



**Change management strategies, post -acquisition and merger, at a private wellness organisation in South Africa**

**UKZN GSB&L**

**by**

**Lucy Hiralal**

**Student Number: 217029889**

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**College of Law and Management Studies**

**Supervisor: Dr Emmanuel Mutambara**

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## Abstract

Organisations use mergers and acquisitions as a growth strategy in the quest for market domination and sustained competitive advantage. This growth strategy is still actively employed even though global statistics reveal that eighty three percent of all mergers and acquisitions result in failure. The purpose of this study was to assess the effectiveness of the change management strategies employed by Company XXX during its 2017/2018 acquisition of Company YYY. This qualitative study utilised a phenomenological research design and the collection of data was done through semi-structured interviews. Ten line managers (Grade 12-15) participated in the study from Company XXX and Company YYY. The change management process relating to post-merger integration, communication and leadership during and post-merger was investigated using the Kotter eight step change management model as the theoretical framework. The data collected was transcribed and NVIVO was used for data analysis where the information was coded and themes were identified. Themes that emerged from the study was that the organisation did not have a formal change management strategy that addressed pre and post-merger integration processes, managers who were tasked with the integration process felt that this proved to be difficult for them as they felt disengaged from the organisation. Poor communication, a lack of structure and silo management from senior leadership increased employee disengagement. This resulted in demotivated employees, increased uncertainty relating to job security and the eventual loss of employees with critical skillsets. The study participants also provided valuable insight from a human and operations perspective on how change should be managed more effectively for the organisation to benefit meaningfully from the merger. The overarching theme was the lack of communication and silo management practices. A recommendation was for the organisation to initiate communication and maintain open communication throughout the process with evaluations done at the different stages of the integration. The establishment of a cross-functional change management team to guide the required changes was also highly recommended.

**Keywords:** change management, communication, culture, mergers and acquisitions, line management, post-merger integration

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# CHAPTER ONE-OVERVIEW OF THE STUDY

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## 1.1 INTRODUCTION

Mergers and Acquisitions (M&A) are strategic decisions employed by businesses to grow and achieve sustained competitive advantage within their operating sector. Annually, trillions of dollars are expended to achieve this growth strategy. Research has indicated that the value creation of the M&A process is highly dependent on a successful integration process of the human side of this venture. Kansal and Chandani (2014) found that the process of integration often resulted in complexity of changes to accounting systems, information technology, legal, organisational goals, strategies, structure and the human resources management. This study examines the mergers and acquisitions of Company YYY with Company XXX, the acquiring company. The Competition Commissioner released a report on the 11<sup>th</sup> August 2017 approving, without conditions, the proposed merger whereby Company XXX intended to acquire Company YYY.

Company XXX is a provider of wellness services to employer groups in commerce, industry, mining, parastatals and government departments. Company YYY is a provider of various organisational wellness solutions which include health and safety, absenteeism, incapacity and disability management, employee wellness and executive wellness programmes.

The commission advised the proposed merger is unlikely to result in a substantial lessening of competition in any market. In addition, the proposed M&A is unlikely to raise public interest concerns (Competition Commission report, 2017).

This chapter presents the research objectives, methodology and research design of the study.

### *1.1.1 Background to the study*

In mergers, either two or more entities engage in negotiation which eventually leads to a business deal. An acquisition also comprises of two or more entities engaging in a negotiation but an acquisition results in the larger entity absorbing the lesser entity. M&A is the practice of integrating two or more companies with dissimilar cultures, values which are forced into one unified entity (Zhang, Ahammad, Tarba, Cooper, Glaister and Wang, 2015).

As the necessity for change is capricious, it inclines to be mercurial, disjointed and most often activated by a state of organisational disaster (Brueller, Carmeli and Markman, 2018; Ranucci and Souder, 2015; Olins, 2017). While the successful management of change is acknowledged as requisite in order to subsist and thrive in the present exceedingly competitive and constantly changing environment (Zhang et al., 2015). Dutta, Malhotra and Zhu (2016) reported a failure rate of M&A of 70 percent of change programmes that were initiated. It can therefore be proposed that this pitiable achievement rate is attributed to the absence of a valid framework that guides M&A on how to implement and manage an organisational change process. Currently what is available to scholars and specialists are a vast range of inconsistent and perplexing theories and approaches (Olins, 2017). Cai, Pinheiro, Geschwind and Aarrevaara (2016) reason that the frequently personal and shallow analyses have been available in the area of change management. According to Liang, Renneboog and Vansteenkiste (2017) evidence is available that would propose that with only a few concessions prevailing practice and theory are typically reinforced by unopposed suppositions about the landscape of present-day change management in organisations.

Mergers, acquisitions and changes have been an on-going measure of the operating strategy of businesses for a number of years. M&A have been verified to be a noteworthy and prevalent means for accomplishing corporate diversity, development and streamlining (Cartwright and Cooper, 1992). Organisations have to navigate much chaos delivering order as change is a constant dynamic in this

post-modern era (Kansal and Chandani, 2014). While companies have the best intention to use M&A to supplement organic growth, leadership in the organisation gets derailed in merger integration (Vasilaki, Tarba, Ahammad and Glaister, 2016).

The aggregate effect of organisational change during the past decade as a follow-on of M&A has consequently increased the engagement gap amongst employees within these organisations (Gomes, Angwin, Weber and Tarba, 2013). M&A are often associated with complexities that render organisational changes difficult or ineffective. According to Brueller et al. (2018) the management of the people side of the business during the M&A is deemed to be fraught with problems. Leadership within the organisation would be tasked to ensure that the M&A succeeds but there is failure to recognise the importance of adopting a change management strategy as an integral part of the M&A process. In most M&A, the change management process is conspicuous in its absence during the merger integration process with managers tasked by executive leadership with handling the tangible tasks of system changes and adaptation of processes while ignoring the human capital or soft side of change management strategies.

Employees' resistance to M&A can be damaging in achieving the business strategy of the intended merger and the trade-off is the success of the required change management processes. Managers need to bear this in mind as the change must be aimed at achieving and maintaining high levels of employee engagement to ensure that support for the necessary changes. Olin (2017) noted that employee engagement is vital for driving organisational goals and achieving success.

Company XXX is an employee wellness solutions service provider in South Africa to industry, mining, commerce, correctional services, industry and parastatals. The organisation has a national footprint with a regional manager and operations managers per region. The organisation is supported by staff based at head office in Johannesburg which consists of executive management, finance, quality and

legal departments. The company was established in 1995 and has grown over the years due to increasing pressure on organisations to provide employees with wellness solutions as part of the holistic management programme. There now exists many competitors within the employee wellness space and this has led to a “Red Ocean” scenario for Company XXX. Company XXX, in a bid to maintain its place as an industry leader, has opted to diversify its market offerings through the acquisition of other established wellness solutions companies that would add value to its portfolio of service offering. Company XXX acquired Company YYY in 2017/2018 to further diversify the portfolio of service offerings but this resulted in a less than satisfactory M&A process. The context of the problem is elaborated further in the problem statement below.

## **1.2 FOCUS OF THE STUDY**

The lack of understanding of the M&A process and the change management strategies directed to employee wellbeing are often overlooked by organisations. When this happens there is a high probability that the merger will fail as a result of employee attrition, cultural asymmetry or disengagement at all levels of the workforce.

The focus of this study was to assess the effectiveness of the current change management strategies of Company XXX.

How do line managers receive and experience organisational changes following mergers and acquisitions? How can organisational change strategies be executed in a manner that assures success?

## **1.3 PROBLEM STATEMENT**

According to Kansal and Chandani (2014) a merger is not only assessed from the value capitalisation of the organisations but it is the amalgamation of two diverse

business entities that ascribe to dissimilar cultures. It is therefore of importance that the concerned companies be dynamically participative in the change processes enabling change agents to recognise the metamorphoses and design in an orderly manner for a smooth changeover. During the M&A, the leadership of concerned businesses encounter countless challenges attributed to: low motivation, job insecurity, HR restructuring, resistance to change, cultural management, redundancies, stress management and talent drainage. All the above-mentioned dynamics are accountable for transformation. KPMG have cited the improper implementation of change management processes is attributed to 83% of mergers and acquisition failures (Bradt, 2015).

The organisation (Company XXX) chosen for the study has a vision of being the largest world class provider of employee wellness solutions in South Africa. To achieve this vision Company XXX has adopted the M&A approach to achieve a larger national footprint. Company XXX acquired the wellness business unit from Company YYY, in 2017/8 to diversify their portfolio of service offerings and establishing a larger national footprint (Company XXX integrated report, 2018). The lack of a formal change management model left employees from both organisations feeling disconnected from the vision of the company. The lack of communication from either organisation leadership during the M&A process created an atmosphere of distrust whereby employees were left feeling insecure about their employment and where they featured on the new organisational structure. Managers from Company XXX were required to do induction and on-boarding of the employee from Company YYY in the absence of a formal change management process but had not been empowered by receiving the appropriate training.

The 2017/8 merger positioned Company XXX with additional service offerings that enabled Company XXX to offer integrated employee wellness solutions to the market (Company XXX integrated report, 2018). This integrated service offerings would entrench the company as a leader in its sector while achieving a sustained competitive advantage. Prior to the finalisation of the acquisition process, the Executive Director and Chief Executive Officer (CEO) resigned from Company

XXX. The Chief Operating Officer (also Head of Wellness) was appointed as the acting CEO. During the merger process, the CEO of company YYY was appointed as CEO of Company XXX who then appointed members from Company YYY into executive and senior leadership positions within Company XXX. The initially appointed acting CEO of Company XXX was redeployed to a position as head of wellness division. The senior leadership and regional management teams found themselves reporting to the newly appointed executive management team comprising of Company YYY. This created confusion and sense of disillusionment with no-one available from the acquiring company to provide guidance. The managers were given deadlines to on-board the employees from Company YYY within the regions and head office. The culture gaps between Company XXX and Company YYY were not aligned. The struggle to merge two dissimilar cultures had further amplified employee uncertainty.

Limited communication was disseminated via e-mails to all employees advising the acquisition, change of organisational structure. Regional managers were tasked to place greater focus on client relationship management during the post-merger integration phase as opposed to being employee focused.

#### **1.4 SIGNIFICANCE OF THE STUDY**

Change management associated with acquisitions and mergers should not be a separate work-stream or a standalone activity. It should also not be viewed as an assortment of tools and practices or for the ownership domain of the human resource department. Change management if not initially owned by executives and senior managers, can quickly result in empty concepts or useless catchphrases. The reality is that change management strategies must be a measurable component of the executive agenda.

A change management strategy model for M&A at Company XXX would serve to minimise employee attrition and maintain employee morale during the transitional period (Olin, 2017) The integration plan can assist to mitigate the risk associated with the impact of change. Clear and regular communication, including the

process of creating dialogues should serve to address employee resistance to change. The communication channels should be designed to allow for effective feedback from all employees. This would enable the identification of barriers and opportunities relating to the change objectives and can be addressed early during the change process.

## **1.5 PURPOSE OF THE STUDY**

This qualitative study aims to establish the understanding of line managers' perceptions on how the organisation manages change during the acquisition and merger process. Further, to be able to provide the organisation's leadership with information to enable the development of a formal change management model specifically directed towards the merger integration process and its impact on its employees. In this study, face to face interviews using a semi-structured interview guide was used to test the Kotter's (2011) 8 step model that predicts that a change management model relating to mergers and acquisitions will positively affect employees' at Company XXX.

### **1.5.1 Research Objectives**

- To assess the change management strategies governing the M&A process and its effectiveness at a private wellness organisation in South Africa.
- To establish the line managers' perceptions and understanding of their role in the M&A process at a private wellness organisation in South Africa.
- To determine the critical factors that affect the M&A process at a private wellness organisation in South Africa.

### 1.5.2 Research Questions

- What change management strategies are prevalent in the M&A process at a private wellness organisation in South Africa?
- How do the managers' at the private wellness organisation perceive the M&A process and managing the change at a private wellness organisation in South Africa?
- What are the critical factors that affect the M&A process at a private wellness organisation?

### 1.6 SCOPE OF THE STUDY

Company XXX has operations in the nine provinces of South Africa. This study will be limited to the employee between Grade 12 to 15 operations and regional managers in KwaZulu-Natal, Western Cape, Eastern Cape and Gauteng who are tasked with managing the integration of staff, induction programmes and on-boarding. There will be equal representation of managers from Company XXX and Company YYY.

### 1.7 RESEARCH METHODOLOGY

Qualitative techniques include secondary data analysis and structured interviews as the primary data collection. The study will be exploratory, incorporating an interrogation/communicative methods of data collection. The purpose of the study is to have a strong focus on determining the 'what, how and why' of specific organisational change constructs. The time horizon for this research study will take on the form of a cross-sectional study.

## **1.8 LIMITATIONS**

This study consisted of a small sample, limiting the validity and generalisability of the data. The use of semi-structured interview questions could limit participant responses. This study focused on Grade12-15 line managers who may experience the M&A process differently than other levels of the company.

## **1.9 ASSUMPTIONS**

Implementation of effective change management remains an ongoing challenge for organisations. Therefore successful integration and employee satisfaction is not attained and organisations risk losing key personnel during the change process.

