Attending to the Internal Audience
- a Prerequisite for Successful Mergers

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Abstract

Corporate losses attributable to failed M&A have to date cost an immense amount of resources. Off the bat the undertaken study argues for the case that it is negligence of employee emotions and reactions during the M&A process that cause the failure rate to be consistently high. This stipulation is subsequently built upon with the construction of a proposed theoretical framework derived from an extensive examination of relevant M&A literature. A major focus of the study was to plunge into and explore the world of employee anxiety and stress elicited from looming or ongoing M&A, which was accomplished by interviewing individuals that had been top managers during at least one M&A. Among other motives, narratives were compiled from the interviews in order to guide the reader to the prevalence of the particular stressors under scrutiny, but also because illustrating these individuals’ experiences through coherent stories is an ample data analysis technique course to take as people perceive their lives in terms of continuity and process which is the attributes that M&A pertain to. The interviews revealed a number of interesting and implicative findings, which are summarized in a proposed model presented by the author in the end of the study. The findings are based on existing theory but also derived from grounded theory obtained from the interviews. There seems to be two sets of stressors affecting the dependent variables of the study – job satisfaction and organizational commitment. These two sets diverge in the urgency and degree of emphasis that they demand from top management in order for the adverse employee reactions to be prevented or mitigated. The proposed model is intended to function as a roadmap or check list that top managers can use when conducting the merger in order to make sure that the facet that matters most in order to ensure a successful merger – the employees, are addressed germanely.

Key Words: merger and acquisition; social identity theory; acculturation theory; separation anxiety theory; sense of continuity; stress; anxiety; frustration; career; job satisfaction; organizational commitment; narratives; bio-industry
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Introduction

Mergers and acquisitions (M&A) continue to be a highly popular mean for companies to develop themselves in today’s business world. In 2004, 30,000 M&A were completed around the world, which trickles down to one transaction every 18 minutes! They were valued to $1,900 billion, which exceeds the GDP of many large countries (Cartwright and Schoenberg, 2006). In these volatile times, amid the current global financial crisis where throngs of firms decrease in value as their share prices dwindle, corporations may capitalize on this aforementioned fact and raise the M&A rate even further. The rewards of successfully performing a M&A is promising as they have the potential to provide the acquirer with know-how, core technology, expansion into new products or markets, tacit knowledge of foreign markets, geographical expansion, and synergy opportunities (1+1 ≠ 2) etc (Bower, 2001).

Surprisingly, considering the prevalence of M&A, many of these corporate phenomenon are ill-prepared, ill-advised and ill-managed. According to self-reports made by managers in a study by Rostand (1994) the failure rate is somewhere in the region of 45%, thus indicating that acquisitions are indeed a risky business that demand a lot of preparation and think-through before embarked upon. An unsuccessful or failed M&A is defined by the author as a merger that did not fulfill the expectations set on it by the merging organizations top management. A failed M&A often times has severe adverse effects on the merging organizations, including loss of a vast amount of resources, time, key personnel, negative attitude among employees etc. They even have the potential to drive companies to bankruptcy, if things turn out for the worst. The large failure rates of M&A has been consistent for decades indicating that these massive corporate events fail due to one or a mix of the following three potential reasons; “executives are undertaking acquisitions driven by non-value maximizing motives”, the remedies proposed by academic research are not reached or followed by companies, M&A are not yet fully understood and analyzed properly by the academic research community (Cartwright and Schoenberg, 2006). King’s et. al (2004) meta analysis of 93 empirical studies of M&A concludes that it is the latter of the aforesaid reasons that seems to be the most applicable. Nevertheless, companies will continue to merge and acquire, hence it is vital that managers and senior executives know how to manage these vital organizational events in order to succeed, hence to delve into this world by departing from existing theories seems crucially important as the vast amount of ink spilled on the topic does not seem to make an impact (in terms of higher success rate).

Relatively few researchers have investigated the impact of the lifeblood of the company – the employees and the human aspect, even though some authors have convincingly argued that it is the people in organizations who are critical to the failure or success of mergers (e.g. Cartwright and Cooper, 1992; Marks and Mirvis, 2001; Ashkanasy et. al, 1995; Nahavandi & Malekzadeh, 1988; Napier, 1989; Aguilera and Decker, 2004). Teece (2000) stipulates that the traditional sources of competitive differentiation are increasingly important and instead the development and astute deployment and utilization of intangible assets are the “new core” of competitive advantage. Out of the intangible assets he mentions knowledge, competence and intellectual property as the most significant ones all at least partly pertaining to people. Bower (2001) concurs on this thought as he claims that one huge
challenge acquirers must face is holding on to key people, “the expertise of these individuals is far more valuable than the technology they’ve developed. Generally, the acquisition won’t succeed if they leave.” Cannella and Hambrick (1993) continues on this train of thought when claiming that the performance of acquired firms tend to fall as post-acquisition top management turnover increases- clearly displaying the value of employees to the success rate. However it may prove difficult to make the internal audience content as the news of a merger and the subsequent integration process are often traumatic events for employees. van Dick et. al (2006) explain the news of an imminent merger with how people obsess about the weather, resembling it with the existence of a black cloud in the sky; everybody in a corporation should be concerned and take precautions.

Stress and anxiety symptoms may spawn a number of malignant employee reactions during M&A, including low morale, absenteeism, turnover, decreased productivity, spread of rumors, political maneuvering, loss of motivation, sabotaging etc (Ivancevich et. al, 1987). In turn these symptoms may result in a range of adverse individual and organizational outcomes including mental illnesses, heart diseases, strikes, workplace accidents, apathy, family problems, and even suicides (Cartwright and Cooper, 1992; Schweiger et. al, 1987; Ivancevich et. al 1987). These examples not only translate directly into costs for the company through lowered employee performance, but also indicate waning job satisfaction and organizational commitment. Turnover in the form of the most talented and best performing employees during the M&A is particularly undesirable as the company’s performance and effectiveness certainly will dwindle (Cartwright and Cooper, 1992; Cartwright and Cooper, 1993).

Researchers has provided evidence that a deciding factor of the severity of the health problems associated with the stressor(s) is the duration, i.e. the longer an employee is subject to stress and anxiety generated by the stressor(s), the more severe the health implication, (the underlying stressors will be discussed and comprise the lion’s share of the literature review) (Ivancevich et. al, 1987). Furthermore, employees also differ in their tolerance to ambiguity and change and thus handle the uncertainties and stress involved in a merger and acquisition differently (Brief and Atieh, 1986; Wishard, 1983).

Employees often cope with the anxiety and stress generated from the abovementioned problems by reducing the level of organizational commitment, and instead use energy to cope with their anxiety and stress or look for new employment opportunities (Fulmer and Gilkey, 1988). In order to reduce uncertainty, and thus stress and anxiety, employees seek means such as reliance on rumors, which obviously may be inaccurate (Napier et. al, 1989). An “individual’s assessment of a given situation is a key factor in understanding their stress level and the strategies he or she uses to overcome stress. The more threatening the situation, the higher the level of insecurity and negative emotion will be (Lazarus, 1991).

Problem Discussion

Evidently, the main problem is that too many M&A are unsuccessful, and the approach of this study is that the reason for the high failure rate is that the employee concerns are not addressed sufficiently. As such, it is obvious that top management has to come to grips with and make sure that problems associated with employee emotions during a merger and acquisition are intervened and addressed as vast
amounts of human and economic resources are at stake. A meticulous examination of how employees perceive and experience acquisitions seems to be an ample course to take in order to unravel and gain a better understanding to this end, to the benefit of not only those directly involved but also the great economy (Hambrick and Cannella, 1993). Furthermore, as the above introduction conveys, the author strongly believes that there is a gap in the research that pertains to the prevention and mitigation of adverse negative employee responses to mergers and acquisitions. Based on the discussion above my research questions are the following:

- Which stressor(s) elicit the most anxiety and stress during a merger, hence being the biggest contributor to lowered job satisfaction and organizational commitment?

- Are there any other human resource related concepts or theories, apart from the ones in the theoretical framework, that must be addressed in a merger situation in order to increase the chances of success?

In light of these research questions my purpose is to unravel and describe the human resources’ reactions and responses to merger and acquisitions by investigating top management individuals’ experiences and insights as to what influenced their employees’ job satisfaction and organizational commitment the most during these corporate events.

In this study the author will make no distinction between mergers and acquisitions and thus use the words interchangeably. First and foremost the vast amount of literature surveyed does not make such a distinction. Moreover, they are cumbersome to separate as concepts because inevitably there are two companies that will become one, regardless of the degree of integration of the acquired firm.

**Literature Review**

Effects and reactions of mergers and acquisitions on employees have been studied utilizing multiple perspectives and theories e.g. the stress theory and anxiety theory (e.g. Schweiger and Denisi, 1991; Amiot et al., 2006; Astrachan, 1995; Schweiger et. al 1987), the acculturation theory (e.g. Buono, Booditch and Lewis, 1985; Very and Teerikangas, 2006; Elsass and Veiga, 1994; Cartwright and Cooper, 1993; Nahavandi and Malekzadeh, 1988), the social identity theory (e.g. Schweiger et. al, 1987; Bartels et. al, 2006; Terry and O’Brien, 2001; Van Dick et. al, 2006), as well as the career perspective (e.g. Ivancevich et.al, 1987; Driver et. al, 2001; Seo and Hill, 2005; Hambrick and Cannella 1993; Millward and Kyriakidou, 2003). However it is only a few that have incorporated these different theories and concepts into a theoretical framework that portrays what the merger and acquisition process looks like seen from the employee’s perspective (e.g. Ivancevich et. al 1987; Seo and Hill, 2005; Newman and Krzystofaki, 1993). It is more common that the author or authors either construct their model or framework from an organizational perspective (e.g. Finkelstein and Larsson, 1999; Napier, 1989) or limit it by merely including variables specific to the concept they are focusing on, such as organizational culture (e.g. Elsass and Veiga, 1994) or social identity theory (e.g. Van Dick et. al, 2006). Furthermore, many studies have been concerned with potential remedies to the symptoms evoked by the underlying stressors, thus not attempting to disentangle the root problems in order to see what causes them.
Integration

There might be an “inherent” problematic in integrating or merging two firms into one which of course is the basic tenet of M&A. According to Finkelstein and Larsson (1999) combination potential, organizational integration, and employee resistance are key determinants of how successful an acquisition will be. However, managers may have difficulty addressing all three simultaneously. “Acquiring firms that emphasize combination potential and organizational integration may risk significant employee resistance that could disrupt the acquisition, whereas firms that emphasize placating employees may be conceding much of the ‘upside’ associated with greater potential and integration. Hence, the conflicting requirements associated with those key acquisition performance antecedents highlight a potentially important tradeoff facing managers” (Finkelstein and Larsson, 1999). In the same vein, Birkinshaw categorizes mergers and acquisitions according to human integration and task integration, where task integration is basically defined as “value-adding activities of the two companies put together to generate synergies”, transfer and sharing of capabilities and rationalization of activities (Birkinshaw, 1999). Finkelstein and Larsson’s (1999) contention about the difficulty of dealing with organizational integration and employee resistance simultaneously is strikingly similar to Birkinshaw’s aforementioned categorizations. Birkinshaw illustrates his rationale by giving the example of closing one of the acquired company's plants to help the task integration process but then stipulating that such an action would almost certainly hinder the human integration process due to the “apparent hypocrisy: telling employees their involvement in the integration process is vital to the success of the enterprise, and in the next breath announcing that there will be significant staff reductions” One the other side of the same coin, if not progressing with the cost side of the merger in order to prevent facing the prospect of a de-motivated staff, obviously cost savings will not be made, hence apparently from Birkinshaw’s perspective, task integration and human integration are often mutually exclusive.

