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Mergers and acquisitions: the employee perspective

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Mergers and acquisitions: The employee perspective

by

Douglas Dale Whittle

**A dissertation submitted to the graduate faculty
in partial fulfillment of the requirements for the degree of
DOCTOR OF PHILOSOPHY**

Major: Education (Educational Leadership)

**Program of Study Committee:
Jerry Gilley, Major Professor
Sharon Drake
Larry Ebbers
Ellen Mullen
Dan Robinson**

Iowa State University

Ames, Iowa

2002

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has met the dissertation requirements of Iowa State University**

Signature was redacted for privacy.

Major Professor

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For the Major Program

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ABSTRACT

This study examines the organizational, personal, and professional impact of mergers and acquisitions as viewed from the perspectives of six employees from an acquired organization. A qualitative methodology using a purposive sampling was employed in this research to produce a case study that combines the findings from the literature with the results of in-depth interviews of the six employees conducted during the 18–24 month post-merger period. An emergent design was used to identify the common issues and concerns of those interviewed. Those included communications, organizational culture impact, employee loyalty, leadership changes, and employee productivity and motivation.

CHAPTER 1. INTRODUCTION

The subject of mergers and acquisitions has captured my personal attention and interest since the announcement was made on October 1, 1999 that the organization in which I had been employed for almost twenty years had been acquired by another corporation. Since I have never been involved in this type of activity before and because I found myself living the experience on a daily basis, the topic became of great importance and value to me, particularly as I was also studying principles and concepts of organizational leadership in my doctoral studies. I found myself experiencing the gamut of emotions and reactions, ranging from intrigue to anger to humor to disbelief. Combining my intense interest in the human factors of corporations, my master's degree in communications, and my doctoral studies in organizational leadership, I was living a case study on a daily basis. As a result, I chose for this study the subject of mergers and acquisitions and its impacts on the workforce. It is my hope to further the literature that promotes the case for placing greater emphasis on proactive organizational change initiatives in merger-related discussions and strategies.

Statement of the Problem

Pritchett (1987) warns that the costs of ineffective mergers will be realized in lost talent, lost productivity, and loss of competitive position as a result of distracted employees. Bibler (1989) identifies two major human problems that can occur in acquisitions: the loss of key people and the loss of organizational effectiveness. Buono and

Bowditch (1989) address the hidden costs of combining organizations that include tardiness, absenteeism, turnover, reduced output, declining morale, loyalty, commitment, and trust of those who remain in the post combination firm. Separation costs, replacement costs, training costs for each replacement worker, and the costs involved with a high level of turnover are included in Buono and Bowditch's discussion of these hidden cost factors.

Many authors view mergers, acquisitions, and joint ventures as a negative event, particularly for the organization that is not the acquiring firm (Bell, 1988; Caywood & Ewing, 1992; Geber, 1987; Gottlieb & Conkling, 1995; Grove, 1996; Gussow, 1978; Marks & Mirvis, 1986; McManus & Hergert, 1988; Pritchett (1985); Schein, 1999). Caywood and Ewing (1992) view mergers as a threat, one where communications plays a key role in preventing this threat in the first place. Gussow (1978) describes the acquired organization as one that is swallowed by the acquiring firm and potentially destroyed. Gottlieb and Conkling (1995) describe their book as a resource for those they call the "survivors" in today's organizations: the people who are left after the rest have gone. Grove (1996) suggests that acquisitions are done by companies as a diversion tactic, something they plunge into to avoid dealing with major changes their company is facing. In contrast, Nahavandi and Malekzadeh (1993) believe that what is needed for 1990s and beyond is to rediscover mergers as a strategic alliance and as a partnership, rather than as a war.

A common theme in the literature that focuses on organizational change associated with mergers refers to the impact of stress on employees and their families. Cooper (2000) expresses concern that surprisingly little research has investigated how people cope with

the aftermath of an acquisition. Weiss (1989) expresses concern that 83% of all respondents in a survey reported that at least half of all stress-related behavior goes undetected by employers. Kroeger and Thuesen (1992) believe that stressors in the workplace will get worse before they get better, listing mergers and acquisitions as being one of the significant trends and causes of stress in today's workplace. They indicate that stress-related problems are costing American companies \$150 billion a year in reduced productivity and increased absenteeism.

Bell (1988) describes recent years as the most stressful in American business history. During 1985, over 3000 takeovers, mergers, divestitures, and leveraged buyouts occurred, setting a 12-year record. Of the total \$179.8 billion involved, 36 mergers were worth a billion dollars or more. Prokesch and Carson (1985) state that between half and two-thirds of mergers simply don't work and one out of three is undone. Bibler (1989) states in the February 17, 1985 edition of the *Los Angeles Times* that only half of the mergers end up on a happy note, pointing out that one-third of mergers fail within five years and as many as 80% never live up to their full expectations. He attributes the majority of these shortfalls to human factors, not to quantitative analysis.

Triantis (1999) believes cultural differences and poor all-around communications prevent merger-related relationships from forming. This in turn deteriorates existing workplace relationships. The primary merger problems lie in the areas of vision, leadership, growth, early wins, culture, communication, and risk management (Habeck et al., 2000). Harvey and Newgarden (1969) express concern that those people who are charged with integrating the merger are positioned low on the merger checklist after such

items as profitability, cash, growth products, and markets, despite the fact that “people are still the most important requirement and product of any business” (p. 211).

Whether an individual is directly impacted by the merger through loss of employment, most employees will feel some degree of impact in the process (Habeck et al., 2000). Habeck, Kröger, and Träm (2000) believe that people belonging to the buying company, the new parent, do not initially feel much hardship. These authors suggest that because these employees belong to the new parent, they feel little reason to anticipate much change. However, they believe that change will hit both sides in a merger of two parties that are roughly equal.

These changes in attitude evolve slowly. Five to seven years are typically needed for employees to feel truly assimilated in the combined entity (Buono & Bowditch, 1989). Levinson (1970) has observed organizations, even as long as twenty years after a merger, in which there was still residual anger at being taken over.

Significance of the Problem

Between 1983 and 1987, nearly 10,000 companies traded hands, impacting the millions of workers and managers on their payrolls. Hirsh (1985) estimates that merging two companies directly affects one-quarter to one-half of all employees in both organizations. Hirsh’s concern is that little public discussion of the serious problems associated with mergers and acquisitions was taking place in the early 1980s. “Few questions arose about who was minding the store while all this was going on, or how the target firm’s managers and employees would react and be treated after the dust settled and

the deals were cut” (p. xiii). Hirsh’s deeper concern is that “the very long-term growth, quality of work life and even the soul of these companies have been sold out for a few dollars more” (p. xv). Lawrence and Lorsch (1986) contend that many failures result from too little attention to the organizational issues connected with acquisitions.

Muirhead and Tillman (2000) suggest that organizations should approach the human issues associated with mergers as a matter of corporate citizenship. The United States Department of Labor’s Corporate Citizenship Resource Center lists the principles of corporate citizenship as a family friendly workplace, economic safety, investment in employees, partnership with employees, and a safe and secure workplace. As organizations embrace the principles of good corporate citizenship, they will recognize that their employees play a key role in the success or failure of mergers. Muirhead and Tillman (2000) list “people problems” (e.g., low morale, pension plan concerns) among the leading causes of integration failure. They cite a conference held in April, 1986 that focused on change effects as a result of corporate mergers, at which time executives frequently cited a company’s workforce as its most precious asset. Thus, Henn, Krinsky, and Warshaw (1989) believe these executives must be persuaded to act accordingly “to see that its health, its well-being and its commitment to the organization are not undermined by inhumanity and neglect” (p. 23).

Argyris (1992) cites that of the 32 major reorganizations in large organizations in which he played some consulting and research role, he did not find one that could be labeled as fully completed and integrated three years after the change had been announced. After three years there were still many people “fighting, ignoring, questioning, resisting,

and/or blaming the reorganization without feeling a strong obligation personally to correct the situation” (p. 123). Marks and Mirvis (1982) found that, on average, two hours per employee per day were spent speculating about the acquisition for months after the sale (p. 116).

Kimberly and Quinn (1984) express concern that too many organizations focus on technical and monetary solutions rather than on the people issues. These authors warn that the most elegant of technical solutions depends ultimately on people for its success. They state that “no organizational transition—in strategy, in structure, or in process—will be successful unless its impact on preexisting patterns of interests, incentives, and interdependencies among the people responsible for and affected by it are understood and effectively redesigned” (p. 4).

Lawrence and Lorsch (1986) argue that most merger research that addresses people issues focuses on the one best way to organize in all situations, instead of utilizing divergent managerial styles, organization structures and climates, and types of management training. To avoid this, Henn, Krinsky, and Warshaw (1989) believe there has to be a continuous level of customizing to make these things work—that there is no single procedure that fits every individual and every situation.

A significant cost is realized each time an organization loses the spirit and dedication of one of its employees—a cost that never shows up on an annual report or a budget sheet (Bibler, 1989; Schein, 1985). This cost can create serious challenges for organizations in today’s competitive business environment and may ultimately be the factor that ensures or destroys organizational success. When an organization recognizes the impact of change on

employees, it gives those employees the sense that they are respected and valued; that they are business partners whose interests are included in the ongoing visions, strategies, and initiatives of the organization. Five factors can be found in any situation where people and change are involved: (a) loss of status and former sphere of influence; (b) lack of transparency about the company's intentions; (c) fierce fight for survival; (d) increased workloads because some people leave, either voluntarily or involuntarily; (e) the spillover effect on personal lives (Habeck et al., 2000).

