the research as a cause for many problems. In the companies studied the integration was not properly planned and handled. An organisational diagnosis was not made to understand what types of organisations were being bought or merged with, to establish whether there were similarities between the values, norms and cultures of the two organisations. It is important that in a merger or acquisition the two organisations should be able to align their vision, values, culture and norms. In that way it is easy to integrate them. It also emerged that some mergers and acquisitions were put together without weighing the risks to employees and their reactions.

The result was that the transactions were finalised only to find out that the impact would be negative on employees. This is a result of poor planning and lack of strategic approach to a merger or acquisition. Human resources policies and procedures seem not to have been revised and updated to accommodate those of acquired organisations in the process. The result was a lot of staff dissatisfaction and conflict situations. It is important that all these issues should be addressed in order to achieve smooth integration.

6.9.3 Poor Leadership

The research has also revealed that in times of a take-over there tends to be confusion among employees as to who is in the controlling position. Employees are loyal to leadership from existing managers. When these people are removed in an acquisition, they leave a vacuum. Employees are left to make their own choices and decisions, and in many cases, the decisions are not the right ones.

This definitely has an impact on the operations of the organisations as well as on the confidence and security of employees. When there is nobody to lead them they feel uncertain about their future and start to panic. It is important that during a merger or transition, where possible, the existing leaders are left to manage the transition even if they are allowed to leave later on.

The mistake that some companies in the study made was to retrench senior managers or marginalise them. This caused a lot of resentment in employees and the result was that some of those acquisitions failed following the loss of skilled and competent senior staff.

6.10 THE SUGGESTED APPROACH TO MANAGE A MERGER OR AN ACQUISITION SUCCESSFULLY

A merger or an acquisition is just like any other change that takes place in an organisation. It will always follow the same pattern when the announcement is made about a merger or an acquisition: people will go into denial mode. This will be manifested by apathy and refusal to move from the *status quo*. The next step will be to resist. This will be shown by anger, anxiety and sabotage. Thereafter people will go into the exploration phase where they will try out new ideas and approaches.

Lastly, they will come to accept the change and become committed to the new vision of the organisation. This requires strategic planning of the merger or acquisition. It needs proper management of the process by establishing a merger and acquisition change, imperative through visionary leadership. It needs good management of the integration process by reusing awareness and embedding that awareness. This is the formula that has worked for the successful mergers and acquisitions of company F and companies G and I.

CHAPTER 7

CONCLUSIONS AND RECOMMENDATIONS

7.1 COMMENTS ON PROPOSITIONS

Five propositions were put forward for this research. These were examined separately and compared to the results of the research. A summary of the results is provided below:

Proposition 1: It was accepted by most of the respondents that mergers and acquisitions have a negative impact on the motivation and morale of employees. The results showed that this impact also depended on the type of take-over, that is, whether it is hostile or not and the manner in which the take-over is planned and handled.

Proposition 2: It was accepted by most respondents that mergers and acquisitions can lead to a drop in employee productivity.

The question and the intentions of the acquisition again played a role in influencing the productivity levels of employees. Where the intentions were good and the exercise properly planned, this did not have significant negative impact on productivity. Where the employees and management of acquired companies were treated with respect and not marginalised, productivity was not negatively affected. Where employees were marginalised, productivity dropped.

Proposition 3: Most respondents in the sample of the organisations studied, agreed that mergers and acquisitions lead to resignations and separations of key personnel.

The extent of the loss depends on the type of take-over and the intentions of the buying organisations. The way the take-over is planned and the treatment of staff play an important role in influencing the feelings of employees.

Proposition 4: Most companies agreed that the stress levels of employees increase during a merger or an acquisition. A number of factors play a role in this. These include the age of employees, availability of jobs in the market, skill levels of employees and the intentions of management. If the intention is to scale down operations, it means that people will lose jobs. This increases anxiety and uncertainty.

Proposition 5: It was agreed by most respondents that mergers and acquisitions have an impact on existing culture in organisations. This impact may result in a clash of cultures, as happened in most of the organisations studied. The size of acquired organisation was proved crucial in managing the integration process. Where the organisation was big with an entrenched culture, it was difficult to change that culture.