Theoretical Framework

In the introduction, the end malevolent results of merger and acquisitions were presented to illustrate what severe ramifications this major corporate event can have on employees, if ill-managed. Now the investigation of the employee reactions to M&A will backtrack one step and instead focus on the sense of continuity that employees experience during the M&A process (e.g. Guerrero, 2008; van Dick, 2006; Bartels et. al, 2006). This concept is linked to all the other theories and concepts that will be presented in this literature review, hence it is a germane place to start.

Sense of continuity

If employees perceive there to be little change in their daily work, it will be likely that their identification will be transferred and maintained after the merger and acquisition is completed (Guerrero, 2008). Nevertheless, if, on the other hand, employees experience a discontinuity, where a new and “intruding” organizational culture would be a major and obvious example, the employee will be less likely to transfer and thus maintain the identity to the new company (van Dick et. al, 2006). There is mounting evidence attesting that the key for employees to experience post-merger identification are for them to feel a sense of continuity (van Knippenberg et. al, 2002; Millward and Kyriakidou, 2003), “assuming that post-merger identification is a valid indicator of the extent to which an employee
is psychologically engaged with (i.e. has “signed onto”) the change” (Millward and Kyriakidou, 2003). Psychologically engaged and “signed onto” clearly sounds like organizational commitment, which is one of the key concepts of this study, as will be explored later on. Hence if organizational commitment can be ensured through the continuity principle, then integration and the merger and acquisition process seem to stand an excellent chance of succeeding. Of course this is not an easy task, as not only must the employee experience continuity, which is especially difficult when integrating different organizational cultures or creating synergies through sacking employees, he or she must also feel that his or her career is intact (Ibid).

The sense of continuation concept seems closely connected to the theory concerning humans that has been under the most intense scrutiny in merger and acquisition literature, namely the social identity theory.

Social Identity Theory
The social identity theory is linked to the notion of continuation because mergers and acquisitions are often perceived as a threat to the continuation and stability of employees’ current identities. Hence, employees may thus resist the integration, “especially when it implies a serious threat to existing group values, structures or other manifestations of intra-group culture” (Bartels et. al, 2006). The generally perceived founder of the theory, Henri Tajfel, defines social identity as “that self-concept which derives from his knowledge of his membership of a social group (or groups) together with the emotional significance attached to that membership” (Tajfel, 1974). Initially, employees will categorize their world into groups, which in turn provides cognitive simplification and a locus of identification (Elsass and Veiga, 1994). Through the identification process employees will understand who they are since they see themselves reflected in the organization’s identity. The problem becomes one in the merger and acquisition process when company change demands dis-identification, forming of a new identity and re-identification, a process that often times is painful for employees and evoke a range of adverse emotions, especially as “empirical research has shown that rejection of identity is common in mergers and acquisitions involving major changes” (van Knippenberg et. al, 2006; Guerrero, 2008).

A core concept of social identity is that it predicts that members of a group will try to differentiate their group compared to other groups in order to attain a favorable distinctness in the new company (Elsass and Veiga, 1994; Haunschild et. al., 1994). This may lead to strong ingroup / outgroup biases which have the potential to create severe interorganizational conflicts (Marks and Mirvis, 1985). However, if a group of employees believe it to be possible to join a group in the new company with a higher status identity, they will likely do so and hence adopt the social identity of that group (Hogg and Terry, 2000; Terry et. al, 2001). Nevertheless, if employees believe that their dominant group status in the new company is not legitimate, they will nonetheless try to maintain its identity, which may spark competition between groups (Callan et. al, 2001). Yet another potential source of serious conflict may emerge as members of a group may feel threatened and perceive their group to be endangered by the infusion of new identities during a merger (Bartels et. al, 2006).

A somewhat paradoxical and intriguing facet of social identity theory is that “group identification is not dependent upon those individuals supporting group goals or values; mere perception of association is sufficient
for identification” (Elsass and Veiga, 1994). Because group identification is embedded in the individual’s self-concept, the employee will to various degrees think and behave consistent with group values, and violating norms would be like breaking rules set by him or herself. On the same token, the group’s success is experienced as his or her own achievement (van Dick et. al, 2006).

As evidenced from the above discussion, employees’ identity and identification with groups in the company are important factors to take into consideration when attempting to ensure that employees experience a sense of continuity during the M&A. The sense of continuity concept also seems to influence the concept of employees’ careers.

**Career Concept**

Mergers and acquisitions have the potential to disrupt employees’ careers, thwarting them from attaining the things that they value, thus marking a discontinuity seen from the aforementioned continuity concept (Ivancevich et. al, 1987, Burlew et. al, 1994). When individuals can no longer identify with the new firm and see a continuation of their career in it they become confused and frustrated because their image of themselves as being successful has been shattered (Schweiger et. al, 1987).

The concept of career “expresses and protects the self in its attempt to achieve temporal continuity, coherence and positive evaluation or esteem” (Millward and Kyriakiadou, 2003). Interestingly enough, as a career is self-defining, i.e. provides the employee with an identity, the definition of what a career means to an employee varies. Accordingly, Driver et. al (2001) developed the Career Concept Model of which the basic premise is that “… most of us develop diverse concepts of what a career means to us. These concepts may be conscious or unconscious and they greatly influence our choice of career path and our experience at work” (Driver et. al, 2001). Hence, an employee with a certain career concept may find a particular M&A stimulating and an opportunity whereas another employee may find it threatening and ominous (Ibid).

The career concept model highlights sources of individual resistance and incentive as they are influenced by M&A organizational integration. The model also helps to describe how individual careers can more or less disintegrate in M&A efforts, thus being a hidden and strong source of resistance, while it can also provide guidance for reintegrating careers through a career-based understanding of M&A integration efforts (Driver et al, 2001). The authors further stipulate that “if we are to better manage the human and intangible side of M&A, we should complement the traditional M&A organizational perspective with a point of view of how M&A affect careers as experienced, perceived and informed by the individuals affected by the M&A from the perspective of his/her own career” (Ibid). The Career concept model contains four different career concepts based of two primary conceptual factors: “(1) the frequency of career change (durability in a given field of work) and (2) the conceptual ‘direction’ of career movement or change” (Ibid). Out of these dimensions, four different and distinct career concepts emerge: expert, linear, spiral, transitory that all have different career motives, competencies and needs as displayed in Figure 1’s headlines.

Millward and Kyriakiadou (2003), somewhat puts the career concept model on its head as they claim that in today’s business world employees are becoming more reliant on skill, knowledge and learning capabilities in order to find a sense of security, rather than association with a
particular company. Thus, if employees are provided with development opportunities that increase their marketability and employability in a new company, they are likely to experience a sense of continuity in the new company.

So far we have seen that the continuity concept have a link to all the concepts and theories discussed, and it also have a connection to the acculturation theory as will be discussed next.

**Acculturation Theory**

This connection can be found in the claim that a change in corporate culture may generate a loss of identity with the company. If employees do not see a way to establish what the expectations for performance are, what behaviors will generate desired rewards, and what the faux pas in the company are (Schweiger et. al, 1987), a sense of continuity may not be perceived, which may result in stress.

Acculturation is a notion borrowed from anthropology, defined as “changes in both groups that occur as a result of contact between cultural groups” (Berry, 1980). However, merger and acquisition researchers have claimed that the acculturation process apply to the M&A process where two corporate cultures are to become one, either through a combination or one imposing over another (Elsass and Veiga, 1994). Nahavandi and Malekzadeh (1988), claim that a central tenet of the success of integrating two corporate cultures is whether the companies agree on their approach to the acculturation, and further contends that disagreement concerning this task will likely result in resistance, acculturative stress etc..

There are four different modes of acculturation including deculturation, assimilation, separation and integration, all of which mean different degrees of change in one’s own culture (Nahavandi and Malekzadeh, 1988), as illustrated in Figure 2. Typically, it is the acquired company that has to change its corporate culture the most (Finkelstein and Larsson, 1999).

Figure 1 (Driver et al, 2001)

Figure 2 (Nahavandi and Malekzadeh, 1988)

A culture clash is likely to emerge when employees feel threatened by the combination of cultures and the loss of their accustomed way of doing things (Ibid).

The final theory completing this study’s theoretical framework is the separation anxiety theory, which also has ties to the sense of continuation concept.

**Separation Anxiety Theory**

After reviewing more than a hundred books and articles Seo and Hill (2005) categorized mergers and acquisitions according to 6 different theories, of which one is anxiety theory. However, the author has the
contention that anxiety can be generated from all of the different problem sources reviewed in this literature review and that instead separation anxiety theory fits in more nicely into the discussion of the stressors of employee reactions made explicit through anxiety and stress etc. Separation anxiety then can be defined as the anxiety associated with having a relationship change drastically or end, and is the emotional state evoked by cues of impending separation. Nevertheless, it is incurred before or during the separation happens, or even when separation is merely inferred (Astrachan, 1995). There are many reasons for separation anxiety in life, however in the merger and acquisition context it seems that this distinctive anxiety stems from instability and discontinuity in one’s professional career (Levinson, 1972), which makes it apparent why the sense of continuation is jeopardized, whose importance has been conveyed earlier in this article. Employees attach themselves to companies, co-workers, jobs, work routines etc, hence a separation from all these can be traumatic (Schweiger et al, 1987).

Separation anxiety also includes the employee’s perception of the risk of being laid off.

Model

The proposed model (Figure 3) is based on the theories or concepts that seem to be the most relevant in explaining employee reactions and emotions to a merger. All the parts of the model were thoroughly examined in the previous literature review.

The binding clue in making a successful transition from the old company to the merged new appears to be that employees experience a sense of continuity, as it seems to be connected to the other four theories or concepts discussed. Lest the model is obscure, all these theories and concepts have bearing on job satisfaction and organizational commitment. Nevertheless, the sense of continuity concept comes after the other theories and concepts in the proposed model because initially the employee experience anxiety and stress due to these theories and concepts, then if the anxiety and stress elicited is too strong – things are too different from before, the employee may not perceive there to be a sense of continuity in the new organization.
Method

Empirical Design
Using the deductive approach, the researcher depart from existing theories sometimes to develop hypothesis but also to decide upon what variables to use (Saunders et al. 2003). This approach is primarily utilized in this study, as the interview questions depart from existing theories and concepts. However, solely relying on the theories and concepts from the theoretical framework would restrain the study and put unnecessary bounds on the findings, thus not allowing the interviewees to express their emotions and thoughts about the M&A impact on employees outside such an imposed frame. This would decrease the study’s validity and reliability as utilizing such an approach would not allow the author to find any other causes for a decrease in job satisfaction and organizational commitment but the ones discussed in the theoretical framework.