The ultimate outcome of most corporate mergers will continue to depend upon the success of the merger integration effort (Habeck et al., 2000). For a merger between two organizations to be successful in the future, something more than a common sense exercise in logistical planning and operational integration will be needed. Harvey and Newgarden (1969) suggest that the greatest risk of merger failure exists in the area of people issues. They therefore recommend that the greatest amount of planning be carried out in the field of personnel.

In a merger, as in almost every human activity, the people element is paramount. In fact, it could well be the single most important determinant of a merger's success or failure. The people most directly involved in the merger must be compatible. They must empathize with one another and understand not only the merger program itself but also its various implications. Then and only then will there be a solid base for a successful merger or business combination. (Gussow, 1978, p. 18)

Background of the Study

Agrow is an international genetic seed company with over 5000 full-time employees worldwide. Since its incorporation in the 1920s, it has retained its corporate headquarters in a Midwest city, Metro City. It remained an independent company until October 1, 1999, when it was acquired by ChemCo, a well-known, large multinational organization that employs more than 90,000 employees worldwide, with corporate headquarters on the East Coast.

Historically, Agrow's organizational culture has centered on a strong Midwest work ethic, a source of pride for its employees. To further emphasize the importance of its employees, Agrow focused its employee relations programs around the slogan "People Make Agrow" for many years. Because of its unique product lines as well as its position as the number one genetic seed research, marketing, and production company in the world, Agrow has long believed that its success is due to its uniqueness and its sense of independence. It viewed itself as the organization to acquire other organizations, not the one to be acquired. Agrow leaders consistently emphasized that Agrow would remain an independent company. This independence was always a source of employee pride. While some employees viewed the acquisition news as necessary for long-term economic survival, others responded with a sense of shock, disbelief, anger, resentment, and sadness.

Researcher's Role and Credentials

Several factors increase the personal significance of this particular event and my interest in this study. First, I was a part of Agrow management for almost 20 years, which

certainly grounded me in the Agrow culture. This is an organization that is known for the long-term retention of its employees, which further deepens that sense of pride in its history and culture. A number of employees represent second- and third-generation workers from their families, giving support to a long-held company perspective that many Agrow employees “bleed blue” (the official corporate identity color). It is very common for both spouses of a family to work for Agrow, which was my case as well. Like so many others, I was part of an Agrow “family” that had deep roots and strong emotional ties that extended beyond the work place into the community and the home. Like others, I was personally impacted by these organizational changes and was intrigued by my responses as well as those of my employees and colleagues.

My personal observations during this post-merger period are reinforced by my review of the literature, which indicates that insufficient attention is given by today’s organizations to employee motivation and morale before, during, and after the merger process. Many authors, researchers, and scholars who address the human component of mergers warn organizations to prepare for a loss of enthusiasm about work; a drop in morale and organizational pride; an increase in rumors; and a number of people who spend time in a wait-and-see mode (Bibler, 1989). People feel a sense of powerlessness when they see their companies no longer existing or themselves no longer linked to the companies; the companies had given them status in the world (Bell, 1988).

It is my observation that ChemCo and Agrow followed a pattern similar to most other organizations, placing more emphasis on the financial and legal components of the merger over organizational and workforce concerns. I believe that more can, and should, be done

to communicate and work with employees during the merger process, which, in turn, should have a significant positive impact on the process of combining what were previously strong, independent companies into a new, integrated organization.

Acquisitions are neither inherently “good” nor “bad.” I have no intention of this project becoming only a list of things that have gone wrong. I believe there are lessons to be learned from this experience that can provide valuable insight to ChemCo and other organizations as they pursue future acquisitions. Because I believe that employee input is some of the most priceless information corporations can acquire, this study will hopefully provide some sense of how employee feedback and experiences can serve as input for other corporations that pursue the merger path.

My length of service at Agrow and the nature of my job enabled me to know many of the employees. Therefore, the selected informants were familiar enough with me that they were comfortable sharing their opinions and observations. I did not anticipate, nor did I encounter, any sense of mistrust or discomfort that would have prevented an employee from being open and honest. In fact, each of those interviewed either thanked me at the conclusion of the interview or commented on how comfortable they had felt during the interview.

Despite my best efforts to remain objective and unbiased as I conducted and summarized these interviews, there is always the risk of some degree of bias in qualitative research. I made every attempt to be the objective reporter that I was trained to be as part of my Master’s work in Journalism and Mass Communication.

Choice of Research Methodology

Geber (1987) reported that 84% of the top executives of organizations party to a merger or acquisition cited “people problems” as more likely to affect the long-term success or failure of a merger than financial problems. Because mergers and acquisitions significantly impact human emotions and behaviors, I have chosen an ethnographic approach to my research on mergers and acquisitions.

Spradley and McCurdy (1972) (as cited in LeCompte & Preissle, 1993) describe ethnographies as analytic descriptions or reconstructions of intact cultural scenes and groups. LeCompte and Preissle describe ethnographies as something that recreates for the reader “the shared beliefs, practices, artifacts, folk knowledge, and behaviors of some group of people” (pp. 2–3). They identify ethnography as “a process, a way of studying human life...to generate from these descriptions the complex interrelationships of causes and consequences that affect human behavior toward and belief about the phenomena” (p. 3). An ethnographic approach appears to be both a logical and appropriate methodology, allowing those employees directly impacted by the merger to describe their personal journeys. This approach will also provide insight into the effects that mergers and acquisitions have on people.

Participant Selection and Focus

I used a purposive sample of six salaried Agrow employees, conducting individual 90-minute interviews to understand the personal journey each informant experienced during the two years of post-merger activity. To determine if there would be any difference in the

observations and emotions of employees based upon their length of service within Agrow, I chose two participants from each of the following categories of service years with Agrow: (a) less than five years; (b) five to fourteen years; (c) greater than fifteen years. I also selected employees to represent a cross-section of the organizational structure and employees who have had roles in several departments throughout the organization. The employees selected for this study did not necessarily know one another; they have not worked closely together at any time; their offices were located in a number of different physical locations. The cross-section of employees chosen for this study represents the range of human capital that is rarely included in the pre-merger financial research and decision process, an asset that has great value in the long-term success of the new organization.

Participant Biographies

To protect the anonymity of the participants and to increase their comfort level, I have used pseudonyms. Likewise, I have limited their biographical details to prevent identify of an informant, including no identification of department or office location.

Rob was a thirteen-month employee at the time of the acquisition and had worked for Agrow a total of three years at the time of the interview. During his three years, he has held three different job roles, each with increasing levels of responsibility. Prior to working for Agrow, Rob had eight years of experience with two other employers.

Arthur is a four-year employee and was in his second year in Agrow at the time of the acquisition. Prior to that, he worked for twelve years with a large global company

during which time he experienced several acquisitions on the acquiring side. Prior to this, he had previously worked for another major corporation.

Mary was an eight-year employee at the time of the interview and had worked in several different departments and divisions of the company during that time. She represents a third-generation employee, with her grandmother and mother having also worked for Agrow. Her mother is still currently employed with Agrow. Mary had two years of prior work experience outside of Agrow.

Kathy was a thirteen-year employee at the time of the interview. She has been in the same service division the entire time, but has been assigned to several different business areas, including research, finance, administration, and communications. Previously, Kathy worked for several years for a large company in the same city.

Gary is a sixteen-year Agrow employee who previously taught in the public school system. He has held a number of roles in several different departments within the Agrow organization.

Ann is a twenty-year Agrow employee. Her broad background includes assignments in research, international, communications, administration, demand planning, shipping, and logistics. She was part of several start-up departments and divisions within Agrow. She had started a new job role fourteen months prior to the interview.

Research Questions

My research questions are:

- 1. What major events or activities during the post-merger period triggered significant emotional responses from the selected employees?**
- 2. What impact did the merger have on the selected employees' perceptions of organizational culture?**
- 3. What was the impact of the merger on the selected employees' professional and personal lives?**
- 4. Where did the selected employees go for merger-related information and support during the post-implementation period?**
- 5. What recommendations would these employees provide to leaders of an organization contemplating a merger?**

Data Collection Techniques

I used an emergent design in the interview process, using prepared questions, with the understanding that additional questions would be asked to follow through with new or different perspectives not covered in these initial questions. I utilized the qualitative methodology in which Krathwohl (1993) describes data as “accounts of careful observations, including detailed descriptions of context and nearly verbatim records of conversation” (p. 311).

Each interview was tape-recorded, after which a transcript was prepared and provided to each informant for review. Each informant was also given the opportunity to review a

draft of the paper as well as the revised copy that reflected the individual's previously identified concerns or edits.

To obtain the most honest and open input, it is critical to provide for the informant's safety and comfort. I have used pseudonyms for each person, exercising extreme caution when providing informant background information in the final dissertation, to prevent the likelihood that any candidate could be identified easily based upon the description and dialogue included in the study. The interviews, completed between April 1, 2001 and October 1, 2001, were conducted at locations chosen by the respective informants, to further ensure each individual's personal sense of comfort and security. I submitted the appropriate Human Subjects Review documentation for this study, which included a consent form for each candidate that ensured confidentiality, anonymity, and review and editing privileges of his or her respective interview content.

