

UNIVERSITY OF KWAZULU-NATAL

**The role of Employee Engagement during
Mergers and Acquisitions**

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DECLARATION

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ABSTRACT

In the current business environment, transformational change is viewed as a competitive advantage. In response to the ongoing change in economic conditions, some organisations have sought to transform their strategies either by restructuring or by taking on an acquisition or merger with another organisation. Along with change, comes the feeling of uncertainty and insecurity. Understanding the nature of organisational change management in South Africa is crucial to the successful implementation of change programs during transformation.

The research study reviewed literature on the main topics; mergers, acquisitions, change management and employee engagement. The terms mergers and acquisitions were defined, the differences were discussed along with the different types and critical success factors. The Kotter's (1996) Eight Step Model for Change was identified as suitable for this research to determine the implementation of change management in the organisations. The extent to which employees were engaged was explained using Aon Hewitt's (2013) Employee Engagement Model.

This study revolved around employee engagement and change management with specific reference to change during mergers and acquisitions and investigated comparisons thereof. The core objectives of the research were to establish the employee engagement level in a post acquired company compared to that of a post acquired then merged company and to measure the degree to which change management was implemented. The research study made use of a quantitative research methodology via a structured questionnaire and was conducted using the convenience sampling method drawn from the private chemical sector in KwaZulu-Natal, South Africa. The organisation that was selected had undergone 2 acquisitions in the last 5 years and the latter entailed a merger of the acquired company.

The statistical tools that were used to analyse the data were frequency distribution, standard deviation and measures of central tendency, t-test and Friedman test. The study found moderate levels of engagement for the engagement outcomes SAY and STRIVE, with neutral responses for intention to STAY. There were no differences found in the three engagement outcomes between the post acquired organisation and the post acquired then merged organisation. The comparison of the implementation of change management between the post

acquired organisation and the post acquired then merged organisation using Kotter's (1996) eight step change model found no differences in the implementation of change, except for step two - "creating a guiding coalition", where the post acquired organisation was unaware of the implementation and the post acquired then merged organisation remained neutral. A core finding in the research study was that a distinction in change management implementation could not be found in companies undergoing acquisitions compared to companies undergoing mergers.

The information in this research study will benefit change practitioners, managers and change leaders and help them understand change management implementation during acquisitions and / or mergers.

DEFINITIONS

For the purpose of this dissertation the keywords are defined:

Acquisition : The purchase of a share or asset of another company.

Merger : The combination of two or more companies or divisions within the company.

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Chapter One: Research Introduction

1.1 Introduction

This research focuses on the role of the employee during mergers and acquisitions. The research topic and the motivation for this study are introduced in this chapter. The scope and objectives of the study as well as the layout of the dissertation are set out in this chapter. The research problem is highlighted in relation to the issues experienced by business in South Africa and assessing the strategic initiatives required for business growth and existence.

Globalisation has changed the way organisations operate today and in response to the challenging economic conditions, organisations have resorted to change as a tactic for survival (Ntobonwana, 2009; Somdaka, 2013). One of these strategies in response to the changing economic condition is by restructuring or by taking on an acquisition or merging with another organisation (Bhola, 2010).

Developing and maintaining relationships with employees have become an important resource for business and has such seen by many organisations as a source of competitive advantage (Macey and Schneider, 2008; Chinomona and Mofokeng, 2015). Literature on this topic further expands this belief, suggesting that positive outcomes are reported by organisations with high levels of employee engagement (Harter, Schmidt and Hayes, 2002; Kular, Gatenby, Rees, Soane and Truss, 2008; Shuck and Wollard, 2010; Hackett and Liu, 2015).

Examining the influence of employee engagement during change implementation programs will help provide useful insights for business on how to create engaged employees in order to enhance loyalty, longevity and competitiveness in the business.

1.2 Research Motivation

According to the Zephyr report on merger and acquisition activity in South Africa in quarter two of 2015, published by Bureau van Dijk (2015), a total of 418 transactions worth an aggregate USD 10,387 million were recorded during January 2015 to June 2015. This was an

increase by 12 percent during the same period in 2014. The report indicates that despite the economic conditions, a vast amount of merger and acquisition activities took place.

Over the last century, the body of literature on mergers and acquisitions have significantly grown. According to studies by Lin, Shih-Chang Hung and Li (2006), approximately fifty percent of all acquisitions and mergers fail because they are poorly managed. This has been supported by Schroeder (2012), identifying cultural incompatibilities or other people-related issues as the contributing factor to these failures. Research by Loots (2008), Gu Seo, Taylor, Hill, Zhang, Tesluk and Lorinkova, (2012) and Chung (2014) suggested that effective change management is driven by leadership, people orientation and communication.

According to Bhola (2010), managers and change agents can benefit and gain important information from a research study that focuses on employee engagement and change management. This information will assist and guide their decisions when utilising change programs to manage employee engagement levels as well as plan change programs accordingly.

1.3 Problem Statement

Human Resource practitioners play an important role in restoring balance to an organisation in transition (Shook and Roth, 2011). Seo and Hill (2005), stated that the situation created by mergers and/or acquisitions, made many employees confused or unsure about their future in the new or combined organisation. Conflict and uncertainty may lead to unhappy employees resulting in an increased turnover, new or additional expectations, and misalignment to the goals while the new decision process and budgets are developed (Bhola, 2010).

This study focuses on Bhola's (2010) recommendation that a significant link exists amongst the engagement of employees and the implementation of change management, however this study explores the link between the implementation of change management and the engagement of employees in a post acquired organisation and a post acquired then merged organisation.

1.4 Research Objectives

The aim of this research is to study the link between change management implementation and employee engagement levels in an acquired company compared to that of an acquired then merged company operating within the same industry. The primary motivation of this research is set out in objectives one to three, which measures employee engagement in a post acquired company, employee engagement in a post acquired then merged company and the degree to which change management was implemented within these companies.

The objectives of the research study were to:

1. Establish the employee engagement level in the post acquired company
2. Compare the employee engagement level between the post acquired company and the acquired then merged company.
3. Measure the degree to which change management was implemented in the acquired company compared to that of the acquired then merged company.

1.5 Scope of the Research

The intention of the study was to contribute to the literature on the effect of engaging employees during the implementation of change management with specific reference to mergers and acquisitions. This study was limited to a privately owned chemical manufacturing company. The name of the company has been omitted from this research as the company has requested to remain anonymous. As such a pseudonym has been used and all reference to the company has been removed and the pseudonym inserted. The company has, within the last five years, undergone two major acquisitions (Acquired Company 1 and Acquired Company 2).

The acquisition of Acquired Company 2 involved two transactions: a division was merged with Acquired Company 1 and the remaining division was then registered as a new company within the organisation's group of companies. For the purpose of this research, the division of Acquired Company 2 that was merged with Acquired Company 1 was referred to as ACM and the remaining division that was registered as a new entity was referred to as ACF.

1.6 Significance of the Research

A clear understanding and sound knowledge of managing organisational change in South Africa is crucial to the implementation of change programs during acquisition and /or mergers. The body of organisational change literature fails to show a distinction in change management practises during acquisitions as compared to mergers. This study will benefit change practitioners, change managers and change leaders to understand change management implementation during acquisitions and / or mergers.

1.7 Research Limitations

The following limitations were noted to the research study:

The study utilised non-probability sampling, specifically convenience sampling. According to Sekaran and Bougie (2010), the use of non-probability sampling prevents one from confidently generalising the findings from the study of the sample to the population. The bias and variability produced from this research cannot be calculated or managed; therefore extrapolating data outside the sample is not advised.

This study utilised Kotter`s (1996) eight step model and theory of change, as it was identified as being the most significant in approaching the research objectives on the implementation of change however the views of other authors of change were not integrated.

Responses to the questionnaire may have been influenced by the feelings of the employees, as the company had implemented cost cutting measures at the time of the research. The research was based on a single company and therefore findings from the research cannot be confidently generalised to similar companies in the industry.

1.8 Structure of the Dissertation

The research comprises of five chapters. The first chapter introduces the research study, the motivation and incorporates the intention of the research.

The literature review is contained in the second chapter, which highlights the relevant models and theories in relation to the main subjects: mergers, acquisitions, managing change and the engagement of employees as well as interlinking subject topics to one another.

The third chapter presents the research methodology used in the study. Here the design of the research, the techniques used to analyse data and the research instrument are also explained.

The fourth chapter reflects on the presentation and discussion of results from the data analysis conducted. This chapter also looks at the results of the study in relation to the objectives mentioned in chapter three.

The fifth chapter reflects the conclusions drawn from the research study and recommendations for additional research are stated.

1.9 Conclusion

This chapter has presented the reason for the research, the problem statement, the objectives and the significance of the study. In addition a chapter outline has been provided. Chapter two contains a review of recent, relevant literature.

Chapter Two: Review of Literature

2.1 Introduction

In this chapter, the main topics of the study are discussed in the relation to the literature available about these topics. The core issues of; mergers, acquisitions, managing change and engagement of employees are defined and discussed in this chapter under the respective headings and continuous reference is made to the objectives of the study. The different organisational change management theories are outlined in this chapter with a detailed layout of Kotter's eight step model of change. In addition Aon Hewitt's (2013) Employee Engagement Model is also discussed with an insight into the engagement drivers.

2.2 Acquisitions

Firer, Ross, Westerfield and Jordan, (2008), defines an acquisition as a transaction whereby a company or an individual obtains control of the assets and management of another company either directly by purchase of these assets or management control via acquiring majority shares of the target company. Linton (2014) reinforces this claim that acquisitions are set out to attain the same benefits as mergers with the key difference that all acquisitions involve purchasing another company.

Types of Acquisitions:

Horizontal Acquisitions

According Linton (2014), horizontal acquisitions occur when companies are in competition with each other in the same industry. Linton (2014) further expands that there are a number of advantages to horizontal acquisitions:

- Gaining a greater share of the market by purchasing a company within the same industry or market. By servicing existing clients, the company is able to increase profit and sales as well as expand on their current product range.
- Products can be more widely distributed if the acquired company has an established customer base in another geographical area.

- Competition is higher and market share is lower, more so if the acquired company is one of the competitors.

Vertical Acquisitions

According Linton (2014), by means of vertical acquisitions, a company can combine their value chain so that productivity levels are increased and costs are decreased. Vertical acquisitions have the following advantages:

- Improving efficiency by creating value across the supply chain
- Allows for variability when there is a change in demand for raw materials and essential components
- By possessing buying power organisations are able to dictate the supply and demand of products

Conglomerate Acquisitions

Greene, Kini and Shenov (2014), defines a conglomerate acquisition as a combination of companies that have diverse portfolios or unrelated business activities. These may also include ventures of organisations from different industries and geographical areas. Greene *et al.*, (2014) also provides reasons for conglomerate acquisitions, these are:

- Gaining market share
- Decreasing unsystematic risks
- Preventing wasteful activities
- Attaining benefits in shared services

2.3 Mergers

Mergers, as defined by Sudarsanam (2011), are characterised according to the relationship shared between the two organisations. These relationships helps differentiate the different types of mergers as explained in table 2.1.

Table 2.1: Types of Mergers

Horizontal merger	These mergers typify industries and markets whose products are in the mature or declining stage of the product life-cycle. Two companies that are in direct competition and share the same product lines and markets are merged.
Vertical merger	A customer and a company or a supplier and a company are merged. Think of a cone supplier merging with an ice-cream maker. There is more control over input quality and delivery
Market-extension merger	Two companies that sell the same products in different markets are merged.
Product-extension merger	Two companies selling different but related products in the same market are merged.
Conglomeration	Two companies that have no common business areas are merged

Source: Adapted from Sudarsanam, (2011).

Linton (2014), further expands the mergers classification, classifying mergers by the way that they are financed.

Purchase Mergers	Purchase mergers occur when a parent or holding company purchases another company. The purchase has the following characteristics: <ul style="list-style-type: none">• It is purchased with cash or a debt instrument;• It is taxable. Due to the tax benefit that this method generates, it is favoured by acquiring companies.
Consolidation Mergers	Consolidation mergers are characterised by a new company being formed. The companies that have decided to merge will lose their identity and a new entity will be formed.

Source: Adapted from Linton, (2014)

2.4 The Philosophy of Mergers and Acquisitions

Mergers and acquisitions are built on the philosophy that one plus one equals three (1+1=3); meaning mergers and acquisitions are seen as the fastest and most economical opportunity to grow a business (Ntobongwana, 2009; Fourie, 2013; See Kyung, 2014). By acquiring or merging with suitable companies, the organisation equips itself a chance to approach markets,

gain knowledge and technology, finance, and management skills as potential outcomes (Lees, 2003).

This is reinforced by Hall (2013), stating that expanded product offering, increased market share and technologies, new markets and powerful channels will add to the profitability of the organisation. Accordingly, it is assumed that the potential for growth is seen as a major challenge and attractive attribute for mergers and acquisitions.

2.5 Motivation Behind a Merger or Acquiring a Company

Bruner (2001) suggests three possible outcomes for merger and acquisition deals and transactions. These outcomes include:

- **Value conserved** – assumes that investors meet their requirements and should be satisfied with the outcome.
- **Value created** – business can create value by changing inputs into business output to achieve greater value than the inputted costs, resulting in a higher return on investments.
- **Value destroyed** – when businesses destroy their worth and revenue is lost.

The findings from Bruner (2001), is questioned since management may utilise a merger and/or acquisition to combat forces of change in their operating environment. Trautwein (1990) affirms that synergy and valuation are often the motivating forces behind decisions made for mergers and acquisitions. Therefore if creating value for shareholders is vital, and is a mutual objective in all organisations, comparing against value creation does not allow for one to make generalisations (Somdaka, 2013).