Furthermore, as the aim of this study is not to verify theories or test various hypotheses, but to explore employee reactions to M&A by initially departing from the theories, but leaving room for the interviewee to express his or her feelings and views, the responses may create grounded theory which is an essential ingredient of the inductive approach. The inductive approach means that the researcher moves from the empirical results obtained and attempt to construct explanations and theories based on there results (Gill and Johnson, 2002), which to a certain degree is what the author has done. Considering that the study contains elements from both the inductive and deductive approach, it is categorized as abductive.

Also it must be pointed out that the study is cross-sectional, as opposed to longitudinal, because the data were gathered once over a period of roughly one month (Sekaran, 1992).

Data Collection

Interviews
All the empirical data was obtained by the use of oral history interviews, hence the data collection is qualitative in nature (Bryman and Bell, 2007). The reasons for solely using interviews are first and foremost that M&A is a process or event that is very complex and can be perceived and experienced in as many ways as there are employees in the merging organizations. As such, it is paramount that the researcher first and foremost takes enough time to dig deep below the surface of an individual to truly pick up the subject’s experiences in order to gain insight and valuable information, something that surveys and questionnaires do not allow for. Furthermore, often times the subject needs trust and rapport with the interviewer in order to be motivated to honestly and truthfully respond to the posed questions as M&A may be traumatic and negative events in the mind of the interviewee (Sekaran, 2002). Interviews are also a great technique to help the respondent think through issues thoroughly and develop thoughts, thus allowing them to make better reasoning behind their answers, which is important as many of the questions concerning the M&A need significant reasoning before answered (Ibid). Besides, a number of M&A that had been experienced by the interviewees occurred a rather long time ago, thus an interview may be the most proficient data gathering tool in allowing the respondent to in his or her mind travel back in time to the event. A questionnaire with a number of questions with various scales would probably be inefficient in making the respondent relive the days of the merger when answering the questions. Moreover, interviews allow for clarification of
questions and probing the interviewee to elaborate on answers when needed, which allows for higher quality of the gathered data compared to surveys or questionnaires as they do not possess these strengths.

A drawback of face-to-face interviews, the major fashion of the interviews, is that the interviewee may feel uneasy about the anonymity of their responses when they are interacting in person with the interviewer, however this potential problem was mitigated successfully by reassurance of the interviewees’ anonymity (Sekaran, 2002). Another drawback to the utilization of interviews is the relatively few sources that the data is derived from, however as the interviewee was discussing not only his or her feelings and views about the merger, but his or her perceptions of the workforce as well in a generalized way, this form of data collection still capture the reactions and responses of a large number of people.

Another disadvantage with interviews compared to questionnaires is that in the latter, the respondent has more time to think through his or her answers more thoroughly. To mitigate this drawback, and increase the reliability of the interview, an information letter was provided to the respondents at least a few days prior to the interviews, where the general purpose and content of the study were presented, which in turn gave the respondents chance to be as prepared as possible without fully getting rid of the spontaneous reactions to the questions.

The interviews were semi-structured which to a certain degree goes back to the abductive approach of this study, as the aim of the interviews were two-folded. Firstly the intent was to explore the respondents’ views and perceptions on certain issues that were derived from the independent variables which will be outlined in the operationalization section of this study, and secondly to allow the interviewer to discover new concepts that may prove valuable to the study. A structured interview with a predetermined list and sequence of questions would not prove benign to this study as it would frame the answers in such a way that it would be hard to find insights that do not pertain to the theories and concepts that the questions would be based on (Sekaran, 2002). An unstructured interview, on the other hand, would not have enough focus on the information that I would like to obtain, besides none-utilization of the theories and concepts in the questions would mean that the constructed theoretical framework would not serve any purpose in the study. Moreover, utilization of semi-structured interviews allowed the author to decide the themes that he wanted to underpin the interview.

**Procedure**

One interview was held over the phone, since the interviewee, as the busy top manager he was, felt it was more time saving to conduct a telephone interview instead of a regular face-to-face interview. One of the respondents expressed a desire to review the interview questions prior to the interview, which was granted. The author does not believe that neither of these irregularities from the protocol had any bearing on the reliability and validity of the results of the study. The telephone interview seemed to be of the same quality as the regular interviews.

The author was obsessive about following a certain procedure once administering interviews which of course is contingent on the final reliability and validity of the study. All respondents were given opportunity to ask questions before the interview were to begin. Also the interviewee was informed about his or her right to terminate the interview at any time, and refuse to respond to a certain question. Furthermore, all respondents agreed to be tape-recorded.
which allowed for better analysis thanks to no lost information, and the author could have his undivided attention on what the respondent was saying instead of taking notes, thus decreasing the risk of missing out on valuable information. Besides, being forced to take notes would decrease the chance of picking up on subtle yet important non-verbal communication such as gestures, facial expressions, eye movement, breathing, and other body language cues. The interviews ranged between 30 minutes to 90 minutes.

Apart from the telephone interview, the other interviews were face-to-face. One took place at Uppsala University, one at a nice cafe, and two at the interviewee’s workplace. All interviews felt to have been in a comfortable and relaxed environment, which is helpful in putting the interviewee at a mental state where he or she can recall and answer the questions most effectively (Bryman and Bell 2007). Furthermore, the anonymity assurance the author truly believes came across as the interviewees seemed to be open with sharing their insights and experiences surrounding the mergers they had been a part of and did not appear to pay lip service.

The interviewer commenced all interviews by informing the interviewee that the main intent of the interview was to unravel how M&A affect employees’ job satisfaction and organizational commitment. Subsequently the respondents were given room to articulate his or her role in the experienced mergers. Thereafter, open-ended questions was asked to allow for warm up and the opportunity for the respondent to express how he or she had experienced the mergers that he or she had been taking part in (Sekaran, 2002). As the interview progressed, incrementally the interviewer asked more focused questions. The interview was concluded with a chance for the interviewee to communicate any additions and to express what he or she felt were the most important reasons why such a large percentage of M&A fail to live up to the set expectations.

To avoid posing leading and biased questions that could adversely affect validity and reliability, an interview guide was developed (Ibid). It contained three themes, firstly personal reactions and responses to elements of the M&A pertaining to the theories and concepts from the theoretical framework. Secondly, employee reactions and responses to elements of the M&A as perceived by the respondent. Thirdly, questions concerning organizational commitment and job satisfaction.

**Operationalization**

The underpinning framework of this study was to explore how independent variables, stemming from the theories and concepts in the theoretical framework, affected two dependent variables during the context of a merger and acquisition. As such, this section illustrates how the interview questions were designed in order to capture information about which independent variables seemed to cause the most change on the dependent variables – organizational commitment and job satisfaction. The dependent variables was picked because prior research has documented these to correlate with key organization outcomes such as performance, turnover, absenteeism etc (Mowday, Porter and Steers 1979), which is turn influence organization effectiveness and the financial performance (Kinicki, Carson and Bohlander, 1992).

The questions pertaining to the social identity theory mainly concerned how the employees identified with the new company. For example, whether it was: a “we and you” ambience, easy to cooperate with employees from the other firm, job satisfaction and
organizational commitment dwindled because of friction in the relationships between employees from the merged firms, or a lack of identification with the new firm etc.

The acculturation theory questions primarily dealt with differences in corporate cultures and their effect on the employees’ frustration and stress, in turn leading to lower job satisfaction and organizational commitment. For instance, whether the merger of two corporate cultures created problems for the employees; in what way, how, as well as what the symptoms were.

The questions concerning separation anxiety theory concerned issues such as anxiety elicited from fear of being laid off and its affect of job satisfaction and particularly organizational commitment. Moreover, whether the employees missed working in particular ways – the way they did things and conducted their work.

Finally, career concept questions were posed, probing if there were particular general behaviors that could be observed from the employees pertaining to how they interpreted the M&A to affect their career. Questions aimed to determine whether the M&A was seen as beneficial or detrimental to employees’ careers, including the possibilities of making career in the new company.

Sense of continuation questions were infused in of all of the categories above.

Furthermore, there were a number of questions that were general in their nature, e.g. what were the general reactions to a particular merger, were there a lot of rumors circulating, what the employee turnover rate were etc. First and foremost, this allowed the author to pick up on concepts not spawned by the theoretical framework. Secondly, the author could determine what the respondent thought was the biggest reason of a failed merger, but also the biggest cause to what impacted employee job satisfaction and organizational commitment the most.

Sample
Initially, the author experienced access problems as many of the respondents worked for companies that had merged relatively recently and were companies that were publicly noted and as such did not want to disclose this sensitive information. Nonetheless, as also highlighted in the communication with these individuals, it was individual experiences and insights that the author wanted to obtain, hence the companies they worked for were irrelevant.

The industry that was chosen for this study was the Bio-industry which was picked for multiple reasons. To begin with, it is an industry where there have been a rather large rate of mergers and acquisitions in the past, and may be in the future as well, thus making the study particularly relevant as the results of this study can be useful for top managers that intend to acquire or merge in the future. Furthermore, the Bio-industry employs a rather large portion of all the jobs in the Uppsala region, making it a germane industry to investigate as the study deals with the human resource aspect of M&A and as such a lot of people may be affected by the actions of top management during these events. In addition, as the industry is predominant in the Uppsala area, which is the area where the author resides, it was convenience sampling to chose to collect information from this industry since respondents that fit the study were easier to find, besides travel to the interview locations became more convenient (Sekaran, 2002). As all the interviewees come from the same industry the results of this study may not be generalized across other industries.
The chosen interviewees were individuals that had top management positions during at least one of the mergers that he or she had experienced. Multiple respondents currently occupy the CEO position at their company.

There are a number of reasons to why the author settled on this sample, for starters as the chosen mean to collect data was through interviewing, the author had imposed a rather large restriction on the study since the length and extent of the study was limited. Hence, there could only be a relatively few interviews, hence besides providing his or her own experiences, the interviewees had to also have a good knowledge of what the employee reactions were during the M&A. As such, choosing employees that have had top management positions during M&A seemed germane. Picking top managers as respondents seemed intelligent for a few more reasons, firstly, as it is the top management of any company that makes the decisions and run the company during the M&A process it was particularly interesting to unravel their perceptions of the merger and how they thought their employees reacted during the process. Besides, top managers have a holistic view of the company and more information about employees and can thus draw conclusions based on elements from different areas of the firm, as opposed to “regular” employees that work in their specific area. In addition, the top managers that were interviewed had experienced a number of M&A and not merely one.