Data Analysis Strategies

Each informant was provided a copy of my prepared questions in advance to increase their comfort level at the interview. I prepared the transcript immediately following each interview and asked each informant to review and edit the transcript before I proceeded to compile my findings. Analysis was done as data were collected. For the purpose of determining consistency of informant data with research data, triangulation occurred as additional interviews were completed and common observations emerged from the informants. Data reduction occurred as I categorized the data around several common themes.

Data Presentation

Traditional dissertations present the review of the literature, the methodology, and the findings as separate chapters. Given the evolving nature of organizational design and human behavior studies, I have chosen to combine these areas, enabling the reader to compare and contrast specific research findings from the literature with examples from this case study. This design reinforces LeCompte and Preissle's definition of ethnography, which is "both a product—the book which tells a story about a group of people—and a process—the method of inquiry which leads to the production of the book" (1993, p. 1). The main chapter (Chapter 3) of this paper presents each of the research questions followed by my findings based upon common themes I discovered from my research. This thematic organization also provides a way of presenting content that may be suitable for separate journal articles or further, focused research.

CHAPTER 2. MERGERS AND ACQUISITIONS VOCABULARY

The literature of mergers and acquisitions uses a number of phrases and definitions that vary subtly. This chapter will identify the common phrases, definitions, and descriptions that will be used consistently throughout this paper.

Definitions of Mergers and Acquisitions

The literature generally agrees that a merger is the combining of one company with another or the absorption or blending of one company into another (Bibler, 1989; Geber, 1987; Gaughan, 1996; Gussow, 1978; Marks & Mirvis, 1982; Schein, 1985). Since the acquiring company in a merger assumes the assets and liabilities of the merged company, Gaughan (1996) includes the concept of survival in the definition. He suggests that a merger is a combination of two corporations in which only one corporation survives and the merged corporation goes out of existence. The term "acquisition" is frequently used in combination with merger and technically refers to the same type of business transaction. Schein (1985), however, defines mergers and acquisitions as different, based upon how organizational culture issues are handled. He defines mergers as an attempt to blend two cultures without necessarily treating one or the other as dominant. In an acquisition, the acquired organization automatically becomes a subculture in the larger culture of the acquiring company.

Subtle differences in terminology exist, to some extent, by who is using the terms and what connotation these words carry for the individual. There's a tendency for the smaller

company to think of the new arrangement as a “merger” while the larger company rarely fails to call it an “acquisition” (Geber, 1987). While he acknowledges that merger and consolidation are used interchangeably, Gaughan (1996) suggests that the correct term is related to the size of the two firms: when the two organizations differ significantly by size, merger is the more appropriate term. When they are the same size, he recommends using the term consolidation.

Because the six employees interviewed for this study used the words merger and acquisition interchangeably, both of these words will be used in this paper to refer to the purchase of Agrow by ChemCo, pseudonyms for the two corporations featured in this study.

Stages of Mergers and Acquisitions

There are three primary stages in the merger process, with the difference being in the choice of words used to describe these stages. Bibler (1989) labels these three stages as pre-acquisition, due diligence and negotiations, and post-acquisition. An understanding of each stage is necessary to explore where the organizational development interests currently are or where they would ideally be located. Typically, when authors' works present the business strategist's frame of reference, the first two stages (pre-acquisition and due diligence/negotiations) exclude references to organizational development components such as employee morale and loyalty. In this group of literature, people and cultural components are covered only, if at all, in the third stage, post-acquisition. Organizational development theorists typically stress the need for greater attention to the human

components involved in mergers. But most of them still include these components only in the third, post-acquisition, stage. Considerably fewer recommend that the cultural issues be addressed earlier, in the first two stages.

A survey conducted by A. T. Kearney identifies two phases as critical to the success or failure of a merger. Thirty percent of survey respondents stressed the importance of the pre-merger phase, while the majority indicated that the actual implementation phase—often referred to as the “post-merger integration” phase—bears the greatest risks. Only 17% indicated that the middle phase, negotiation and closing, presented the greatest risk of failure (Habeck et al., 2000).

Cartwright (1995) reported in a study of 40 British companies that all 40 conducted a detailed financial and legal audit of the company they intended to acquire. On the other hand, not even one of these same companies made any attempt to carry out any audit of the company’s human resources to assess the talent they were acquiring.

Bibler (1989) recommends a more proactive approach to the people issues. He suggests that the pre-acquisition phase be expanded to include the concept of “know thyself” for the acquiring organizations. To do this, he proposes the inclusion of a cultural profile in the pre-acquisition phase that clearly identifies and analyzes the organizational characteristics, strengths, and weaknesses. He suggests that this self-knowledge is necessary for an organization to have a greater awareness of its own cultural strengths and weaknesses. This information can then be used to reshape a healthier culture that supports the acquisition and better ensures internal success. He further suggests that this assessment enables the organization to create a profile of appropriate cultures for acquisition. As a

result, the organization can then make clearer decisions as to whether it wants to acquire organizations similar to its culture or deliberately different in support of new strategic directions.

According to Cartwright (1995), most companies check financial strength, market position, management strength, and various other concrete aspects pertaining to the “health” of the other company. Rarely checked, however, are those aspects that might be considered “cultural”: the philosophy or style of the company; its technological origins, which might provide clues as to its basic assumptions; and its beliefs about its mission and its future (Schein, 1985). Yet if culture determines and limits strategy, “a cultural mismatch in an acquisition or merger is as great a risk as a financial, product, or market mismatch” (Schein, 1985, p. 34).

Typically, the due diligence phase consists of an analysis that focuses solely on financial information (Bibler, 1989). Bibler encourages the inclusion of an analysis of human aspects with the development of a profile of the acquisition candidate’s culture. This analysis enables the acquiring organization to be more aware of similarities and differences in areas like the internal reinforcement system (compensation, performance review, performance criteria, hiring, firing criteria, and practices). He further proposes that the philosophies of the dominant leaders be compared during this stage. He recommends an open discussion occur during this stage, not only on the financial considerations, but also on the similarities and differences in culture and the proposed nature of the cultural integration that will need to take place.

Those authors that address the key steps to mergers and acquisitions identify due diligence as a standard part of the merger process (Bibler, 1989; Geber, 1987; Gaughan, 1996; Gussow, 1978; Marks & Mirvis, 1982; Schein, 1985). But this period is described strictly in terms of the business and financial goals. Marks (1999) is the exception, introducing the concept of cultural due diligence. This brings into the open questions about different ways of doing things, predicting the demands of integration, and stating which culture will dominate from the start.

The post-acquisition phase is typically where the financial and physical integration plans are carried out. This is also the phase where authors typically include the human components that need to be addressed (Bibler, 1989; Geber, 1987; Gaughan, 1996; Gussow, 1978; Marks & Mirvis, 1982; Schein, 1985). These same resources recommend an integration plan that includes communication plans and strategies; organizational structure and reporting relationships; new vision, mission, and values plans; and personnel plans, including benefit packages, compensation packages, policies, and procedures.

CHAPTER 3. LITERATURE REVIEW AND FINDINGS

Much is written about the multiple responses to changes in the workplace. Lucenko (1999) cites workplace psychology studies that show employee anxiety during a merger can stem from psychological shocks created by the merger. Change can be stressful to some people and may generate fear. While some individuals thrive on this fear and uncertainty, others could be paralyzed. Initial reactions of those interviewed for this study ranged from irritation and anger to hesitant reservation.

Research Question 1

What major events or activities during the post-merger period triggered significant emotional responses from the selected employees?

Initial employee reactions

ChemCo first bought 20% of Agrow shares several years prior to the merger announcement. An agreement at that time included a statement that ChemCo would buy no further shares of Agrow for sixteen years. However, the merger announcement occurred within three years of that agreement. All six employees interviewed expressed varying levels of surprise at the sudden change from the original agreement.

An official meeting announcing the merger of ChemCo and Agrow was held at 9 a.m. on October 1, 1999. To accommodate the large number of geographically dispersed employees, video conference and teleconference technologies were used in addition to

actual onsite meeting space. Notices were posted on doors of buildings announcing the all-employee meeting.

Kathy and Mary were contacted by their supervisor early on the morning of the announcement. While they were not given any specifics, they were encouraged to participate in the morning meeting. The other four employees interviewed became aware of the meeting only as they arrived for work that day and saw the notices on the building entrances. Rob clearly remembered walking into the building, seeing signs “plastered all over the place saying *There will be a major announcement. Report to the conference rooms at 9:00 for a major announcement.*”

The initial reactions of these employees support the research of several authors, including Marks and Mirvis (1985), who address what they label the “merger syndrome” characterized by a fight/flight reaction. Marks and Mirvis discovered that employees were either overly hostile and aggressive or withdrawn and despondent. These authors identified anger and sadness as two primary factors related to merger activity. Research suggests that anger over being unfairly slighted can cause painful feelings and a desire for revenge, with subdimensions that include irritation, resentment, and annoyance. Sadness is linked to conditions of loss over the many colleagues displaced and the need to work in new work units after their organization was restructured, which in turn invokes resignation rather than struggle. As a result, individuals attempt to manage distress evoked from the situation as opposed to dealing directly with the acquisition through problem-focused coping.