The combination of two companies must result in having a positive net value. Trautwein (1990) and Cox (2006) give a systematic summary of the motives for mergers and acquisitions based on different theories (Table 2.1).

Table 2.2: Merger and Acquisition (M &A) Motives

1. M & A as rational choice	1.1. M & A as bidder's shareholders	1.1.1. Net gains through synergy	Efficiency Theory	M & A is planned and executed to achieve synergies of three types: financial, operational, and managerial
		1.1.2. Wealth Transfer from Customers	Monopoly Theory	M & A is planned and executed to achieve Market power. Horizontal and conglomerate M & A may allow firms to cross-subsidize products, simultaneously limit competition in more than one market, and deter potential entrants from the markets, all of which result in higher market power.
		1.1.3. Wealth transfers from target's shareholders	Raider Theory	A raider is a person who causes wealth transfer from the stakeholders of the companies he bids for in the form of greenmail or excessive compensation after a successful takeover.
		1.1.4. Net gains through private information	Valuation Theory/ Investment Theory	M & A is executed and planned by managers who have better information about the target's value than the stock market
	1.2. M & A benefits managers	Empire Building Theory/ Agency Theory	M & A is planned and executed by managers who thereby maximize their own utility instead of shareholder's value	
2. M & A, a process outcome		Process Theory	M & A decisions are outcomes of processes governed by one or more of the following influences: organisational routines, political games played between an organisation's sub units and outsiders, and individual's limited information processing capabilities	
3. M & A, a macroeconomic phenomenon		Disturbance Theory	M & A waves are caused by economic disturbances: economic disturbances cause changes in individual expectations and increase the general level of uncertainty, thereby changing the ordering of individual expectation. Previous non-owners of assets now place a higher value on these assets rather than their owners and vice-versa. The result is an M & A wave.	

Source: Nga and Kamolrat, (2007) , adapted from Trautwein ,1990 and Cox ,2006:20)

Gaughan (2002) takes a more practical view than Trautwein (1990), making use of various empirical studies breaking down the motives for mergers and acquisitions in four main categories:

- Growth of the Organisation
- Economic benefits in the form of economies of scale
- Financial benefits resulting from greater capital market share
- Expected benefits by aligning the management skill to the business targets.

Johnson, Whittington, Angwin, Regner, Scholes, and Pyle (2013), later expanded on Gaughan`s (2002) view and categorised three main groups for the motives for mergers and acquisitions. Table 2.3 highlights the motives of the three main groups.

Table 2.3: Motives for Mergers and Acquisition

Strategic motives	Financial motives	Managerial motives
Focused on improving & developing the business	Focused on making best use of financial resources for shareholders	Focused on the self-interest of managers.
Closely linked to competitive advantage	Concerned with improved financial performance	Not necessarily in the best Interest of shareholders

Source: Johnson, Whittington, Angwin, Regner, Scholes, and Pyle (2013).

Table 2.3 clearly indicates that synergy, expansion, market development, shareholder value and empire building are some of the motives for mergers and acquisitions. The various authors do however agree that there is no single theory or approach behind the motives for mergers and acquisitions, various reasons exists and each reason is different and subjective.

2.6 The Difference Between Mergers and Acquisitions

Mergers and acquisitions generally imply various transactions, ranging from purchase and sales undertakings, alliances, joint ventures and cooperation of companies, corporate successions, management buy-in and buy-out, public offerings and even restrictions (Picot, 2002). According to Nakamura (2005), to avoid any confusion and misunderstanding, a general definition of mergers and acquisitions should not be used. Hoang and Lapumnauypon (2007), explain that although the terms are often interchangeable, mergers and acquisitions have different meaning. A summary of these differences are highlighted in table 2.4.

Table 2.4: The Differences between Merger and Acquisitions

ACQUISITION	MERGER
The purchase of share or assets on another company to achieve a managerial influence, not necessarily by mutual agreement.	The combination of two or more companies which leads to the creation of a new entity or the formation of a holding company.
The new owner clearly establishes themselves as such.	The two companies move forward as a single new company with new management
The buyers stock continues to be traded regardless of the purchase.	Both companies' stock is surrendered and new company stock is issued in its place
The acquired company ceases to exist post-acquisition.	Both companies cease to exist.
Negative connotations are associated with acquisitions (the association is that the company is being taken over).	Positive or more acceptable connotations are associated with mergers (the association is that one company is assisting the other).
Viewed by the corporate world as a "takeover".	Viewed by the corporate world as a purchase deal.
Can be unfriendly – especially when the targeted company does not want to be purchased.	Both CEOs agree that the merger will be in the best interest of both companies
Unfriendly and hostile	Friendly and cooperative.

Source: Hoang and Lapumnauypon, (2007).

2.7 Factors that are Critical to the Success of Mergers and Acquisitions

In order to address the factors that contribute to the success of mergers and acquisitions, it is important to first understand the reasons for the failure (Hoang and Lapumnuaypon, 2007). According to Jennings (1985 cited in Hoang and Lapumnuaypon, 2007) and Haransky (1999 cited in Hoang and Lapumnuaypon, 2007), mergers and acquisitions fail because organisations try to take a shortcut through the process. Haransky (1999 cited in Hoang and Lapumnuaypon, 2007) further relates the poor success rate of mergers and acquisitions to five concepts:

- Inadequate valuation of the organisation targeted.
- Over emphasis on the monetary gains
- Excessive unexplained compensation transaction fees
- Merger or Acquisition was not in line with the business strategy
- A lack of experience in the transformation process

Digeorgio (2002 cited in Hoang and Lapumnuaypon, 2007) and Honore and Haheia (2003 cited in Hoang and Lapumnuaypon, 2007) further expanded that failures to mergers and acquisitions are results of poor planning, inadequate feasibility study and inability to combine employees, systems and processes. Pierse (2012) and Ellis, Lamont, Rues and Faifman (2015) reiterates this point of view, suggesting strong communication and linking the cultures of the organisation are success factors for merger and acquisition implementation.

Research by Gadiesh, Ormiston, Rovit and Critichlow (2001 cited in Hoang and Lapumnuaypon, 2007) identified six guidelines to assist managers undergoing a merger or acquisition:

- Maintaining balance and setting the objective
- Implementing the correct strategy to promote communication and integration
- Setting out targets and objectives and abiding by timelines
- Communication or portraying the strategy to stakeholders
- Leaders should effectively communicate the vision of the new company by motivating employees.
- Effective management of the integration process.

Epstein, (2005 cited in Hoang and Lapumnuaypon, 2007) further suggested determinants for the success of mergers and acquisitions:

- Strategic association of the organisation's goals
- Monetary transaction dynamics
- Due care in feasibility study
- Effective planning prior to the merger and acquisition
- Strategic alignment of shared services
- Assessment of long and short term external factors

Recent studies (Reynolds and Teerikanga, 2015) and (Raza, Sultan, Rafiq, Khan and Huda, 2015) expands on Epstein's (2005) determinants and suggests employee satisfaction, the culture of the organisation, the approach of the merger and acquisition, the experience of the acquiring company and human resource flexibility are some of the factors that influence the successful implementation of mergers and acquisitions.

2.8 Organisational Change Management

Some of the key definitions, from literature, regarding organisational change, as cited by Glensor, (2010) are:

- Burnes (2004) describes Organisational Change as a holistic view on all levels within the organisation, hence it is important for organisations to know where they are heading and the actions required for change management through the entire change process (prior, present and past periods to the change).
- Senior (2002) and Graetz (2000) argue that the management of organisational change is a skill which is required in all companies where organisational changes occur due to mergers, acquisitions, changes in technology, restructuring and changes in social and demographic trends.

- Booyesen and Beaty (1997), Booyesen (2007) and Nkomo and Kriek (2011) states that managing change in the organisation entails changing the current view and procedures in the organisation, this can either mean going back to the basics or looking for new innovative ways which can provide assistance to the organisation to successfully surpass the changes that will be occurring.
- Bennis (1996) defines organisational change as an educational strategy aimed at changing the organisation's attitude, culture and structure to adapt to challenging business environment.

The literature suggests that, in order to obtain success in a merger and acquisition, the cycles of growth and maturity that will be experienced by the organisation, through the entire change process, must be identified. According to Senior (2002), the growth and activity cycles, as well as the concepts of the life cycle of an organisation, are an essential part of existing.

Successful change management is vital in order for an organisation to survive, remain successful and be highly competitive in the changing business environment, (Todem, 2005 cited by Bhola, 2010). Hence the employees should be the focal point of the change management process, that is, their reactions, coping mechanisms and acceptance of the new work environment, (Gotshill and Natchez, 2007).

2.8.1 Types of Organisational Change

The three approaches to organisational change identified by Weick and Quinn (1999) are:

- The traditional view, where change is described as a simple linear process, where change occurs regularly and periodically.
- Second, whereby, change is seen as a non-linear process.
- Third refers to the use of on-going change as a theoretical approach of transformation.

The three types of change perceives change to either be, incremental (to increase efficiency, the current processes and practices are fine-tuned); continuous (adapting to technologies and other environmental forces continuously and rapidly); or radical (major environmental and societal shifts and disruptive technologies).

There are various different reasons why changes occur in organisations, such as: expansions, downsizing or budget change. Hence, for the organisation to acquire its intended purpose, it is essential to identify and understand why the change is occurring, so that the correct change theory and change management initiatives are implemented to achieve the desired results.

As cited in Bhola (2010), change theories give the grounding for different organisational change management programs. Change taking place in mergers are characteristic of radical change, (Bhola, 2010).

2.8.2 Change Theories

In response to the speedy technological developments, a more knowledgeable workforce and moving away from work practice norms, change has become a major part or feature of organisational life, (Barnard and Stoll, 2010). Barnard and Stoll (2010), further states that in response to the growing importance of organisational change, there is a vast amount of literature that discusses the concepts and processes of change management and the contributing factors to its success.

During his study on organisational change, Henderson (2002), reviewed many theories of change and emphasised the important principles of the different theories. Comparisons of the main theories of change management, it`s concepts and the processes for transformation are highlighted in table 2.5.

Table 2.5: Organisational Change Management Theories

THEORIST	KEY CONCEPTS	PROCESS FOR TRANSFORMATION
Kurt Lewin (1951) (elaborated by Schein 1992)	<u>3 Step Change Model</u> Unfreezing, change and freezing Environmental forces (force-field analysis) Organisational as social system	Unfreeze current level of behavior Movement to change the social system Refreezing to establish behavior that is secure against change
Lippitt, Watson, and Westley (1958)	<u>7 Step Phases of Change</u> Role of the change agent Institutionalising the change Development of internal change Management expertise	Development of the need for change Establishment of a change relationship Working towards change Generalisation and stabilisation of change Achieving a terminal relationship.
Burke and Litwin (1992)	<u>Transformational and transactional dynamics</u> Organisational Climate Systems view	Assess level of change required Redefine mission and strategy Leadership commitment Communication, training; Integration
Beckhard and Pritchard (1992)	<u>Creating and Leading Change</u> Systems thinking theory Fundamental Change Vision-driven change Resistance formula Lewin's unfreeze movement refreeze	Diagnosis Create vision Create new structures and processes Move to learning mode Reward learning and commitment Build commitment through education, role modeling and rewards
John P Kotter (1996)	<u>8 Step Model</u> Guiding coalitions Vision and strategy Anchoring new approaches in the culture Short-term wins	Create a guiding coalition, Develop vision and strategy. Communicate change vision, empower broad based action Generate short- term wins Consolidate gains and produce more change Anchor new approaches in the culture
David A. Nadler (1998)	Systems thinking Discontinuous change Integrated change Congruence model	Recognising the change imperative Developing a shared direction Implementing change Consolidating change Sustaining change

Source: Henderson, (2002)

The theories of organisational change in table 2.5, suggests a broad approach to managing change. Lewin (1951), Schein (1992), Beckhand and Pritchard (1992) and Nadler (1998) collectively group change in the organisation as a system, Burke and Litwin (1992), in their model of change, further distinguish the systems view as transactional and transformational levels of change.

Kotter (1996), focused on the leaders and managers of the organisation, for potential organisational change, whereas, Lippitt, Watson and Westley (1958), focused on external change agents. The commonality with these theories is, they target change at an organisational level, except for the view of Lewin (1951) and Schein (1992), where the outcome of change in the organisation is that the members in organisation will change, (Henderson, 2002).

This study utilised Kotter`s (1996) model and theory of change, as it was identified as being the most significant in approaching the research objectives on the implementation of change.

According to Kotter (1996), most organisations fail to manage change, due to a lack of focus on the employees within the organisation. Kotter (1996) believes that individuals within an organisation, will not change unless focus is placed on the emotions of those affected by change and that transitions fail, because managers fail to utilise suggestions from change programs, such as creating realistic vision, transparency and building political coalitions. He thus suggests an eight step action plan for organisations to follow during change, for successful integration.

2.8.3 Kotters Eight Step Model of Change

Table 2.6 below describes in detail Kotter`s (1996) change model. The Model suggests eight sequential steps that organisations can adopt for a smooth implementation of change. Kotter`s Eight Step Change Model is presented overleaf.