Focus was set on the top managers from companies that had a high degree of integration in their merger, or top managers from the acquired company. The reason for this focus was that the respondents and his or her employees are thus more likely to have experienced the stressors that the author is exploring, especially compared to employees from the acquiring company. Hence when the author selected respondents, top managers that had experienced these types of mergers were prioritized.

The respondents were asked about the merger and acquisition events after it occurred, (post-hoc). There are some drawbacks to this technique such as a bias, or a lack of a clear memory, “ego” protection, and post self-rationalization of behaviors, making data less exact (Bryman and Bell, 2007). Nevertheless, it is not possible to ask the respondents during the process, as they have yet to see the complete picture of the merger, or before the merger as obviously it has yet to take place. However, it is convenient, mainly for two purposes; first because mergers and acquisitions are sensitive events that company policy might stipulate should not be talked about. Some information may even be confidential. Second, the study can ask about the whole merger process so the respondent will probably have a sense of which stressors that caused the most frustration and anxiety.

The sample was a non-probability one as not everyone had an equal chance to end up in the sample as the previous discussion articulates. A non-probability sampling is a pertinent method to use when the respondent is deemed to have useful knowledge and interesting insight into the wider population (Gill and Johnson, 2002). That is also the rationale behind this study. Furthermore, the sampling was purposive as the data was obtained from a specific type of people because they are the only ones who can provide the desired information and conform to the criteria that the author had imposed, in this case to have been a top manager in at least one M&A (Sekaran, 2002). In addition, the judgment sampling was employed, for aforementioned reasons, as the sampling involves choice of subjects who are in the
best position to provide the required information (Ibid).

**Data Analysis**

There are a number of reasons why the author has chosen to illustrate the empirical findings from the interviews in narrative form. To begin with, “one of the criticisms that is often levelled against qualitative research is that the publications of which it is based are often anecdotal, giving the reader little guidance as to the prevalence of the issue to which the anecdote refers. The widespread use of snippets from interview transcripts, and accounts of encounters between people provide little sense of the prevalence of whatever such items of evidence are supposed to indicate” (Bryman and Bell, 2007). A way to get around this dilemma and make sure that the reader get a sense of what was the most important parts from the interviews, was to portray the interviews as narratives. Furthermore, “most approaches to the collection and analysis of data neglect the fact that people perceive their lives in terms of continuity and process, and that attempts to understand social life that are not attuned to this feature, neglect the perspective of those being studied” (Bryman and Bell, 2007). As such, “the answers that people provide, especially in qualitative interviews, can be viewed as stories that are potential fodder for a narrative analysis” (Mishler, 1986). Hence, another benefit with this method is that the author can convey a coherent story from the interview that reflects the respondent’s reactions and emotions during the merger and acquisition. By using this technique, the narratives can create a more through understanding about the process and the experiences and views of the interviewee, compared to for example statistical illustrations, that would not be as efficient. As such, the theories and concepts utilized in this study can tie together the fragments and convey a unitized main story of the M&A process. Since it is a process that is under scrutiny, a traditional presentation of the collected data, would according to the author, be less rewarding.

When constructing the narratives, all the interviews were first transcribed and subsequently translated into English. Then the author analyzed the content of the obtained data from the interviews to generate pertinent categories or themes, which was mainly based on the theoretical framework but also on additional theory that was discovered (Saunders et. al, 2003). Besides, using this approach makes it possible to integrate data from all the five interviews into the constructed themes (Ibid).

When the author decided which data that would make up the interviews he undertook the process of first reading through all the interviews in their crude form, then reading them again but this time making marginal notes about significant remarks or observations (Bryman and Bell, 2007). Then he made a preliminary selection of the parts of the interviews that where to become the narratives, based on the themes discussed above. Then the author had an educated individual brought in to read the interviews as well, and then state her opinions and reflections about the interpretation frame that the author had used when selecting the data that would make the different themes and become part of the narratives. After this process and minor revising of the data in the various themes, the narratives and the categories were compiled.

One critique to the reliability of the study is that the author’s understanding of the study affects its framing as he is the one that interprets the transcriptions and decides which data that will be analyzed and what theories to use in the study. As such, the gathered data may have been interpreted
differently by another researcher, however as the author as aforementioned brought in another individual, this potential problem has been alleviated.

**Ethical Considerations**

Since criticism to the manner a merger and acquisition was conducted may shed negative light on the organization and result in negative repercussions both for the company and the interviewee, assurance of privacy, confidentiality and anonymity for all the interviews conducted were given. Consent to do the interviews was only granted after participants had been given information about its purpose, how data were to be reported, and requirements for taking part. Respondents had the right not to take part in the interviews, should they have refused to, and could have terminated it at any time. The respondent was also given opportunity to ask questions about the interview. All the respondents agreed to be tape-recorded. As the author promised to keep the respondents’ and the merging companies’ names confidential, all the names used in the interviews section are fictional. There was no pressure on the interviewees to be part of the study, also all respondents participated in the study out of free will. Sekaran (2002) states that the research should not be used to disadvantage respondents or be used for purposes that the respondent would not like. These requirements were taken care of by making sure that firstly, all the respondent’s were anonymous, and secondly, the information obtained in the interviews were solely used for purposes of this particular study.

**Goodness of Measures & Study**

**Reliability**

The author believes that the reliability of the study is strong, thanks to the stipulation that the test-retest and parallel-form reliability is satisfied (Sekaran, 2002). The former, deals with the reliability of obtaining virtually the same data, with identical measure, on a second interview with the same interviewees. If this would be the case, it is evident that not the exact same answers would be generated, however the answers would had been similar and the underlying message and content the interviewee sent across on the interview would more than likely have been the same on a second interview, just with different wording. This contention is strengthened since it appeared that the interviewees were speaking their mind about their experiences and did not hide any data that would have been useful for the study. Besides, they were speaking about a past event, and as their recollection of the experienced events will not change considerably in the near future, the study can be claimed to have test-retest reliability. The parallel-form reliability is strong when using comparable sets of measures renders the same results, only that the wording and orders of questions are changed (Sekaran, 2002). The interviewer did not ask the questions in a particular wording or order, and as such the author believed that the study possess this kind of reliability as well.

**Validity**

Internal validity refers to whether what was identified as the cause actually produce what has been identified as the response – that the independent variables in the study cause a change in job satisfaction and organizational commitment (Gill and Johnson, 2002). It has been shown in studies that explore the human aspect of M&A that stressors such as acculturation social identity affect job satisfaction and organizational commitment, and it is apparent in this study that this is the case as well. Nonetheless, it is virtually impossible to conclude the extent to how much the independent variables affect the
dependent variables. There are potentially a throng of independent variables that affect the dependent variables during an M&A apart from the ones that were included in this study, for instance the behavior of the immediate boss, the colleagues, change in work tasks, change in remuneration, a different office etc and the list goes on. All these variables have the potential to affect the dependent variables to various degrees, but how much is as aforesaid impossible to answer, also because the whole issue is very subjective. Thus, to get an appreciation of the degree a particular variable affects the dependent variables in this study, the researcher would have had to ask every single employee their personal opinion, and that was not possible in this study.

External validity refers to the extent that the results can be generalized to other contexts and people beyond the immediate research sample – other industries than the Bio-industry and other countries (Gill and Johnson, 2002). It is difficult to answer this question as the Bio-industry may be peculiar and thus have characteristics not found in other industries making the results harder to generalize across industries. Moreover the sample was fairly small making generalization across industries less valid. However, it is deemed by the author that the results, or at least part of them can be generalized as the independent and dependent variables utilized in this study would be the exact same for any study about the particular topic, regardless of the industry or country that a M&A took place, a claim that would raise the external validity.

Furthermore, the author believes the study has good content validity – it includes an adequate and representative set of items that would tap the concept – the many independent variables attest to this claim (Sekaran, 2002). Moreover the construct validity – how well the results obtained from the use of measure fit the theories around which the test is designed, appears to be good, as the results portion of this study testifies to (Ibid).

**Interviews**

**Joe**

I have experienced a number of mergers and acquisitions both on the acquirer and acquiree side, and have been in leading positions, such as CEO, during an acquisition and in the top management during mergers.

To get a perspective of mergers and acquisitions I would like to start out by portraying the methods a large Swedish corporation utilized when acquiring a number of companies in rapid succession in the mid 80’s. It used a design where it changed the entire top management, put up the company symbol on the wall, basically taking over everything. Subsequently it informed about its rules and expectations and then made sure to take care of the acquiree’s personnel. Using this approach makes everyone know what the deal is, and gives hence no room for the rise of any uncertainty, because it does not work if the acquirer behaves nicely to the small company and then starts to lay of employees.

The second biggest lie concerning merger and acquisitions are when headquarters enter through the door at the acquired firm and says that they are there to help, and the biggest lie is uttered when the aquiree opens the door and claim that they are happy to have the acquirer here.

I absolutely believe that people become stressed and afraid when their company is acquired by another firm. Also after the integration process there are quite a few people that dream back to how things where
in the old days with their “native” company, where you could greet top management in the reception or the cafeteria, where almost everyone knew everyone and where top management could come down and ask an employee that had been with the company for 20 years what he or she thought about a particular issue. An ambience like this makes everyone feel more like a part of the company, and have a bigger understanding for the decisions that are made. Also the liberties may change, for example in the acquirer firm there may be clear mandates on who decide on things, the management in Sweden have clear restrictions from the top management abroad, and you are not allowed to talk to the press without approval. All these combined lead to frustrations and decreasing motivation.

I think that the main reactions and behaviors that employees and managers exhibit in response to an imminent merger can be classified according to two distinct categories. One group viewing the merger as a threat to their career, thus taking measures to protect themselves under the pretext to protect personnel, they do not talk with anyone, they clearly see the threat, to get moved to the periphery and one “shoots Indians from the hill as soon as they show up. One delegates to a lesser extent, and does not trust anyone, as such no one in the team should talk to anyone. These people act strangely, and attempt to keep unique information within the group to make it invulnerable.

On the other hand, the other category sees the opportunities, e.g. the other company is very good in this and that technology, which would help us in our projects, how can we create something new that makes one plus one at least equal three, keenly 5. They try to structure what they were doing, to communicate how good they are to show that they are not sitting like clamps waiting.

Not surprisingly, it is this latter category that is promoted whereas the previous one is looked upon negatively.

Often times in connection to mergers in the medicine industry, often 10% of the workforce is laid off, and many times it is tricky not to lay off this percentage as one may have promised the market and the owners to become more cost effective, and it might be difficult to produce the promised results, find the synergies etc. However, I know one example where a CEO gathered his employees in the auditorium and said that “nobody will be sacked, nevertheless, not everyone will get the same job, but we have to work really hard, because if we do not produce the expected results then we have to take care of our cost costume. Nonetheless, the ambition is to not lay off anyone, we should be able, and have to make operations more streamlined and effective because we have communicated that to the market so the goals have to be obtained”. In connection to this example, I believe that if there are no threats of downsizing, then the integration process will be much better.