The two employees with the least seniority, Arthur and Rob, expressed very specific reactions to the initial announcement. Both had inquired about the potential for a buyout

when they interviewed for their jobs. Arthur heard about the initial 20% stock purchase two years earlier as he was driving into work to submit his resignation to his previous employer. He immediately called Agrow and asked for an explanation, stating, "I have chosen to come to work for Agrow, not ChemCo. Explain this to me." The stock purchase was described to Arthur as a joint venture in which Agrow had the upper hand, one that increased the likelihood that Agrow would remain independent. When the actual acquisition announcement was made, Arthur was not particularly bothered, though, attributing his reaction to his history of having been through several events of this nature with previous employers. "The environment changed," Arthur stated. "There used to be lots of independents and we were the last one. We saw competitive behavior that was based on pockets that were deeper than ours and we had to address that."

Rob, on the other hand, having only been employed at Agrow for thirteen months at the time of the announcement, described a sense of betrayal, since he, too, had specifically asked about the possibility of a merger when he interviewed for his job and was told Agrow would remain independent for at least the duration of the aforementioned agreement. Realistically, he understood why nothing could be said even if they did know, but he still responded to the initial announcement with anger. Given time to compare this change to other changes in his life, however, Rob admitted that now, he could look back and describe the initial change as "not that big" and "just another event."

Kathy, Mary, and Ann expressed surprise at the suddenness of the announcement, despite the fact that rumors had been circulating for several months prior. Kathy didn't really think it would happen because "for years we've had rumors on and off about

Monsanto buying us and I bought into the 'remaining independent' line that we got so passionate about for so long."

Three of the six employees referred to initial feelings of ambivalence. Ann described herself initially as "...more or less ambivalent; I didn't look at it as a total negative." While she was sorry to see it happen, given the long history of Agrow maintaining its independence as an enterprise, she was not totally surprised since "...the business environment was undergoing so many mergers and acquisition and big companies swallowing up smaller companies that we couldn't have existed in the long term without taking such a step forward." Ann described an initial sense of sadness in seeing "the small company atmosphere, some of the family closeness and history go down the tubes."

Kathy also described her initial reactions to the acquisition as ambivalent. "We knew we probably couldn't continue independent for too much longer without something happening. So I didn't really have a strong positive or negative reaction." Kathy remembered the initial meeting as being very positive. "I don't really know how other companies have done it, but it did strike me that this is so good, kind of the white knight that saved us...you really had the feeling that you couldn't have wished for a better partner." On the other hand, she understood that for those employees for whom this was their first kind of reorganization experience, "It's sort of a slap in the face."

Mary didn't see the change as having any initial personal impact on her or her job. "I didn't think much about it at first," Mary stated. "I just kind of thought it was a business need, it was a decision and that's what happens. You move forward and you go on."

While Gary admitted he had reservations about the announcement, he wasn't surprised, believing that "the die was truly cast" when Agrow sold the first 20% to ChemCo. Gary continued, "It was almost anticlimactic by the time the formal merger was announced." In retrospect, he described the acquisition as one that seemed "logical and a good business decision."

The waiting game

At that first all-employee meeting on the day of the announcement, the senior leaders described Agrow and ChemCo as being two very similar companies with common business goals and similar cultures. All employees interviewed described the time immediately following that announcement of the acquisition as one of little visible change, so this message of similarity seemed to ring true. They remembered their colleagues welcoming the statement that there would be little change in the way Agrow would do business. Gary clearly remembered the Agrow CEO "...standing up and with a straight face saying, 'nothing will change.' I laughed aloud in the back row where I was seated and then realized I was the only one laughing."

Arthur also heard "we're the same" and "nothing's going to change" in the announcement. He laughed as he remembered his initial reaction. "If that's really true, I'm stunned," he thought at the time.

For me, the math was simple. Nobody spends 9.6 billion dollars on something that doesn't generate anything like the revenue necessary to support a 9.6

billion dollar investment without some plans for how to integrate. If you're going to integrate, then there's going to be change.

He still wonders if Agrow leaders actually did believe the no-change message they spoke.

"I would find it hard to believe that you could stand up there and state something that you didn't firmly believe. They wouldn't have to say it. They wouldn't have to stand there and tell a group that nothing's going to change."

Job security concerns

Geber (1987) reports that there is a worry factor that results in immediate drop-off in productivity after a merger because workers feel their security is threatened and therefore are too distracted to do their jobs properly. This worry factor was certainly true for the employees interviewed for this study. Regardless of whether they responded positively or negatively to the initial announcement, all six employees initially wondered how this change would affect their own job security. They observed that the same thoughts were on the minds of their co-workers. Ann described others as thinking "ChemCo has taken over their lives."

Rob described that morning of the announcement as a "big buzz." He talked about everybody below a certain management level thinking, "What's this mean to me? What's up for me?" Because he and his wife both work for Agrow, the potential of the acquisition impacting their lives was even more critical. When they did talk about job security, he did not attribute those discussions directly to the acquisition, but rather to the nature of their

jobs and their approaches to life. “We’re just two neurotic individuals who found each other,” Rob joked. “We’re fatalists.”

Kathy also admitted to initial concerns about job security. She recalled, “Being a small company purchased by the leader in the same industry, I would immediately think that you would be looking at wholesale cuts. But I wasn’t really sure how much ChemCo overlapped with Agrow. I didn’t think it was too much at that point.” She expressed relief that ChemCo did not “come in, strip everybody out, and force their own structure on us the day everything became final.” Kathy observed that other employees were much more emotional than she, describing an outpouring of negative reactions from many employees following the announcement.

Arthur acknowledged that job security did enter into his thoughts. But given his previous experiences, “...uprooting the family, buying a new house, moving, and settling in wasn’t a fearful thing.” The greater issue for Arthur was going through the discussion of “what does this mean?” because he had made a “very conscious set of decisions” to work for Agrow, not ChemCo. Gary’s biggest issue was not job security as much as it was his struggle with working for a chemical company. Gary explained, “ChemCo is a chemical company and a chemical company is not the kind of company I would have sought from the employee’s side, because of the nature of the chemical industry.” He admitted, however, that he has since come around to accept this.

The reality of change

In the case of the employees interviewed, all described their adoption of a wait-and-see attitude. It was during this waiting period, however, that individual reactions became stronger and they began to experience emotions on a much more personal level.

The reality of the change for Mary came when she attended a conference at which ChemCo hosted a booth and she got the reaction that they didn't really know "who we are...we're Agrow. I mean, they didn't have a clue as to who we were." Her sense of pride dissipated somewhat after the acquisition. "We were number one in the sea of a kazillion," Mary said, "and it really didn't make a difference, whereas before, when you were number one, we were number one." Mary admitted, however, that once those changes did start impacting her personally, she took a stronger interest in what was going on in the organization. "I guess now that things are actually starting to change," Mary said, "I start having feelings about it. I feel much more like a number now whereas I never did before. I do feel more negative about it now than I did in the beginning and I think that's simply because I didn't understand all the ramifications of what could truly happen."

Arthur didn't think a lot of people understood what was coming with the acquisition, describing others' reactions as "dead fear." "There are an awful lot of people here who have spent their entire working career in Agrow in Metro City who have no desire or intention to ever leave Metro City, who would prefer to never leave Agrow, who have no clue as to what ChemCo is or what that might mean," Arthur recalled. "They were initially latching on to that statement that nothing would change almost desperately, consuming an amazing amount of energy trying to think about what all this might really mean."

Having only been with Agrow for two years at the time of the announcement, Arthur did not see himself responding in the same way as those who had been with Agrow for many years. Arthur stated,

This has been a fiercely independent company that has gone to great lengths to say “we will be independent.” Other people were going through an emotional loss phase that I would not experience, so I had to consciously factor that into my interactions with people.

Because few major changes were observed during those first two years following the merger announcement, the employees interviewed seemed to find reinforcement of those first nothing-would-change statements they heard. Rob, for example, didn’t personally experience any changes until one and a half years after the acquisition. At that point, when he was personally involved, Rob saw a much clearer message being sent to employees, one that stated, “We’re merged now, we’re part of ChemCo, let’s get on with it. Now this merger’s going to start meaning something.”

The problem, according to Arthur, was that during this period of little change, “the company continued to burn up good will with the employees and the energy of the employees’ commitment to the enterprise.” The only advantage he saw to this period of inactivity was that it gave employees “a chance to get used to the idea that they were owned and that the world hadn’t ended.”

Gary was much more critical. “What’s really come across in the past two years,” he stated, “is a lack of management, a lack of decisions communicated, a lack of clear goals, and a lack of direction.”

The credibility factor in employee communications

According to Habeck, Kröger, and Träm (2000), 86% of companies studied said they failed to communicate their new alliance sufficiently in their merger integration phase. Of the 20,000 new alliances between 1987 and 1992, about 40% were considered failures in 1995, according to a study by Booz-Allen and Hamilton (Triantis, 1999). Triantis cited one of the five factors for failure as inadequate and erratic communications. Geber (1987) cautions that while effective communication eases problems, it doesn't make them vanish.