In a successful organisation, employees, management and shareholders are integral to a singular organisational culture. Failure of mergers is due to a lack of a vision, communication breakdown, transparency and knowledge by leadership. Taking into consideration these elements, the assumption worked from was the post-merger integration success related to management knowledge and training, communication and organisational culture.

## **1.10 ORGANISATION OF THE DISSERTATION**

This dissertation has six chapters.

The chapters will cover:

**Chapter one-Overview of the Study**

The introduction chapter was segmented into nine sections: background of the study, focus of the study, problem statement, significance of the study.

### **Chapter two-Literature Review**

The literature review will enable a better contextualisation of the issue. It will show the critical analysis of prior research done by academics and other leading professionals. The topics on mergers, post-merger integration change management, line management involvement and critical success factors are discussed.

### **Chapter three –Research Methodology**

The aim of this chapter is to provide an elaboration and enable a deeper understanding of the research methodology and research methods that was used in this study. The researcher observed each layer of the research onion.

### **Chapter four-Results and Discussion**

In this chapter, the data collected is presented as a narrative text. This chapter provides a discussion of the research findings of the study. The findings interpretation is explained and addresses the aims and objectives of the study.

### **Chapter five-Conclusion and recommendations**

The aim of this chapter is to draw conclusions of the obtained data as detailed in chapter four. Recommendations are given to empower managers to effectively manage post -merger integration to achieve organisational stability. At the end of the dissertation the researcher must note the reflexivity experienced and learnings gained throughout the study.

## **1.11 SUMMARY**

This chapter provides the background, motivation, purpose and scope of the study to be undertaken. The research objectives and questions are detailed and the limitations of the study noted. The next chapter is the literature review and the theoretical framework used for the study.

## **2 LITERATURE REVIEW**

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### **2.1 INTRODUCTION**

Chapter two presents the literature review relating to mergers and acquisitions, merger failures and the change management strategies. The focus of the research is to determine the critical success factors for successful change management processes during the post-merger process and therefore concentrated on Post-Merger Integration (PMI). There are a number of journals and publications generated on the effect of Mergers and Acquisitions (M&A), some with emphasis on the effect of this process on employees. To build on the review, a methodical analysis of the existing body of knowledge was undertaken. The relevance and importance of the M&A phenomenon was examined using journal articles, books, reports with the intention to provide a comprehensive overview of the literature.

### **2.2 MERGERS AND ACQUISITIONS DEFINED**

The term “mergers and acquisitions” was used in the economic text since the late 19<sup>th</sup> century to describe various forms of business combinations. However a uniform definition of this term is non-existent within the economic theory or corporate practice space. Hunt (2009) defined M&A’s as a combination of two organisations in a stock for stock business deal. Brueller et al. (2018) definition of M& A’s is that they are a purchase of a company whether in whole or in part, or the sale of a company.

#### *2.3.1 Global Mergers and Acquisitions*

M & A’s are business strategies that are often utilised in the global market arena for multi-faceted reasons. Primarily it is used to increase profitability, expand value and achieve growth. Organisations recognise that this is needed to gain and

sustain a competitive advantage locally and globally in their respective trading space as depicted in Figure 2-1.



**Figure 2-1: Merger and Acquisition Global Count Activity (2009-2018)**

Source: Kumar (2019)

A total record number of 387 M&A transactions were concluded globally in the business areas of architecture, engineering and construction industry in 2018. This was an increase of 23% from 2017 and broke the record of 352 concluded deals in 2016. In the past decade, there has been an increase in M & A's and leading the pack are North American companies. Deloitte (2015) and KPMG (2014) projected that this trend will continue. The hundred largest mergers in the United States of America in the last decade have affected approximately four million employees.

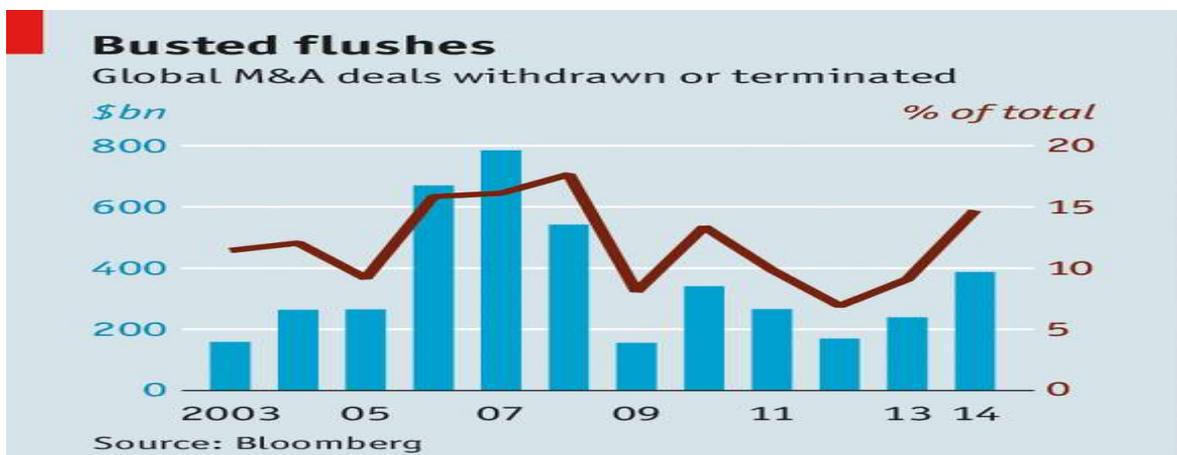
The economic view point indicates that there are two types of mergers: Horizontal Mergers and Vertical Mergers. Horizontal mergers involve businesses with similar area of work e.g., Chevron and Texaco. Vertical mergers involve businesses with diversified range of product or service offerings e.g. AOL and Time Warner (Kansal and Chandani, 2014).

### 2.2.1 Mergers and Acquisitions in South Africa

South Africa is the target nation in almost 50% of the M&As on the African continent. This is expected as South Africa is the leading economic power on the continent (Shettlewood, 2018), and offers business environments and financial markets viewed favourably by foreign multi-national corporates. (Shettlewood, 2018).

South African firms remain the most active acquirers on the African continent. They have initiated almost 37% of the deals in Africa from 2003 to 2012. This can be attributed to South African firms' understanding of business practices along with the investment culture in other African countries, and the availability of funding from both its equity and credit markets (Ernst & Young, 2018)

### 2.2.2 Failed Mergers and Acquisitions



**Figure 2-2: Failed Global Mergers and Acquisitions (2003-2014)**

Source: Levine (2015)

There were a number of recorded failed M&A deals. Failures were attributed to a lack of due diligence, internal fighting and politics, failure to meet set sales targets, accounting misconduct and most importantly failure to plan for change management and integration as per table 2-1

**Table 2-1: Failed Merger and Acquisition Source: Author's own**

Acquirer	Target	Year	Value	Main reasons for failure
<b>Microsoft</b>	Nokia	2014	\$7.9bn	Lumia joint project, failure of developer and carrier to materialise expectations.
<b>Google</b>	Nest	2014	\$3.2bn	Internal fighting and politics
<b>Yahoo</b>	Tumblr	2013	\$1.1bn	Failure to achieve projected sales targets; breakdown in communication between the two parties.
<b>Zynga</b>	OMGPOP	2012	\$210m	Acquisition plan not in place. 18% of workforce terminated. Mismatch of organisational culture.
<b>Caterpillar</b>	ERA	2012	\$677m	Lack of due diligence. Accounting misconduct. Cultural differences.
<b>Hewlett Packard</b>	Autonomy	2011	\$11.1bn	Fraud, internal fighting and lack of common vision.

### 2.2.3 *The Merger Syndrome*

Marks and Mirvis (1985) coined the term, “The merger syndrome”, that explained the syndrome as symptomatic in all types of mergers irrespective of the chosen methods of merger integration. Marks went further to propose that stress, anxiety and uncertainty already occurs with the advent of the merger announcement. Employees at this stage experience fear of job loss, genitive impact on their personal circumstances and where they feature within the organisational organogram.

## 2.3 CHANGE MANAGEMENT STRATEGIES

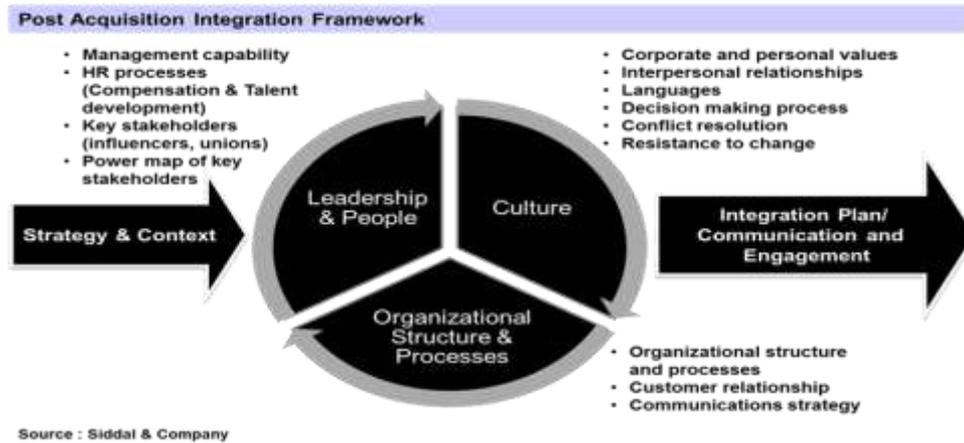
### 2.3.1 *Post-Merger Integration as a change process*

Dunbar (2013) defined integration as “unique, complex and often challenging process of combining two or more companies during a merger or acquisition.

The merger and Post-Merger Integration (PMI) process has been noted by previous studies to be fraught with complexities where leadership management is identified as a key factor in reducing the PMI failure risk (Angwin et.al, 2014; Angwin and Meadows, 2015; Whitaker, 2016).

With the latest surge in merger activities, merger integration has now received a deluge of interest, although it can be mapped out back to Kitching (1967). Kitching had found that the existence of a merger management and the organisational relationship to be critically essential for a merger's success.

In the recent literature recommendations which cover a whole range from elementary methods (Shrallow, 1985) to the post-merger acculturation process (Malekzadeh and Nahavandi, 1987). Both Yunker (1983) and Shrivastava (1986) give in depth explanations of integration challenges. Shrivastava also hypothesises that the required unit of post-merger integration hinges on the merger's intents and on organisational constructions such as proportions ratio. Porter (1985) recommended the alignment of business units by a horizontal strategy aimed at collaborations. All of the authors are in favour of some degree of integration as unavoidable for a smooth transition to be achieved. So if the authors on post-merger integration recommend further than shifting resources or leaders they tacitly depend on the efficiency theory of mergers. In this respect they are even more specific than authors on the first two topics. Some of the most comprehensive versions of probable synergistic foundations and hindrances have been established within the framework of integration, as seen in Figure 2-3.



**Figure 2-3: Post-Merger Integration Framework**

Source: Frantz (2015, pp. 103)

The integration process involves the assimilation of two individual companies into a single entity (Braun, 2013). The integration process was described by Gomes et al. (2013) as being gradual and interactive with employees from the acquiring company and the acquired company joining together to share capabilities and resources. The complexities involved with these types of changes require not only skill and diligence but an enormous amount of patience within the newly formed business (Baker and Niederman, 2014; Chreim, 2014; Mingione, 2015).

The cost of failed integration efforts will negatively impact employee performance, engagement and satisfaction. To minimise this potential loss of important resources, it is critical for managers to very carefully navigate the inevitable challenges and obstacles that is associated with increased uncertainty during such a wide-scale change management process. (Gomes et al., 2013).

Groening, Mittal, Swaminathan and Thomas (2014) postulated that management and relevant stakeholders needed to consider governance processes and the most effective method to implement the integration as similar firms are most likely to engage in mergers and acquisitions. This was supported by Kim et al. (2015) who evaluated the positive and negative associated outcomes of the integration of

two firms. They found that poor leadership during this process may result in loss of critical skills.

The use of situational leadership styles to prevent attrition of human capital during the PMI process was recommended by Lee, Kim and Park (2015). The presence of assiduous management supervision was required by organisations where two different cultures may act differently (Weber and Tarba, 2012).

### *2.3.2 Change*

At the very basic of levels, the PMI processes can be regarded as a complex change that does impact the whole organisation. An in-depth knowledge of the required change process benefited management who are tasked with managing the integration process (Quinones-Gonzalez, 2013).

Maepa (2014) argued that change brought upon disruption and was therefore difficult for employees to process while trying to meet the organisational goals of the company. Nesterkin (2013) was adamant that the autonomy of the employees was infringed upon by the change brought about by the PMI process.

Burke (2013) research into change management discovered that over 70% of organisational changes face failure upon implementation. Ellis (2013) estimated a higher failure rate, at 80%-90% for change. The researchers recommended that the need for change management knowledge empowerment improved the probability success factor.