In a merger step one is to gather the top managers one wants, which is simple. In order to make the transition from employees feeling insecure to feel secure, they have to get to know people because as soon as people get to know each other on a personal level, the feeling of insecurity will disappear. However, it may be expensive to gather everyone together in meetings all the time. But it is important that the merging firms crank up a lot of resources making sure that people meet, since one need to get everyone on the same page and striving in the same direction. When I was in the top management during a merger in a country abroad, I traveled to such an extent that the personnel at many airlines greeted me by first name.
It is important when acquiring a company that one does not run over the acquiree as the Swedish firm in the 80’s did, but instead tries to find some middle ground. When conducting the culture due diligence phase, it is important to look at factors concerning how the employees work, does the boss have his own parking lot, is the hierarchies steep etc in order to get an understanding of the corporate culture. After one have a thorough understanding of the corporate culture one tries to get rid of the anxiety in the organization. Then one as an individual has to evaluate, depending of what one wants to achieve, which of the two merging firms’ corporate culture that are the most fitting, maybe one is or a blend of the two.

I was involved in a merger of equals where none of the employees knew which of the organizations took over the other. All the managers, chairman and vice chairman of the two firms where brought to the new company. Everything had to be compromised, even the headquarters was placed halfway the two companies’ domestic markets. Compromising may also include the corporate culture which is not good because clearness is very important. I think that mergers should not be 50-50 but 60-40 deals in order for everyone to know who has the final call. When the first outside CEO commenced working for the firm in my example, all these compromising stupidities ended as he had a strong leadership style with no mercy, but instead looked at what was best for the company, a outlook he was able to have thanks to the fact that he was not culturally defiled. When the leadership in a merger situation is not clear, it infects the whole organization as the employees do not know who decides, how they should guard their interests, or pose positive proposals.

Let me give you another example of a merger that was suboptimal particularly as the two corporate cultures were very different, and there was a strong fear to make decisions. It was a merger that became what sort of would have potentially happened if SAAB and Volvo would have merged – basically a failed merger due to the tremendous differences in company culture. As a matter of fact, these companies were not integrated until the organization was merged with a third organization in a 50-50 deal. Prior to that it was impossible to merge the two companies, they were like two magnets with the north pole facing each other, the more they were kept apart, the better the collaboration.

To conclude, I believe that during mergers it is important that people feel safe, and that top management is clear and speak the truth.

Tim

I have experienced mergers, acquisitions as well as the sell of a company.

In one 50-50 merger, I served as a middle manager, however that merger, seen from a legal perspective, was actually an acquisition since the biotech division of my large firm was acquiring an entire corporation. The biotech division and the acquired company were deemed to be of about equal size, hence the aforesaid unofficial 50-50 merger classification.

In the M&A situation where my company was acquired by an international company, I was the CEO, and according to plan, left my job at the company once the acquisition was completed, which actually is a natural thing to occur. The rationale behind the acquisition was that during the 10 years of having been a commercial company, my company was sort of a one trick pony, making a product that we were extremely good at. However, over time that can be
precarious as one becomes vulnerable – easy that competitors emerge or new fundamental technologies take over that particular type of application. Besides, one could see possibilities using the acquirer’s technology in a larger context with other products which would make a bigger footprint on the market. If weighing the risk analysis and possibilities against each other, the scale tilted for becoming acquired, which was natural both for the owners, and the company as such.

When the merger was announced there were mixed feelings from employees. There were the ones that felt that the relatively small company identity and the simplicity would disappear once the company was going to be integrated with the much larger international corporation and felt an anxiety and hesitation about working in such an environment. Nonetheless, others viewed the merger as a potential boost to their career as they would have a chance to make career in a totally different way in the acquirer organization. Others saw the strategic challenges – to combine the in-house technology and product and to be a part in a larger context. Anxiety can be elicited from a combination of reasons, but ultimately what determines how an individual reacts on news depends first on individual characteristics – what one person may view as threatening others may see as a possibility, and secondly on individual information that makes one react in a certain way.

It is essential that employees are informed in the correct fashion, for example top management had a schedule when to inform based on time zones. Moreover, there was a common information meeting concerning the merger where I as the CEO and the CEO of the acquirer’s division in Sweden, informed employees and highlighted that it was a positive affair, not hostile of any sort. To sum it up I think that productivity maintained high and that morale was strikingly good. It is not impossible that a certain amount of anxiety were spreading; more talking, longer breaks, people are a little worried and look around for other jobs and become a little defocused. However, these behaviors are usual during mergers and probably took place, nonetheless the employees were remarkably focused, and it was a business-as-usual-atmosphere.

The other merger I like to turn the magnifying glass over was a rather unsuccessful one and may even be used in literature as an example on how malfunctioning a merger can become. There are a few reasons and rather complex history behind the adverse outcome, first and foremost there was no clear reason to why this merger took place, i.e. what the driving force and goals to obtain were. These were two companies that, funny enough since they were both Swedish, were main competitors on the world biotech market. Their products were about the same and there was an immense overlap, which makes it very difficult to merge product lines, resources, competencies, the message towards the customers, and the marketing platform etc. On top of all these ingredients for the failed merger was of course the fact that the companies should make the transformation from having been archenemies to all of sudden cooperate with each other. Not surprisingly, this created a “we and you” atmosphere, that was added fuel to because of the aforesaid extreme overlap that was cumbersome to sort out. Due to this gigantic overlap money could be saved in a joint marketing etc, but what you need to create in a merger is synergy in products in order to create added value.

The second reason of the failure was the huge difference in corporate cultures, where the firm I worked in was more commercial and academic, whereas the acquiree was more industrially oriented. We had different
ways of running our companies and that showed up in various situations, from how employees spoke to each other, the ways decisions were made, how one thought in different situations, all the way to the operation of subsidiaries, the selling process and handling of customers. Everything permeates the company culture that develops in a company, and if they are different they are very hard to combine and that is not due to malice from employees. Needless to say this created a lot of frustration and stress as there were a lot of differences of opinion, misunderstandings, and a lot of friction concerning a number of things. Acculturation is difficult; one does not have the same sense of direction, how decisions are made, what is right or wrong.

The third and final reason of the unsuccessful result was that the acquirer division did not have any previous experience of mergers, and besides were ill-prepared; one made the wrong decisions or awaited making them, there was a distress in making decisions, or one was unsure or did not understand the need of making certain decisions. For instance, the new organization did under a long time run double subsidiary structures, and kept trademarks in a way that I believe were confusing. This was very frustrating for the employees, and when employees become frustrated, productivity dwindles.

I think that there were mixed reactions to the announcement of the merger, the frustration and the confusingness emerged gradually. But the vast majority of people in the cadres that I found myself in were very hesitant to the merger. One did not see what the point was, what the purpose or goal was, but rather identified the complications – the big overlap etc. Then with the advent of the integration phase all the frustration emerged but did not manifest itself in people quitting their jobs, maybe because there were not many places to go to. Hence, it was not the case that people threw themselves at new opportunities, but the ones that had the opportunity to find an occupation elsewhere probably did. I believe now when thinking retrospectively, my company should have taken a much firmer grip in the merger – set the standards, and clearly showed who called the shots, somewhere that is better because then everyone knows who is in charge.

**Matt**

I have been taking part in two mergers; one that was a 50-50 merger with about 20,000 people involved, and one acquisition where a large company bought a relatively small one. In the 50-50 merger, I was one of the operational leaders in a group that was formed with the purpose of finding a common operation base as well as deal with human resource issues, and in the acquisition I served as project leader.

The large merger did not play out the way it was supposed to do as it was shut down before completion, so I want to start talking about that. When the merger was announced in-house to all the top, senior and middle managers everyone initially said that they were very much for the merger and thought it would be very exciting. However, I believe that this official reaction can be explained by the claim, that one has more to gain by having a positive attitude even though inside, one probably did no have that same feeling of joy and excitement as displaying on the outside. This can be illustrated by the aforementioned managers’ reactions to the announcement of the merger at what time they all said positive words such as “exciting” and “fun” while looking sad, whilst on the other hand, when the merger was aborted, the same people uttered phrases such “what a shame” and at the same time looking very happy.
In response to why managers reacted in the aforementioned fashion, I think that there was an amount of uncertainty about what position one would get when the merger was completed. I had worked a fairly short time with the company so the merger did not influence me in this regard, also because it was likely that I would get a better position within the new organization. The other managers, whom could not be as certain, were probably relieved of seeing the merger fail because nothing would then change position-wise. Sure, they would not attain a better position, but more significantly, not a lower one either. The corporate culture was generally deemed to be risk averting, reducing uncertainty, and this may have played a role in this case.

I also saw some other clear signs of anxiety in the organization before the merger integration was supposed to take place, for instance early on when it was declared that the working language was going to be English, intensive demand for education in English was instigated. Even though this would only affect a limited number of employees, this was still the case. The interesting aspect was the anxiety and stress it created, which could be noticed on how the training was perceived. Courses were procured to the ordinary employee in the form of E-learning etc and the higher up in the corporate ladder the more exclusive the education became.

In the merger case I had contact with a few of the “ordinary employees”, but they were not going to be influenced too much, even if the merger became true, since it was at the headquarters that the largest repercussions would have been made. These employees would still have had the same job and work tasks, hence I did not see many reactions to the merger from them.

In the acquisition, the acquirer were looking for managers that it wanted to work in the new organization, and during this process there were some low and middle managers that did not have the leadership potency that was demanded, and subsequently a few of the ones not selected got really sad and upset. Moreover, in the acquired company there were quite a few employees that had worked for the acquirer prior to their current job, i.e. worked in the large company then for various reasons had quit and started in the small company in the same industry. They were not amused to be caught up by their former employer, and as such a few of them decided to resign.

I viewed the cooperation and jointly work with employees from the other company as normal group work, if the group members were nice, things were running smoothly. It did not feel like “we and them”, rather the aim was to find each other and to understand how the other organization functioned.

In conclusion, I believe that the large merger did not happen for a number of reasons, to begin with because of the judicial obstacles that needed to be sorted, but also what was written in the news, that there was not full agreement on certain issues between the owners or the owner representatives. Nevertheless, the judicial obstacles could probably have been handled, had the impetus and will been strong enough.

Aaron

This production site – referred to as Terra Corp in the future, used to be one of a cluster of production facilities, however after a decision made by the parent organization Terra Corp became independent and “stand alone”. However, the parent company wanted to have the production going as usual but did not want to own the factory/production, hence it became up for
sale. The last 6 months top management, of which I was a member, knew who was going to be the acquirer, the question merely was under what conditions and what the contract with the buyer of our product would be.

The expectations I had on the merger was first and foremost positive as the former owner did not longer want us as a part of their organization. An acquirer, whoever it would be, wanted us, and that was good as it is obviously nice to be a part of an organization that wants your operation, compared to wanting to get rid of it. Nonetheless, another reactions were a trepidation that the acquirer wanted to make large changes that substantially would affect Terra Corp’s personnel or that the structure would change making the work content a lot worse. However, most signs were pointing at a benign change, especially as the acquirer early on pledged to keep the existing organization and current setup during the upcoming two years, which of course meant that none of the employees would be sacked within this time span.