7.2 RECOMMENDATIONS

In the light of what has emerged from the research, the following recommendations can be made:

7.2.1 Ensure Adequate Due Diligence

Any organisation that intends to merge or acquire another organisation should ensure that it understands the "inner workings" of the other company. This can make the merger less stressful.

7.2.2 Establish a Well Developed Rationale

Although the products / manufacturing ability might be the underlying reason for the merger, the human side of the equation is a key element in the success or failure of a merger. It is up to the human resources people to obtain the necessary information in the right hands and communicate to senior executives from a financial standpoint how workforce issues enter the picture.

7.2.3 Understand the possible Synergies

A solid understanding of each company's workforce and the culture that surrounds it can help human resources staff develop policies and strategies that work best in the situation. This can be achieved by doing a proper compatibility assessment of the acquired organisation. This allows the acquiring organisation to do a risk analysis.

7.2.4 Involve All Stakeholders from the Beginning

It is desirable that all stakeholders who are credible are involved from the beginning. This will ensure a good all-round understanding of the process with honest and accurate feedback on progress. It also makes buy-in by the different stakeholders to be easy.

7.2.5 Integrate the Corporate Cultures

Mergers and acquisitions mean more than streamlining and standardising benefits. It is essential to use a variety of tools – including workshops, activities and new work teams and task forces – to bring together the two cultures.

7.2.6 Communicate Relevant Information to Employees

Senior managers and human resources managers must spend time discussing the changes and how they will impact the workforce. Honesty is essential. The communication should be in both directions. Sessions where employees can express their concerns and where they can ask questions and receive straight answers help to alleviate much of the anxiety. Management of the acquiring / merging company should take the human resources personnel into their confidence and keep them informed of intended developments.

7.2.7 Move Quickly During the Transition

One of the biggest mistakes organisations make is to let the merger or acquisition drag for months. This causes more pain and damage both for employees and the organisation. It is best to move fast and handle most tasks in days or weeks so that the company and the new workforce can forge ahead and engage in meaningful work and establish a new combined identity.

7.2.8 Control Rumours and Wild Predictions

Speculations about the outcome of a merger produce more fear than the certainty of the actual outcome. The best practice is to bring together a representative group of employees at all levels during negotiations. Their primary concern should be to uncover problems involving the entire new organisation. Employees need to know the truth about their long-term position with the company and should be kept informed

7.2.9 Avoid Failure by Recognising Key Contributors

One way for a newly merged firm to fail is to leave an air of uncertainty or ambiguity following the completion of a merger or acquisition. Another sure way to fail is to bypass star performers for recognition or promotion. Key players need to be kept in the know, motivated and poised for change. Keep them on the integration team where they can continue to shine.

7.2.10 Form a Transition Committee

This team should include members from upper and middle management, staff from both of the merging organisation to discuss what can be done in the short and long term to help the two cultures understand each other. They should discuss what the new organisation should look like. What will be the mission, values and philosophy of the organisation? How will this be communicated so employees can make it their own? How will functions of the two organisations be consolidated? How will employees learn about the new organisation?

7.2.11 Employees Should Remain Calm

It is easy to become discouraged or anxious during times of uncertainty. Employees should keep a positive attitude. A dedicated approach to work may help protect their jobs.

7.2.12 Employees Should Avoid Rumours

Employees should avoid becoming involved in gossip and rumour-mongering. They should keep eyes and ears open for pertinent information about the merger or acquisition and how it affects them.

7.2.13 Employees Should Take the Initiative and Maintain a Strong Work Ethic

Employees should look for ways to reinforce their value to the organisation.

7.2.14 Employees Should be Flexible

The merger or acquisition may mean that employees are asked to handle a broader range of tasks. They should welcome new challenges. This could be a test to see their willingness to do extra work or to assume new responsibilities. These challenges should be viewed as an opportunity for personal growth.