#### *2.3.2.1 Resistance to change*

Resistance refers to the emotional reactions that arise when employees discern that the change process is not meeting their expectations or gratifying their needs (Galpin and Herndon, 2014). An acknowledgement made by Baldwin (2012) and Nesterkin (2013) that employees resist change to keep existing processes intact

amidst a large scale change. Maepa (2014) noted that resistance arose from lack of information governing the integration process. This domino effect is that employee's frustration and negative view of the required changes would hamper the integration process.

Multiple studies found that there was a congruence to increased resistance when there was an absence of a vision, trust in the organisation was minimal or non-existent and employee engagement was avoided (Gallego-Toledo, 2015; Galpin and Herndon, 2014; Ranucci and Souder, 2015).

Kotter and Schlesinger (2008) identified four common reasons attributed to resistance to change which was based on their analysis of a large number of organisations that either achieved successes or failures in the implementation of organisational changes were namely,

- The "parochial self-interest" which was resultant of the employees fears that the change would cause a loss of value to themselves,
- The lack of trust and misunderstanding of the process,
- Employees' assessment of the change is misaligned and their perception that the costs of the changes outweigh any derived benefits.
- "Low tolerance for change", employees fear that their skillset may not meet the requirements of the newly merged organisation.

### *2.3.3 Uncertainty*

Leis (2018, p.280) defined uncertainty as the "lack of knowledge about current or future events". Galpin and Hendon (2014) contended that uncertainty is created by a lack of insufficient attainment of information to enable the making of informed judgements about the future.

The catalyst for employee uncertainty was when the future is unpredictable and unknown as confirmed by Baker and Niederman (2014). An assertion made by

Galpin and Herndon (2014) whose study revealed that employees would prefer to have known all negative circumstances instead of being collectively uncertain about all circumstances that they would be faced with during the PMI process.

If employee uncertainty was overlooked without plans by management to address these uncertainties, the company would lose efficiency and efficacy. The success rate of the integration process improved when companies implemented actions to address and mitigate employee uncertainty (Basinger, 2012; Herndon, 2014; Ranucci and Souder, 2015).

### 2.3.3.1 Types of Uncertainty

A model that explored the types of uncertainty was developed by (Bordia, Hunt, Paulsen, Tourish and DiFonzo, 2004). These were strategic, structural and job-related uncertainty. The aim of the model was to clarify uncertainty in finer detail against the backdrop of change management strategies. Strategic uncertainty was defined as uncertainty relating to issues at organisational levels. The focus remained on the change rationale, the shifting environment of the organisation and the direction it was heading towards.

Structural uncertainty (Bordia et al., 2004) concentrated on the uncertainty surrounding the day to day processes. The integration processes would cause a shifting of the conditions within the organisation and work streams and these results in uncertainty relating to information, the environment and projects (Chreim, 2014; Sarala et al., 2017).

The change in job security, changes in current job portfolio and opportunities for promotions results in job-related uncertainty (Bordia et al., 2004). The manifestation of uncertainty during the PMI process could include concerns about benefits, role confusion and job insecurity (Baker and Niederman, 2014; Ranucci and Souder, 2015).

### 2.3.3.2 Employees reaction to uncertainty

Employees naturally would use their feelings and emotions to describe the impact that the PMI process has on them. Park and Kim (2018) stated that an employee could display an array of emotions which includes anger, fear, apprehension and anxiety when dealing with such changes. If these changes violated the expectations of the employees, the perception vocalised was the feeling of being betrayed by the organisation (Gallego-Toledo, 2015).

Whitaker (2016) cautioned that an organisation not in sync with its employees and fails to read the cues regarding uncertainty and discontent will result in negative consequences for the company.

## 2.4 ORGANISATIONAL OR CORPORATE CULTURE

There are no uniform definitions for organisational or corporate culture. Most of the reviewed literature references Schein (1992) definition.

*“A pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid, and, therefore, to be taught to new members as the correct way to perceive, think and feel in relation to these problems.”* (Schein 1992, p.229).

Organisational cultures are neither constant nor inert. They develop over a period, and it does seem rational to theorise that almost all cultural structures will demonstrate incremental, continuous variations interspersed on occasionally by intermittent, fundamental change (Watzlawick, Beavin and Jackson, 1974; Reynolds, 2015) argued that M&A's signify abrupt and major transformation and generates a pronounced arrangement of uncertainty. How transformation occurs within organisations would be swayed by the fact that cultures are reinforced by profound conventions that are marbled and shared (Schein, 1992).

Sarala, Junni, Cooper and Tarba (2016) proposed that proof palpably supports the statement that culture changes entail shifting employees' thoughts including their comporment. Hatch's (2000) model of organisational culture change emphasises the role of both followers and leaders in the creation and transforming

organisational culture. An organisation's core tenets and strategic objectives will influence employees' perceptions of their work environment (Zhang et al., 2015).

Shettlewood (2016) found that focus on changes and influences on an organisation's culture and governance structures are promoted by enterprise resource planning. These findings were supported by Goanova, Priem, Ndofo and Trahms (2017) who argued that organisational success was achieved when there was a pointed focus on organisational culture, management support systems and training as critical elements to manage unforeseen events that could affect mergers.

Lee et al., (2015) identified when managers and relevant stakeholders proactively address cultural barriers during and post M&A, organisational performance significantly improves while Dunbar (2014) recognised that organisational culture was an important aspect of achieving the creation of organisational wealth.

The loss of identity in the merged organisation may potentially lead to a loss of trust within the organisation. Job satisfaction and identification are mutually dependent upon the employees' feelings of self-efficacy, whilst employees' who engage the post-acquisition process as unjust may experience negative acuity of self-efficacy (Chreim, 2014).

The further impact of the loss of trust would severely limit the social integration processes. The aim to create and maintain relationships within the organisation will not be achieved. Branders (2018) postulated that change agents should focus on a sense of projected continuity to enhance employees' identification with the organisation post-merger.

### *2.4.1 Cultural Difference and M&A performance*

The failure of the M&A in achieving its strategic and financial objectives is often attributed to culture asymmetry between the merging companies (Cartwright & Price, 2003). Studies on the human capital document how cultural variances can give rise to stereotyping and ethnocentrism, and the patronising of colleagues between the participants. Research has also shown that variances in style and practices can improve post-combination performance (Sarala and Junni, 2016). A number of studies found that dissimilarities in organisational culture in cross-border M&A can enhance synergies (Leis, 2018) and reduce employee resistance.

The difficulty of integrating ethos at a double level is referred to by Mingione (2015) as “double-layered acculturation.” The premise that a national culture is representative of a deeper -layer of awareness and that it then should be even more prone to resistance to change than even corporate culture. The empirical findings on the effect of a national culture on M&A performance is varied (Stahl et al., 2013), thus leading to the deduction that the degree of both national and corporate culture differences and the levels of integration are therefore not sufficient to explain M&A performance. (Stahl, Angwin, Very, Gomes, Weber, Tarba and Noorderhaven, 2013) postulated that the post-merger integration process is a complex phenomenon that probably needs a better conceptualization than the simple linear relationship suggested by the studies reviewed earlier.

### *2.4.2 Cultural Integration Models*

The culture fit and integration models found varied and this study will briefly outline some of the models.

#### 2.4.2.1 Buono and Bowditch Integration Approach

Buono and Bowditch introduced their approach in 1989 in an attempt to draw together the various corporate cultures and their integration during the M&A process. They perceived four approaches required for integration.

**Cultural Pluralism** has been explained by Buono and Bowditch (1989) is the presence of different cultures at one time. The acquired company maintains a large amount of corporate freedom flexibility. Corporate growth and success attainment is governed by a common strategy. The corporate cultures are allowed to remain independent from each other and the perception that strength is derived from the encouragement of diversity.

**Cultural Blending** is the combination of old cultures to create a new culture. This approach is the combination of the strengths of cultures while eliminating the weaknesses that are known.

**Cultural Takeover** occurs when the weaker company or the acquired company has to adopt the culture of the acquiring company. Conflict can be fuelled as the new culture is imposed on the new employees. Buono and Bowditch (1989) recommend that a straightforward and forward looking plan is essential to the integration project.

**Cultural Resistance** occurs when there are considerable tensions between the acquiring company and the target company and their cultures are not in sync with each other. This increases the difficulty level of the integration process and defined goals may or may not be achieved.

#### 2.4.2.2 Integration Approach of Cartwright and Cooper

Cartwright and Cooper (1996) study centred on the integration of corporate cultures and they measured the two firm's cultural compatibility into four categories.

**Power Culture** is the first category where there is a highly-centralised structure for decision making that consists of a small group of selected people within this structure. This is found within small businesses where the focus is on loyalty and valued traditions (Cartwright and Cooper, 1996).

The second category, **Role Culture**, relates to corporates that are bureaucratic where the focus is on efficiency, logic and rationality. The people within the company structure come second to the need for clearly defined roles. These companies usually have highly specialised work-streams and adhering to the rules is a critical part of the culture (Cartwright and Cooper, 1996).

The focus on a task to be completed is central to the **Task or Achievement Culture**. This is found within companies that are performance oriented and tasks are seen as determining the solution. There is decentralisation of power with teamwork in the foreground. Young companies display this type of culture or as a subculture within corporate divisions (Cartwright and Cooper, 1996).

Where there is an equality of all employees, the Person/Support Culture is prevalent. The most important focus is the development of the individual and there is a culture of collective decision making. This is often found in non-profit (Cartwright and Cooper, 1996).

### 2.4.2.3 Summary analysis of the integration models

All of the models discussed above reveal almost similar integration recommendations. However the constellation occurrence and decision-making processes are different. All models have the goal to reduce cultural conflict with the recognition of corporate culture as an integral aspect of a company.

## 2.5 COMMUNICATION

Communication is viewed as the backbone of the M&A success and one of the main reasons for the failure of M&A's (Reynolds, 2015). Research done previously have made great advances to progress and improve the conceptualizations' and meanings of communication strategies during M&As. The dialogue of communication in the M&A literature is implied in broad terms such as effective communication and open communication, and the rule of thumb is that more communication is always preferred (Weber *et al.*, 2012). The agreement seems to be that effective organisational communication during M&A assists in the reduction of uncertainty, enhances the degree of post -merger and acquisitions commitment to the new organisation and increases M&As' success rates (Aguilera & Dencker, 2004). On the contrary, ineffective communication is anticipated to lead to greater levels of uncertainty related to job uncertainty, negative organisational outcomes, low level of trust and commitment (Angwin *et al.*, 2016).

Bastien (1987) emphasized that with more communication will align the workforces' sense of reality, providing greater stability in turbulent situations associated with the M&A process. Communication is considered to be a vital element in the reduction of employee anxiety and stress. It can provide a smoother pathway for the required change while creating a sense of meaning and shared vision (Lee *et al.*, 2013; Fabel and Kolmar, 2012).

During and after the M&A process, employees experience uncertainty regarding security of remuneration and associated benefits, job stability, promotional opportunities and providing security to their families. In a bid to stabilise and provide harmony within the organisation during periods of transition, directors and managers should combine efforts in a concerted attempt to reduce the negative effects that are often associated to employee's perception of potential losses (Baker and Niedermann, 2014).

Gomes et al. (2013) argued that effective communication within an organisation provided stability, increased self-esteem and organisational commitment. They also found that the employees receiving the communication briefs were more than likely to meaningfully engage in changing behaviours that align with identifying of the new organisation.

There is however some studies which evidenced that there are contentions regarding the complexity of these communication channels during the M&A process. Dooley and Zimmerman (2003) and Bordia et al. (2004) suggested that the utilisation of multiple methods of communication strategies aided to elevate the identification within an organisation resulting in decreasing uncertainty and anxiety while increasing empowerment through openness and encouraging engagement.

This viewpoint was challenged by (Giessner, 2011; Marks and Marvis, 2011; Ullrich et al., 2005) who had discovered that stress levels and pace of change were intensified when there were higher levels of communication complexities. Giessner (2011) suggested that communication strategies should not follow a blanket; one size fits all approach but should rather be structured to the target employee streams and the perceived levels of uncertainty. The overall arching viewpoint however is that communication during the M&A process enables identification with the organisation enables employees to assimilate the information to understand the change and future expectations.

It is thus imperative that management needs to motivate employees and gain commitment through the use of effective communication to achieve a common goal orientation, lessening employee resistance to the change while encouraging positive behaviour.

## **2.6 LINE MANAGER ROLE IN CHANGE PROCESS**

### *2.6.1 Leadership*

Yukl (1999, p.285) has defined leadership as “influence exerted over other people in a group or organisation”. Leaders hold a critical role in the success of an organisation and the overall employee engagement, satisfaction and wellbeing. This role is seen as even more critical during the M&A process where the integration of two cultures has to be managed (Rao-Nicholson, Khan and Stokes, 2015). Previous research has given enough focus on the role played by leadership, line managers in particular, for the achievement of a successful M&A integration.

Research studies are however clear that manager involvement increased the success rate of integration by them working diligently to reduce the uncertainty felt by employees (Kansal and Chandani, 2014; Olins, 2017; Rouzies et al., 2019).

Rao-Nicholson et al, (2015) argued that managers who had oversight of the integration process would reduce uncertainty and employee attrition by availing themselves to respond to questions and increase stability.