Table 2.6: Kotter`s Eight Step Change Model

STEP	CHECKLIST
Step 1 Establishing a sense of urgency	Help others see the need for change and the importance of acting immediately. Identify and discuss crises, potential crises or major opportunities.
Step 2 Creating the guiding coalition	Make sure there is a powerful group guiding the change, one with leadership skills, bias for action, communication skills and authority and analytical skills Assemble a group powerful enough to lead and influence the change Show people what is needed through modeling behaviours Getting the group to work together like a team Act in a way that hits the emotions When a “moment of truth” event occurs, grab it and turn it into a story to tell.
Step 3 Developing a vision and strategy	Clarify how the future will be different from past, and how you will make the future a reality Creating a vision to help direct the change effort Getting the vision and strategy right Developing strategies to achieve the vision
Step 4 Communicating the change vision	Make sure many others as possible understand and accept the vision and the strategy. Using every vehicle possible to constantly communicate the new vision and strategies Have the guiding coalition role model the behaviour expected of staff
Step 5 Empowering Broad-Based Action	Enable others to act on the vision by getting rid of obstacles, encourage risk taking Altering systems or structures that undermine the change vision
Step 6 Generating Short-Term Wins	Plan for and generate short term wins/ improvements in performance Creating those wins Recognise and reward those people who make wins possible
Step 7 Consolidating Gains and producing more change	Press harder and faster after the first success Not letting up, consolidating improvements and sustain the momentum for change Use increasing credibility to change all system, structures and policies that don`t fit together and don`t fit the transformation effort Reinvigorate the process with new projects, themes and change agents
Step 8 Anchoring New approaches in the culture	Hold on to the new ways of behaving, and make sure they succeed until they become a part of the very culture of the group Articulate the connections between new behaviours and organisational success

Source: Kotter and Cohan, (2002)

Kotter's eight step model of change (1996) is an informative tool to portray the stages of managing change during an acquisition or merger because it engages the entire change process (prior, during and after change has been implemented). Kotter's model (1996) has a dual focus: it provides a guideline for initiating change and thereafter it provides the opportunity for individuals to accept and prepare for the change, (Bhola, 2010).

2.8.4 The Building Blocks for Managing Change

In order to change employee behaviour, Lawson and Price (2003 cited in Bhola, 2010), suggested four building blocks prompting the attitude of employees and behavior of management. The building blocks are:

- *Conveying the vision of the new company*

The motivating factors for leaders and employees may differ; hence leaders need to portray a convincing and transparent vision. Leaders need to understand that effective communication, participation and promoting ownership of the change are crucial to its implementation.

- *Role modeling*

Leaders should portray the behaviour that is desired due to the change that occurred. They must seek out and rally key people within the organisation who are influential in helping others buy-in to the change.

- *Policies and Procedures*

During the change many policies and shared services may need to be aligned, it is crucial that leaders understand these aligning and ensure that there is no bias. The leaders must take care when introducing tools that affect how employees react internally with each other and externally with clients.

- *Capacity Building*

Talent management and skills development are crucial for the successful implementation of change. However the emotional and rational feelings that drive the behaviour of employees should also be taken into consideration. In addition, opportunities must be made available for employees to apply what they learnt at their workplace and there should be continuous training to ensure employees are multi-skilled.

In order to get full participation, for change implementation, it is crucial to involve all stakeholders (Loots, 2008). Angwin, Mellahi, Gomes and Peter (2014), further suggests that all communication regarding the change should be tailored for the appropriate stakeholder groups, without distorting the main message.

2.9 Employee Engagement

A major gap in literature on employee engagement is the absence of a general definition, (Shuck, 2010). Shuck and Wollard (2010) further expands that the basis for employee engagement is built on four main approaches:

(a) Kahn's (1990), need-satisfying approach:

One of the earliest theoretical studies of individual engagement and disengagement. This approach defined engagement on a personal level and linked ones employment and emotional state to their behaviour and work performance.

(b) Maslach, Schaufeli and Leiter (2001), burnout-antithesis approach

This approach conceptualised employee engagement by using the Maslach Burnout Inventory that linked positive scores to employee engagement. This was further expanded by Schaufeli (2001) relating employee engagement to high levels of motivation and preference.

(c) Harter, Schmidt and Hayes (2002), satisfaction-engagement approach

The approach looked at the link between employee engagement and profit of the organisation. This referred to employee engagement as the employee's participation and eagerness for work.

(d) *Sak's (2006), multidimensional approach.*

This approach was a distinctive concept that looked at the association of an employee's work performance with the behavioural, emotional and cognitive components.

Research by Christian and Slaughter (2007), suggests that no single approach dominates the field in methodology or definition, however Maslach *et al.*, (2001) is by far the most popular. Despite the approaches having different perspectives, the conclusion remains evident that the promotion of employee engagement within organisations can have a major impact on the outcomes of the organisation (Arakawa and Greenberg, 2007; Harter *et al.*, 2002; Luthans and Peterson, 2002; Maslach *et al.*, 2001; Macey and Schneider, 2008; Saks, 2006; Schaufeli, Martinez, Pinto, Salanova and Bakker, 2002). In competitive and uncertain business environments (Corporate Leadership Council, 2004; Gebauer and Lowman, 2008), the engagement of employees are viewed as a strategic organisational imperative.

Maslach *et al.*, (2008) further suggest that due to a lack of research evidence, analysing demographic variables such age, sex, work experience, and occupation type, in relation to employee engagement is difficult. Recent studies by Aon Hewitt (2013) suggest employee engagement as a construct of both the emotional and behavioural reaction to work environment and further expands that employee engagement is not viewed as a twofold outcome but rather involves a wide range of behaviour. These can include 4 typical profiles that employees can belong to:

- *Highly Engaged*

Employees in the organisation have a strong sense of belonging and can relate to the organisations culture, that is, what the organisation stands for, where it is heading and objectives. This profile results in positive behaviour in the workplace, whereby employees are driven and seek opportunities to improve productivity levels and work environment.

- *Moderately Engaged*

Employees have an optimistic attitude and are productive, however they do not have a strong sense of belonging to the organisation and are not fully committed or driven to give of their best towards their work.

- *Passive*
Employees view work as a monotonous routine and simply go to work for the sake of it. Although not problematic, passive employees have no interest in work and do not contribute to improving their work environment.
- *Actively Disengaged*
Employees do not have a sense of belonging to the organisation and are unhappy at work. Their negativity is evident and their attitude can be passed onto other employees, which results in poor work performance of both themselves and others.

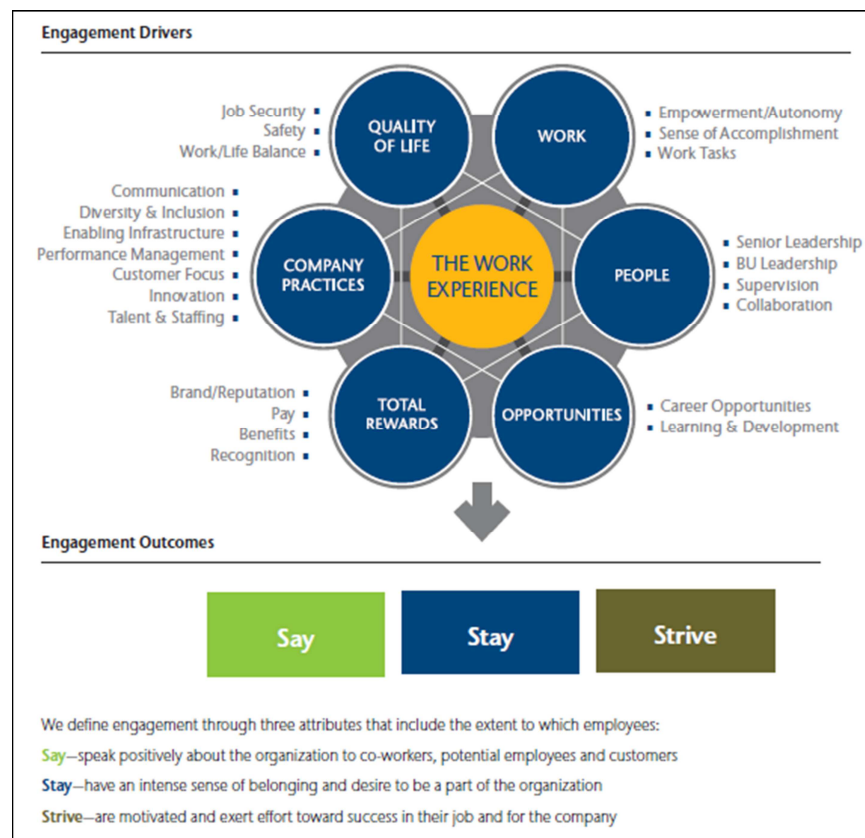
2.9.1 Employee Engagement Model

According to Aon Hewitt (2013), engagement is defined as the emotional, rational and social attributes which promotes positive employee performance. The Aon Engagement Model looks at the possible drivers that promote engagement outcomes of individuals and suggests engagement drivers as a resource for management to be able to control their respective action areas. These areas are categorised according to work experience and include:

- *Quality of Life*
This driver relates to the individuals perception on the stability of the company (job security), feelings of safety and ability to maintain a healthy work life balance.
- *Work*
This driver relates to the individual`s work function whereby the individual is empowered to complete certain work related tasks and thereby feeling a sense of accomplishment upon successful completion.
- *People*
This relates to team dynamics within the organisation whereby engagement is enhanced by the collaboration of leadership at all levels in the organisation.

- *Opportunities*
Promoting a learning environment and creating opportunities for growth within the organisation is viewed as a driver for engagement.
- *Total Rewards*
This refers to the rewards and recognition policy within the organisation. Engagement levels are also promoted by an attractive remuneration and company benefits that an employee receives.
- *Company Practices*
This driver relates to the culture and policies within the organisation. Some of the practices include talent management, vision of the organisation, transparency, innovation and customer centric.

Figure 2.1: Aon Hewitt's Engagement Model



Source: Aon Hewitt, (2013)

Aon Hewitt's (2013) Engagement Model, illustrates that all three of these elements, namely: stay, strive and stretch, are required for employees to be fully engaged. An employee cannot be fully engaged if they aim to exceed what is required of them in their work but is not willing to stay with the organisation. On the contrary, employees may be willing to stay with the organisation but is not willing to achieve more than what is expected of them. Positive outcomes, in key business drivers, such as customer satisfaction, efficiency and effectiveness and relevant growth, are the result of the behaviours of employees that are engaged, Aon Hewitt (2013).

It is important for employers to identify these drivers and by doing so, employers will be able to understand how to meet their employee's needs and pay attention to the areas that require improvement so that engagement and business results are obtained (Bhola, 2010; Bersin, 2015).

2.9.2 Employee Disengagement

According to Robbins, Judge, Odendaal and Roodt (2009), employees that are highly engaged feel passionate about their work and can relate to their organisation; disengaged employees are present at work but show no interest and attention to their work and have essentially "checked out". Employee disengagement results when the organisational change management process is not managed adequately by the change agents (Marks, 2007).

According to MacLeod and Clarke (2009), the four barriers to effective engagement by the organisations leaders and managers, are as follows:

- Lack of awareness - the benefits of engaged employees are not fully understood by certain organisational leaders due to a lack of awareness of the subject.
- Leaders, that are aware, are not familiar or do not know how to discuss engagement.
- Managers, do not share or support the leader's idea about employee engagement or may not have the correct tools to implement engagement strategies.
- There are many different views and commitment to employee engagement.

Organisational changes resulting from either mergers, acquisitions, downsizing and restructuring, has a negative impact on the employees. There is the fear of job loss and ambiguity or uncertainty and stress which then leads to disengaged employees, resulting in high turnover (Weiner and Roberta, 2008). The Turnover Cost Iceberg model in figure 2.2 by Beames (2007) shows the hidden turnover cost due to disengaged employees.

Figure 2.2: The Turnover Cost Iceberg Model



Source: Beames, (2007)

The Iceberg Model illustrates the cost of replacing an employee. These include the visible costs and invisible costs. The visible costs which are clearly identifiable include:

- Exit Costs
- Vacancy Costs
- Replacement Cost
- Commencement Cost
- Training Cost

The invisible costs, which are identified below the surface of the Turnover Cost Iceberg Model, are:

- Intellectual Property Investment
- Performance
- Effect on Morale
- External Client Relationship
- Development Costs
- Productivity
- Effect on Reputation

The invisible costs of employee disengagement are higher compared to what can be seen on the surface by managers. According to Beames (2007), roughly eighty percentage of these cost are unplanned and do not appear on the company's balance sheet. Hence, an engaging workforce is vital to both the organisations strategy and bottom line, (Bhola, 2010).

Bhola (2010), further expands that employee engagement, during and after organisational change, has a direct impact on employee retention and increased performance. Hence, an important part of the change process for managers and change agents, is to consider employee engagement during the change process, (Aon Hewitt, 2013; Lai, Lee, Lim, and Mohsin, 2015).

2.10 Summary

The literature on the main topics mergers, acquisitions, managing change and engaging employees was reviewed in this chapter. The discussion on acquisitions and mergers entailed; motivation, definitions, differentiation, types and factors that lead to the successful implementation. With regard to managing change, different change theories were presented and Kotter's (1996) Model for Change was identified as the theory suitable for this study. This theory was discussed in relation to the steps on managing change.

In order to close the gap in literature in assessing or comparing engagement levels of employees undergoing an acquisition compared to those undergoing a merger, the engagement of employees was then discussed in relation to the Aon Hewitt(2013) Engagement Model. The drivers for engagement and the Turnover Iceburg Model (2007) relating to employee disengagement was also discussed. The research methodology used to gain insight to the research objectives was discussed in the next chapter.

Chapter Three: Research Methodology

3.1 Introduction

This chapter contains the methodology and application of the research study. The population description, the unit of analysis and the sampling techniques and description are addressed. This chapter also set out the statistical tools, used in the determination of the relation to the objectives and research questions.

According to Sekaran and Bougie (2010), business research is defined as a structured, information based, scientific enquiry to a certain problem, embarked on with the sole objective of obtaining resolutions to it. Research methodology focuses on the tool, procedures and sampling used in the research process (Babbie and Mouton, 2006 cited in Fourie, 2013). The two types of research are qualitative and quantitative research. This study used the quantitative research methodology due to its ability to draw conclusions and inferences, from a sample, that can be generalised to the entire sample population.