Mergers and acquisitions create special problems in corporate communications. Any change in corporate control brings new strategic directions, business priorities, organizational dynamics, and values that need to be conveyed, according to Ainspan and Dell (2000). Kroeger and Thuesen (1992) believe that "the ability of some companies to survive and even thrive amid all this turmoil is directly linked to the degree with which employees and management communicate effectively with one another" (p. xiii). Ainspan and Dell (2000) stress the importance of using multiple approaches to communication. They state that "attention to such interactive channels of communication provides greater opportunity to help shape employee perceptions, address the often-unstated emotional concerns, and potentially preserve the value of the merger" (p. 11).

Customizing the message to each audience in the organization can be a critical component of each audience's understanding of the message, according to Ainspan and Dell (2000). However, the data show the merger communications are not being customized enough to meet employee needs. "Much greater efforts are spent customizing the message for the top levels of the company (including the board of directors and top management)

that already believe in the merger. Far less effort is spent on the rank-and-file employees and middle managers, where more convincing may be needed” (Ainspan & Dell, 2000, p. 13). Flexibility of communications is important because the message or technique that is successful for one company, team, or person may not work as effectively with another. “Design the content of communications with audience needs and questions up front, and the underlying values as part of a continuing backdrop” (Ainspan & Dell, 2000, p. 23).

All employees interviewed expressed strong feelings about the communications during the post-merger process. Those official communications held little credibility for Gary. He described ChemCo as going through the motions of communicating. “It was often too little, too late,” he said, citing the grapevine as the source for the best information. “You would find out about things before any official kind of employee communication would take place.” In addition, Gary faulted the communication for being incomplete. He believed that the state of indecision in the company was the reason for “a lot of ambiguity being communicated and that’s not at all what people are needing.” Ann also referred to the first announcements as having little substance. “They kind of hid behind this *We don’t know what’s going to happen,*” Ann stated.

Gary was extremely critical of ChemCo’s approach to official corporate communications overall. He described a communications survey conducted by ChemCo to which he had access, in which everything but personal communications was addressed. He said,

All they talked about was the web site and the newsletter and the magazine and the videos and that’s all window dressing. That really doesn’t matter.

What really matters is the supervisor-employee communication. What really counts is the employee to employee communications, the e-mails that go from person to person or from group to group. That stuff really counts. But there was none of that whatsoever in this report. So either ChemCo really doesn't get it when it comes to managing internal communications and managing change and all the stuff that's so important or they asked the questions and did not report them. Either way, they lose.

Gary was also sharply critical of the lack of communication regarding positions that were eliminated. He cited rumors that 40–50 research employees lost their jobs during the second year, but nothing official had ever been released, leaving the informal communications or grapevine as the primary source for this information.

While Kathy saw problems with official communications, she was less critical than Gary. She identified division meetings and her direct manager as her primary official sources for information. However, she also suggested that only parts of the messages were communicated or that individuals were given information on subjects that either did not directly impact them or for which they did not have enough knowledge to even understand the communications that were delivered. Kathy did not like receiving messages she could not understand and did not like having to ask for clarification. "They didn't explain their terminology," Kathy summarized. "They didn't give the whole picture."

Equally troublesome to Kathy was the lack of any meaningful official communication during the first year of the acquisition. She estimated that about 70% of the official communications was credible. She had the perception that there were

...a lot of postings and a lot of typing and a lot of words but they just didn't say anything. I was getting tired of reading the web site where you'd send in your question and they'd say, *We cannot answer this at this time; we do not have the information at this time*, which was probably true. But you just started saying, *What do you people actually know?*

Mary's reactions to the question-answer web site were similar to Kathy's. "I think I read through them three to four times," Mary stated. "I just probably don't think I realized what an impact it would have business-wise for me. So I thought *whatever* and went on and worked." It was not until her job started changing that Mary returned to the web as a source of information and read things more carefully.

Kathy observed that people who attended the same informational meeting would leave with different interpretations of the same spoken message. Mary recalled, "I'd go to a friend and say, *Well, we talked today about X and I'm not quite sure I got it. What did you hear?* And I'd get two people who would say opposite things." On the other hand, Kathy observed an improvement in communications techniques and strategies after the first year, something she believes was a result of more things to communicate a year later. But she still had reservations that "they aren't completely disclosing all."

For Ann, referencing the official web site was not an option she used often because "it's more time consuming than trying to find someone to talk to in person." Ann adopted the attitude that things would happen regardless of what she read in the official communications, and therefore chose to not worry about it. "I look at those things kind of as sugar-coated," Ann stated. "They're only going to tell you what they want to tell you

and what doesn't paint the worst picture to totally demoralize you. It's kind of like doing damage control. *We'll tell you but we're not going to tell you everything.*" Ann believed a primary reason she paid less attention to official communications was directly linked to new names that were unfamiliar to her. "I no longer know who these people are and so I think I'm paying less attention," Ann said. "I have no interaction with them. If it doesn't affect me directly, I go on."

Honesty in communications

Bell (1988) believes honesty in communication during mergers is critical, suggesting that organizations keep people informed, even at the risk of being overly informed. Bell advises organizations to prepare people with a mental set to expect problems and the willingness to deal with them. Habeck, Kröger, and Träm (2000) recommend that honesty be coupled with the ability to communicate enough information to make the efforts worthwhile. They believe that too frequently, merged companies mention job cuts right from the outset, in the interest of being honest and direct, but are not sure where they will come and how many jobs will be affected. This lack of specific information increases employee anxiety and decreases motivation.

Gary strongly criticized the lack of honesty and directness in official communications.

"I think they have to be honest," Gary said.

I know that you can't always admit the things when they need to be communicated because of law and all those things. But I think it's much better for a company to be honest and straightforward and above board, even if it's

bad news, than it is to try to gloss things over, omit things, or lie. And we were lied to....more than once we were lied to....

Rob also questioned the credibility of the initial official communications. Having previously been a copywriter for an ad agency, he saw much of the initial communications as word-spinning. He reacted to much of what he initially read with, "Come on, do you expect any of us to believe this crap?" Rob continued,

They did not even address the fact that some people might be upset, that some people might fear for their jobs, that some people were going to be irritated.

Anytime there's a change, there's going to be a moment of grief for the way things were. By not acknowledging this, it may have taken some of the luster off of the picture they were painting. But let's just acknowledge that. Had they acknowledged this, then the luster may have rung truer, at least for me.

On the other hand, Rob credited corporate communications as showing improvement as time went on, saying they were doing a "great job of communicating stuff when there just wasn't much to communicate." This contrasted sharply with Gary's perception that communication became "scarcer and scarcer." As time passed, Rob cited communications a year later as being a

very concerted effort.... Corporate communications in the last few months has done a fantastic job of sharing as much information as there is to share. A yeoman's effort, a yeoman's job. They are doing a better job of trying to tell folks *we still have eleven million units of seed to sell, so the work still has to get done.*

From Arthur's perspective there were "some pretty consistent messages, at least for the first six months, but when things started to change, there became an awful lot of silence." Arthur wished that people had been made available for employees to visit with, individuals who would be familiar with the stresses associated with acquisitions. Arthur saw most of the official communications efforts as being done well, citing an openness that he had not seen in previous acquisition initiatives of which he had been part. The meetings and presentations sponsored by Agrow were viewed as excellent opportunities to "make a wide range of the company to feel very much a part of the business." Based upon his own experiences, he observed that,

Large corporate America would not generally expect to share that kind of information as broadly as ChemCo was sharing it. It's one of the things I consider to be a positive about Agrow as a company. It believes and acts in a way that really reinforced how people at relatively low levels of the food chain are essential to the long-term success of the company and therefore can share in the information.

In his previous company, Arthur observed,

I would not expect those folks to be sharing that information with that group at that stage. There would be silence. Absolutely nothing. No information. In fact, you would be able to pick out how serious something really was by who wasn't talking.

The corporate grapevine as a communications channel

The corporate grapevine can be a strong force within an organization at any time, but particularly so during an acquisition. Marks and Mirvis (1985) found that individuals in teams tended to cope with stress by banding together in a manner that could foster poor decision making and groupthink. Bell (1988) expressed concern that little, if anything, gets done during the merger process, with most things coming to a “screeching halt” (p. 69). Bell addresses the need for rumor control and to anticipate rumors as much as possible within the company. Bell further suggests that (a) management play the grapevine inside and outside the company; (b) have as many regular communications with the employees as are needed; and (c) realize that beliefs on the part of the employees in what the company is saying comes from constant communications from the company. Bell (1988) suggests “this is a cumulative thing, not a single story, that includes a verity of vehicles such as internal memos and newsletters, information centers and press releases. The idea is not to let the cat out of the bag, but to include more people in the bag” (pp. 31–32).

In the case of Agrow, Gary described the grapevine as one that is “tremendously efficient...not only highly developed but extremely accurate.” Gary believes “the batting average of the grapevine versus official communication is very, very high.” Ann also described the grapevine as “strong as it always was, probably a little more active,” estimating that about 30% of the information employees received came through official channels with the remainder coming through “grapevine, leaks, scuttlebutt, and rumor.”

Several days before the announcement, Gary heard rumors of the forthcoming acquisition announcement from several people at Agrow, thus making the actual

announcement for him “anticlimactic.” Kathy had also heard rumors several days prior to the announcement from her department’s administrative assistant. She recalled, “I remember it clearly because she was freaking out and asked me if I was nervous about it but I didn’t really think it would happen so I wasn’t nervous.”