However it was also found that line managers effectiveness in the integration process depended on their knowledge and experience of change management processes. If managers are ill-equipped to deal with change then the failure rate of the post-merger integration process and the M&A as a whole would face failure (Gallego-Toledo, 2015). It was recommended that managers that received adequate training to manage change process would be able to reduce the

negative impacts that employees face during the M&A process (Galpin and Herndon, 2014).

However, the literature reviewed did not focus on the recommendations regarding to the training requirements that would adequately empower line managers for such tasks.

### *2.6.2 Trust*

The term trust is defined as “a psychological state comprising of the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another (Rousseau, 1998:395).

Kotter and Schlesinger (2008) postulates that resistance to change is further entrenched when there is a lack of trust between the acquiring company and the employees. The affected employees may not understand the consequences of the required changes and the perception would be that the change would be harmful to their wellbeing. Stahl et al (2012) stated that there is a high rate of unpredictability following the announcement of the M&A; this is acutely felt by employees who experience feelings of vulnerability and will initially mistrust the new organisation. A positive spin was added by (Kansal and Chandani, 2014) who emphasised that the dynamic nature of trust would facilitate the building of trust by the acquiring company with the target employees. This would be done through the communication of the vision, shared norms, goals and knowledge amongst all employees.

## **2.7 CRITICAL SUCCESS FACTORS FOR M&A**

### *2.7.1 Establishing a sense of urgency (Integration Plan)*

Kotter's first step in the eight step model is the establishing of a sense of urgency. This step requires management to draw up an integration plan which focuses on

the daily activities and the personnel responsible for achieving the M&A processes smoothly. Even though the importance of the dimension of time in the world of sustained competitive strategy is recognised, only a few researchers have opted to zone in on the importance of required speed in the PMI process (Angwin et al., 2016). Baker and Niederman (2014) argued that the speed of integration is one of the six factors in achieving successful integration in the M&A process. The necessity to move with fastness and consistency was noted as essential to the integration plan even if managers and employees feel a measure of discomfort with the speed of the process. The converse would be moving too slowly with the result that uncertainty would build amongst employees and time allowed for the rumour mill to thrive. However Olin (2017) disagreed and suggested that a slow approach to the PMI would reduce conflicts between the parties involved in the process and could build trust among the employees.

The viewpoint from the literature reviewed is that there is no correct “speed” at which the PMI process needs to be performed but recognition is given by all that there are situations that necessitates quick action.

### *2.7.2 Commitment*

Employee willingness to support and implement change is demonstrated through their commitment to the change management process (Dickens, 2012). Employees’ commitment is regarded as critical to the success of the PMI process and the organisational needs to expend all efforts to instil commitment in their employees (Steele, 2014). Managers are seen as resources that have distinctive capabilities to positively affect employee commitment through their relationships with all tiers within the organisation (Guindon, 2013).

### *2.7.3 Decision Making*

Decision making is recognised as an organisational challenge when dealing with processes requiring major organisational change management (Sung, Woehler, Fagan, Grosser, Floyd and Labianca, 2017). Decision making within an

organisation has a wide-spread effect on all stakeholders and resulted in lasting impacts. Organisational decision-making can be obscured when faced with resistance to change, lack of information and short time frames to effect the change (Liang, 2017). Employees were found to cope better with changing work environments when there was constant communication throughout the process and this had a positive effect on decision-making (Ranucci and Souder, 2015).

#### *2.7.4 Clear Vision*

Senior executives from both organisations must create the vision, values, and goals of the newly formed organisation. These must be communicated clearly to the organisation to enable buy-in from all parties to ensure organisational success. This variable was found to have a positive impact on change as it defined the expectations of the PMI process and created a shared vision for all employees (Angwin et al., 2016).

Bauer (2016) and Brueller et al (2018) confirmed that sharing a vision decreased the feelings of uncertainty as employees received a better grasp of what the PMI entailed. Line management were viewed as critical to the alignment of employees to the shared vision and also tasked with communication of stability during the PMI process. Dickinson (2013) was of the belief that when organisations encouraged employees to partake in the creation of the organisational visions, resistance declined and commitment increased.

#### *2.7.5 Understanding Cultural Differences*

Culture plays an important part in the success or failure of the PMI process. The bringing of two cultures together during the M&A integration process is to create a productive, functioning working relationship to aid the opportunity for a successful integration (Frantz, 2015).

Culture is linked to organisational performance, employee commitment, decision-making, trust, employee engagement and the creation of a conducive work environment (Gallego-Toledo, 2015). Management is tasked with the integration of the two cultures and the successful PMI processes (Graebner et al., 2017).

## 2.8 THEORETICAL FOUNDATION-MODELS OF ORGANISATIONAL CHANGE

Models of organisational change aid in the understanding of the components of an organisational change and they serve to illustrate that change and development within an organisation are planned and occurs systematically. There are two models of change discussed below, Kurt Lewin's three-stage model of change and Kotter's eight step model of change.

### 2.8.1 Kurt Lewin's three-stage model of change

Kurt Lewin pioneered a basic model of organisational renewal that incorporates the three stages as shown in Figure 2-4



**Figure 2-4: Kurt Lewin's Three Stage Model for Change Process**

Adapted from Werner et al. (2017, p. 428)

Kurt Lewin as cited in Werner et al (2017) has recommended a change model which involves three stages. The **first stage** is the **unfreezing** of the current culture of the organisation by the discontinuation of existing processes, approaches and activities. The **second stage** is change application (**movement**) or switching over which mainly encompasses training the employees on the new model. The **last stage** is **re-freezing** the culture by the reinforcement of new

processes, approaches and activities once the changes are applied (Werner et al., 2017).

### 2.8.2 Kotter's Model of Change

The theoretical framework to be used for this study will be Kotter's Eight Step Process for successful Organisational Transformation (1996) as depicted in Figure 2-5.



**Figure 2-5: Kotter's 8 Step Change Model**

Adapted from Werner et al (2018, p.431)

The **first step** is to establish a sense of urgency in the creation of understanding the compelling reasons for the required change. **Second** is the creation of a guiding coalition, to select and provide empowerment to a cross functional assembly of employees to lead change. The **third step** is the development of a vision and strategy to make visible an attractive future state and strategies to realise this vision. The communication of the change vision by developing and implementing a communication plan to ensure that all stakeholders understand

the vision and strategy thus ensuring that a consistent message is sent out is the **fourth step**. The **fifth step** is to empower broad-based action through interventions specifically aimed at problem solving and the creation of new realities. The **sixth step** is the generation of short-term wins creates pockets of success and the new CEO must publicly acknowledge and reward the success. **Step seven** is the consolidation of gains by using success to propel more change on a broader scale and the creation of momentum. **Lastly**, the anchoring of new approaches in culture through the reinforcement of new processes and behaviours to elevate them to a level of desired habit or custom (Werner et al., 2017).

## **2.9 SUMMARY**

The M&A process and the negativity associated with it would prove challenging for many organisations and their managers to effectively manage. Most managers are not trained to manage these types of situations although the possibility exists that they may be required to manage at least one M&A process in their lifetime. This lack of capability and training could result in integration failure. Additionally managers needed to mitigate the risk of integration failure by being proficient in managing employee resistance to change, employee disengagement and attrition of critical skills. The commonalities of the literature reviewed acknowledge that acquisitions and mergers are a strategic method for organisations to grow and maintain a competitive advantage. The studies also propounded the importance of human factor considerations during the acquisition and merger process.

This study aims to provide greater insight into how line management perceived the organisational management of uncertainty, communication and maintaining employee engagement during the post-merger integration process. This chapter provided a review of the literature related to M&A and included integration models, change management and communication. Chapter 3 will detail the research design.

## **3 RESEARCH METHODOLOGY**

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### **3.1 INTRODUCTION**

The aim of this chapter is to focus on the most suitable research methodology and research methods. It also encompasses an overview of the research problems and their formulation. Research as defined by Kumar (2019, p.209) is an “inquiry into the nature of, reasons for and the subsequent consequences of a set of circumstances which are experimentally controlled or recorded as they happen.” According to Saunders, Lewis and Thornhill (2012), research design refers to a framework for the collection and analysis of data to answer research question and provide reasoned justification for choice of data resources, collection methods and analysis techniques. The research methods can be viewed as techniques that are chosen for a research study and are used to obtain the answers to the research questions throughout the study (Taylor, Bogdan and De Vault, 2015).

### **3.2 PURPOSE OF THE STUDY**

The aim of the study was to explore line manager’s perceptions about how the organisation managed the change management strategies relating to mergers and acquisitions. Furthermore, this study investigated the effective and ineffective strategies as perceived by the line managers in the management of employees’ feelings of job-related uncertainty and resistance to change strategies line managers. Finally, this research strived to identify the critical factors for successful change management strategies that were recommended by the line managers in managing employee uncertainty and resistance to change.

### **3.3 RESEARCH PARADIGM**

Research paradigm refers to the expansive approaches to research. Paradigm is a reference to an individual’s knowledge base, what one can know about something or how to go about gathering the required knowledge (Creswell and Creswell, 2017).

The pragmatism paradigm and abductive approach underpins the qualitative method research. Deductive and inductive approaches can be used. The research problem will be analysed using theory, secondary data as well as primary data in order to achieve triangulations (Saunders et al., 2016).

The epistemological assumption of the study is that organisations need to address problematic area of change management to ensure successfully merger integrations. The flux of processes, experiences and practices within Company XXX was analysed.

### **3.4 RESEARCH METHODS**

The choice of the research methodology is chiefly influenced by the nature of the research and the type of research questions that is being investigated. Quantitative research is deemed to be empirical research where data are presented a numerical format with the aim being the testing of theory and verification. This method is deemed effective for validating theories through the use of statistical measurement. Qualitative research on the other hand is empirical research where the data is translated into words and aims to generate or build theory (Raesch, Lee and Spaeth, 2015). This method is best suited for the gathering of data to determine the best practices for M&A and for the capturing of the experiences of the participants (Creswell and Creswell, 2017).

Mixed method research involves the combination of quantitative and qualitative research and data in the study. Early thoughts about the value of using multiple methods resided in the belief that all methods had weaknesses and bias and therefore the collection of quantitative and qualitative data neutralised the weaknesses of each form of data (Creswell and Creswell, 2017).

However, taking into consideration the factors of limited time and constraints on available resources, it was determined that a qualitative semi-structured

questionnaire administered via interviews was suitable to capture the experiences of the study participants.

### **3.5 RESEARCH DESIGN**

A research design is a plan or blue print for the gathering, measuring and analysis of data, created to provide answers to research questions (Sekaran and Bougie, 2016). There are a number of strategies that can be applied in research strategies. A research strategy assists in achieving the study objectives (Sekaran and Bougie, 2016). After careful consideration of the complexities associated with the M&A and its integration processes, a qualitative study was the chosen research method. Qualitative techniques include secondary data analysis and structured interviews as the primary data collection. The quantitative techniques include the survey strategy with questionnaires as the primary data collection tool. The study will be exploratory, incorporating an interrogation/communicative methods of data collection. The purpose of the study is to have a strong focus on determining the 'what, how and why' of specific organisational change constructs. A cross sectional study will be undertaken. The time horizon for this research study will take on the form of a cross-sectional study.

Secondary data analysis was done through the reviewing of company documents that was done in addition to the interviews. Documents that were analysed took the form of e-mailed memos, newsletters that included, amongst other information, communication related to the merger. The reviewed documents that formed the sample for this study was a total of fifteen and these were issued during the period of August 2017 to 2019.

The implementation of triangulation (utilising three data sets) leads to a broader understanding of the concept under study (Brookes and Normore, 2015).

### *3.5.1 Experiments*

Experiments are almost always associated with a hypo-thetico-deductive approach to research studies. The aim of an experiment is to study the causal relationships between variables.

### *3.5.2 Survey Research*

Survey research is the systematic collecting of information about or from people to explain, describe or compare their behaviour, knowledge and attitudes.

### *3.5.3 Ethnography*

Another research strategy is ethnography which has its roots in anthropology. Researchers using this strategy observe, engage and record the daily activities of another culture. The account of the culture is then transcribed using descriptive detail.

### *3.5.4 Grounded Theory*

This theory is the development of inductively derived theory from data using a systematic set of procedures (Creswell and Creswell, 2017).

### *3.5.5 Case Studies*

Case studies are focused on the collection of information relating to an event or activity, such as a specific organisation or business unit. In this research strategy, the case is the organisation, and an empirical investigation of a specific contemporary phenomenon within real life context (Yin, 2009).

This study uses the qualitative approach as the distinct ability to explore the phenomenological experiences and perceptions of the participants was required. Phenomenological exploration was originally intended to explore the construction and core of the lived experience of a set of individuals as related to a specific phenomenon (Birks and Mills, 2015). This phenomenological study aimed to explore the lived experiences of line managers from Company XXX and Company YYY who were tasked to manage the integration process post-acquisition to fill the void in the literature.

Phenomenological studies typically make use of interviews as the gathering of in-depth information regarding the participant and the experienced phenomena is required (Creswell and Creswell, 2017). This phenomenological study used semi-structured interviews.