3.2 Quantitative Research

Quantitative research adopts a series of standardised procedures, which aims to measure differences in a subject matter by utilising analytical techniques and objective processes that communicates findings from which conclusions and inferences can be drawn and generalised (Kumar, 2013). In quantitative research, data is generally gathered via structured questions. Quantitative data measuring the subject matter is performed by allocating numbers in a structured and precise way (Zikmund, Babin, Carr and Griffin, 2013). In this research, it refers to how strongly employees agreed or disagreed with a statement based on a Likert scale.

3.3 Qualitative Research

Qualitative data is not characterised by numbers and provides more meaningful interpretations, and other expressive descriptions. It is flexible in its structure as compared to quantitative research and accommodates for various responses to a specific question (Zikmund *et al.*, 2013). Qualitative research relies more on the researcher as the researcher draws meaning from what the individual has said and then converts it into meaningful data.

3.4 The Adopted Approach

It was decided to use a quantitative approach as the intention of the study was to determine the extent to which employees were consulted and their inputs considered concerning instances of mergers or acquisitions.

3.5 Research Design

According to Merriam (1998 cited in Bhola, 2010), the dynamics of the problem, the desired end results and the questions posed, are the parameters that shape the research design. The research design is selected depending on the type of research problem or issues that need to be addressed (Creswell, 2014). In this study, a non-experimental research design survey method was used. A survey is used to gather characteristics or facts about a sample of subjects using pre-determined questions (Bhola, 2010).

Surveys are very useful to describe the features of a large population. According to Theron (2007 cited in Fourie, 2013), a representative sample can only be considered if it provides an accurate portrayal of the characteristics of the sampling population.

Zikmund *et al.* (2013) further emphasize the advantages of surveys in that, it is inexpensive, quick, efficient and provides an accurate means to assess information obtained about a population. In surveys there is also no limit to the number of questions asked, the researcher can ask any number of questions as required by the study, (Babbie and Mouton 2003 cited in Bhola, 2010)

The survey method was used in this research, so that the findings of the research problem is described in a systematic and accurate manner (Bhola, 2010), by measuring the degree to which change management was implemented in ACF as compared to that of ACM.

3.6 Unit of Analysis

The unit of analysis is the degree to which data is obtained at the stage of analysing data, Sekaran and Bougie, (2010). According to Trochim (2006), unit of analysis refers to the “who” or the “what” that is been analysed in a study. Trochim (2006) further differentiates between four types of units of analysis that is individuals, groups, organisations and artefacts.

In this study, the two types of analysis used were, the individual (employee) and the organisation (ACF and ACM). The variables of change management implementation and employee engagement were accessed on an individual level. The information obtained was then extrapolated to the group level for the purpose of describing the groups (ACF and ACM), thereby enabling comparisons to be made amongst the two groups. The change experience variable was accessed on the group level.

3.7 Research Instrument

The research instrument utilised in this study was a structured questionnaire, consisting of two sections. In the first section there were six questions which were used to measure the biographic information of the respondent. These questions were posed so as to gather information from the respondents on the following variables: age, gender, race, number of years in current business unit, number of years of service and management level. It must be noted that reference to the African race group in this study, refers to the black population of the sample.

Section two of the questionnaire encompassed a five point Likert scale, measuring the engagement of employees and the implementation of change management.

The questionnaire allowed for respondents to indicate their feelings on statements, whereby responses ranged from positive (strongly agree) to negative (strongly disagree). There was also an option to remain neutral.

3.7.1 Likert Scale

The Likert scale is most frequently used and is one of the best measures to test an individual's attitude and behaviour to a statement or question (Zikmund *et al.*, 2013). The five-point Likert scale is just as good as any, and an increase in the rating scale from five to seven to nine does not increase the reliability of the ratings (Elmore and Beggs, 1975, cited in Sekaran and Bougie, 2010). Respondents indicate their attitudes by selecting how strongly they agree or disagree with statements that have been carefully constructed ranging from very negative to very positive attitude towards some object with neutral being in the middle (Zikmund *et al.*, 2013).

3.7.2 Questions on Change Management

These questions were based on Kotter's (1996) Organisational Change Model. The change model, by Kotter (1996), identified eight steps that are crucial for organisations when undergoing change. In chapter 2 of the research study, the eight steps of the Kotter's model was discussed further. Questions on change management were extrapolated from the eight steps during the theoretical analysis of Kotter's (1996) work by Kotter and Cohen (2002).

3.7.3 Questions on Employee Engagement

The research questions measuring employee engagement were based on Aon Hewitt's Engagement Model (2013). The three outcomes of the Engagement Model were used to measure engagement levels. These were SAY (emotional and rational commitment), STAY (intent to stay) and STRIVE (discretionary effort).

3.7.4 Reliability of the Research Questionnaire

Reliability in research is the extent to which an assessment tool produces stable and consistent results, the less consistency within a given measurement; the less useful the data may be in analysis (Ritter, 2010). According to Joppe (2002 as cited by Golafshani, 2003), validity of a research determines if the research truly measure what it was supposed to measure and its truthfulness. The reliability and consistency of the questionnaire was tested using the Cronbach's alpha reliability

Cronbach's (1951) alpha is a very popular reliability coefficient α that is used (Hogan, Benjamin and Brezinksi, 2000). Items that the perfectly uncorrelated, that is, share no variance and there is no internal consistency will exhibit alpha equal to zero whilst items that are perfectly correlated, that is, perfect internal consistency will exhibit alpha equal to one (Ritter, 2010). When alpha is negative the integrity of the scores should be severely questioned (Thompson, 2003 cited in Ritter, 2010). The proper use of alpha is critical to generating trustworthy results, as improper use can lead to wrongly discarding either a test or scale (Tavakol and Dennick, 2011).

3.7.5 Measurement Scales

Both nominal and interval scale measurements were used in the research instrument.

3.7.5.1 Nominal Scale

The nominal scale is a measurement that enables the researcher to categorise subjects into categories or groups that are homogenous, mutually exclusive and exhaustive, where the same characteristic is shared to a particular category (Sekaran and Bougie, 2010). In order to do comparisons between the groups, demographic variables were categorised using the nominal scale. Questions about the biographic variables, age, gender, race, management level, and years of service were created so that the answers could be categorised into the nominal categories. Exposure to prior change was measured on four levels and allowed respondents to indicate which level they belong to.

3.7.5.2 Interval Scale

The distance between any two points on a scale is measured using the interval scale, where we are able to calculate the average and level of dispersion on the variables. It also measures the extent to which individual preferences differ (Sekaran and Bougie, 2010).

“The Likert scale is generally considered an interval scale of measurement, where it explores the degree of subjects’ feelings or attitudes towards statements on the five point scale ranging from strongly agree to strongly disagree”. (Bhola, 2010 p.50) Survey questions on change management and employee engagement adopted the Likert scale to measure the responses.

3.8 Pilot Study

To determine if there were any flaws, misunderstandings or ambiguity with the questionnaire, a pilot study of the questionnaire was undertaken with four individuals. The pilot study also assisted in determining the time taken to complete the questionnaire. From the responses from the pilot group minor changes were made to the questionnaire.

3.9 Data Collection Method

A meeting was held with the manager and human resource manager of both the acquired and merged company, where consent to conduct the research was sought and approved. However, as mentioned in chapter one, the company requested to remain anonymous. Once ethical clearance was obtained, an email was sent out to all the respondents advising them about the study, its purpose and what will the data be used for. They were also advised of the proposed date they will receive the research questionnaire. Thereafter the questionnaire was emailed to

all respondents in both companies (ACM and ACF). Respondents were given a timeframe of ten days to hand in the completed questionnaires. To ensure that anonymity was maintained the respondents from ACF were advised to place the completed questionnaires in a collection box that was made available. The respondents from company ACM were advised to place the completed questionnaire in an unmarked, sealed envelope and hand to the human resource manager. These envelopes were then collected from the human resource manager. A follow up email was sent to all respondents reminding them to complete the questionnaire.

3.10 Population

This study was limited to a private chemical organisation KwaZulu-Natal area. The target population comprised of chemical manufacturing organisations that have undergone an acquisition and then a merger within the last 3 years. The sample selected from the target population in the KwaZulu-Natal area aided in the ease of accessibility to individuals for the study. The chemical manufacturing organisation was selected due to the ease of access where an acquisition and then a merger took place.

3.11 Sampling Method

Convenience sampling refers to the gathering of data from individuals of a population, who are readily available to supply it (Sekaran and Bougie, 2010). Convenience sampling is a popular way to obtain information quickly and efficiently (Zikmund *et al.*, 2013). In nonprobability sampling, projecting data beyond the sample is inappropriate as it is unlikely to know which individuals from the population will be chosen (Bhola, 2010).

Convenience sampling was the sampling method used in this study due to its efficiency and quick response rate for collecting data.

For this research the sample group was obtained from a chemical manufacturing company in KwaZulu-Natal. The post acquired organisation that was chosen for the study was first acquired by a group of companies in the chemical sector and then a division of the acquired company was further merged with a sister company within the same group. Thereafter the remaining division of the post acquired organisation was then set up as a separate entity within the group. As mentioned, in chapter one, for the purpose of this research the division of the post acquired company that was merged with its sister company will be referred to as

ACM and the remaining division that was registered, as a new entity, will be referred to as ACF.

In order to ensure that a representative sample was chosen, the sample comprised of individuals who were employed during the acquisition and merger. Hence, in the demographic section of the questionnaire, a question was posed to determine the duration of service in ACF and a question was also asked about their length of service in their current business unit, ensuring that the sample comprised of individuals that were part of the acquisition and merger. Therefore if respondents were employed for more than 3 years in the organisation but less than 3 years in their current business, they were part of ACM. If respondents were employed more than 3 years in the organisation and more than 3 years in their current business unit they were part of ACF. If respondents were employed less than 3 years in the organisation then they were not part of the acquisition and merger and were excluded from the study.

A list of all employees from both companies ACM and ACF was obtained from HR. Thereafter numbers were allocated to each employee and the numbers were then randomly selected to participate in the study. The population of permanent workers in both companies was 98. Casual and contract workers were excluded from the research study. The sample size consisted of 58 respondents, 31 respondents were from ACF and 23 respondents were from the ACM.

From the 54 questionnaires that were emailed, only 44 respondents returned the completed questionnaire and 1 was deemed spoilt as only one page of the questionnaire was answered. A total of 43 completed questionnaires were analysed in the research study (10 from ACM and 33 from ACF).

3.12 Data Analysis

Data analysis, refers to statistically analysing the data gathered to determine if the hypotheses have been supported, (Sekaran and Bougie, 2010). It analyses the manner in which the attributes on the variables are distributed, Babbie and Mouton, (2003, cited in Bhola, 2010). In simple terms, data analysis, refers to the application of reasoning and involves finding consistent patterns and summarising details which are relevant and revealed in the research (Zikmund *et al.*, 2013). Descriptive statistics describes a population's characteristics by using

analysis techniques which helps to interpret and understand data. Descriptive statistics refers to the techniques which enables us to describe the main features of a set of data (Zikmund *et al.*, 2013). Judgments about a population based on a sample are made using inferential statistics (Zikmund *et al.*, 2013). Both descriptive and inferential statistics were used in the research study.

The tests used to analyse the data obtained and give answers to the research objectives were: Friedman test, measures of central tendency, t-tests and frequency distribution.

3.12.1 Descriptive Statistics

Descriptive statistics help describe the characteristic of the data by using statistical tools such as measures of central tendency and frequency distribution (Zikmund *et al.*, 2013).

3.12.1.1 Mean and Standard Deviation

The most common measure for the average of a set of data is referred to as the mean. The extent of the distribution spread or variability of a set of data is referred to as the standard deviation. (Zikmund *et al.*, 2013)

To obtain answers to Research objective one – establishing the employee engagement level in the post acquired company, the measure of central tendency (mean scores) was used.

3.12.1.2 Frequency Distributions

Frequency distribution is a measure of the occurrences of a value in a data set presented in a table or graph. In percentage distribution, the value is in the form of percent values, (Zikmund *et al.*, 2013). Percentage distributions were used to summarise the demographic variables in the research study. Bar graphs were used to illustrate the demographic variables of the research study.

3.12.2. t-TEST

To determine if there is a significant difference between two groups of individuals in respect of the variable of interest, the t-Test is used to compare the means of the two groups (Zikmund *et al.*, 2013). The two groups in this study are: ACF and ACM.

Zikmund (2003 cited in Bhola, 2010), suggests the following rules for the interpretation of the t-test, when *p value* is $p \leq 0.05$ (less than or equal to 0.05), statistically a significant difference exists in the variable of interest between the two groups and conversely when the *p value* is $p > 0.05$ (greater than 0.05), there is no relationship.

To obtain answers to Research objective two – comparing the three outcomes of the levels of engagement between ACF and ACM - the t-test was used. The t-test was also used to make comparisons in the means scores between ACF and ACM. Table 3.1 exhibits the research questions based on the t – test.

Table 3.1: t-Test on Employee Engagement

RESEARCH QUESTIONS ON EMPLOYEE ENGAGEMENT		
No.	QUESTIONS ON EMPLOYEE ENGAGEMENT	ATTRIBUTES
35	I believe that the job that I do serves a purpose.	SAY
36	I am happy with the team that I work with.	
37	I always have good things to say about my supervisor.	
38	I am proud of the organisation that I work for.	
39	I think that the best way for me to learn and develop my skills in this organisation is to stay in the team I currently work with.	
40	I think that by staying with my current supervisor is the best way for me to grow in this organisation.	
41	I think that by staying in my current organisation is the best way for me to grow in my career.	
42	Working in my team brings out the best in me	
43	I often offer assistance to others who have a lot of extra work.	STRIVE
44	Sometimes I have days where I do not perform to my best potential.	
45	I am always looking for ideas on how to perform better at my job.	
46	If required I am ready to put in extra time and effort to complete the job.	
47	I often have thoughts about leaving this job and this organisation.	STAY
48	I am looking for employment in other organisations.	