Gary’s personal communications grapevine surfaced several negative stories, including one that a ChemCo vice president described Agrow employees as “coddled, overpaid, and spoiled and that ChemCo would take care of that.” The grapevine also circulated the story that this same vice president refused to have lunch with Agrow employees when they invited him. “I have heard on the grapevine some other things that I just plain don’t want to believe,” Gary lamented, “but if I had to put money on this table, I would bet they’re probably true.”

Both Gary and Mary described themselves as individuals who typically keep to themselves. However, Mary found that people approached her with rumors because they “feel comfortable talking to me.” Mary and Gary both observed that the grapevine still existed but became less obvious and more hidden. Mary stated,

I have noticed that in the past, people would stand around and chat more and they would talk more about what is going on. Now most people are pretty close-lipped. The grapevine is still there, but I think it’s a real tight grapevine. I think that people just don’t trust the next person quite as much as they did before.

Because the corporate grapevine can serve as another form of social support for employees, Cooper (2000) warns of a potential negative side to social support. He cites an

example where “people within an individual’s social support network hindered his/her propensity to think positively about the acquisition. Instead of evaluating the acquisition in a positive light, these resources caused an individual to pessimistically view the situation” (p. 644). One plausible explanation for these findings is that several sources of social support came from the work environment, such as supervisors and co-workers. These sources were facing the same stressful situation and perhaps were alleviating some of their own frustration and anxiety by placing blame on others. It is also plausible that other sources of social support (i.e., friends and relatives) were tired of hearing complaints made about the acquisition and therefore offered a more detrimental type of support to the individual. Cooper suggests that future research needs to determine if distinct sources and types of support differently affect various types of coping strategies.

Ann’s interactions with employees support Cooper’s concerns. She admits she did not hesitate to share with her co-workers her feelings when she felt she was treated unfairly as a result of a job change that occurred after the merger. Ann stated, “After being a nineteen-year employee, long term, good work history, good work ethics, hey, guess what...you can get slapped upside the head.”

Cooper’s findings are further validated by Kathy’s observations of the corporate grapevine. Kathy described people as telling “just horrible, horrible stories of what’s going to happen.” After the announcement was made, Kathy noticed the grapevine taking on what she calls “my brother-in-law” syndrome. She laughed as she gave some examples.

My brother-in-law worked for Conoco, and ChemCo bought them and everybody lost their jobs. My brother-in-law worked for Company X that was

purchased by ChemCo. ChemCo told them they'd keep their corporate identify but three weeks later they were burning the signage and starting over. My brother-in-law worked for ChemCo and they get two days of vacation a year and one of them is Christmas!

Kathy initially relied on some of her peers who historically understood "this kind of stuff, who just have a knack or history." But she quit doing that when she felt the information was no longer credible. "Knowledge is a currency," Kathy observed. She continued,

I have found myself for the last six months, or even longer, really steering away from talking about the merger, unless it's something really, really concrete that we all heard the same thing and we can just discuss. But no more *What do you think is going to happen with benefits?* or *What did he mean when he said that?*

Kathy laughed as she described merger discussion as being "kind of like religion and politics...not a good topic for conversation."

The grapevine appeared to be least used by the newest of the employees, Rob and Arthur. Rob described himself as not being "plugged into" the grapevine as deeply as others. "I know there's a grapevine," Rob said, "but usually my grapevine is one-to-one, just talking to someone in the hallway. I don't have a good feel for how it all works. I just know it exists." Like Rob, Arthur was aware of an "amazingly strong" grapevine, one to which he wasn't deeply linked given his two-year tenure at Agrow, but one of which he admitted he would liked to have been part. While he questioned the accuracy of this

grapevine, he understood the need for people under stress to have somewhere to go for information. "I saw people with vast numbers of years of experience and lots of shared activity and experiences coming together."

Research Question 2

What impact did the merger have on the selected employees' perceptions of organizational culture?

Organizational culture issues related to mergers

Salk (1992) defines culture as "shared tacit assumptions of a group that it has learned in coping with external tasks and dealing with internal relationships" (p. 186). He includes mission, goals, means, measurement, corrective mechanisms, language, group boundaries, status, and reward systems as part of culture and believes it is evident in an organization's artifacts, espoused values, behaviors, rituals, and climate. Its essence is the shared tacit assumptions. Pritchett (1987) defines culture simply as corporate personality. Culture is often used as a "catch-all covering behaviors, objectives, self-interest and ego, and any other reasons people do not want to discuss openly" (Habeck et. al., 2000, p. 81).

McManus and Hergert (1988) consider all of the following to be part of an organization's culture: the philosophy or style of the company; technological origins, which might provide clues as to basic assumptions; beliefs about its mission and future; and how it organizes itself internally. Schein (1985) identifies three levels of culture: artifacts (visible organizational structures and processes); espoused values (strategies, goals, philosophies,

espoused justifications), and basic underlying assumptions (unconscious, take-for-granted beliefs, perceptions, thoughts, and feelings).

Ingalls (1976) describes a situation where, as changes occur in any organization's structure, in its tasks, functions, or its processes, there will most likely be a change of organizational climate. Ingalls warns that "too much ambiguity leads to chaos; too much control or certainty leads to paralysis" (p. 52). Cooper (2000) believes that "culture matters at this level because the beliefs, values, and behavior of individuals are often understood only in the context of people's cultural identities. To explain individual behavior, we must go beyond personality and look for group memberships and the cultures of those groups" (p. 14).

Schein (1999) describes culture as stability, in which members of a group want to hold on to their cultural assumptions because culture provides meaning and makes life predictable. He states,

Humans do not like chaotic, unpredictable situations and work hard to stabilize and "normalize" them. Any prospective culture change therefore launches massive amounts of anxiety and resistance to change. If you want to change some elements of your culture, you must recognize that you are tackling some of the stable parts of your organization. (p. 26)

The impact of change in organizational culture

Kotter and Heskett (1992) believe that a strong sense of organizational culture is critical for overall corporate success. They believe that effective organizations are able to

evolve their practices around a small number of high-level core values and assumptions that do not change. Given that mergers inherently involve change and challenges to the existing set of cultural values and norms, they warn that challenges should be expected.

Changing culture is immensely difficult, requiring consistent and symbolic demonstration by leadership of the new rules and priorities, constant communication, and reinforcement that can take many years to achieve (Habeck et. al., 2000). Geber (1987) estimates that it can take a good ten years before two organizations' ways of doing things mesh into one definable culture.

A direct correlation between the years of employment and the emotional impact of the acquisition on the employees interviewed was very clear. Those with the most years of service expressed the strongest negative reactions to the changes they observed in the overall Agrow culture. When the six employees were asked to describe Agrow culture, they immediately referred to "bleeding blue," the phrase commonly used in Agrow to describe the sense of dedication and commitment of Agrow employees.

For Gary, a sixteen-year Agrow employee, Agrow was "a special company, a company founded on values." He believed that others joined Agrow as he did, to work for an organization that they could believe in. "When I came to the company," Gary said, "people said with a straight face, *Our reason for existence is to feed the world*. And people honestly believed that." Gary continued, "And I could sign on. I am at that stage in my career when I do not work just for money or benefits. I've got to have satisfaction out of what I do. And I think a lot of people do that. If you look at Agrow when I came on, I felt really, really great. It was a top-notch place to live and work."

Gary continued, "I felt like I was joining a company that really did help feed the people at Agrow in those days. They understood. They knew who the founder was and they knew some of the traditions. They knew the values and felt very good about them." Gary then stated emphatically, slowly, and with noticeable stress in his voice, "ChemCo does not have those values." For Gary, that sense of pride and ownership is now gone. "I'm saying I'm resigned," Gary said. "I don't particularly care. I am a disinterested observer at the corporate, global level." Gary shared his theory that all organizations are volunteer in the sense that the organization has to work with you so that you sign on and so that you will want to do your best individually. "You know," he stated, "ultimately everyone is a volunteer in the organization. Now my enlistment, so to speak, is very different from what it was pre-ChemCo."

Culture is as much a value driver of an organization as its assets, products, customers, and even the individual capabilities of its people (Habeck et. al., 2000). Any company acquiring another should be very clear about what it wishes to do with this cultural asset, and how to maximize its value. Cultural incompatibility is the single largest cause of failure to achieve projected performance, departure of key executives, and time-consuming conflicts in consolidation of businesses (Bibler, 1989). "Ninety percent of what goes on in an organization has nothing to do with formal events. The real business goes on in the cultural network" (Deal & Kennedy, 1982, p. 86). Bibler (1989) and Geber (1987) address the need for relating the type of merger activity to the type of cultures being combined by the merger and the potential for cultural clash. They describe the conflict of two companies' philosophies, styles, values, and missions. Or as Geber (1987) draws the

comparison to “when jeans and Adidas meet pinstripes and wingtips” (p. 32). Bibler (1989) warns that this clash may, in fact, be the most dangerous factor when two organizations decide to combine. Bibler (1989) cites Larry Senn who warns that ignoring a potential clash of cultures can lead to financial failure or at least a substantial diminution of expected results (p. 229).