### **3.6 STUDY SETTING**

The selected location of the study was Company XXX in South Africa. Managers, Grade 12-15, based in Gauteng, KZN, Eastern Cape and Western Cape were the study participants. The research was conducted within Company XXX which is the acquiring company. Employees of Company XXX (acquiring company) and Company YYY (acquired company). Company XXX has a total of 950 employees nationally and Company YYY has 120 employees nationally. There are a total of 30 grade 12-15 managers within the merged company

### **3.7 STUDY PARTICIPANTS**

Qualitative research requires a purposeful selection of participants that will enable the understanding of the problem and provide answers to the research questions.

### **3.8 SAMPLING STRATEGY**

Barnett (2002) recommended the use of sampling to achieve a greater overall accuracy than a census. Sampling as an added advantage as it saves the researcher time and this becomes an important consideration when there are tight deadlines to be met. A crucial point that must always be kept in mind is that the sample selection must enable the researcher to answer the research question (Saunders et al., 2016). There are two main types of sampling techniques, probability or representative sampling and non-probability sampling.

Probability sampling is linked most often with survey research strategies. This allows the researcher to make inferences from the chosen sample method about the population to be able to answer the research questions and to meet the set objectives (Seekaran and Bougie, 2016)

Saunders et al (2016) stated that there are four stages that make up the probability sampling process:

- Based on the research questions and answers, identify a suitable sampling frame.
- Researcher must then decide on the appropriate sample size.
- Selection of the most applicable sampling technique and select sample.
- Check that the chosen sample is representative of the target population.

Non-probability sampling designs, there are probabilities attached to the elements of the population. The study findings of the sample cannot be confidently generalised to the population (Sekaran and Bougie, 2016). Non-probability sampling designs fits into two broad categories of purposive sampling and convenience sampling.

Convenience sampling refers to the information collected from members of the population who are positioned to conveniently provide it.

Purposive sampling is used when it is necessary to obtain information from a specific target group. The sampling would be confined to specific types of people who are able to provide the required information. This is either they are the only ones who have it or they meet the set criteria of the researcher. There are two major types of purposive sampling, judgement sampling and quota sampling (Creswell and Creswell, 2017).

Judgement sampling involves the choosing of subjects who are advantageously placed to provide the required information. This type of sampling is used when there are a limited number of participants who hold the information that the researcher is seeking (Patten and Newhart, 2017).

Quota sampling ensures that certain groups of people are represented adequately in the study by assigning a quota. Convenience sampling due to the lack of generalizability is the least reliable of all sampling designs (Seekaran and Bougie, 2016).

Judgement sampling although restricted in generalizability is viewed as sometimes the best choice of sampling design. This is especially applicable where there is a limited population that possess the information that is needed (Patten and Newhart, 2017).

For the purpose of this study, non-probability, purposive sampling design with judgement sampling was used. The reasons for the choice is that the non-probability sampling was the only way to answer the research questions as the sample of experts are limited in numbers. The subjects were selected on the basis of their positions within the company and experience in the M&A process.

### *3.8.1 Selection Criteria*

To protect the validity of the study and obtain the strongest results, the chosen participants had to meet specific criteria. They needed to be in a grade 12-15

management position with a minimum of five direct reportees, been employed with the company at the time that the recent merger took place and involved in the integration process.

### **3.9 SAMPLE SIZE**

Creswell and Creswell (2017) recommended that for phenomenological studies, 5-25 study participants while Saunders et al. (2016) suggests a minimum number of six. There are no specific rules when determining an appropriate sample size in qualitative research. The sample size of a study serves as a measure of the findings (Patten and Newhart, 2017). The sample size was Grade 12-15 managers for the qualitative study. A total of 10 interviews were conducted. Anonymity of these participants was maintained.

### **3.10 RESEARCH INSTRUMENTS**

The research interview is considered to be a purposeful dialogue between two or individuals. This requires the interviewer to establish a rapport and pose questions that are concise and unambiguous (Saunders et. al, 2016). Open dialogue, semi-structures questionnaires or standardised questionnaires can be used to conduct interviews.

Structured interviews use questionnaires that are based on a standardised or predetermined set of questions. Structured interviews collect quantifiable data and are also referred to as quantitative research interviews. (Saunders et. al, 2016).

Semi-structured interviews and unstructured (in-depth) interviews are not standardised. They are referred to as qualitative research interviews. In semi-structured interviews the researcher uses a theme list or key questions. This can vary from interview to interview as the researcher can omit some questions in a

given specific organisation context. On the hand, additional questions may be necessary to explore the objectives and research questions.

Unstructured interviews are informal and can be used to explore in-depth as the interviewee is given the opportunity to speak freely (Ittner, 2016). To manage researcher bias, semi-structured interview questions guiding this study were predetermined and additional probing questions were asked when additional information or clarification was required.

The interviews lasted an average of twenty five minutes in length and consisted of six interview questions with probing or clarification questions when required. The interview questions were based on the three research questions put through the lens of Kotter's eight stage change management model (1996) that featured understanding of the need for the merger, sense of urgency through senior leadership commitment, vision and communication.

This yielded six guiding interview questions and they were asked in a standardised order to reduce researcher bias and achieve a consistent interview method.

### **3.11 DATA COLLECTION**

Data collection for this study was accomplished through a standardised interview process. In the lead up to the actual interviews, all participants received correspondence from the researcher detailing the purpose of the research, processes that would be applied and their contribution in the data gathering process. The participants were e-mailed an information sheet (Appendix A), informed consent (Appendix B), additional consent for permission to audio-record the interview (Annexure C), and demographic data sheet (Annexure D).

All consent forms and demographic data sheets were signed and e-mailed before the interview. The informed consent detailed the purpose of the study, the

information that would be collected and how it will be used, anonymity of the participants and the organisation as per the Gatekeeper's letter. Participants were also advised that they could withdraw from the study at any time. After the signed consent documents were received, interview scheduling was done according to the availability of the participant.

Patten (2012) stated that interviews should be done face to face as far as possible unless scheduling and accessibility hindered this process. It was the goal of the researcher to conduct all interviews face to face in the different provinces in South Africa. However, there were time and scheduling limitations and of the twelve interviews that was initially booked, only ten were conducted. The other two study participants were not available as their travel schedules could be not synced with the researcher for face to face interviews or telephonic interviews. After numerous attempts to book the interviews and with the limitation of time, the researcher decided to limit the sample to ten participants. This did not skew the study as data saturation had been reached by interview nine and the tenth interview was reaffirmation of the richness of the data that was already collected.

When conducting interviews, a researcher captures large amounts of information. Patten (2012) suggested that record keeping via note taking was an important facet of the interview process. He also recommended that interviews should be recorded to enable the researcher to capture the accuracy of the information shared by going back and revisiting the sessions via the recordings.

The researcher adhered to these recommendations by note taking and audio recording all of the interviews. These audio recordings were submitted for transcription after the interviews took place. Upon completion of each interview, a follow up e-mail communication was sent to thank each interviewee for participating.

To ensure the richest data possible, interviews were electronically recorded and sent to a transcription company. The transcriptions assisted the researcher to

keep each participants responses as accurate as possible. To ensure confidentiality, all participants' names and responses were numerically coded. The data and transcriptions were stored on a computer that was pass word protected.

### **3.12 DATA ANALYSIS**

All the audio recordings were transcribed and researcher notes added for data analysis. A content analysis provides thematic categories and themes for participants' opinions or experiences as reflected in the received responses. NVIVO 12 was used to qualitatively code and evaluate the collected data for content analysis. The open coding system was used to create thematic categories and general themes with each question producing a thematic category related to the study research questions. The NVIVO software is a qualitative research tool that manages data by enabling tractability during the phase of data collection. It simplifies the theme formation which is transferred through the participant's responses.

Themes and data analysis are yielded through this research approach (Herstatt, Lee, Raasch and Spaeth, 2013). The process also decreases bias, reflects truth and reliability of origin of source and provision of data availability (Lasalle, 2014).

### **3.13 RELIABILITY AND VALIDITY**

Iltner (2014) demonstrated that encoding the data serves as the principle measure of validity and reliability through the verification of the participants' account of their experiences in qualitative research. Researchers must assume responsibility and eliminate bias of the interpretation of the collected data (Fussell, Gray and Hunter, 2014). Internal validity and reliability of the data is dependent on the data collected, response rate that will be achieved and most importantly on the design of the questions. A pilot test can be conducted with the aim of refining the questionnaire.

### 3.13.1 *Reliability*

Reliability refers to the study's capacity for achieving consistent findings (Patten, 2012). Internal reliability is achieved through the sustained consistency during the research study. Saunders et al. (2016) recommends the use of more than one researcher to conduct interviews, observations and the analysis of the data collected. Stability can be created by the researcher through the coding, analysis and interpretation of the data. External reliability refers to the consistent findings yielded through data collection and analysis if replicated by a different researcher.

#### 3.13.1.1 Threats to Reliability

Research that is considered unreliable will be invalid. The presence of any bias or errors would affect the results and subsequent interpretation and the casting of doubt on the measurement means of the phenomenon being studied (Creswell and Creswell, 2017). The incorrect timing of interviews with participants can lead to errors as the presence of time constraints would affect the way that they would respond.

### 3.13.2 *Validity*

There are different types of validity; the first is measurement validity which is designed to assess the intention. These include construct validity, face validity and content validity. The second is internal validity and the third is external validity. Internal validity is established when the study accurately reflects a causal relationship between two variables. This concept is linked to positivist and quantitative studies. External validity focuses on whether a study's findings can be generalised to other relevant groups or settings. Saunders et al. (2016) recognised that qualitative research did intend as a norm to be replicated as the study serves to reflect the socially constructed interpretations of the study participants. However the rigorous description of the research design, methods

and context may assist others to replicate similar studies. The small samples used for qualitative studies are a limitation to generalisability.

### 3.13.2.1 Triangulation

Triangulation refers to the use of more than one data source and collection methods which are used to confirm the authenticity, credibility and validity of the research data analysis. According to Denzin (2012), the value of using triangulation is the breadth, depth, richness and complexity that it adds to the research.

This study used secondary data analysis and primary data analysis. Secondary data analysis includes numeric and non-numeric data that is used primarily in both explanatory and descriptive research. The researcher established the availability of data and the location of the required data. Permission to access company documents, policies, and e-mail communications was granted at the initiation of the study. Primary data was obtained through the conducting of in-depth interviews. Interviews were recorded and transcribed. Copies of the transcriptions were sent to the participants to confirm accuracy by allowing them to correct and comment for the study to achieve validity. This however did present as a problem as the participants wanted to change the grammar and spelling errors of the original transcripts. The researcher had to guide this participant validation process carefully to ensure that the content and richness of the data was not distorted.

## **3.14 ELIMINATION OF BIAS**

Research bias refers to the inaccuracies or errors in the data collected (Sekaran and Bougie, 2016). Bias could be introduced by the situation, interviewer or interviewee.

### 3.14.1 *Interviewer Bias*

The interviewer can introduce bias through comments, non-verbal behaviour and tone during the interview process. The interviewer may attempt to enforce frame of reference or personal beliefs through the questions asked. Bias can further be demonstrated during the interpretation of responses. If the researcher is unable to establish the interviewees trust, the value of the data received may be limited, raising concerns about its reliability and validity.

The researcher established rapport and trust with the participants to ensure that the participants' feedback during the interview was informative and truthful without fear of adverse consequences. Assurance of confidentiality and the purpose of the study were communicated during all engagements with the participants'.

### 3.14.2 *Interviewee Bias*

This type of bias can be introduced through the interviewee's perception of the interviewer of not trusting the confidentiality and anonymity of the origin of the data. Participating in an interview is an intrusive process and even though participants are willing, the interviewer must be sensitive to any discomfort shown by the participants with the unstructured exploration of themes (Saunders et al., 2016).

The researcher adhered to the guidelines provided by Seekaran and Bougie (2016) who recommended that researchers must remember the "five Ps" when using in-depth or semi-structured interviews, Prior Planning Prevents Poor Performance.

### **3.15 ETHICAL CONSIDERATIONS**

To ensure complete compliance with the highest ethical considerations, and to ensure the interest and co-operation of all of the respondents that will be involved in the research study, the following ethical issues was adhered to throughout the research study, by the researcher:

- The names and details of the respondents and company will not be disclosed and will remain confidential.
- All participants were invited to participate in the study, information sheets and separate consents were obtained for the interview and permission to audio record the interview. They were assured that they could withdraw from the study at any point in time.
- Data leading to their identification was changed to avoid possible ethical dilemmas.
- The study did not attempt to view the change fraternity in a static framework of change, but will endeavour to focus on a dynamic framework for Change Management that would be aimed for the purpose of developing the field of organisational change management within Company XXX.

### **3.16 SUMMARY**

This chapter focused on the research methodology used in this study. The discussion on the chosen qualitative research design using semi-structured questionnaires for the interviews. The philosophy underpinning the study was phenomenology which is widely accepted for description of human experiences or events. The data analysis procedure, where content analysis and constant comparative analysis was used to analyse the data collected. Lastly, the chapter discussed that ethical considerations and procedures that were followed, and all participants were provided with consent forms that clearly stipulated all ethical considerations. The following chapter discusses the results from the data analysis.