3.12.3. Friedman Test

This test is used to rank the difference amongst a number of associated samples. It is a non-parametric test that entails the ranking of test results by value and can be used across various

test attempts. For p value less than 0.05 ($p < 0.05$), the Friedman test is considered significant and a table is shown displaying which variables are significantly different from other variables in the measuring instrument.

To answer Research objective three, by ranking the mean scores of each of the eight steps, the Friedman test was implemented to test for differences of change implementation of each of Kotter's (1996) eight steps against each other. Thereafter to test for differences between ACF and ACM with regard to the implementation of change management, the t-test was done to illustrate comparison between the steps. Appendix 1 illustrates the research questions that were based on the Friedman Test.

3.13 Ethical Issues

In order to ensure compliance with ethical standards and to confirm complete participation by all the individuals approached, the following were adhered to:

- The name and details of the respondents were not mentioned and kept confidential
- Respondents were fully informed of the purpose of the research and their right to withdraw from participating.
- Ethical clearance was obtained from the University of Kwa-Zulu Natal.

3.14 Limitations of the Study

The following limitations were identified:

- Convenience sampling which is a non-probability sampling method was used in the study which limits the results of the study.
- The environment in the organisation during the change process may have impacted the employee's feelings which may have altered their answers to the questionnaires.
- The results of the research cannot be generalised outside the industry as the research only focused on a single organisation.

3.15 Conclusion

This chapter looked at the research methodology adopted for the research study and has discussed quantitative and qualitative research. Quantitative analysis was recognised as

relevant to this research as it is more structured in giving breath to the responses. The population description, the unit of analysis and the sampling techniques and description were outlined in this chapter. The statistical tests that were used were discussed in relation to their significance to this study. The results of the research are outlined in the next chapter.

Chapter Four: Presentation and Discussion of Results

4.1 Introduction

In this chapter, the results of the statistical tests computed for the study are presented. Graphical displays are used to show the outcome of results. To reflect comparisons between the two sample groups the t-Test and Friedman analysis were computed. The frequency analysis, mean and standard deviation were extrapolated for the sample and provided valuable descriptions of the sample`s demographic variables. This chapter also explains the results in relation to the research objectives in chapter one.

4.2 Descriptive Results

4.2.1 Statistical Analysis of Demographic Variables

In this section the demographic variables of the sample are discussed using frequency distributions, measures of central tendency (mean) and measures of dispersion (standard deviation). The frequency distribution scores were used to describe demographic variables of the sample. The mean and standard deviation scores were used to describe age and length of service. Bar graphs were used to present the frequency distributions and tables were used to present the measures of central tendency. The result of the research item, previous exposure to change, was discussed for the sample population only. It must be noted that results for the demographic variables; race, gender, age, length of service and previous exposure to change were represented for all the respondents across all the levels in the organisation.

4.2.1.1 Frequency Distribution for Race

Figure 4.1 illustrates the results for the demographic variable Race in sample population. Indians comprised the largest part of the sample and were 67 % of the respondents and Africans comprised of 33%. There were no respondents from the White and Coloured race groups.

Figure 4.1 : Bar Graph for Race in Sample Population

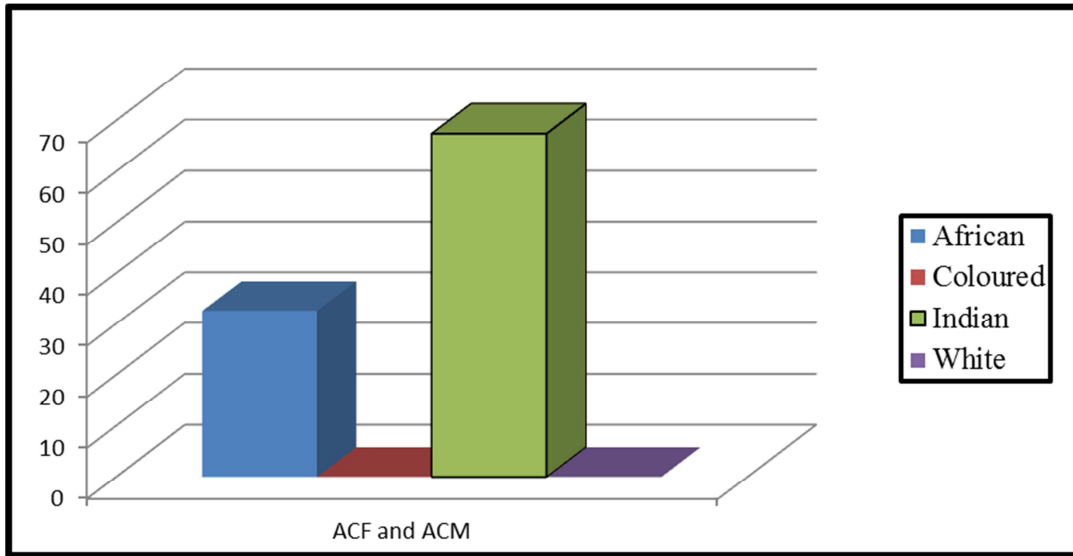
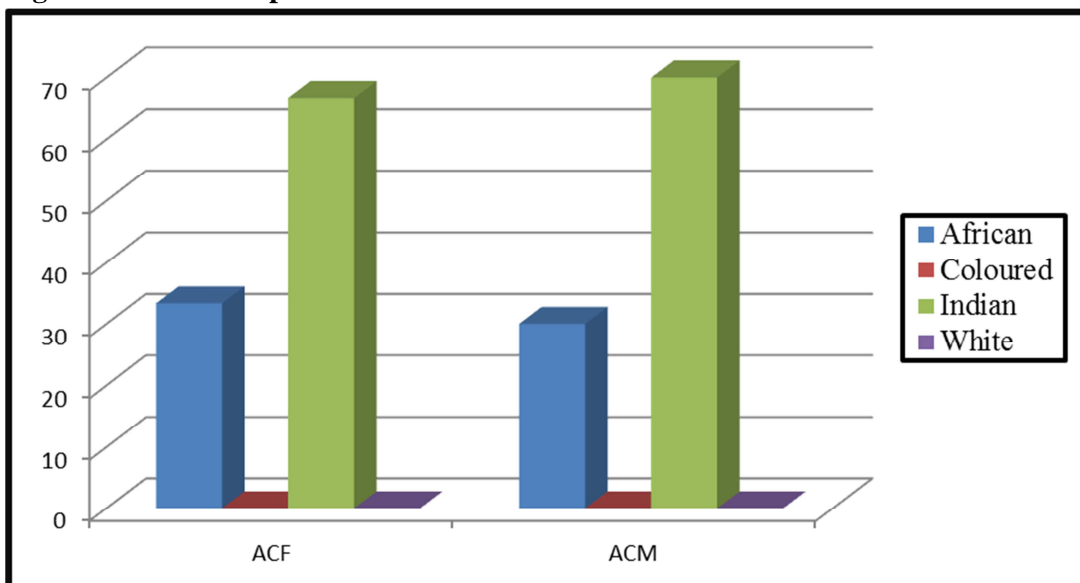


Figure 4.2 illustrates the frequency distribution for the comparison of race between ACF and ACM. In ACF, majority of the respondents were Indians and made up 66% of the population, whereas Africans were 34%. In ACM, Indians were again the majority of the sample and comprised of 70% of population with Africans comprising of 30%. Both companies ACF and ACM did not comprise of White and Coloured respondents.

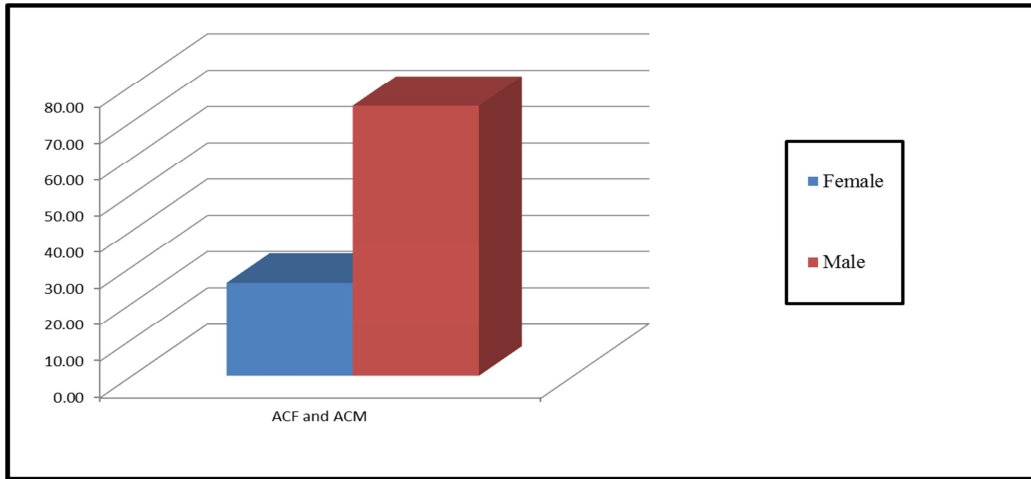
Figure 4.2 : Bar Graph for Race in ACF and ACM



4.2.1.2 Gender

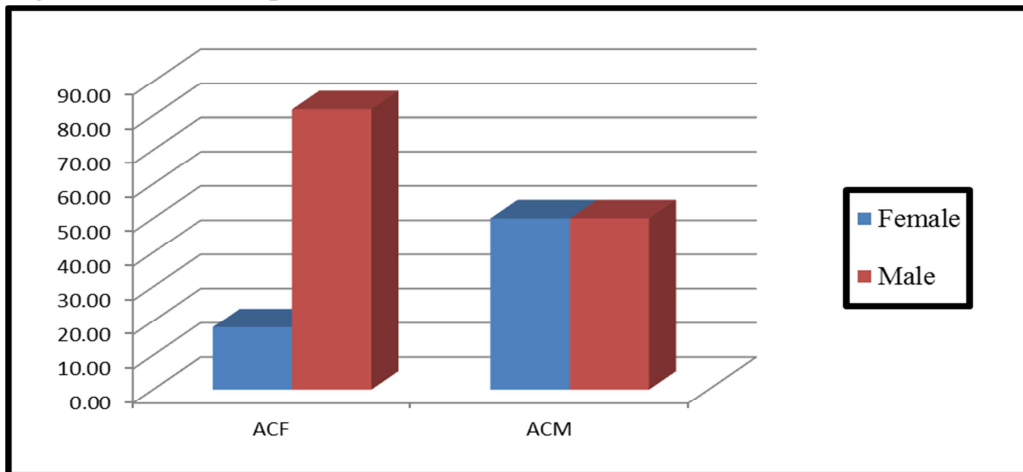
The sample population for gender is illustrated in Figure 4.3, results indicate that the respondents comprised of majority males, who made up 74% of the respondents and females comprised of 26%.

Figure 4.3 Bar Graph for Gender in Sample Population



The frequency distribution for gender comparison between ACF and ACM is illustrated in Figure 4.4. The results indicate a major difference in the percentage of female respondents when comparing both companies ACF and ACM within the overall sample population. Males comprised 82% in ACF and 50% in ACM whilst Females comprised of 18% in ACF and 50% in ACM. The percentage of females in ACM is more than double that of ACF.

Figure 4.4 : Bar Graph for Gender in ACF and ACM



4.2.1.3 Organisational Level

Figure 4.5 illustrates the results of the frequency distribution for Organisational Level in Sample Population. Majority of the respondents were from the technical level in the organisation, making up 23% of the population. Operations followed closely with 21% and thereafter middle management with 19%. Supervisory comprised of 16% and Administration 12%. Finance, purchasing and senior management comprised of the lowest percentage of respondents, with finance 5%, purchasing 2% and senior management 2%.