Thanks to the fact that the majority owners of the acquirer is a family, the owner is now more physical, one meet these individuals compared to before, during the period in the big publicly traded company where one never got to see any owners. Now Terra Corp’s chairman and his son occupy two seats at the acquirer’s board. Besides, the owners have been visiting a number of times and all the employees at Terra Corp have meet the owners in big meetings or when the owners were walking around in the facility, which of course is positive as the employees now have an experience and a face attached to the ones that make the important decisions in the organization.

There have also been other significant culture changes, it is now much more clear and easy to have a dialog with the individuals in the owner family, they are listening and are open for our opinions but also let us know what they think. Moreover, it feels good that we know that these particular individuals are the ones with the power and the final call in decisions and strategy.

Employees had of course some fears that the production would move to the acquirer’s home country, but as aforementioned the owners emphasized early on that they wanted operations in Europe in order to obtain valuable experience, besides one has a 10 year manufacturing contract with the buyer of the products.

The reactions to the announcement of the acquisition was fairly mixed, however there are a lot of people here that have worked a very long time within these premises within the same kind of production that we do today. They have experienced a number of changes, different owners etc, thus they have “been there done that” change-wise. Certain things have remained the same over the years, such as focus and scope, but the owners have changed multiple times. Also the two years of not touching Terra Corp’s current way of doing things, wages, employment contracts etc has been beneficial to limiting employee anxieties, there has actually been mostly positive reactions, a “business-as-usual-this-is-just-yet-another-merger” mentality. As a matter of fact, when it comes down to the essential core, it is the demand of the products that have the ultimate importance. Also, there is a large group here that is prone to work perseveringly with fairly reoccurring tasks, people that are security focused, besides there are not too many potential job opportunities out there for them.

I do not believe that employees are identifying more with the current owner compared to any other company they have been working for, perhaps because of the
many different owners. The loyalty to the company name is subordinate to the production that we actually do. One can say that it does not matter too much what name it says on the display on the façade as long as we make the job effective, cost efficient and are quality conscious, plus that there is a demand for the product, then that is the most important for us. I believe that the loyalty to the owners would increase to a large extent if we got substantially more production, since that would show us that there is a development, a future, which in turn would give us that boost. But as long as we do what we do with the same products, same volume and only a few new clients whom are futile looking at total sales, then that boost will not come. However, we are now a business unit compared to before when we were a small cog and had an annual budget articulating how much to produce etc, stipulating that we should be plus minus zero in the books. We did not get to keep the profit, was looked upon as a cost unit, not as a revenue unit, however now the profit it much more important for Terra Corp as we cannot make a loss, and what profit we make we can invest to easier achieve what our contract states.

Personally I am more organizationally committed now, and have a higher job satisfaction level than before. During a certain point I was not too keen on remaining with the previous company as nothing was happening at Terra Corp, there was no developments and changes. However now when we have to make a profit every year, we have to continuously improve our operations in order to be competitive.

**Jill**

I have been on the acquiree side, one case where it was my company that was bought and in the second case we initiated the process of being acquired. Also I have experienced a number of acquisitions. I have been a regular employee, which is rather far from the takeover, as well as have had top management positions both when selling part of our business and when the company I worked for was the acquirer. In a top management position one has a completely different insight into the merger course compared to the ordinary employee. The anxiety and stress level in response to a merger I think to a certain degree depend on where you work in the organization, or what you have been through in the past.

In one merger that I experienced my company merged with another company and then that new organization acquired an international firm, an acquisition that made my original company constitute 20% of the total turnover and the other two firms 80%, which was very skewed. In the first merger one did not see any match between operations, the reason behind the acquisition was instead that the two companies had the same owners who had come to realize that my original company had deep pockets and the acquiree’s treasury was empty, and they were thinking that they had to make these two investments profitable. However, the two companies had two different sales organizations, same IT and finance but the corporate structures were extremely dissimilar. The customers and the technology could impossibly be integrated. Hence, it was a merger that the employees found extremely difficult to understand, because they did not see the synergies and the purpose. Synergies and coordination effects are very much dependent on the infrastructure of companies, IT and finance are usually not the reasons for merging because one of the most expensive processes is product development. Those could only be coordinated to a small extent, one could not cooperate in the lab, as one needed different people, and operating two sales
organizations is very expensive, as is having the distribution network and the market side separate.

Adding to the “we and you” mentality in the new organization was the second merger that took place after the above instance when my original company acquired the company with no money left. This mentality emerged because employees from my original company were bewildered and did not understand what was going on because they wanted management to buy a company that was in their field, not buying a company in a diverse field making the original company become only 20% of the turnover. Needless to say the employees from my original company, that used to have a lot of money, did not understand why it would be used to make products that was not in its field, because they thought that the funds should be used to the benefit of the their side. Thus, they viewed the other former company as a competitor in pursuit of their money. In connection to this resentment and frustration, employees left the company.

I believe that the people that are left in a firm after a merger are the ones that are not really anxious in their nature. The people that become anxious and a little worried cannot cope with a climate that a merger constitutes. This is fully understandable as they may be the one that makes the most money in the household, own a house, have some children and heavy financial responsibilities. Under these preconditions, it is really tough working in a merging organization, especially if you know there is an axe that may cut part of the organization at any time. Nevertheless, it is about one’s life, so it is natural that people become anxious and worried.

People also become stressed and anxious about learning a new corporate culture that they do not understand. One knows how the decision process goes and who makes them and then suddenly new individuals take the top management positions that one do not know but need to get to know. Some people think this is fun while others think it is hard and do not understand what their boss means we speaks, which can be frustrating maybe particularly for young people who want to do well and work hard. Then it becomes cumbersome for them when it becomes unclear and a lack of no clear directives. The older employees may react with the attitude that “this is how we have always done things here” and want to keep doing things the same way and are hence reluctant to change their behavior.

Also rumors that spread add to the stress, rumors which are usually about worst case scenarios such as workforce cuts, and who will be the new boss etc. A favorite expression during mergers is when the CEO says to the employees that “you know that there is an ongoing process”, and the employees have seen men in suits and meetings etc, “but it is business as usual”. But it can never become business as usual once a grenade like that is dropped, people keep working and may even forget about it for a while, but then something happens that makes them lose focus. It can be something that somebody does, or that someone may do not show up for work as usual, “well then maybe he will not remain with the company”. Employees may not be on edge but the threat is there in the background and it is very easy for people to become distracted. Nevertheless, the most common behavior of an imminent merger is that people have a “wait-and-see attitude”, not a “let’s rolls up the sleeves and work hard” attitude, but “I continue what I do but I keep my eyes open and see what happens”.

When conducting a merger it is important to lay it out by telling a good story to get people involved with, and understand the
logic behind why the merger is made. Sometimes I think the importance of trying to get people on the train from the outset and explain why certain things are important is underestimated. Then it is very important that the line managers are involved from the beginning as they disseminate messages to their staff, providing them with knowledge and "go" so that once things rolled out they act quickly, not slowly with lots of "I do not know" and confusion, "should I do this", "should I do that", because these line managers have been involved from the bat. This is a potential problem that I believe may be hard to accomplish and come to grips with. If line managers speculate when their employees come and ask questions, then these employees will get the impression that these line managers do not know, the merger is not substantiated, a sentiment that will trickle down the chain.

I believe that it is in the integration phase that employees experience the most anxiety as it is at this time that the merger starts to affect them in their everyday work. This is the time when issues may emerge such as “this is the way we have always done things and now they tell us we should do this”. The mentality of “we and them” is nourished due to a whole range of issues that demand skilled leaders in order to be resolved in order to make the integration work. Also I think it is important during the integration to make the various role-out plans and make them clear – have a plan and show the points to employees when different things will occur. The CEO or another top manager must show to what point the merger process has progressed, and then show what point that is about be initiated, so that everyone can clearly see, because there is a wait-and-see feeling among employees, "well we shall see", that basically is negative relaxation. Managers have to walk the talk, to take action that goes in that direction they have said. It is extremely important, because if people do not clearly see this, many become skeptical.

Sometimes employees react to becoming redundant with complete surprise as may be the response from their colleagues as well. For one, they have not really understood what is going on, besides it comes as a surprise because it would not be wise by management to threaten people that they may be dismissed before they actually are. As a matter of fact the people that are left may feel guilty for the employees that were laid off, and can hence not feel happy for being allowed to stay at first. This manifests itself in the relationships with others, for example, persons in a group may be really good friends and then one of them have to leave, then the person of the two that is left may point fingers and ask why not someone else got sacked instead. Undoubtedly, this can create a negative ambience and bad relationships between the people that are left in the organization. We used to have pub nights with old colleagues, but that was aborted because we felt accused by those laid off since they could not understand that we enjoyed working in the organization when they were gone. They wanted us to empathize a lot with them, and feel that we did not really liked working in the firm, but we actually did enjoy working there.

Social ties can be broken between people. Some people were incredibly bitter to become redundant, they felt that they had put their life or soul into the company. I think that it is your choice if you are putting your soul into the company, the company will be happy to receive an incredibly committed employee, but one can never accuse a company of taking someone’s soul, because you allowed it to happen, and these employees do not really understand this. "But I worked hardest of all!", yes you did, but there are so many other factors that come into play, that even if you did a fantastic job
there is no guarantee that you will stay, a lesson that can be very hard for some people.

I always wanted to remain in whatever company I have been a part of, but in some merger instances when the company had to choose what application areas it wanted to focus on with a certain product, employees have lost their organizational commitment. For instance, if there are four applications of a product and the company wants to focus on two due to the huge resource cost etc, there have been colleagues who said that they did not believe in the choice the company made and subsequently decided to quit their job.

The distance-taking that was aforementioned automatically made employees less organizationally committed, however I think that organizational commitment is one of the most difficult things to come to grips with during and after a merger. That is about protecting yourself as individual, people are afraid to put their soul into a company when merging and then finding out that they are deemed redundant. So employees are cool with a wait-and-see attitude, do not become heavily involved, and then if they are fired they do not become as sad and burnt. Nevertheless, some employees do not have that safety mechanism and those are the ones that become livid when laid off.