## **4 RESULTS AND DISCUSSION**

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### **4.1 INTRODUCTION**

The purpose of this qualitative study was to assess the perception of the line managers on how the organisation manages change during the merger and acquisition process. Further, it aimed to establish how line managers receive and experience organisational changes following acquisitions and mergers. Further it explored the line managers' recommendations for the implementation of organisational change management strategies.

### **4.2 PRESENTATION OF FINDINGS**

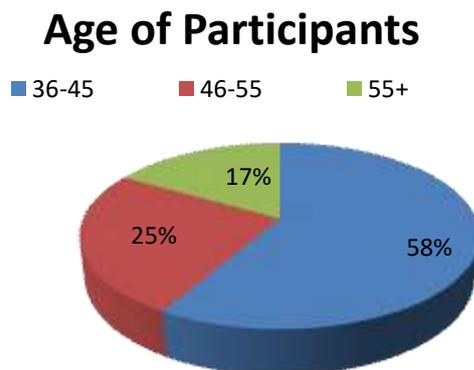
The collected data was processed through a coding and analysis process of exploration of themes, identification and analysis. A trend analysis discovered themes through contrasting participants' feedback against the reviewed literature. The themes were grouped into categories of merger understanding, change management strategies, leadership, communication, organisational culture, job and organisational structure uncertainty and training to manage post-merger integration. The themes were reviewed numerous times to ensure that the allocated titles captured participants' responses correctly while conveying the meaning of the integration.

Specific coding required the reviewing of all transcripts and major theme identification for each research question. Research question 1 focused on establishing if there was a change management strategy at Company XXX, research question 2 focused on the line manager's perceptions of the managing of change and research question 3 focused on critical success factors required for change management to achieve post-merger integration and recommendations from the line managers. Demographic data was analysed using a nominal scale and these finding were presented in a pie chart. To maintain anonymity, all participants names were replaced with coded names.

#### 4.2.1 Demographic Analysis

The demographic analysis presented below is representative of participants' age, length of service and number of previous experiences with mergers.

Figure 4-1 below shows the grouping of age categories of the line managers interviewed. 58% are 36-45 years; 25% are 46-55 years and 17% are 55+ years old. The important factor to note is that both organisations employed the model of placing subject matter specialists in management positions which required specific qualifications and years of field experience prior to being placed in a management position. This is especially applicable to the Grade 12-15 managers that were interviewed.

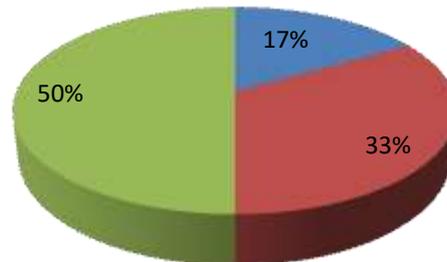


**Figure 4-1: Age of Participants Interviewed**

Figure 4-2 below represents the number of employees being directly managed by the participants. 50% of the participants manage 21-30 employees; 33% manage 10-20 employees and 17% manage 5-10 employees. The employees that are managed by the participants are specialists within their disciplines.

## Number of Employees Managed (Direct)

■ 5-10 employees ■ 10-20 employees ■ 21-30 employees

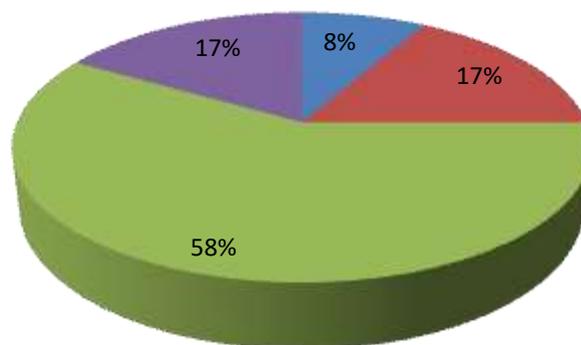


**Figure 4-2: Number of Employees Managed (Direct)**

Figure 4-3 represents the count of prior mergers that the managers had participated within prior to the 2017/8 Merger. Majority of the managers had participated in two mergers (58%), whilst 17% accounted for participation in one and three mergers. Zero experience in the merger process was attributed to 8% of the managers interviewed.

## Count of Merger Experience

■ 0 experiences ■ 1 experiences ■ 2 experiences ■ more than 3



**Figure 4-3: Count of Merger Experiences**

## **4.2.2 Theme 1-Understanding the need for the merger**

As an introduction to question one, the participants understanding of the need for the merger was assessed. All interviewees except one participant communicated that they understood the need for the merger. Participant M004 was a manager from Company YYY and the reason for the merger had not been explained to this participant. The other participants' understood that the acquisition was to give Company XXX a larger footprint and competitive advantage.

*Participant M003, "In my opinion, mergers are important to increase the footprint in global markets, the company size, gain in main aspects, more profitable, reduce average costs".*

Five participants added more information that reflected a deeper understanding of the need for the merger. They stated that besides gaining a bigger footprint in the current industry, Company YYY had different service offerings that would provide Company XXX with market differentiator factors and the ability to offer clients integrated service offerings.

Participant M005 an employee of Company YYY shared a different viewpoint compared to the other participants. Participant M005 stated the understanding for the need for the merger was Company YYY was not doing well financially and needed to secure employment for the workforce.

## **4.2.3 Theme 2-Change Management Strategies**

### **4.2.3.1 Creating a sense of urgency**

The creation of urgency by leadership is an important first step to organisational change management. Successful organisational change cannot be achieved without the cooperation of key stakeholders. In this study the key stakeholders are the line managers who directly manage the majority of the employees of the newly merged company.

Senior leadership create the sense of urgency by selling the value that can be gained of a future state to organisational stakeholders while making the status quo of the current organisational state a dangerous place for the stakeholders to remain. A compelling narrative is created by senior leadership that relates to all stakeholders why it is important for change management strategies to be affected.

This is often done through the medium of truthful consultations about the existing market and competitive veracities, sharing relevant financial performance data, and discussions around opportunities and predicaments facing the organisation. Communication about the need for the change is critical and the communication process about the urgent need for change must be honest.

All participants were asked if they were aware of the change management strategy processes at Company XXX. Negative responses were received as the participants advised that there were no formal structured change management processes in place or embedded within the organisational strategy. A review of Company XXX documents, as part of secondary data analysis, on the company intranet revealed that a generic change management toolkit was developed in 2011 but was not adapted to the changing business environment and it was never implemented.

When asked about the perceived commitment and guidance of senior leadership, participant M005 (Company YYY) viewpoint was:

*“So, I am going to assume that the **commitment** was there from senior management. The problem was, it is difficult to say whether it was a **good commitment**. Because, those communications weren’t shared with us. It was dealt completely, at a Head Office level where we were not involved in any sort of changes that were being made”.*

#### 4.2.3.2 Build the Guiding Team to manage the integration processes

Kotter (1996) recommended that once the first step of creating the sense of urgency and employees understand the need for urgency of change, a team

should be chosen to guide the change. According to Schweiger et al. (1993) the sooner the integration team is created, the greater the success of targeting strategic fits between the combining organisations. They went on to suggest that greater successes stood to be achieved if the integration implementation team was created prior to the conclusion of the acquisition but dependent on the disclosure and co-operation of both parties.

Participant M003 recommended the formation of a transition team:

*“Transition teams in key positions to deal with employees, motivation and key role players”.*

Three other participants echoed participant M003 with recommendations that the organisation should have set-up an integration team that represented both organisations areas of disciplines, Human Resources (HR), Information Technology, Finance and Operations. What was interesting to note was the participants’ perception that there was an apparent lack of support from Human Resources during the merger and post-merger process.

A review of the e-mail communication sent out to the regions by head office revealed that the only face to face interaction by Company XXX HR Department during the entire M&A process was only during the roadshow that took place in November 2017. During the roadshow the remuneration packages of the employees were discussed. Ambiguities related to the content of the roadshow presentations surfaced a year later when employees from Company YYY engaged with their line managers. The employees perceptions of what was presented was that their current benefits would continue for one year post-merger and thereafter they would be entitled to all of the benefits enjoyed by Company XXX employees. This unfortunately was not the stance of Company XXX. This created confusion, unhappiness and loss of trust between the Company YYY employees and the organisation. The line managers were left unsupported by head office to deal with these employees expectations. They stated that they were given the unenviable task of communicating with employees that they would not be entitled to Company XXX benefits as they would be maintained on a separate organisational structure and payroll system.

Regarding the roadshows, participants M008 captured the general viewpoints of the other participants’:

*“However, there were many, many aspects of the 197 (Section) takeover that were very misleading, and **the roadshows**. And to this day, the employees still seem to be under the impression that we were supposed to taken over there, so they would come onto Company XXX benefits within a year. Which was not what the intent was but, it was so poorly communicated, that it doesn’t matter what you do or say now, they still believe those were promises that were made that haven’t been kept. And, in fact, it is a problem that is rearing its ugly head again now, because they have notified around the Company XXX dates and bonuses, and there have been separate ones for the employees working under different conditions or employment.*

#### 4.2.3.3 Understanding the vision and strategic goals

Senior executives from both organisations must create the vision, values, and goals of the newly formed organisation. These must be communicated clearly to the organisation to enable buy-in from all parties to ensure organisational success. This variable was found to have a positive impact on change as it defined the expectations of the PMI process and created a shared vision for all employees (Angwin et al., 2016). Participants’ from Company XXX confirmed that although they were familiar with the vision of company prior to the merger, they did not have a sense or received communication about the vision of strategic goals of the newly merged company from the new CEO.

Regarding the vision, value and goals, participants M007 stated the following:

*“There was no feedback down, in terms of what their vision was and what it entailed for us. So, nothing from that.”*

Line managers interviewed from Company YYY could not articulate an understanding of what the vision or strategic goals was of Company YYY or the newly merged company.

Bauer (2016) and Brueller (2018) confirmed that sharing a vision decreased the feelings of uncertainty as employees received a better grasp of what the PMI entailed. Line management were viewed as critical to the alignment of employees to the shared vision and also tasked with communication of stability during the PMI process. Dickinson (2013) was of the belief that when organisations encouraged employees to partake in the creation of the organisational visions, resistance declined and commitment increased.

The results of the study revealed that this was a failing of the new leadership of Company XXX in the post-merger integration process. The lack of communication of the new vision and strategic goals left the drivers of the organisational change disabled. The uncertainty felt by employees could therefore not be mitigated as alignment to a shared vision was not possible. There was a visible absence of senior leadership encouragement to employees to participate in the creation of an organisational vision.

#### *4.2.4 Communication*

M&A can accelerate organisational growth, but poor communication, including a lack of information during the pre-merger period, coordination and cooperation post-merger can lead to a failure in producing the desired results. When a business deal is publicised, employees often speculate and many businesses risk becoming rumour mills. The survival instinct of any employee would prompt questions on job security, promotional opportunities and organisational identity. When there is a lack of communication and clear direction of change management, these uncertainties gain momentum which results in employee disengagement, loss of motivation, loss of critical skills and identity crises. This

ultimately affects the company's bottom line and the value of the merger intention not being realised.

The responses from the study participants' confirmed the above statement as their perception of the merger not being a success was the lack of communication during the pre-merger, merger and post-merger phases.

Participant M001 managed the region with the second largest base of clients and employees of Company YYY. The shared perception was:

*"I can't recall like a formal communication or process for that acquisition. It's a matter of communication of whom this person is and what that person is going to do and why that's also beneficial to you and your region and the people in your region".*

Zhang et al (2015) found that an organisations communication process during the M&A has a direct impact on employee trust and loyalty. A lack of correlation between the statements and actions of the organisation results in loss of employee faith in the organisation. They further found that when the M&A activity is cloaked in secrecy, the key ingredient of success which is employee trust rapidly dissolves.

Participant M007 perception was that there would be increased levels of trust if the communication was better.

*"And, I think it boiled down to communication – if the communication was better, the trust would have been better. So, it did leave quite a gap, in terms of, not trusting each other."*

Sung et al. (2017) found that when a M&A deal is announced, employees may feel blind-sided. They recommended that leadership minimise the negative impact by implementing a proactive communication strategy. The strategy should address the preparation of messages for target audiences

and timeline development for announcements. Participant M004 (Company YYY) found the whole communication process to be disorganised:

*“You know at this stage we were a little bit... very surprised. Not a little bit, very surprised and didn’t understand why things were done in almost like a rude, haphazard way without proper communication”.*

#### 4.2.5 Theme 3-Job and Organisational Uncertainty

Legal regulations governing the M&A process often hamstrings senior leadership from being totally transparent in their communication. Employees from both companies would be concerned about job security, promotion opportunities and wanting to be informed of forthcoming changes. If these expectations are not carefully managed, the company’s attempts to retain critical skills will fail. The mass exodus of organisational talent is cited as one of the reasons that M&As fail. Participant M004:

*“And he (CEO) did meet with us afterwards and try to explain and just said just hang in things will be better. But other Company YYY people they were looking for places to run to, you know, so they were not really interested. I’m not trying to be malicious or anything but A, when you try and speak to her she was,” no, I hate this place I’m going to go”. So, it was like I’m looking for a place so I’m not interested in what’s happening here. And that happened in most of the Company YYY leadership cases”.*

If employee uncertainty was overlooked without plans by management to address them, the company would lose efficiency and efficacy. The success rate of the integration process improved when companies implemented actions to address and mitigate uncertainty (Basinger, 2012; Herndon, 2014; Ranucci and Souder, 2015).