Figure 4.5 Bar Graph for Organisational Level in Sample Population

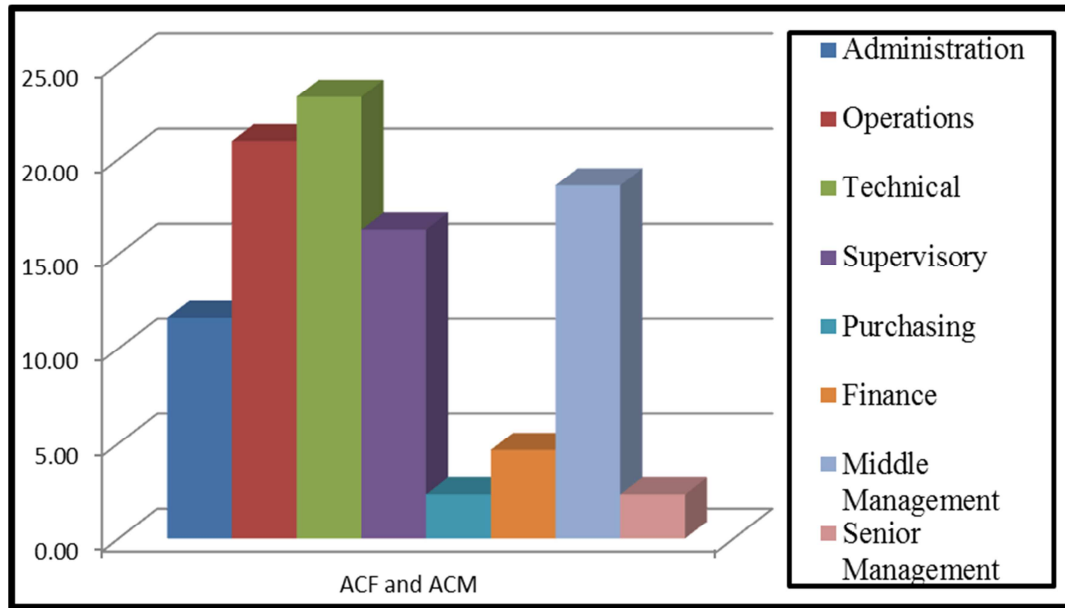
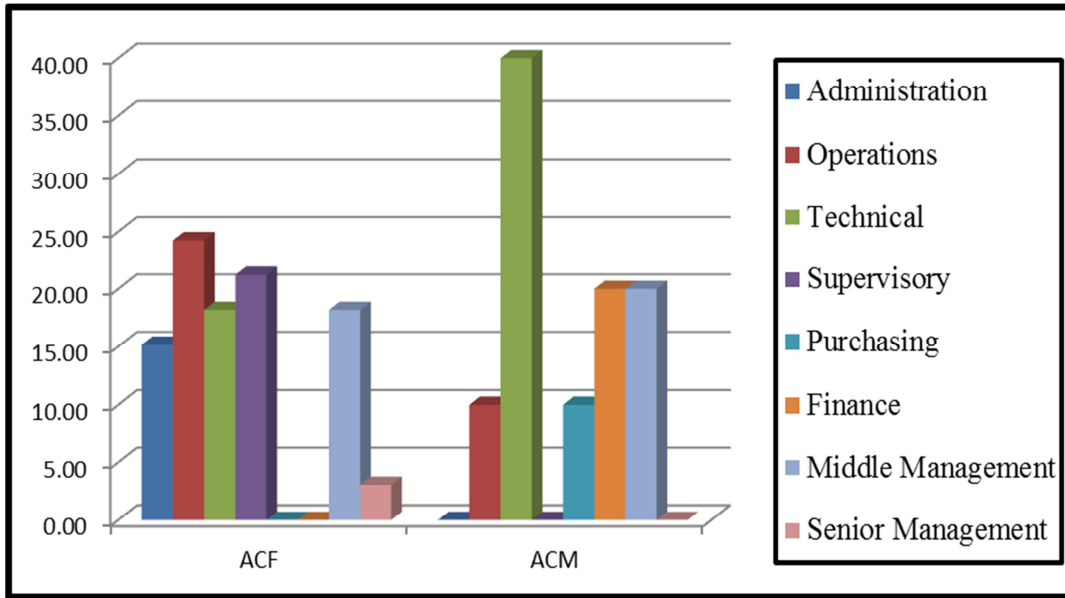


Figure 4.6 illustrates the frequency distributions for the comparison of Organisational Levels between ACF and ACM. It was observed that respondents belonging to the technical organisational level made up the bulk of the ACM respondents whilst respondents from ACF were mainly from the operation, supervisory, technical and middle management organisational level. There were no respondents from the purchasing and finance organisational level from ACF as these were the shared departments or services that were merged during the merging process.

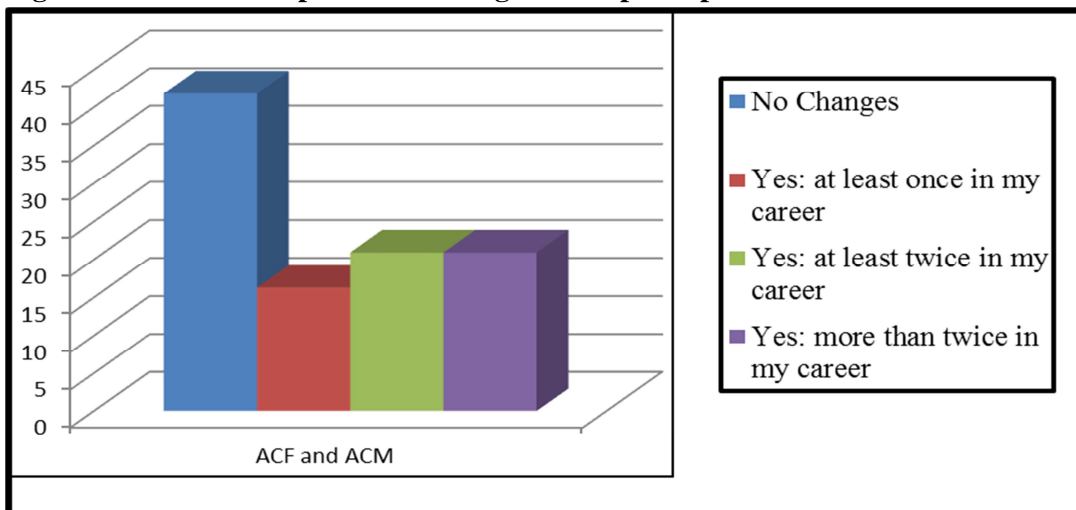
Figure 4.6 Organisational Level in ACF and ACM



4.2.1.4 Previous Exposure to Change

Figure 4.7 illustrates the frequency distribution for Previous Exposure to Change in the Sample Population. Previous exposure to change is discussed for the sample population only. Forty two percent of the respondents did not experience organisational change prior to the acquisition and merger. Sixteen percent of respondents experienced at least one occurrence of change in their career. Twenty one percent of respondents indicate that they experienced change at least twice in their career and 21% of respondents indicate two or more occurrences of change.

Figure 4.7 Previous Exposure to Change in Sample Population



4.2.2 Standard Deviations and Means

The demographic variables age and length of service were explained using the standard deviation and mean.

4.2.2.1 Age

Table 4.1 reflects the demographic information for Age. In ACM the average age of all respondents was 38.4 years and in ACF the average age of respondents was 46.40 years. The youngest respondents in ACM and ACF were 25 years and 28 years respectively and the oldest respondents were 60 and 64 years respectively.

Table 4.1: Central Tendency Measure for Age in ACF and ACM

AGE		
	ACM	ACF
Number	10	33
Mean	38.40	46.40
Standard Deviation	11.59	10.26
Minimum Age	25	28
Maximum Age	60	64

4.2.2.2 Length of Service

Table 4.2 reflects the information for the Length of Service in ACF and ACM. The standard deviations and the means for the length of service for ACF and ACM are compared. The number of respondents from ACM was 10 and 33 from ACF. The mean values in table 4.2 indicate ACM had 10.90 years whilst ACF had 20.12 years average length of service.

The measures of dispersion relating to length of service for ACM and ACF are similar, 10.35 and 10.03 respectively, indicating little variability in scores between ACM and ACF.

Table 4.2: Central Tendency measure for Length of Service in ACF and ACM

LENGTH OF SERVICE		
	ACM	ACF
Number	10	33
Mean	10.90	20.12
Standard Deviation	10.35	10.03
Minimum Age	3	5
Maximum Age	36	40

4.2.3 Summarised Findings on Descriptive Results

The results presented for the demographic variables for the respondents in sample population indicate the following:

- Whilst the intention of the survey was to include people of all race groups , both coloured and white people did not respond.
- The sample population was largely males due to the fact that it is an industry dominated by males.
- Respondents from various organisational levels were selected in the sample.
- A minority of respondents were exposed to prior change which is indicative of the current business environment.
- The average length of service for respondents in ACF was almost double that of respondents from ACM.

4.3 Cronbach`s Alpha Results

The reliability of the questionnaire was measured using Cronbach alpha for the Kotter`s (1996) eight step model of change and for the outcomes of the Aon Hewitt (2013) employee engagement model. Moderate internal consistency and reliability is reflected by a Cronbach`s Alpha value between 0.4 and 0.7, whilst a high internal consistency and reliability is reflected by an alpha value between 0.7 – 1.0 (Ho Yu, 2001 cited in Bhola, 2010).

Table 4.3 presents the Cronbach alpha results for the Kotter`s(1996) Change Model. A high internal consistency and reliability was tested for six of the research items in Kotter`s (1996) Change Model. The reliability co-efficient for Kotter`s step 4 and Kotters step 8 indicated moderate levels of internal consistency and reliability among the test items. The reliability co-efficient for step 4 of 0.6875 (items B13 to B16) was due to the low co-efficient value of 0.1094 for item B15. Similarly the reliability co-efficient for step 8 of 0.6401 (items B29 to B33) was due to the low co-efficient value of 0.4844 for item B29. These results were attributed to the fact that there were similar responses to items B15 and B29, exhibiting marginal variability in responses.

Table 4.3: Cronbach Alpha Results for Kotter`s (1996) Change Model

Variable One	Kotter`s Eight Steps	Question Reference	Cronbach alpha value	
Kotter`s Eight Step model	Kotter 1	Establishing a sense of urgency	B1-B4	0.8642
	Kotter 2	Creating the guiding coalition	B5-B8	0.7292
	Kotter 3	Developing a vision and strategy	B9-B12	0.8972
	Kotter 4	Communicating the change vision	B13-B16	0.6875
	Kotter 5	Empowering Broad-Based Action	B17-B20	0.8922
	Kotter 6	Generating Short-Term Wins	B21-B24	0.8561
	Kotter 7	Consolidating Gains and producing more change	B25-B29	0.7827
	Kotter 8	Anchoring New approaches in the culture	B30-B34	0.6401

Table 4.4 presents the Cronbach alpha results for the outcomes of the Aon Hewitt (2013) Employee Engagement Model. A high level of internal consistency and reliability was tested for the outcomes of the Aon Hewitt employee engagement model.

Table 4.4: Cronbach Alpha Results for Aon Hewitt Employee Engagement Model

Variable Two		Outcomes of Employee Engagement	Question Reference	Cronbach alpha value
Employee Engagement	One	Say(emotional and rational commitment)	B35-B42	0.9472
	Two	Strive (discretionary effort).	B43-B46	0.7835
	Three	Stay(intent to stay)	B47-B48	0.9482

The remaining items in the questionnaire exhibits a Cronbach alpha greater than 0.70 implying that a high internal consistency and reliability between these research items was present. Based on the sample group and the Cronbach alpha results, it can be deduced that due care was taken to ensure that the sample and the questionnaire in this study allowed for a valid and reliable measure of the research objectives. The findings for the three research objectives are discussed under each research objective heading.

4.4 Discussion of Results for Research Objectives

4.4.1 Research Objective One

To establish the employee engagement level in the post acquired company

The results for engagement levels in ACF are presented in table 4.5. Mean values were used to describe the levels of employee engagement according to the three outcomes of engagement in Aon Hewitt’s Employee Engagement Model. The mean scores for SAY and STRIVE are 3.69 and 3.88 respectively out of a maximum value of 5. These scores indicate that the respondents show moderate levels of emotional commitment and give moderate levels of discretionary effort in their work in ACF. Intent to Stay has a mean score of 2.79 which indicates that respondents want to remain neutral or are undecided on whether they want to stay in ACF or not. It must be noted that the standard deviation score for intent to stay is 1.27 indicating that the respondent’s responses for the outcome STAY is significantly dispersed. The raw score responses for all three outcomes range from a minimum of 1.00 to a maximum of 5.00.

Table 4.5: The measures of mean and standard deviation for outcomes of Employee Engagement in ACF

Employee Engagement Outcome	Mean Score	Standard Deviation	Minimum Value	Maximum Value
SAY – Emotional and Rational Commitment	3.69	1.03	1.00	5.00
STRIVE – Discretionary Effort	3.88	0.98	1.00	5.00
STAY – Intent to Stay	2.79	1.27	1.00	5.00

4.4.1.1 Emotional and Rational Commitment (SAY)

Table 4.6 presents detailed percentage responses for the outcome SAY (Emotional and Rational Commitment). It is pleasing to note the very high percentage frequencies for the questions “I believe that the job that I do serves a purpose and I am happy with the team that I work with” (questions 35 and 36 in table 4.6 respectively). As indicated from the percentage response for questions 39 and 42 in table 4.6, approximately 60% of respondents believe that opportunities for growth and development lies within the team that they work with, however

from the percentage response for question 40 in table 4.6, approximately 50% of respondents believe that their opportunities for growth and development lies outside the influence of their current supervisor.

According to the Corporate Leadership Council (2004), emotional commitment, is the feelings that employees have towards their organisation. It refers to the pride, enjoyment, motivation and meaning that an employee derives from someone or something in the organisation.

Rational commitment is the degree to which employees believe that their managers or supervisors have their self-interest in mind when it comes to financial gains, growth and development and professional career (Corporate Leadership Council, 2004).

Table 4.6 Percentage Response on Emotional and Rational Commitment

Emotional and Rational Commitment	Question measuring the Outcome	Percentage Response for ACF
35	I believe that the job that I do serves a purpose.	90.91 %
36	I am happy with the team that I work with.	81.82 %
37	I always have good things to say about my supervisor.	60.61 %
38	I am proud of the organisation that I work for.	60.61 %
39	I think that the best way for me to learn and develop my skills in this organisation is to stay in the team I work with.	60.61 %
40	I think that by staying with my current supervisor is the best way for me to grow in this organisation.	48.48 %
41	I think that by staying in this organisation is the best way for me to grow in my career.	45.45 %
42	Working in my team brings out the best in me	66.67 %

4.4.1.2 Discretionary Effort (STRIVE)

Table 4.7 presents a detailed percentage response for the outcome Strive (Discretionary effort). As indicated from the high percentage responses in table 4.7, respondents are motivated and make efforts to contribute towards the success of their jobs and organisation.

As mentioned previously the mean scores for both SAY and STRIVE are above 3.5 hence it can be deduced that high emotional and rational commitment exists with ACF and will contribute to high levels of discretionary effort.