**Analysis**

**Individual Characteristics & Career Concept**

As Joe highlights, the second biggest lie concerning merger and acquisitions is when headquarters knocks on the door at the acquired firm and says that they are there to help, whereas the biggest lie is uttered when the acquirer opens the door and say that they are happy to have the acquirer there. Hence the important task is to come up with how to still make this massive corporate campaign successful seen from the human side. As indicated in the theory section of this study, the manner in which employees react in face of a looming M&A as well as during the event pertain substantially to their career concept, but it also influenced by their tolerance to ambiguity and change i.e. individual characteristics. Tim said that there were employees in his organization that viewed the merger as a potential boost to their career in the bigger acquirer firm, whereas others perceived the change as an exciting synergy opportunity, to combine in-house technology with acquirer technology to make even better products. Hence, whether an individual feels anxious and stressed about a merger to a certain degree boils down to individual characteristics and information as well as what career motives he or she has. Such individual information could be the fact that one, as Jill discussed, have a household full of children to support and hence a hefty financial burden, then a merger constitutes a threat that evidently will elicit anxiousness and stress, especially in times of downsizing of personnel. Joe even classifies the response to a merger into two distinct categories, on the one hand, the ones that view the merger as a threat to their career and take drastic measures to safeguard themselves against adverse effects of the merger such as layoffs etc. On the other hand there is the category that extrovertly show their competencies and share their knowledge and operative information to facilitate the merger instead of impeding it. Matt’s interview clearly indicated that managers viewed the merger as a risk, not of losing their job but their position, and that the aborted merger news were well received. Even though the managers paid lip service in their reactions to it the general consensus seemed to have been that a failed merger, thus occupying the same position, is better than a merger and the risk of losing one’s position.
In all of the above examples it may be cumbersome to distinguish which of the responses are due to individual characteristics and which are due to the career concept that one is. Nevertheless, Aaron’s description of the rather large group at Terra Corp that had worked a long time at the premises and were prone to work perseveringly with fairly reoccurring tasks, as well as had a security focus, clearly fit well with the career concept named expert in Driver’s et. al classification. This category does not tend to respond well to mergers as they may mean a disruption in the employee’s career, however, thanks to the fact that the owners promised a laissez-faire approach for two years, they did not have to worry about the aforesaid. Jill thought the most common employee behavior of an imminent merger, according to her experience, was a wait-and-see attitude, not a “let’s rolls up the sleeves and work hard” attitude, but “I continue what I do but I keep my eyes open and see what happens”. Nonetheless, employees that did not have a holistic perspective of the organization could probably also react with panic and speculation during merger times according to Jill.

Based on the abovementioned examples extracted from the interviews, one may be able to draw the conclusion that the responses to a merger vary based on individual characteristics, and that employee’s anxiety and stress about their career do not seem to be a significant stressor. This stressor could have been different if the sample had worked in a different industry where there is a clearer career path compared to the Bio Industry. However, the following stressors induce adverse effects on employees across the board, so let’s figure out when they manifest themselves.

**Social Identity**

There were mixed sentiments as to the importance of social identity-related issues among the interviewees. Tim believed that there were employees who felt that the relatively small company identity and the simplicity would disappear once the company was going to be integrated with the much larger international corporation, and thus felt an anxiety and hesitation about working in such an environment. Furthermore, in the 50-50 merger that he experienced, social identity played a huge role as there were a solid “we and you” atmosphere due to both the huge overlap and the fact that the companies had been arch enemies prior to the merger.

Furthermore, Jill noted that some things which look really good from management’s perspective, in terms of merging two companies, may become a real hassle due to problems that can be attributable to a lack of identification with the new organization. For instance, when attempting to find synergies in the R&D departments, someone that comes in with new technology are not always welcome since “it was not invented here”. A lack of identification can cause a reluctance to work with each other, position wars may rage and cooperation may be very difficult, all which can be extremely costly for the new organization as R&D constitutes one of the largest costs for firms in the Bio industry.

In the merger that Matt was involved in, he did not feel a “we and you” ambience, rather he felt the group, containing representatives from both firms, to be as a regular work team where in this case the aim was to understand and figure out how the other firm functioned. In the same vein, Aaron did not view identification with the organization as significant, actually it did matter very little what company name it said on the façade.
Thus, identification in these later examples did not seem to be a requisite of a successful merger.

**Separation Anxiety**

Separation anxiety and acculturation stress were difficult to separate based on the information from the interviews as certain behaviors or reactions can be due both. In addition, there seem to be quite a big overlap pertaining to these two theories. For example, stress generated from big differences in company culture also means that separation anxiety may increase as the work tasks and routines that employees have had will then differ significantly.

Joe points out an example of separation anxiety problems emerging from employees missing the past culture, its ambience and the way things used to be and the freedoms they had. This can also lead to frustration and stress, for example when liberties are withdrawn such as talking to the press without approval. This example can be categorized as acculturation but also as separation anxiety since the employees feel an anxiety to be separated from how things used to be.

Anxiety and stress also stem from the constantly present risk of layoffs, which Joe believes may be one of the biggest reasons behind employee problems during a merger, which shows the importance of the anxiety and risk stemming from the possibility of these stressors. He further thinks that if there are no threats of layoffs, then the integration process would be much easier and better. Jill kind of verifies this as she believes that employees distance themselves to what they are doing to a certain degree during mergers, becoming less involved, which automatically make them less organizationally committed. They distance themselves as a protection mechanism in order to not put their soul into the organization when merging, because if laid off they will not feel as unhappy and burnt. An example of the benign effects of promising no lay offs during a time period was illustrated in Joe’s example of the CEO that gathered all the employees in the auditorium and promised that no one would be sacked as long as the organization became more effective and lived up to the expectations it had communicated to the market. It is crystal clear that such a statement has good chances of inspiring and infusing motivation in the workforce, thus raising job satisfaction and particularly organizational commitment.

However, the issue of reducing stress and separation anxiety stemming from the risk of layoffs may be hard to deal with for top management, as often times the issue of how many people that will be laid off is difficult to answer. The synergy realization may still be partly unknown and the integration process may have yet to be completed, which means that estimates of how many that will have to be laid off, if any, are difficult to render. Nevertheless as Aaron pointed out, what top management can do is to try to lay off all the people that are to be laid off as soon as possible, and at the same time, thus limiting the anxiety and stress elicited from this stressor.

**Acculturation**

As previously discussed in the literature review portion of this thesis, employees have to be able to know what the expectations of performance are, what behaviors will generate desired rewards, and what the do and don’ts in the company are, all of which constitute the corporate culture of an organization. Acculturation is a stressor that more or less always emerges in merger contexts, since there often times are two distinct corporate cultures that are to be integrated into one. The corporate culture, as Tim also contends in his interview,
permeates the entire company, for example in the way the company is ran, how people communicate with each other, how one thinks in certain situations, basically how things are done. Tim believes that the extreme difference in culture between the 50-50 merger he experienced was indeed one of the reasons why the merger became a failure as the divergences in opinion, way of doing things and the numerous misunderstandings created a lot of stress and frustration. Corporate cultures are hard to combine by default, but if they are extremely different and there is no culture that is supposed to dominate the other, as was the case in the merger under scrutiny, it becomes virtually impossible to succeed with a convergence, thus making the merger doomed before even embarked upon.

Moreover, understanding the corporate culture, how things work, provides continuity, that according to Tim, is difficult to put a number on but is crucially important as acculturation problems have the potential to cause great harm to organizations, for example through dwindling productivity. People also become stressed and anxious about learning a new corporate culture that they do not understand. One knows how the decision process goes and who makes them and then suddenly new individuals hold top management positions, which may be frustrating for employees, especially if they do not understand what the boss means when he or she speaks. The older employees on the other hand may react with the attitude that “this is how we have always done things here” and want to continue doing things in the same way. Hence, they are reluctant to change their behavior, a phenomena that may be classified as a culture clash but also as separation anxiety as they experience anxiety and stress about the loss of their accustomed way of doing things.

In connection to a dominating acquirer corporate culture as previously discussed, Joe believes that companies should find a middle ground in between running over acquirees like the Swedish firm in the 80’s did and compromising about everything, even locate the headquarters halfway between the merger firms. Understanding the acquiree’s corporate culture and reduce anxiety in the organization is the way to go, but there are more ingredients in a successful formula solving acculturation problems, as will be disclosed now when the concept of lucidity is discussed.

**Lucidity**

So far the theories and concepts from the original proposed model or theoretical framework have been discussed. Now the analysis has come to the cream of the cookie and the essential core of the entire thesis, namely the concepts found from the interviews, as they also seem to affect job satisfaction and organizational commitment the most. These concepts may not be brand new concepts, but their importance in the M&A context have not been highlighted in the M&A literature that the author has come across. Moreover, these concepts are important in organizations during ordinary times, but seem to become crucially important during M&A.

The previous discussion of corporate cultures and the problems associated with it ties quite nicely into the lucidity concept that is so vital for employees. It is always important for a manager to be clear, but in M&A situations this facet of leadership seems to go from important to imperative. Basically what it boils down to is that when the leadership in a merger situation is not lucid, it infects the whole organization as the employees do not know who decides, how they should guard their interests, pose positive proposals, work well etc. Jill thinks
that lack of clear directives and the uncertainty it hence induce may be particularly stressful for younger people that want to work hard and achieve good results but do not know how. Tim believes that the inability or refrainment of making important decisions, hence contributing to a confusing and uncertain environment, which in turn lead to frustrated and stressed employees, was one of the main reasons behind the failed merger between the top companies in the 50-50 deal that he experienced. Looking in the rear-view mirror, Tim believes that the larger firm should have taken a much firmer grip in the merger, clearly showing who was in charge, and then have acted as such, which would have been much shrewder and more efficient in order to remove uncertainty. Joe reasons in the same vein as he believes that using the aforementioned “run-over-approach” to mergers that the Swedish firm did in the 80’s, apart from being too dominate, at least clearly let everyone know what the deal is, and gives hence no room for uncertainty or confusion. Aaron elaborates on this point even further as he reasons that it is important to show a strong drive and be clear in order to make mergers successful, not to be hesitant about making important decisions concerning things such as layoffs because then the whole organization will suffer and be in a state of uncertainty and anxiety. Instead it is better to make agonizing decisions swiftly, implement them and then move on. Joe provided a striking example where the lack of lucidity had gone so far that the employees did not even know which of the firms that were the acquirer, and important decisions were not taken, in addition every issue was compromised. This lead to bewilderment, a course that could have been prevented, Joe thinks, if there were no mergers of equals but 60-40, so that everyone knows which firm that has the final call.

It is crystal clear from the above discussion that the concept of lucidity is essential for managers to address as otherwise a state of confusion will prevail in the organization, in turn lowering job satisfaction and organizational commitment.

**Everyone on board – Motivation and Rationale Wise**

A vital aspect in making M&A successful is to pay close attention to the human resources in both the merging firms, a contention that is the bedrock of the entire thesis, however two other issues that are mentioned time and again in the interviews are; the crucial importance of making the workforce understand the rationale behind the merger, and feel top management’s strong and clear impetus in the integration phase.

Jill illustrates the aforesaid importance in the example where the merger of two companies did not seem to have any rationale whatsoever to the employees, but apparently the somewhat irrational reason of saving an investment from demise. The corporate structures were extremely dissimilar, there were no synergies to be made in the customer field or in technology etc. These combined made it utterly impossible for employees to see the purpose of the merger, something that seems to have decreased job satisfaction and organizational commitment significantly.

In a merger Tim has experienced, he explicitly states that one of the reasons for the unsuccessful result was that almost nobody distinguished a clear reason to why the merger took place and did not see what the impetus, goals, or the point were. Sure enough, in the integration phase the frustration and stress emerged but did interestingly enough not manifest itself in people quitting their jobs to a large extent, however as Tim points out, employees that
did have or found job opportunities elsewhere probably did.