The secondary data analysis including reviewing the turnover of staff statistics during the period of March 2018 until July 2019. The statistics revealed that of the

twenty two senior managers that came over from Company YYY, only one manager is still currently in the employee of Company XXX. A communication distributed to the organisation by the CEO on the 31st May 2018 stated:

*“The business has been impacted by significant change since the acquisition of Company YYY by Company XXX, effective 1 October 2017. The integration of businesses has resulted in a larger and more diverse business, better placed to meet our challenges. Sadly we have to say farewell to the colleagues below..... “.*

The employees that left the organisation were regarded as having the critical skillset that was required by the organisation to grow the business and manage client relationships. The CEO tendered his resignation in August 2018 without a plausible reason being communicated. Following his resignation, there was a mass exodus of the remaining senior managers between October 2018 and January 2019.

These changes resulted in further confusion amongst the line managers and the employees. Company XXX employees initially had to deal with having the reporting structure that they were used to suddenly being replaced by a new reporting structure that was made up exclusively of Company YYY senior managers. Participant M007 captured this feeling of structural uncertainty by stating:

*“ As the structure changes, you had a reporting structure in between the Regional Manager and the Chief Executive Officer, and how that current company worked, and how they aligned their structure, was completely different to how we had done our structure. So, the Operations Managers weren't really in their structure, as what you see, in terms of ours”.*

With the appointment of Company YYY senior managers into executive leadership positions at Company XXX, the perceptions amongst the employees on the ground was that Company XXX was actually bought out by Company YYY.

The displacement of Company XXX senior managers led to confusion and distress being experienced by current Company XXX line managers who found their reporting lines had changed.

Participants M001 and M008 captured sentiments on executive restructuring by stating

*“The fact that they were doing an organisational structure change, or anything like that, there was no opportunity for anybody else to apply for posts. I am talking about positions like the Head of Operations that they had then, which was divided between the coastal South and the North. I think there were many people who might have applied for those posts, within our own organisation, had they had the opportunity”. (Participant M008)*

*“Like my line manager for example has changed, so suddenly there were positions in between my direct line manager and myself. Suddenly there was another line created so there was a person A and a person AA or a person A and a person B, so there were some changes and these managers were also from the new company, which made it a bit difficult”. (Participant M001)*

Resistance refers to the emotional reactions that arise when employees discern that the change process is not meeting their expectations or gratifying their needs (Anderson, 2012). An acknowledgement made by Baldwin (2012) and Nesterkin (2013) that employees resist change to keep existing processes intact amidst a large scale change. Maepa (2014) noted that resistance arose from lack of information governing the integration process. This domino effect is that employee’s frustration and negative view of the required changes would hamper the integration process.

Another theme that arose from the analysis of the participants’ responses was employees’ resistance to change and lack of organisational identity.

*“They (Company YYY employees) held onto the old company despite having uniforms and name badges. Feeling of separation, them and us”. (Participant M001)*

#### 4.2.6 Theme 4-Culture fit

The failure of the M&A in achieving its strategic and financial objectives is often attributed on culture clashes between the combining companies (Cartwright & Price, 2003). Studies on the human side document how cultural variances can give rise to stereotyping and ethnocentrism, and the patronising of colleagues between the participants (Frantz, 2015). Research has also shown that variances in style and practices can improve post-combination performance (Gagnon and Volesky, 2017). A number of studies found that dissimilarities in organisational culture in cross-border M&A can enhance synergies (Dutta et al., 2016)) and reduce employee resistance.

During the interview process, only two participants identified organisational cultural differences as a barrier to successful post-merger integration. The others identified cultural misfits between the two organisations through behavioural assessments or different ways of working.

*“But that is what I try to convey to the people is that we’re lucky, that we’ve been rescued by a company and we have to put in the effort to try and grow into the new culture because it is a completely different culture”. (Participant M004)*

*I think the previous company (Company YYY) we had a much more relaxed atmosphere. We worked very hard that I can tell you. But it was more conducive, the conversation, I could walk into the CEO’s office and say I had this problem or I want to propose this or I need this can I have it. And he signed off, I walk out with a signature, or an approval or I could signboard an issue or a problem. We now,*

*we really facing bureaucracy (Company XXX) you know.  
(Participant M005)*

Line managers from Company XXX had a different viewpoint. Participant M001 found that two years after the merger, culture clashes were still being experienced.

*“I think even after two years there are still some challenges with regards to culture; you're sitting with a workforce that's having a different culture, they work in a different way, their contracts are different, their service level agreements are different, there was never discussions around what their service level agreements are all about versus ours and how does it differ. They have a totally different model that they worked on” (Participant M001).*

Participant M008 found the differences in culture relating to client relationship management to be disconcerting as she found Company YYY's approach to be out of sync with Company XXXs' ethos:

*“On the one part, they wined and dined clients more, and took them out, as well as, gave them quite extensive gifts – which is something, we, as a company had not done, or haven't still, to the best of my knowledge. Because, we have got quite a strong ethical, and also, you know? Corporate governance, kind of, behaviour”.*  
*(Participant M008).*

Participant M003 questioned the due diligence done by Company XXX prior to the acquisition and merger:

*“And, in my opinion, enough wasn't done to, perhaps, see whether the values of that organisation and our organisation are aligned – is it the right partner? Was enough due diligence done, in terms of, making sure that our cultures are aligned”.*

Du and Zhao (2012) found that focus on changes and influences on an organisation's culture and governance structures are promoted by enterprise resource planning. These findings were supported by Ndofor, Sirmon and Trahms (2013) who argued that organisational success was achieved when there was a pointed focus on organisational culture, management support systems and training as critical elements to manage unforeseen events that could affect mergers.

#### *4.2.7 Theme 5-Line managers as agents of change*

Gallego-Toledo (2015) found that line managers effectiveness in the integration process depended on their knowledge and experience of change management processes. If these managers are ill-equipped to deal with these changes then the failure rate of the post-merger integration process and the M&A as a whole would face failure (Gallego-Toledo, 2015). It was recommended that managers that received adequate training to manage this process would be able to reduce the negative impacts that employees face during the M&A phases (Galpin and Herndon, 2014).

.Two of the participants stated that they could draw on prior knowledge of merger experiences or what they had researched.

Participant M008 has been through three merger experiences previously with twenty three years of service with Company XXX. Her response when asked if she had received training on managing change within her regions was:

*“We are not sufficiently trained. I think that, from my own personal side, I have had to do a lot of my own reading, understanding of things like the Labour Law so, that I can facilitate as much as possible”.*

Participant M005 was visibly emotional when asked this question and she evaluated how the change was managed by senior leadership and the expectation of her role as the line manager to further manage the change:

*“Worst experience of my life. Felt like I was being demoted. Not trained to manage such processes”.*

Participant M003 advised that she was not sufficiently trained.

#### *4.2.8 Theme 6-Managers perceptions of critical success factors of post-merger integration*

Employee willingness to support and implement change is demonstrated through their commitment to the change management process (Dickens, 2012). Employee’s commitment is regarded as critical to the success of the PMI process and the organisational needs to expend all efforts to instil commitment in their employees (Steele, 2014). Managers are seen as resources that have distinctive capabilities to positively affect employee commitment through their relationships with all tiers within the organisation (Guindon, 2013).

There were a number of recommendations given by the participants after they had evaluated the aspects of the post-merger integration that were not considered or was poorly managed by head office. Effective, clear communication throughout the merger process was regarded as the most critical component of change management.

Participant M007 recommended:

***Communication** at each step. Training for staff on change management as change management was not understood. Roadshows for all employees. Care training-should have been done at the start.*

Participant M003:

*“**Clear communication**, employee engagement, structured change management process, visible leadership. Alignment of job titles and job descriptions”.*

Participant M008:

*“**Communication**, training for line managers to deal with change management. Transparency during the merger process. Roadshows for all employees”.*

Participant M001:

*“Change management team, training and **communication** with line managers. Roadshows should have included all employees and not just employees from the acquired company. Remuneration gaps and job descriptions should have been discussed with the line managers by company executive so that employee expectations could be managed better”.*

The second major recommendation was training on change management and the third was alignment of job descriptions, job titles and remuneration. Participant M007 and M008 made further recommendations that there was value to the roadshows done but this awareness and employee engagement tool should be applied across all business units.

### **4.3 UNEXPECTED FINDINGS**

There were four unexpected findings that emerged from this study. The first unexpected finding was the commitment and passion shown by all of the line managers that were interviewed. The value that the merger held for organisational success was understood. It is because of this understanding and excitement surrounding learning about the new service offerings, that both companies had to offer, that underpinned the manager’s initial positive approach to the changes.

The second unexpected finding was the positive responses received from the Company YYY line managers regarding their integration into Company XXX via the support that they received from Company XXX regional managers.

*“Received good reception from Company XXX. Regional Manager was good, taught me well”.*

(Participant M005)

*“Company XXX tried to be accommodative, regional manager tried her best to welcome and make her part of Company XXX. Really grateful to the regional manager and her team”.*

(Participant M004)

Company YYY line managers explained that they were taken by surprise that their company was being taken over had to deal with their own emotions and uncertainty regarding job and organisation uncertainty. However they took time during the interview to verbalise their gratitude to the Company XXX regional managers who took them under their wing and assisted with their integration into the company.

It was interesting to note the resilience shown by these regional managers who during their interviews revealed that their goal during the merger process was to ensure that all of the employees within their regions felt cared for and were supported. They were able to do this while they themselves faced job and promotional uncertainty and not being formally trained to manage the changes that were required for the post-merger integration.

The third unexpected finding was the expectation of the line managers to compile job descriptions and joint performance appraisals for the employees from Company YYY. This task was delegated to them by Company YYY senior leadership and they were given two months to complete and submit the requested documents.

Participant M001 took over 40 of Company YYY employees, including three operations managers and shared her view on the difficulties experienced with what was viewed as a human resource department responsibility:

*“I think there were quite a lot of difficulties and frustration around that because now the acquired company's job descriptions, or categories*

*were different from the ones that we had so there was obviously – I'll use some examples; there's people that was operations managers who is in our terms unit managers which is actually a lower level and then that person had to be now adopted as an operations manager, but the amount of work, the type of work, the responsibilities, the remuneration wasn't what one would, from the acquiring company in that position, have, so you have to just sort of absorb that and just take it on”.*

This finding was validated during the secondary data analysis where e-mails submitted to Company XXX line managers by Company YYY senior manager instructed them to complete these documents:

E-Mail, dated 4<sup>th</sup> April 2018:

As you are aware, the Company YYY employee transfer to Company XXX has been concluded in March 2018.

*“Although the two businesses are in a similar industry and disciplines, there are some differences to role descriptions between Company YYY and Company XXX. A number of ex Company YYY staff have new reporting lines and it is necessary for the managers to become familiar with the new team members and their respective job roles. Certain individuals have had changes to their roles to align to the Company XXX business model already”.*

A follow-up e-mail sent out on the 18<sup>th</sup> May 2018:

*“With regards to the job profiles and JPMs, I have not received everyone. Deadline date is end May 2018”.*

It was evident from the responses received from the participants that the absence of HR support during the phases of the merger contributed to employee disengagement and uncertainty.

The final unexpected finding was the daily experience of the disconnect of the new CEO from the business. This insight was gained from the response of participant M006 who is based at the head office in Johannesburg and whose office was situated three doors away from the CEO office.

*“Honestly, I don’t think it was great with the new Chief Executive Officer. I mean, he didn’t even talk to anyone. It was actually, just the weirdest experience”.*

*“He didn’t even engage with anyone at all. Everyone – they didn’t even think he knew who they were. I got that feedback from my own staff”.*

The secondary data analysis of communication sent out during the merger process revealed that the new CEO submitted one e-mail communication to the business in general. The last e-mail communication received by the employees from him was his farewell message, dated 4<sup>th</sup> October 2018.

#### **4.4 SUMMARY**

This study aimed to establish the line managers’ perceptions and understanding of their role in the M&A process at Company XXX. The study further aimed to assess the change management strategies governing the M&A process and its effectiveness and the critical success factors to achieve the desired goals of the M&A. The following conclusions were drawn from the study:

- Company XXX should focus on its communication strategy to get the buy-in of line managers and employees. Effective communication would reduce employee uncertainty and this strategy was where there was the greatest opportunity identified by the participants for improvement.
- During the planning of the integration process phases, consideration must be given to the managers tasked to implement the change. It was found in this study that participants did not have the capacity or training to manage the required integration.

- The participants also acknowledged that there no change management processes available to them internally to serve as a guide during interactions with their reportees.
- It was also evident that although there were some aspects of Kotter's (2006) eight steps of change followed, there was no integration team deployed to manage the change and the new vision was not created. The initial communication about the M&A did not create a sense of urgency and two years post-merger, the two companies are still referring to "them and us".