Table 4.7: Percentage Response on Discretionary Effort

Discretionary Effort	Question measuring the Outcome	Percentage Response for ACF
43	I often offer assistance to others who have a lot of extra work.	81.82 %
44	Sometimes I have days where I do not perform to my best potential. (Reverse questioning indicating a positive 63,64%)	36.36 %
45	I am always looking for ideas on how to perform better at my job.	87.88 %
46	If required I am ready to put in extra time and effort to complete the job.	84.85 %

4.4.1.3 Intent to Stay (STAY)

Table 4.8 presents the detailed percentage responses for the outcome Stay (Intent to Stay).The percentage responses for both questions 47 and 48 in table 4.8 are below 40%, indicating that approximately 60% respondents have a sense of belonging and desire to be part of the organisation.

Table 4.8: Percentage Response on Intent to Stay (STAY)

Intent to Stay	Question measuring the Outcome	Percentage Response for ACF
47	I often have thoughts about leaving this job and this organisation.	39.39 %
48	I am looking for employment in other organisations.	27.27 %

4.4.2 Research Objective Two

To compare the employee engagement level between the post acquired company (ACF) and the acquired then merged company (ACM).

Table 4.9 presents the comparison for the outcomes of Employee Engagement between ACF and ACM. To test the difference in the levels of engagement between ACF and ACM, t-Tests were conducted. For all the three outcomes SAY, STRIVE and STAY, the p value is greater than 0.05, indicating that there is no significant difference in these outcomes between ACF and ACM. This implies that the respondents feel similar levels of emotional and rational commitment, discretionary effort and intent to stay in both ACF and ACM. It is important to note that the mean scores for intent to stay are below 3.50 in both ACM and ACF. Although the mean values for intent to stay are similar in both companies, the values for ACF and ACM range from 2.79 to 3.20 respectively. A mean value close to 3 indicates that respondents from both companies remain neutral and are unsure about their responses regarding intent to stay.

Table 4.9: The measures of mean and standard deviation for outcomes of Employee Engagement in ACF and ACM

Employee Engagement Outcome	ACF		ACM		t-test p value
	Mean Score	Standard Deviation	Mean Score	Standard Deviation	
SAY – Emotional and Rational Commitment	3.69	1.03	3.73	0.97	0.7536
STRIVE – Discretionary Effort	3.88	0.98	3.85	0.98	0.8710
STAY – Intent to Stay	2.79	1.27	3.20	1.28	0.2160

4.4.3 Research Objective Three

To measure the degree to which change management was implemented in the acquired company compared to that of the acquired then merged company.

The results for the Friedman analysis conducted on Kotter's (1996) eight step model for ACF are presented in table 4.10. The results indicate a p value of 0.0694, indicating that there is no significant difference in the implementation of the eight steps of Kotter's change model (1996) in ACF. The mean score for step 1 is above 3.5, indicating that respondents in ACF agree that step 1 was partially implemented during the merger and acquisition. The mean scores for steps 2 to 8 are below 3.5, indicating that respondents remain neutral as to whether these steps of the change model were implemented during the acquisition and merger.

Table 4.10: Friedman's Test for ACF

ACF (p = 0.0694)		
Kotter's Eight Steps	Mean Score	Standard Deviation
Kotter Step 2	2.7424	1.0674
Kotter Step 8	2.9333	1.0771
Kotter Step 5	2.9773	0.9687
Kotter Step 7	3.0364	1.0175
Kotter Step 6	3.0379	1.0800
Kotter Step 3	3.0833	1.0985
Kotter Step 4	3.3258	0.8952
Kotter Step 1	3.6667	1.0313

Table 4.11 presents the results for the Friedman analysis conducted on Kotter's (1996) eight step model for ACM. The p value is 0.0694 indicating that there is no significant difference in the implementation of the eight steps of Kotter's change model (1996) in ACM. The mean score in step 1 is above 3.5, indicating that respondents in ACM agree that step 1 of the change model was partially implemented during the merger and acquisition. Steps 2 to 8 have mean scores below 3.5, implying that respondents in ACM remain neutral as to whether the change model steps were applied during the merger and acquisition.

Table 4.11: Friedman`s Test for ACM

ACM (p = 0.0694)		
Kotter`s Eight Steps	Mean Score	Standard Deviation
Kotter Step 6	3.0000	1.0860
Kotter Step 3	3.0000	1.1323
Kotter Step 5	3.0500	0.9858
Kotter Step 8	3.1000	1.0738
Kotter Step 4	3.1500	0.9858
Kotter Step 7	3.2600	0.9649
Kotter Step 2	3.3250	1.1183
Kotter Step 1	3.8250	0.9578

t-Tests for Kotter`s Eight Step Change Model comparing ACF and ACM are presented in table 4.12. The mean scores in step 1 for both ACF and ACM are above 3.5 indicating that the respondents in both companies agree that step 1 was significantly implemented during the merger and acquisition. Steps 2 to 8 in both ACF and ACM have mean scores above 2.7 but below 3.5, indicating that respondents in both companies remain neutral as whether the eight steps of change management were implemented during the acquisition and merger. The p value in step 2 of table 4.12 is less than 0.05, indicating that there is a difference with regard to the implementation of step 2 in the during the merger and acquisition between ACF and ACM.

Table 4.12: t-Test for Kotter`s Change Model comparing ACF and ACM

Variable	ACF		ACM		t-test p-value
	Mean	Standard Deviation	Mean	Standard Deviation	
Kotter Step 1	3.6667	1.0313	3.8250	0.9578	0.3716
Kotter Step 2	2.7424	1.0674	3.3250	1.1183	0.0049
Kotter Step 3	3.0833	1.0985	3.0000	1.1323	0.6828
Kotter Step 4	3.3258	0.8952	3.1500	0.8638	0.2677
Kotter Step 5	2.9773	0.9687	3.0500	0.9858	0.6829
Kotter Step 6	3.0379	1.0800	3.0000	1.0860	0.8472
Kotter Step 7	3.0364	1.0175	3.2600	0.9649	0.1600
Kotter Step 8	2.9333	1.0771	3.1000	1.0738	0.3395

The mean scores for step 2 was 2.7424 and 3.3250 for ACF and ACM respectively indicating that the respondents in ACF were neutral to being partially unaware of the implementation of step 2 during the acquisition and merger whereas the respondents in ACM were neutral but partially aware of the implementation of step 2. The p value for all the other steps was more than 0.05, indicating that there is no difference between ACF and ACM with regard to the implementation of Kotter`s (1996) eight step change model during the acquisition and merger.

4.4.4 Discussion of Research Objectives One, Two and Three

As per the results for research objectives one and two which is presented in table 4.13, it is clear that respondents experience high levels of emotional and rational commitment and discretionary effort in ACF, however they remain neutral and are unsure about their intention to stay within the organisation. When the engagement levels were compared between the two organisations ACF and ACM, there was no difference in responses of the respondents in all three engagement levels in both organisations

Table 4.13: Results Comparison for Research Objective 1 and 2

Results for Research Objectives 1 and 2							
Objective	Description	SAY(Emotional and Rational Commitment)		STRIVE (Discretionary Effort)		STAY (Intent to Stay)	
Research Objective 1	Engagement Levels in ACF	High		High		Neutral	
		ACF	ACM	ACF	ACM	ACF	ACM
Research Objective 2	Engagement Levels in ACF and ACM	High	High	High	High	Neutral	Neutral
		No significant difference between groups		No significant difference between groups		No significant difference between groups	

With regard to Kotter’s (1996) model of change management, respondents from both organisations ACF and ACM agreed that step 1 of the change model was implemented during the merger and acquisition as presented in table 4.14. Respondents in ACF were unaware of the implementation of step 2 while respondents in ACM remained neutral. Respondents in both ACF and ACM remained neutral with regard to the implementation of change management steps 3 to 8.

Table 4.14: Result Comparison for Research Objectives 2 and 3

Comparison between change management initiatives and engagement outcomes											
Company	Kotter’s Eight Step Change Model								AON Engagement Outcomes		
	1	2	3	4	5	6	7	8	Say	Strive	Stay
ACF	A	U	C	C	C	C	C	C	R1	R1	C
ACM	A	C	C	C	C	C	C	C	R1	R1	C

Key: A1 = Agree that step was implemented
A = Almost Agree that step was implement
C = Neutral response
U = Disagree/ Unaware of step implementation
R = High mean value , with significant difference
R1 = High mean value, but no significant difference

From the statistical investigation of research objectives, it was found that there was no difference in all three engagement outcomes between ACM and ACF.

Although respondents may speak highly of their organisation to peers, and others and they are willing to go the extra mile to get the job done, they remain neutral and are unsure about their intention to stay in the organisation and this can be attributed to the fact that respondents were unaware or neutral with regard to the organisation implementing all the change management steps in the process of the acquisition and merger.

4.5 Summary

The research findings were presented and discussed in detail in this chapter. With regard to research objective one, *to establish the employee engagement level in the post acquired company (ACF)*, the results of the study indicated moderate levels of the engagement outcomes say and strive with neutral responses to intention to stay. In terms of research objective two, *to compare the employee engagement level between ACF and ACM*, the results of the study show that there was no difference in all 3 outcomes of engagement between both organisations.

With reference to the third objective, *to measure the degree to which change management was implemented in the ACF compared to ACM*, there was no difference except for step 2 in the change model where ACF was unaware of the implementation of step 2 and ACM remained neutral.

The conclusion to the research findings are discussed in the next chapter.

Chapter Five: Conclusion and Recommendations

5.1 Introduction

The fifth chapter reflects the conclusions drawn from the research study and recommendations for additional research are stated.

5.2 Literature Findings

5.2.1 Mergers and Acquisitions

With the continuous change in the business and socio-economic conditions of our environment, organisations have to continuously adjust and change the way they operate to keep abreast with the economic changes and remain competitive. This could sometimes require organisations to undergo mergers and acquisitions. According to authors there are many different motives and reasoning behind mergers and acquisitions, however recent studies by (Johnson *et al.*, 2013) divided the motive behind mergers and acquisitions into three main categories: strategic motive, financial motive and managerial motive.

5.2.2 Organisational Change Management

In order for any changes in the organisation to be successful, the implementation of change management models is key to its success. It is essential to clarify the reasons why the change took place in the organisation so that the correct change management theory and programs can be applied. Henderson's (2002) study, on change management, provides a good summary on the different theories of managing organisational change, its concepts and process for change.

5.2.3 Employee Disengagement

Many change management programs fail to meet its target due to employee disengagement. As has been demonstrated, various authors, in recent years, have identified similar reasons for

employee disengagement. They range from lack of awareness of the change, poor leadership, poor communication and the lack of tools to appropriately handle the change.

Authors such as Beames (2007), Marks, (2007), (Weiner and Roberta, 2008), Robbins, Judge, Odendaal and Roodt (2009), MacLeod and Clarke (2009), cited by Bhola (2010), all confirm that change management programs fail because of employee disengagement due to lack of managing the change, lack of awareness of the change, poor leadership and employee insecurity. These authors are supported by more recent research such as Aon Hewitt (2013) and Lai *et al.*, (2015).

5.2.4 Employee Engagement

One of the drawbacks with literature on employee engagement is the absence of the universal definition, (Shuck, 2010). Despite the approaches having different perspectives, the conclusion remains evident that the promotion of employee engagement within organisations, can have a major impact on the outcomes of the organisation. (Arakawa and Greenberg, 2007; Harter *et al.*, 2002; Luthans and Peterson, 2002; Maslach *et al.*, 2001; Macey and Schneider, 2008; Saks, 2006; Schaufeli, Martinez, Pinto, Salanova and Bakker, 2002). In competitive and uncertain business environments (Corporate Leadership Council, 2004; Gebauer and Lowman, 2008), the engagement of employee are viewed as a strategic organisational imperative.

Maslach *et al.*, (2008) further suggests that due to a lack of research evidence, analysing demographic variable such age, sex, work experience, and occupation type, in relation to employee engagement is difficult. Recent studies by Aon Hewitt (2013), suggests employee engagement as a construct of both the emotional and behavioural reaction to work environment.

5.2.5 Business Tools

In the changing business environment, a competitive advantage for business is to learn to identify the value of employee engagement, and the processes involved in managing and measuring it. The employee engagement approach is unique to an organisation and /or situation however the element that is important to assist organisations' to manage the gains

that is associated with the different types of change is to measure the level of engagement within an organisation and what drives it. Change management experts, have devised numerous analytical tools and techniques based on literature and models that organisations should use to successfully implement change programs such as acquisitions and / or mergers.

5.2.6 Conclusion based on the Literature Review

From the above conclusions, engaged employees, is vital for the success of the organisation and crucial to ensure that the process of the merger or acquisition is smooth sailing and successful. Employees must be fully engaged in all three outcomes, say, strive and stay, in Aon Hewitt's (2013) Engagement Model. Any change in an organisation is over whelming and brings upon feelings of fear, job insecurity, negativity and anxiety in the employees. It is therefore important for managers and supervisors to manage and embrace the change in a manner that makes the employees feel at ease and remain fully engaged.

The correct implementation of the right change management theory will assist managers and supervisors in the success of the change process.

5.3 Conclusions and Recommendations based on the Fieldwork

5.3.1 Objective One:

To establish the employee engagement level in the post acquired company

Findings:

Literature: Questions used in the questionnaire were based on Aon Hewitt's (2013) Engagement Model as discussed in chapter two. The three outcomes Say, Strive and Stay were measured.

Fieldwork: Based on the statistical analysis of the research conducted, respondents felt moderate levels of engagement outcomes SAY and STRIVE, with neutral responses to STAY.

Conclusion: The theory of Aon Hewitt's (2013) Engagement Model implies that a fully engaged individual is one that scores high in all three engagement

outcomes. Therefore one can imply that the respondents in ACF are not fully engaged but rather moderately engaged. Respondents may have positive attitudes and good things to say about the organisation and may exhibit productive behaviours but they are not committed to stay within the organisation.