A few of the interviewees emphasized the importance of taking action to make sure that employees get on board with the merger, to align everyone to strive in the same direction in order to increase job satisfaction and organizational commitment as everyone gets on the same page. If employees cannot see the purpose, the rationale or strong leadership during and post the integration process, as illustrated in the examples above, then it seems that job satisfaction and organizational commitment decline. Jill hit this issue spot on when she conveyed the importance of telling a good story to the employees to get them involved with, and understand the logic and purpose of the merger, something that has to be done at the very start. There must be a story in the merger that employees can take to their heart, however, the problem seems to become one when the story is not underpinned enough because that opens up room for questioning, the enemy of organizational commitment and motivation as it hampers the “we-are-all-on-the-same-train-ambience”. That is why, as Jill stresses, it is crucially important that line managers are involved from the onset of the merger in order to disseminate fairly abstract concepts such as visions and strategic routes and boil them down into concrete information that their staff can comprehend. This is done in order to avoid making employees feel that the merger or merger decisions are not underpinned enough, as well as to make sure that employees understand the route to accomplish the expectations and goals of top management. To illustrate this point bringing up an example of a merger Tim experienced seems particularly germane. The merger was a failure, a lot due to lack of guidance and outline, stemming from management’s inability of making the right decisions or making decisions where and when they were needed. This created a climate of confusion and non-action, and in its wake frustration and lowered productivity, since what occurred was the very opposite of Jill’s recommendation outlined above, where everyone knows what is going on and is on the same page as management, which leaves no room for questioning the logic of the merger.

On the same token, a vicious cycle can be created, as according to Joe, the companies that are most prone to merge again are the ones that have merged in the past, especially if that merger or mergers did not live up to the financial expectations that the market was promised. That is because merging again will kind of reset the effects of the previous merger, as it is difficult to compare accounts back in time, so negative financial performance can thus not be blamed on the previous merger. If a merger is conducted under these conditions, it may be particularly difficult for employees to see the rationale and purpose behind the merger.

**Insecurity**

One of the main themes that seem to play significant role to the outcome of a merger is management’s ability to instill security in the workforce, in order words, to limit or get rid of insecurity surrounding the merger. Aaron discusses the difference merging with a company ran by an owner family compared to being part of a huge organization where one had never seen top management or could really argue with decisions that were made. The current owner is more physical, everyone in the company has seen them and many have talked to them in person, which makes things more clear as the decision makers now have a face to the employees. Furthermore, what really contributed to the sense of security at Terra Corp was the promise made by the owners not to touch any of the site’s operations for
two years. Nevertheless, Aaron believes that loyalty to the company is subordinate to the production of the products, but if the owners would give Terra Corp substantially more production employees would see that there is a development and a future. This would decrease the chances of not moving the production somewhere else, and in turn this may elevate job satisfaction and organizational commitment.

M&A are major corporate events that by default create a sense of insecurity about the future to varying degrees among employees. Joe believes that in order to make the transition from feeling insecure to feeling secure one has to get to know people, because as soon as people get to know each other on a personal level, the feeling of insecurity will be lessened substantially. That is why it is important to have all these functions and meetings where people meet not only to decrease insecurity, but also to get everyone on the same page in the merger and aligned towards the same goals, something that has been thoroughly discussed above.

Jill communicated how detrimental insecurity can be when she provided the example of the company where all the employees knew that something was going on due to the unknown people in costumes walking on the premises etc. The feeling of security was further increased after statements from top management that “it is an ongoing process but it is business as usual”. Then this insecurity dwells in the background emerging when things happen that are out of the ordinary, creating rumors that further add insecurity, making employees easily distracted.

Moreover, an example of the benign effects of getting rid of insecurity can be found in the aforementioned example uttered by Joe about the CEO in the auditorium promising no lay offs during a time period. Such a statement instilled security in the workforce and subsequently likely raised job satisfaction and organizational commitment.

**Discussion**

The sense of continuation seemed to have played about as much importance as the literature review stipulated when it comes to how the continuity principle tied into the different theories in the proposed theoretical framework. However, the threat of being laid off appeared to be a special case, as intriguingly, the bio-industry in Uppsala may be a rather specialist and particular industry if compared to others, meaning that employees that are sacked or quit their job voluntarily might have a hard time finding another one. This would translate to that the imminent threat of being laid off, which often times is the case during mergers, may be a bigger concern for employees than any of the other stressors. In addition, another effect of the proposition that finding another job may be cumbersome is that employees will to a lesser extent quit their jobs when experiencing stress and anxiety etc. These antecedents were to a certain degree concluded in this study as the above analysis articulates, however as this issue cannot be fully resolved without obtaining first-hand information from “ordinary” employees, the author will make no attempt to unravel this issue any further. This previous contention is the precursor for the following point in this discussion that deals with the topic pertaining to how much top managers can pick up on what is going on at the “regular” employee level.

A thorough examination of the symptoms of stress and anxiety was conducted in the beginning of this study and a number of these have seem to have taken place in the M&A that the respondents have experienced, including lower morale, spread of rumors,
loss of motivation. Nevertheless, it is only decreased productivity and the existence of rumors (not the extent) that have been stated in the interviews, hence the relevance of the issue concerning what insight top management has on the internal reactions and responses the employees have to M&A. Moreover, no employee health symptoms were brought up, something that in the world of logic would appear somewhat strange. Based on this, one speculation could be that productivity, which can be found in facts and figures, is the main end symptom that top management can see that pertain to their workforce, and that the symptoms pertaining to the career concept and the continuity principle elicited from M&A are more difficult to discover, thus they have only been mentioned to a small extent in the interviews. On the same token, if a particular career concept have any bearing on employees reactions to a merger is difficult for this study to explore as every employee would have had to be analyzed using a questionnaire, nonetheless it was discovered from the interviews that top managers can distinguish between main behaviors of his or her employees.

Integration was another topic that was found in the interviews that is germane for this study. As aforementioned, Finkelstein and Larsson (1999) contend that combination potential is one of the three key determinants of how successful an acquisition will be. This concept pertains to the employee perspective chiefly in how different the corporate cultures of the two merging firms are. For instance, Tim and Jill both expressed the tremendous difficulty to integrate two organizations that have significantly different corporate culture. Moreover, there seems to be a correlation between the degree of difference in corporate culture and the degree of negative employee emotions that pertain to social identity problems, which in turn implies that job satisfaction and organization commitment will be particularly difficult to maintain high.

**Results**

In light of the analysis the author will present a new proposed model (Figure 4) of employee reactions to a merger that will make up the lion’s share of this results section. Primarily the revision from the figure presented in the literature review is due to the addition of concepts that were found to be crucial in order to increase the chances of a successful merger.

As illustrated in the proposed model, there are two circles outside the two dependent variables of this study, job satisfaction and organizational commitment, and the reason for that is that the stressors lying in closest proximity to the core of the figure, i.e. in the primary circle, are the most crucial for top managers to address, besides, the ones that demand the most urgency to be dealt with after the advent of the merger. The outer circle stressors are still very important, according to this study, but are not as essential and do not have to be dealt with as promptly as the stressors in the inner circle.

Moreover, the acculturation, separation anxiety (minus the risk of layoff) and social identity stressors seem to be the ones that top management can do least about once the merger deal has been struck. For example, if the two merging companies have significantly divergent corporate cultures or have been arch enemies in the past, both pertaining to combination potential, then these stressors will elicit high levels of frustration and stress which may severely affect the employees’ job satisfaction and organizational commitment. The risk of layoff box is located in the inner circle, since it seems to be a stressor that induces a lot of anxiety and stress in employees. There is a
line between this box and the separation anxiety box as risk of layoffs is a part of this theory. Top management can address the layoff issue to varying degrees, however in the uncertain environment that a merger constitutes it may be difficult to know and communicate which employees will be laid off. Obviously, top management cannot explicitly say which individuals are to be
laid off in advance before they are to be laid off, as that would send these employees job satisfaction and organizational commitment to rock bottom. Additionally, acculturation seemed to be a stronger stressor than the social identity stressor, besides there seems to exist a link between the two as a large difference in corporate culture, creates acculturation problems that in turn affect the ease at which employees can identify with the other firm.

In contrast, top management biggest role lies in addressing the stressors that are located in the primary circle, except risk of layoff. These stressors are crucial and fortunately top management can influence them a lot, thus potentially raise the rate of successful mergers in the future as quite a few of the failed mergers communicated by the interviewees, failed because of these stressors. Moreover, these stressors must be prioritized and addressed promptly after the initiation of the merger and the subsequent integration process, before any of the other stressors, in order to avoid the adverse employee reactions that have the highest potential to ruin the merger as they seem to affect particularly organizational commitment the most. Not surprisingly, individual characteristics have great bearing on how employees react to a merger, however the stressors in the primary circle seem to elicit high levels of frustration, anxiety, and stress no matter what one’s individual characteristics are. The same goes for the stressors in the secondary circle, but not quite to the same extent. Furthermore, individual characteristics seemed to affect the manner in which one respond to a merger situation, individuals perceive them differently, and are also more or less tolerant to insecurity and change. Finally, the sense of continuity concept seemed to affect acculturation, separation anxiety and social identity in the fashion communicated in the literature review.

Conclusion

The proposed model is intended to function as a roadmap or check list that top managers can use when conducting the merger in order to make sure that the facet that matters most in order to ensure a successful merger – the employees, are addressed germanely. By being aware and possess wisdsoms of the most important employee responses to mergers, the proposed model can come in really handy for top managers, and have thus great potential contribution value to the professional realm. Important to point out is that not all employee anxiety, stress and frustration can be eliminated, however following the check list or guide, can get top managers a long way in their pursuit of getting a workforce with high levels of job satisfaction and organizational commitment. From an academic standpoint, this study also contribute to the academic research community, as one the reasons for the consistent high failure rate of mergers according to Cartwright and Schoenberg (2006) were that M&A are not yet fully understood and analyzed properly by the academic research community.

The author’s most significant impressions of the study can be described in three major points. Firstly, the theoretical construction that was the bedrock of the literature review equipped the author amply before embarking upon the interviews. Secondly, the construction of narratives proved to be an effective and efficient way in facilitating the data analysis work. Thirdly and finally, there seems to be zounds of things that can impair the performance of merging firms, however in light of the interviews, it genuinely seems that top management needs to be more than thoroughly prepared to address the lifeblood of the organization as problems stemming from employee disgruntlement may indeed be the primary source of failed mergers, directly or indirectly.
Suggestions for future research are first and foremost for researchers to test the proposed model in a larger empirical study, as well as in mergers conducted in different industries. Also to determine the explanatory power that each stressor has on job satisfaction and organizational commitment would be an ample research aim for a future study. In addition, how the career concept pertains to the stressors included in the proposed model would be interesting to unravel as this issue was beyond the scope of this study. Furthermore, it was hinted in the interviews that age could be of importance to what reactions an employee have to a merger, investigating this factor could be the aim of study as well.
References

**Journals**


Books