Gary referenced a study that had been done to compare the two organization’s cultures. He cited an Agrow leader who had stated to Agrow managers at a meeting that the cultures of Agrow and ChemCo were a perfect fit. “What bullshit!” Gary said angrily. “I contributed information during the due diligence to the assessment of cultures and I know that they were not a perfect match.” For him, this marked the point where he questioned the credibility of the leaders, citing a “huge gap that was never, ever bridged.” As a result, he described his personal coping strategy as one of disengagement. Arthur agreed with Gary that care should have been taken when comparing the cultures of Agrow and ChemCo. Arthur stated, “Organizations should be very careful when they make those assumptions and comments. It simply wasn’t true in this case. And behavior didn’t follow.”

Gary seemed troubled by his reaction to the changes in organizational culture. He described a process where he has guarded himself, caring primarily for himself and his immediate projects and responsibilities. Gary said,

I used to care about the company. I used to care deeply about Agrow. I always felt that I was a member of the team doing something valuable and contributing. I have disengaged from a lot of that and have now focused on

my job and my work group and having some fun and doing the best job I can possibly do. I am not really paying a whole lot of attention to anything else.

And I don't like that, in a sense. I just don't care anymore.

When asked about the phrase "bleeding blue," Gary stated, "I understand that. Now we just bleed."

Ann also observed major changes in the organizational culture. "The loyalty of the employee to the company and the loyalty of the company to the employee for long-term service, good service, is a thing of the past," Ann stated. While much of this change can be attributed to the acquisition, she acknowledged that it was also an impact of economic times in the business world. In some cases, Ann recognized a culture shift in such simple things as employees being required to wear identification badges at all times. She saw budgets being administered differently, "more remotely, more coldly," with meetings and small events that typically helped boost employee morale being cut from budgets.

Organizational change often causes people to focus on negative factors, thus impeding their ability to focus on positive problem solving alternatives. Marks (1999), Pritchett (1987), and Triantis (1999) agree that if management wants the workforce to take a more positive problem-oriented approach towards organizational acquisitions, steps must be taken to reduce the negative emotions associated with such change. In Ann's case, she openly admitted her negative emotions as a result of job changes were obstacles to fully supporting the merger and believed other employees felt the same way now, as contrasted with a time when Agrow employees bled blue.

That could be changing. You're talking to one who has bled blue and she's been burned a few times. With ChemCo, there's less of a feeling. ChemCo is remote, ChemCo is big, ChemCo has a different theory. So there's less of a caring. If you're going to bleed blue and get stepped on, why continue bleeding?

She continued, "I was negatively impacted by my job change. It wasn't handled well in my opinion, so my attitude has been affected and you want me to bleed blue?"

Kathy referred to a "kind of legendary Agrow culture," a perspective that she didn't necessarily believe in.

I think there's definitely an element of people who have worked for Agrow their whole lives, a lot more than in a typical insurance company in Metro City. A lot of people have family members who work here, who are married to each other who work here. It's sort of a family, close-knit feel.

Kathy continued, "But, the legend is five times that. I hate that phrase, *Oh if you cut me, I bleed blue. I love this company. I came to this company as a child.*" Kathy did not attribute her views on organizational culture as directly attributable to the acquisition. Instead, she described herself as one who never bled blue in the first place. "I'm sorry, I was red from day one," she laughed.

Kathy described a job change years earlier that impacted her sense of dedication to the company and the negative impact it had on her overall sense of loyalty to the organization.

I'm not really all that loyal to this company, period. I'm loyal to people and to work and projects. I don't feel loyal to Agrow. If I had a better opportunity, I'd go in a second. I never felt that someone in Agrow was looking out for me and made sure my job wasn't being eliminated. I think some people had a wake-up call after this happened. I had my wake-up two years after I started here.

For Kathy, a significant characteristic of Agrow culture was its being historically a "nice, open, informal culture. You can call the VP's by their first names. Meetings are very informal." She continued, "There's a lot of loyalty to the name and to the company and to the people who worked here. But I do think that's exaggerated." Kathy suggested that the entry of ChemCo into the situation revealed "that a lot of that was on the surface and not real." From Kathy's perspective, the most important cultural change occurred prior to the acquisition and focused on a former CEO known for his leadership and vision, John Martin. "The one thing I think has changed culturally is the kind of John Martin era," Kathy said.

Just that kind of unified vision and clarity, where we are in the marketplace, we are the leader and we know what we need to do. That's kind of comforting to people. A lot of people really understood the Agrow business, and that was a good feeling, and that's a part of the Agrow culture that has changed.

Bibler (1989) identifies the difficulty of blending two organizations in that each group tends to see the world through its own biased cultural filters, which he refers to as

“familiarity blindness” or “cultural trance.” And the stronger the culture is in the first place, the harder it is to change it (Deal & Kennedy, 1982).

As a third-generation Agrow employee, Mary could clearly identify the strength of the Agrow “bleeding blue” culture. “It was Agrow to the end,” Mary observed. “You had a real sense of *I work for the number one agricultural company. We have the number one product.*” Mary reflected on conversations that talked about Agrow in “the good old days.” Having been part of a long-term Agrow family, she recalled visiting her grandmother at work and hearing her mother talk about the parties they would have. “People now talk about how it’s not there anymore. We don’t do that anymore. We don’t do it that way.” Mary continued, “And after awhile, you think *Yeah we did used to do it that way.*”

Mary compared the changes associated with the acquisition to earlier organizational changes she experienced when she first started working at Agrow. “When I first started working at Agrow,” Mary stated,

I started in research and at that time they were going through their first big change. It seemed people changed and it was considered bad and there was bitterness, but you went on because you were focused and it was Agrow. And it was still a family. I don’t think ChemCo truly realized how much Agrow was a family.

Mary continued,

But this time, I’ve noted more people are taking longer to get over it. It was like we got sold out. It used to be that people would be at work until midnight

and they would still be back at work the next day at 7 o'clock in the morning and smiling. Now it's different. Now I notice that they don't feel quite the same commitment that they used to feel. I think a lot of people felt that we were really sold out and abandoned in the middle of the woods.

Mary noticed changes in small ways, including less "chit chat in the hallways" and candy dishes on employee desks that were no longer filled. Mary quipped, "I still notice those little tiny things that aren't there anymore." For Mary, a significant change in the way Agrow treated employees was as simple as the free sweet corn Agrow would give employees each summer. After the acquisition, the sweet corn was sold to the employees instead of given away. She lamented, "it seemed like one more thing being take away from the employees. I listened to people and it was one big letdown."

For Arthur, it wasn't a matter of employees bleeding less blue, but rather the simple reality of fewer people remaining to bleed blue. "The people who bled blue and couldn't deal with change are gone or are going," Arthur stated, "and those who bled blue and stayed want to be here."

Of the six employees interviewed, Rob was least enamored about the Agrow culture. "I know folks here think it is a good company and I buy into it...I buy into the mission," Rob stated. But he didn't agree that Agrow is the most important part of an employee's life. "This is different from my father's generation that would spend years with a company. Agrow is a good corporate citizen," Rob summarized, "but let's put everything into perspective. It's just a job."

Schein (1999) says that surprisingly little attention is paid to culture before the new organization is created. As the new organization begins to function, people hear the rhetoric that “we will take the best from both cultures,” but careful examination of the evidence points in a different direction (p. 8). His observation is that “...the often-seen resistance to changes in the new organization is almost always based on the fact that cultural issues have not been considered at all in making decisions about procedures” (p. 11). Schein advises leaders to

try to see your culture as a positive force to be used rather than a constraint to be overcome. If you see specific assumptions that are real constraints, then you must make a plan to change those elements of the culture. These changes can best be made by taking advantage of the positive, supportive elements of your culture. (p. 68)

Arthur’s observations concurred with Schein’s. Arthur wished the leaders had been more respectful of the “Midwestern work ethic” of Agrow. “From an asset standpoint,” Arthur warned, “you mess with that and you’ve reduced the value of this company. If you can find a way to get people to transfer that identification to the larger enterprise as a whole...then you’ve added *to* instead of taken *away*.”

He described the strong sense of Agrow culture as something that could be both a strength and a weakness. Arthur noted, “The workforce here is one of the most amazing things that I’ve ever had a chance to work with and I’ve been in two other good companies. However, people who have been here forever don’t see a lot of positive opportunities.” Arthur suggested that many Agrow employees fail to see the weaknesses within its

organization. "Agrow is really good at some things and not all that great in some others," Arthur said. "For instance, for a two billion dollar company, Agrow measures fewer things than anywhere I've ever seen. ChemCo can help us measure those things."

"People believe that they make a difference in Agrow success way the heck down the food chain," Arthur observed, "and Agrow believes that people much further down in the food chain make a difference in the long-term success of the company, much more so than ChemCo believes."

Grief and bereavement are emotions commonly associated with radical culture change (Schein, 1989). Schein sees the danger of an identity crisis on the part of those being acquired, even if their jobs are not immediately threatened. This, in turn, leads to problems with morale and productivity. Schein's theory was supported by Ann, who saw much of the Agrow spirit as having been lost. Ann noted that "the closeness, the rapport, the enthusiasm of employees has been damaged. I've seen a lot of changes within Agrow, within management and in rapport and company enthusiasm. It's not the great company that it was when I started, but it's still a good company to work for."