Recommendation: To help increase levels of engagement, managers should focus on the drivers of engagement amongst others:

- involve employees in decision making
- help employees understand their career path
- make a facility for a two-way dialogue to be available
- visibility of senior leadership
- proper training skill training

5.3.2 Objective Two:

To compare the employee engagement level between the post acquired company and the acquired then merged company.

Findings:

Literature: As mentioned in objective one, questions were based on Aon Hewitt's (2013) Engagement Model.

Fieldwork: Respondents in the post acquired organisation felt moderate levels of engagement outcomes for SAY and STRIVE and remained neutral on the outcome STAY. There were similar findings in the responses of respondents in the acquired then merged organisation.

Conclusion: There was no difference in the engagement levels between both the companies. However most responses from all the respondents were either neutral or remained unsure whether to stay in the company.

Recommendation: As there were no difference in the engagement levels between both companies, one can refer to the recommendations made in research objective one.

5.3.3 Objective Three

This objective sought to measure the degree to which change management was implemented in the acquired company compared to that of the acquired then merged company.

Findings:

Literature: Questions in the questionnaire were based on Kotter's (1996) Eight Step Model of Change. To determine if any preference was given to any of the eight steps, the Friedman test was conducted. The difference in the change management implementation between both companies was measured using the t-Test.

Fieldwork: Similar results were obtained from both companies implying that there was no difference in change implementation during the merger and acquisition between the two companies.

Conclusion: Although similar results were obtained from both companies, it must be noted that respondents were only aware of step one (creating a sense of urgency) in Kotter's (1996) Change Model in both companies and remained neutral or were unaware of all the other change implementation steps.

Recommendation: Various models for change management imply that proper implementation programs are vital to the success of an organisation undergoing change. These models imply that people should be the focal point of the change management process. Along with the change management models, it is recommended that one should take into account additional factors such as the employee's psychological state and the operating environment.

5.4 Conclusion

Organisation need to realise that along with achieving financial objectives during mergers and acquisitions they must also take into consideration employee's issues. Employees play an important part in the success or failure of mergers and acquisitions.

With reference to the research topic “**The role of Employee Engagement during Mergers and Acquisitions**”, it was found that there were no differences between in the engagement levels in ACF and ACM. It was also observed that respondents from both organisations were either unaware and had neutral responses to change management implementation. This could imply that there were no proper change management programs implemented during the acquisition and/or merger. Moderate to low engagement levels were recorded from both companies which implies that respondents within both companies were not fully engaged.

5.5 Suggestions for Further Research

A research study should be conducted on engagement and management of change during acquisitions, as well as mergers, on the employee's psychological state during change in the organisation.

It would also be interesting to determine if there is a difference in engagement levels during mergers and acquisitions across different industries.

5.6 Concluding Remarks

This research set out to establish the link between the implementation of change management and the engagement of employees during mergers and acquisitions. A suitable research design and research instrument was used. The research was done scientifically and suitable recommendations have been made to address the shortcomings identified by the research. In conclusion, organisations or managers should take the time to read and absorb the information from this dissertation, especially organisations that are about to undergo change in the near future. Hence, by doing so, they will be aware of the importance of change management implementation and by implementing change management effectively; it will

result in a highly engaged workforce thus ensuring a higher success rate of the change. If the recommendations made are carefully implemented and monitored for any deviation from the desired outcome; it is quite likely that the recommendations will make a significant improvement to their respective situations and the organisation and its employees will benefit whenever there is a change process being implemented and more specifically in the event of a merger or an acquisition.

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Appendices

Appendix 1: Friedman Test on Kotter's Eight Step Model

No.	RESEARCH QUESTIONS ON KOTTERS EIGHT STEP (1996)	EIGHT STEPS
1	My previous organisation before the acquisition and merger of 2014 needed to change in order to remain competitive.	Step 1 Establishing a sense of urgency
2	There was commitment from the leaders of my organisation during the acquisition / merger.	
3	The leaders of my current organisation were very involved in the change process during the acquisition and/or merger.	
4	I had to change the way I work so that I could be successful in my career.	
5	During the acquisition / merger there was a change management team assigned to my business unit to direct the change process.	Step 2 Creating the guiding coalition
6	The change management team assigned to my business unit had sound knowledge of the change process.	
7	It was easy for me to understand the changes taking place during the acquisition and/or merger because of the change management team that was present.	
8	I was happy with the presence and guidance of the change management team during the acquisition and/or merger.	
9	The objectives were made clear throughout the change process.	Step 3 Developing a vision and strategy
10	The newly acquired or merged company's vision seemed to be both realistic and obtainable.	
11	There was a clear link between vision and goals of the acquired and/or merged company.	
12	The acquired or merged company's goals were clearly understood.	
13	I was happy with the way the changes resulting from the acquisition / merger were communicated to me.	Step 4 Communicating the change vision
14	A lot of information was given to me about the merging and acquired company which helped me make a decision about my career.	
15	I accepted that strategic goals of the newly acquired / merged company.	
16	I can relate to the vision of the newly acquired / merged company.	
17	The proper tools and resources were given to me to help me during the change process of the acquisition / merger.	Step 5 Empowering Broad-Based Action
18	Leadership was available to provide clarity and answers to my questions about the acquisition / merger.	
19	I was always given information of the changes that would affect me and my organisation during the acquisition / merger.	
20	The importance of the change management process during the acquisition / merger was always emphasised.	

21	Feedback was always given on accomplishments during the acquisition / merger process.	Step 6 Generating Short-Term Wins
22	Being part of the new organisation after the merger / acquisition was better than the old company.	
23	We celebrated the new organisation after the acquisition / merger with the help of our change management team.	
24	I trusted and had faith in the change management process during the acquisition / merger.	
25	I received reliable and relevant information during the acquisition and/or merger.	Step 7 Consolidating Gains and producing more change
26	I could handle the changes during the acquisition and/or merger.	
27	I was at ease with the changes during the acquisition / merger.	
28	I am at ease with the changes after the acquisition/merger.	
29	I was able to keep up with the changes during and after the acquisition and/or merger with the assistance of the change management team.	
30	There is a clear link between the performance and reward system of the new company.	Step 8 Anchoring New approaches in the culture
31	The difference between the new and the old organisation is that now I receive rewards when I obtain my goals.	
32	I have been given the necessary training so that I can successfully join the new organisation.	
33	I clearly understand the goals of the new organisation.	
34	The business systems and processes make it easy for me to achieve the goals of the new organisation.	

Appendix 2: Ethical Clearance



30 May 2016

Mr Ravesh Bansi (200000218)
School of Management, IT & Governance
Westville Campus

Dear Mr Bansi,

Protocol reference number: HSS/0458/016M

Project title: The role of Employee Engagement during Mergers and Acquisitions

Full Approval – Expedited Approval

With regards to your application received on 26 April 2016. The documents submitted have been accepted by the Humanities & Social Sciences Research Ethics Committee and **FULL APPROVAL** for the protocol has been granted.

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.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

.....
Dr Shamila Naidoo (Deputy Chair)

/ms

Cc Supervisor: Mr Alec Bozas
Cc Academic Leader Research: Professor Brian McArthur
Cc School Administrator: Ms Angela Pearce

Humanities & Social Sciences Research Ethics Committee

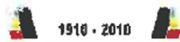
Dr Shenuka Singh (Chair)

Westville Campus, Govan Mbeki Building

Postal Address: Private Bag X54001, Durban 4000

Telephone: +27 (0) 31 280 3587/8350/4557 Facsimile: +27 (0) 31 280 4609 Email: ximbap@ukzn.ac.za / snvmanm@ukzn.ac.za / mohunp@ukzn.ac.za

Website: www.ukzn.ac.za



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Appendix 3: Gatekeeper`s Letter

19 April 2016

To whom it may concern:

RE: Authorisation for the Proposed Research with ACM and ACF Proprietary Limited

I, Group HR Manager the nominated representative for ACM and ACF Proprietary Limited hereby authorise **Mr. Ravesh Bunsu**, student of the **University of Kwazulu Natal**, registration number: **200000218**, to utilise space, gain access to the sample population and to collate data within the organisation for the purpose of the research titled , **The Role of Employee engagement during mergers and acquisitions**.

The research may be conducted with the following conditions:

- The organisation will remain anonymous
- The organisation will have access to the research.



(Group HR Manager)

ACM and ACF
Proprietary Limited

Company Stamp

Appendix 4: Informed Consent

INFORMATION AND CONSENT SECTION

Date

I, **Ravesh Buns**i, Student number: **200000218**, a MBA student, at the Graduate School of Business and Leadership, at the UNIVERSITY OF KWAZULU-NATAL (UKZN), kindly invite you to participate in a research project entitled: **“The role of Employee Engagement during Mergers and Acquisitions”**. Through your participation, I hope to understand more about the use of change management programs as a management tool in acquisitions and in mergers. I guarantee that your response to the questionnaire will be kept confidential. Your participation is voluntary and there is no penalty if you do not participate in the study. If you wish, you also have the right to withdraw without any negative consequences.

This study has been ethically reviewed and approved by the UKZN Humanities and Social Sciences Research Ethics Committee (approval number : **HSS/0458/016M**).

In the event of any problems or concerns/questions you may contact the researcher at:

Email : raveshbunsi@yahoo.com

Phone : 078 675 2594

or the UKZN Humanities & Social Sciences Research Ethics Committee, contact details as follows:

HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION

Research Office, Westville Campus

Govan Mbeki Building

Private Bag X 54001

Durban

4000

KwaZulu-Natal, SOUTH AFRICA

Tel: 27 31 2604557- Fax: 27 31 2604609

Email: HSSREC@ukzn.ac.za

CONSENT

I have been informed about the study and 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 without affecting any of the benefits that I usually am entitled to.

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:

HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION

Research Office, Westville Campus
Govan Mbeki Building
Private Bag X54001
Durban
4000
KwaZulu-Natal, SOUTH AFRICA
Tel: 27 31 2604557 - Fax: 27 31 2604609
Email: HSSREC@ukzn.ac.za

Signature of Participant

Date

Signature of Translator

Date

SECTION B

NOTE: **Previous Organisation** : **Company Before the Acquisition and Merger**
 Current or New Organisation : **Company After the Merger or Acquisition**

INSTRUCTIONS: Please place a cross (X) in the most appropriate box.

SECTION B – Part 1of 2		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	My previous organisation before the acquisition and merger of 2014 needed to change in order to remain competitive					
2	There was commitment from the leaders of my organisation during the acquisition / merger.					
3	The leaders of the organisation were very involved in the change process during the acquisition and/or merger.					
4	I had to change the way I work so that I could be successful in my career.					
5	During the acquisition / merger there was a change management team assigned to my business unit to direct the change process.					
6	The change management team assigned to my business unit had sound knowledge of the change process.					
7	It was easy for me to understand the changes taking place during the acquisition and/or merger because of the change management team that was present.					
8	I was happy with the presence and guidance of the change management team during the acquisition and/or merger.					
9	The objectives were made clear throughout the change process.					
10	The newly acquired or merged company’s vision seemed to be both realistic and obtainable.					
11	There was a clear link between vision and goals of the acquired and/or merged company.					
12	The acquired or merged company’s goals were clearly understood.					
13	I was happy with the way the changes resulting from the acquisition / merger were communicated to me.					
14	A lot of information was given to me about the merging and acquired company which helped me make a decision about my career.					
15	I accepted the strategic goals of the newly acquired / merged company.					
16	I can relate to the new vision of the newly acquired / merged company.					
17	The proper tools and resources were given to me to help me during the change process of the acquisition / merger.					
18	Leadership was available to provide clarity and answers to my questions about the acquisition / merger.					
19	I was always given information of the changes that would affect me and my organisation during the acquisition / merger.					
20	The importance of the change management process during the acquisition / merger was always emphasised.					

SECTION B – Part 2 of 2		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
21	Feedback was always given on accomplishments during the acquisition / merger process.					
22	Being part of the new organisation after the merger / acquisition was better than the old company.					
23	We celebrated the new organisation after the acquisition / merger with the help of our change management team.					
24	I trusted and had faith in the change management process during the acquisition / merger.					
25	I received reliable and relevant information during the acquisition and/or merger.					
26	I could handle the changes during the acquisition and/or merger.					
27	I was at ease with the changes during the acquisition / merger.					
28	I am at ease with the changes after the acquisition / merger.					
29	I was able to keep up with the changes during and after the acquisition/ merger with the assistance of the change management team.					
30	There is a clear link between the performance and reward system of the new company.					
31	The difference between the new and the old organisation is that now I receive rewards when I obtain my goals					
32	I have been given the necessary training so that I can successfully join the new organisation.					
33	I clearly understand the goals of the new organisation.					
34	The business systems and processes make it easy for me to achieve the goals of the new organisation.					
35	I believe that the job that I do serves a purpose.					
36	I am happy with the team that I work with.					
37	I always have good things to say about my supervisor.					
38	I am proud of the organisation that I work for.					
39	I think that the best way for me to learn and develop my skills in this organisation is to stay in the team I work with.					
40	I think that by staying with my current supervisor is the best way for me to grow in this organisation.					
41	I think that by staying in this organisation is the best way for me to grow in my career.					
42	Working in my team brings out the best in me					
43	I often offer assistance to others who have a lot of extra work.					
44	Sometimes I have days where I do not perform to my best potential.					
45	I am always looking for ideas on how to perform better at my job.					
46	If required I am ready to put in extra time and effort to complete the job.					
47	I often have thoughts about leaving this job and this organisation.					
48	I am looking for employment in other organisations.					