It can then be clearly stated that although the line managers are committed to the organisation and willing to be change agents, the lack of inclusivity and required training as sabotaged the intention of the M&A. The lack of clear communication increased employee uncertainty about job security and led to the loss of employees with critical skillsets. If the line managers were aware of the vision and the desired future state, they could be used to influence the environment and the employees to align to the organisational strategy and achieve the set shared goals. The findings of this study validates the literature review which found that most M&A deals fail due to the lack of communication and change management strategies. The lack of focus on the human side of these deals often result in employee uncertainty, resistance to change and ultimately a failure to meet its target of acquiring wealth creation for its stakeholders.

The next chapter discusses implications of this research, limitations of the study and recommendations for future research.

## **5 CONCLUSION AND RECOMMENDATIONS**

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### **5.1 INTRODUCTION**

The lack of understanding of the M&A process and the change management strategies relating to employee wellbeing are often overlooked by organisations. When this happens there is almost a guarantee that the merger will fail due to employee attrition, cultural asymmetry or disengagement at all levels of the workforce.

The aim of this study was to assess the effectiveness of the current change management strategies of Company XXX and to establish the experiences of the line managers during the M&A process. Ten line managers from the different provinces in South Africa who had experienced the M&A of 2017/2018 were interviewed to establish their perceptions and experiences of the post-merger integration process.

This chapter presents the overall summary of results of the study, conclusions and recommendations and highlights gaps for future research.

### **5.2 KEY FINDINGS AND RECOMMENDATIONS**

#### *5.2.1 Create a sense of urgency*

The findings revealed that there was no sense of urgency created by leadership. The time lags from the announcement of the acquisition to the on-boarding of the employees from Company took over six months. The lack of a sense of urgency worsened the line manager and other employees' perceptions of job uncertainty, disengagement and organisational identity crises. The delay in stabilising the organisational structure resulted in loss of organisational talent.

#### 5.2.1.1 Recommendations

- The leadership at Company XXX and Company YYY should invest in the development of change management toolkit to manage organisational change and employees perceptions of change.
- Senior Leadership should generate conversation within the organisation about what is happening and what strategies should be employed by the organisation.
- Creation of a forum where potential solutions and issues are raised and discussed.
- The step of creating a sense of urgency is about preparing the organisation for change.
- This step emphasizes the 'need' for change, and not merely a 'want' for change.

#### 5.2.2 *Building the Guiding Team*

The finding of the study revealed that the forming and mobilising of a dedicated integration management team to guide the required change was absent. There was a perceived fragmented approach to managing the on-boarding of employees from Company YYY and the task was given to whom-ever was still with the organisation during the post-merger phases.

#### 5.2.2.1 Recommendations

- The formation of a team dedicated to merger integration. This team would then develop a comprehensive plan of integration, be responsible for implementation and monitor the integration process and institute corrections when required.
- This team should be created at the start of the integration process and comprise of members from the cross-functional disciplines from both companies and change management specialists.
- Specific attention should be paid to strategic planning, needs of employees and communication.

- Authority must be given to the integration team to make decisions with support from leadership to implement these decisions. This would ensure the effective delivery of desired results.

### *5.2.3 Create a Vision for Change*

The study findings showed that the lack of a shared vision and strategic goals further entrenched the feeling of being disconnected from the organisation. It is important for a newly merged organisation to communicate the shared vision to create stability and a shared sense of belonging.

#### *5.2.3.1 Recommendations*

- Senior executives in both organisations should create vision, values, goals and policies for the newly merged company.
- These must be communicated clearly to the organisation to enable buy-in from all parties to ensure organisational success.
- Encouragement of employees to contribute to the creation of the new vision to ensure that there is shared ownership.

### *5.2.4 Communication*

Failure to communicate the change was a central theme of all participants' responses. The lack of communication increased employee distrust in the organisation, failed to address the gossip mill that went into overdrive with the deafening silence from leadership.

#### *5.2.4.1 Recommendations*

- Effective, clear communication serves to diminish employee uncertainty and insecurity.
- There must be alignment to the communication content and the actions of the organisation to increase employee trust in the organisation.

- Communication plans should be inclusive of a variety of organisational channels to ensure the communication flow during the integration process. The use of Roadshows (for all employees), town halls, e-mails, newsletters and social media is recommended.
- Communication should not only be top down but also bottom up where leadership is available to address questions, concerns, and requested clarifications.

### *5.2.5 Empower Broad Based Action*

The findings of the study found that the line managers who are pivotal to the successful change management were not empowered through training on change management strategies and implementation of change.

#### *5.2.5.1 Recommendations*

- Line managers must be provided with the skills required to implement the required change. Formal training should be prioritised.
- They must also be provided with the resources and plan to achieve successful integration processes.
- The line manager is the key to assisting with decreasing employee uncertainty and monitoring the motivation and engagement levels of employees.

### *5.2.6 Create Quick Wins*

The participants felt alienated from the integration plans of the organisation. The involvement of line management in the merger phases could have guaranteed success as each successful phase is considered a quick win. These quick wins leads to an overall success of merger integration.

#### 5.2.6.1 Recommendations

- Line manager and employee involvement gives the opportunity to both companies to build their knowledge of the companies.
- Interaction and shared knowledge about their respective systems, operations and processes leads to understanding, respect and establishing of trust.

#### 5.2.7 *Build on Change*

The findings revealed that two years post-merger, there are still divisions between the employees from Company XXX and Company YYY. There are still trust issues, lack of motivation and feelings of uncertainty. The lack of change management to address these negative feelings further proves that the greatest casualties if failed mergers are the organisations human capital.

##### 5.2.7.1 Recommendations

- Company XXX should mobilise a team to address employee's uncertainties and encourage engagement.
- It is thus imperative that management needs to motivate employees and gain commitment through the use of effective communication to achieve a common goal orientation, lessening employee resistance to the change while encouraging positive behaviour.

#### 5.2.8 *Anchor Changes in Corporate Culture*

The study findings clearly showed the lack of due diligence in culture assessment of the two companies and the planning to align the two cultures.

##### 5.2.8.1 Recommendations

- Understanding of cultural differences is a critical aspect for a successful merger.
- Integration of employees into the new organisation, new ways of working, shared values, vision and goals.
- Rebranding and aligning with organisational identity.
- Finding ways to incorporate components of both cultures reduces uncertainty.

### **5.3 IMPLICATIONS FOR ACTION**

- There still is limited information on the successful PMI process even though there has been an increase in M&A activity.
- Carefully constructed communication which is timed and managed should receive priority during the phases of the PMI process. Ongoing communication is required to reduce employee uncertainty.
- Resources must be available to proactively manage communication strategies.
- There must be opportunities for teams from both companies to collaborate with one another during the PMI process.
- Encouraging of candid dialogue from Executives, managers to employees. This would serve to make available facts and reduce opportunities for assumptions to be made which can further increase employee uncertainty.

### **5.4 LIMITATIONS OF THE STUDY**

- Sampling technique- However, there were time and scheduling limitations and of the twelve interviews that were initially booked, only ten were conducted.
- The study participants' represented a sample of line managers and excluded lower level employees and senior management due to time and access constraints.

## **5.5 RECOMMENDATIONS FOR FUTURE RESEARCH**

Based on the findings and identified limitations of this study, the recommendations for further research emerged:

- Conduct a similar phenomenological study with a greater population size based on these study selection criteria to determine reliability of the data.
- Conduct a study where executives are interviewed to determine the executives' perspective on change management strategies.

## **5.6 CONCLUDING REMARKS AND REFLECTIONS**

This study investigated the change management strategies employed by Company XXX and the perceptions of the line managers in managing the change process during the M&A process. The recommendations of the line managers are fundamental change management strategies that were clearly not employed throughout the PMI process. Furthermore, a change management model would have assisted the organisation in guiding the M&A integration process. The use of this framework could mitigate the issues currently faced by the organisation.

This study has provided actionable steps that if employed could reduce the failure rate of M&A integration. Organisations invest time and money in carrying out the due diligence associated with evaluating the transactional elements of the M&A. They often fail to consider the human side of the M&A process and this lack of attention often leads to culture clashes and lack of proper planning to integrate the employees.

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## APPENDIX 1-INFORMATION SHEET

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Information sheet and consent to participate in Research

Date:

Good Day

My name is Lucy Hiralal and I am currently doing research on:

“Change management strategies, post-acquisition and merger, at a private wellness organisation in South Africa “.

You are invited to consider participating in a study titled: Change management strategies, post-acquisition and merger, at a private wellness organisation in South Africa.

The aim of this study is to assess the effectiveness of the current change management strategies of Company XXX with a view to formulating a change management model that can be embedded in the design and execution of merger integration.

The duration of your participation if you choose to enrol and remain in the study is expected to be 30-45 minutes.

This study has been ethically reviewed and approved by the UKZN Research Ethics Committee.

In the event of any problems or concerns/questions you may contact the researcher or the UKZN GSBL supervisor contact details as follows:

Lucy Hiralal

Lucy.hiralal@gmail.com

Phone: 083 2301 283

Supervisor:

Dr Emmanuel Mutambara

Senior lecturer, UKZN GSBL

mutambarae@ukzn.ac.za

Phone: 031 260 8104

Humanities and Social Sciences Research Ethics Administration  
Research Office, Westville Campus  
Govan Mbeki X54001  
Durban  
4000

KwaZulu Natal, South Africa  
Tel: 27 31 2604557 Fax: 27 31 2604609  
E-Mail: [HSSREC@ukzn.ac.za](mailto:HSSREC@ukzn.ac.za)

Participation in this research is voluntary therefore participants may withdraw participation at any point. There will be no costs, incentives and imbursements might be incurred by participants as a result of participation in the study.

Information that will be provided by the participant will be protected, raw data will be stored in a locked cupboard at the GSBL offices. Names and contact details of the participants will not be revealed.

## APPENDIX 2-CONSENT

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I have been informed about the study entitled titled “Change management strategies, post-acquisition and merger, at a private wellness organisation in South Africa “by Lucy Hiralal.

I understand the purpose and procedures of the study.

I have been given an opportunity to answer questions about the study and have had answers to my satisfaction.

I declare that my participation in this study is entirely voluntary and that I may withdraw at any time.

If I have any further questions/concerns or queries related to the study I understand that I may contact the researcher at:

Lucy Hiralal

Lucy.hiralal@gmail.com

Phone: 083 2301 283

If I have any questions or concerns about my rights as a study participant, or if I am concerned about an aspect of the study or the researchers then I may contact:

Dr E Mutambara

Supervisor

Graduate School of Business and Leadership

Westville Campus

mutambarae@ukzn.ac.za

Phone: 031 260 8104

OR

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## APPENDIX 3-ADDITIONAL CONSENT

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I hereby provide consent to:

Audio-record my interview discussion YES / NO

Signature of Participant

Date

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## APPENDIX 4-TURNITIN REPORT

Change Management Strategies, Post Merger and Acquisition			
ORIGINALITY REPORT			
6%	2%	1%	6%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS
PRIMARY SOURCES			
1	Submitted to The Independent Institute of Education (IIE) Student Paper	Rect <1% S	<1%
2	onlinelibrary.wiley.com Internet Source		<1%
3	uir.unisa.ac.za Internet Source		<1%
4	sajhrm.co.za Internet Source		<1%
5	Submitted to University of Northumbria at Newcastle Student Paper		<1%
6	Submitted to University of Lancaster Student Paper		<1%
7	Submitted to Laureate Higher Education Group Student Paper		<1%
8	www.business.com Internet Source		<1%

## APPENDIX 5-ETHICAL CLEARANCE APPROVAL



**UNIVERSITY OF  
KWAZULU-NATAL**  
**INYUVESI  
YAKWAZULU-NATALI**

06 September 2019

Mrs Lucy Hiralal (217029889)  
Grad School Of Bus & Leadership  
Westville Campus

Dear Mrs Hiralal,

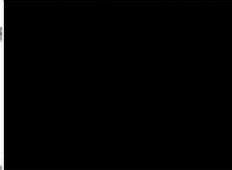
**Protocol reference number:** HSSREC/00000174/2019  
**Project title:** Change management strategies, post-acquisition and merger, at a private wellness organisation in South Africa

**Full Approval – Expedited Application**

This letter serves to notify you that your application received on 08 August 2019 in connection with the above, was reviewed by the Humanities and Social Sciences Research Ethics Committee (HSSREC) and the protocol has been granted **FULL APPROVAL**

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number. **PLEASE NOTE:** Research data should be securely stored in the discipline/department for a period of 5 years.

This approval is valid for one year from 06 September 2019.  
To ensure uninterrupted approval of this study beyond the approval expiry date, a progress report must be submitted to the Research Office on the appropriate form 2 - 3 months before the expiry date. A close-out report to be submitted when study is finished,

Your  


\_\_\_\_\_  
Dr Rosemary Sibanda (Chair)

/spm

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Humanities & Social Sciences Research Ethics Committee  
Dr Rosemary Sibanda (Chair)  
UKZN Research Ethics Office Westville Campus, Govan Mbeki Building  
Postal Address: Private Bag X54001, Durban 4000  
Website: <http://research.ukzn.ac.za/Research-Ethics/>

Founding Campus: ■ Edgewood ■ Howard College ■ Medical School ■ Pietermaritzburg ■ Westville

**INSPIRING GREATNESS**