7.2.15 Employees Should be Open to Change

Employees should not assume that an acquiring firm wants to bring unreasonable changes that will make them feel badly treated. Employees should be prepared to look forward and forget about the past. After all one who clings to the past may not be of much value to the new organisation.

7.3 AREAS FOR FUTURE RESEARCH

The research conducted covered mergers and acquisitions in organisations that are not unique to the South African business scenario. There has been a transformation in the business world recently with the entry of black business people into the business arena which has changed the complexion of the business environment. Some businesses have come to the fore as a result of initiatives of black empowerment. Some of these initiatives have led to the acquisition of existing businesses. Others have merged with existing concerns to form strategic partnerships. Many businesses are under the control and leadership of black entrepreneurs. It will be interesting to see how these companies perform in the market given the fact that blacks are newcomers in the South African business world, so to speak, because of historical reasons. It will also be interesting to see how white culture interacts with the black culture in

business; What is the reaction of employees to being managed by black managers? These observations would be interesting findings that would shed some light on how the face of business will be transformed.

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APPENDIX 1

LIST OF OPEN-ENDED QUESTIONS

Below is a list of open-ended interview questions that were asked of the Human Resources Managers in order to test the propositions which the research on the impact of mergers and acquisitions tried to establ[illegible]

QUESTION 1

How did the merger or acquisition affect the morale and motivation of employees? Would you say that it had a positive or negative impact on the morale and motivation of employees? What behaviours did they exhibit to show that they were affected by the merger or acquisition?

Tests proposition 1

QUESTION 2

In your opinion how did the merger or acquisition affect employee productivity? What are the signs that show that the merger or acquisition actually affected employee productivity? Was it negatively or positively affected?

Tests proposition 2

QUESTION 3

Did the merger or acquisition impact on employee turnover? If yes, which group of employees was mostly affected and why? Was it skilled or unskilled employees?

Tests proposition 3

QUESTION 4

In your opinion do you think that mergers and acquisitions can have an impact on stress levels of employees? Did this happen during your merger / acquisition exercise? What are the incidents or behaviours that employees exhibited that suggest that the stress levels were actually affected? Did the exercise increase / decrease or not affect the stress levels of employees?
Tests proposition 4

QUESTION 5

Do you think that mergers and acquisitions can have an impact on the existing cultures of organisations? If yes, what is the nature of this impact on the culture of the organisation? Is the impact negative or is it positive? In what way is it positive or negative?

Tests proposition 5

QUESTION 6

How do mergers and acquisitions impact on organisational behaviour? Do you think they can affect organisational behaviour and in particular the climate, the relationships, roles and so on? Did this happen in your company? What were the observable organisational behaviour problems that you experienced during the period of the merger or acquisition?

Tests proposition 5

QUESTION 7

In your opinion do you think there is anybody was disadvantaged during the merger or acquisition? If yes, is it management and workers of the acquired organisation? Or is it possible that there were none who felt disadvantaged? If there were some who became disadvantaged what was the impact of this on the workers and the organisation?

Tests propositions 1, 2 and 3

QUESTION 8

What was the impact of the merger or acquisition on projects / work in progress? Were they affected by the merger or acquisition? If yes, how were they affected? What was the impact of this on the business of the organisation?

Tests proposition 2

QUESTION 9

What do you think happens to the identity of the organisation after a merger or an acquisition? Do you think it is lost or retained? Was the identity of your company affected by the merger or acquisition? If yes, in what way was it affected? Was it lost or retained?

Tests proposition 5

QUESTION 10

Did the merger or acquisition have an impact on customers of the company, the suppliers of the company and families of employees? If yes, what was the impact?

Tests proposition 4

QUESTION 11

Which level or category of employees were most negatively affected by the merger or acquisition and why? Please explain your answer?

Tests propositions 3 and 4

QUESTION 12

In your opinion, is it possible that when two organisations merge or one organisation acquires another, there is bound to be a clash of cultures? Did this happen during your merger or acquisition? If yes, which culture was lost and which one was retained?

Tests proposition 5

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