The impact of leadership exodus

According to Habeck, Kröger, and Träm (2000), culture is created by the people within an organization, but more especially by the leaders. Culture creation starts with the founder or builder, and the employees and managers tend to follow the example of their current leaders. Managers are typically the first to realize the negative impacts of a merger. Bell (1988) reports that between 1982 and 1984, almost half the 150 executives in the

biggest takeover targets got out within a year. According to Bell, most left because they didn't like the way their new bosses did things; only one-fifth said their jobs had been scrapped. Bibler (1989) cites a study of 200 CEOs who were at the receiving end of the merger and showed that 43% left the organization before two years had passed, while only 42% of managers remained with the acquired company for as long as five years. Levinson (1970) suggests this can result in an identification crisis for employees. He describes how management goes to great lengths to integrate people as members of the corporate family, to encourage them to identify themselves with the organization, and to see it as their own. But when a merger takes place, the stronger the identification, the greater the possibility that employees will feel they were deserted when their leaders leave.

The numbers of leaders who left Agrow was considerably greater than these numbers, with 20 of its top 24 executive vice presidents leaving within the first two years. At the same time, the company saw two CEOs leave, with the third and current CEO taking office on the first anniversary of the merger. In addition, 350 senior managers were protected by a legal document Agrow referred to as "Change in Control." This legal document had been developed several years earlier as a proactive means of discouraging a hostile acquisition of Agrow. The document involved significant severance packages for approximately 350 senior managers. The agreement was written so liberally that managers could invoke their legal rights and leave the company if their job roles or status changed. ChemCo was aware of this legal restriction when it acquired Agrow, but seemed willing to risk that Agrow managers would not invoke their rights. However, immediately following the news of the merger, the initial feedback from managers indicated that a large number of these managers

intended to exercise their rights and leave, posing a serious financial threat and knowledge drain to ChemCo. Emotions ran high on both sides of the issue as legal arguments proceeded. It proved to be a key element in the negative feelings held by most of the employees interviewed.

All six employees responded negatively about the change in senior leadership, with the longer-term employees responding most strongly. "The entire senior management group that existed in Agrow, it's gone," Gary observed. "They took their money, in most case millions of dollars, and left. We were sold out! Betrayed! Betrayal is a good word. Looking back, it appears that the company was being positioned for sale early on."

Ann agreed with Gary, believing that some senior management had "nice little balloons for themselves" that they "took and ran with, leaving the little people here holding down the fort." Ann described the change in leadership as "a very big deal" that had a big impact on morale. She described them as "jumping ship." Ann stated, "It concerns me that a lot of good employees are leaving and will be going to the competition. And it makes me a little envious that I'm not in a position to say, *Hey, I'll do that!*" She continued,

It makes me a little angry because I think it's inequitable. I feel the people that have the nice package were already fairly compensated between salary, management reward, perks for their work, and the decisions they had to make. The people on the other side of the fence...work just as hard.

Mary disagreed with Ann. "I think that those packages were set up for those people who have to run the company and have the big, important job of keeping the company going," Mary stated. "I have no problem with it. The hours they're required to put in and

having the people under them that they're required to have and all the different personalities and the pressure from upper management, I would not want that."

The exodus of Agrow leadership left, in Gary's mind, a leadership void. He described the East Coast corporate offices of ChemCo as being a "black hole because you never, ever get any decisions out of them." As a result, he described morale as "lower than it has ever been" with "more skepticism, cynicism, and people in general feeling less secure." As leaders left, Gary found his informal network no longer in existence. From a cultural perspective, Gary described Agrow as having been a company of relationships and a company of influence, as opposed to authority and responsibility. "So if you wanted to be effective," Gary stated,

you had an informal way of getting something done. You didn't go through official channels because that's not the way everybody did it. So just about every person with whom I've worked through the years has either taken Change in Control, been fired, or has chosen to leave the company.

The change in leadership took a personal toll on Gary, with his supervisor leaving as a result of the acquisition. "He was the leader," Gary observed. "He was the person who did our performance appraisals. He was the person who decided raises. He was the person who hired and fired." Then Gary added, "He was a friend...and I hope he still is." Gary's frustration seemed to focus on the lack of direction being given to employees. "I would certainly prefer that the leadership of ChemCo and the leadership of Agrow clearly articulate what the objectives are." Gary continued, "What are we trying to accomplish? What are we trying to do? What I have heard over and over again is either *my supervisor*

doesn't really understand what's going on, or my supervisor hasn't been able to set priorities as the head of the department."

Loss of employee loyalty

Bell (1988) cites a *Business Week* survey that showed 66% of 600 middle managers thought that salaried employees were less loyal to their employers now than they were ten years ago. The executive recruiting firm of HeidPaul and Struggles, Inc. summarized its survey of 1600 executives by stating,

The increasing frequency of corporate mergers and takeovers and the cost cutting that is leading to the elimination of executive positions are affecting how mobile managers define corporate loyalty. Traditional views are being questioned, especially among the under-40 age group. Only one-third of the respondents define corporate loyalty as support and commitment to corporate goals and strategies, and just slightly more than 11% place corporate objectives ahead of personal gain. (cited in Bell, 1980, p. 140)

Levinson (1970) agrees that old-time loyalties disappear. Leaders leave from the new organization and the presidents sell out after having built organizations that are loyal to them. The long-term identification is exploited and the cohesive organization with the close relationships people had with each other now becomes just another place to work. According to Levinson, people learn an important lesson: it does not pay to be loyal or to identify or to invest themselves in an organization or its leadership for fear they will be sold down the river.

According to Deal and Kennedy (1982), those who typically serve as role models in an organization have done the most to sell others on the corporate values. They represent strong, pivotal figures that command respect and attention of others. Heroes often leave, however, when firms are being acquired and merged. They either sell out, bail out, get terminated, lose their position of influence and prestige, or otherwise fall from grace. This leaves an implicit message for those who remain: If heroes can't survive, who can? Likewise, when they see their best and brightest electing to pack up and move on, they wonder if they should not follow their lead. Finally, if they see their old heroes leaving, they then are in a state of flux as to who will set the standards and symbolize how one becomes a true success in the new corporate framework.

These findings mirrored Kathy's observations, who admitted that her loyalty to Agrow had weakened considerably, due largely to the change in leadership. Kathy referred to this as "wholesale defections" that created a lack of overall credibility among remaining leadership. "Those people in senior management were the mouthpieces of a lot of pretty inspiring visions for the company," Kathy said. "There was so much talk about the future of the company and the greater good by people who hightailed it within relatively few months." Karen continued, "I resent it. I think it's really irritating that people would stand up and say, 'This is my vision, we're in this together, this is the future of the company' and then just an announcement on a web site that they were out of here." Kathy believed the change in leadership was a significant issue throughout the post-acquisition period. She lamented, "If the person giving the message saying that everything is okay changes every ten weeks, it just totally undermines the message."

Kathy took those changes personally. “It just made me feel like the losers were staying,” Kathy stated. She felt that communications efforts intended to help clarify the Change in Control issue only created more confusion, creating a situation that was “divisive...*very* divisive,” estimating that the exodus of leaders “...was the number one merger related topic of conversation for six months....”

As a relatively new employee, Rob found the rapid leadership changes to be confusing and, as a result, he responded negatively to the exodus of leadership, knowing that the leaders were provided lucrative exit incentives. “Why are they more important than me?” Rob asked. “At the point where you’re asking people to leave or you restructure jobs so that people leave...there just seems to be a huge disparity.”

Arthur wasn’t as surprised by the changes in leadership. “I was expecting there to be a lot of folks going because we don’t need as much high level leadership for a division as you do for a company.” For Arthur, it left him wondering what ChemCo actually intended to acquire. “It certainly wasn’t the expertise of the vice presidents,” he laughed.

As a result of the change in leadership, Arthur observed employees struggling to make new connections. He described the period as one of “very great anxiety” during which employees began asking, *Am I going to be asked to do more? Will I lose my job? Am I going to have to change dramatically what I’m doing?* He described it as a time when employees recognized that ChemCo was different but no one could say how. “Who is going to be speaking for the good things that are Agrow?” Arthur asked. “Some of those I would have expected to be speaking for me are gone and so I look around for whom?”

“Don’t tell me things won’t change and then have 22 out of 25 people who presumably made the negotiation disappear,” Arthur warned. “If I’d been here 18 years and had a long-standing relationship with one of those folks and saw them grow up through the company, I can see their leaving as having a really significant impact on people. And that’s just bad all the way around. There is no good conclusion.”

The positive side of new leadership

After two CEOs had left Agrow within the first 12 months following the merger, it was announced that Paul, a lifetime employee of Agrow, would assume the role of Agrow CEO. Reactions were unanimous among all six employees about that announcement. Arthur and Gary both saw Paul as someone who was highly respected among employees because of his combined knowledge of the business as well as the industry. Arthur observed, “We haven’t had many leaders within the company who can understand both sides of our business,” Arthur said. If Gary had any doubts, it was Paul’s visibility as a leader, “something that is really needed right now.”

Mary, however, credited Paul with being very visible early in his reign. She saw a significant improvement in communications after Paul took over. “He’s very good about sending updates about changes,” Mary stated. “He meets with our group and talks about changes and lets us ask him questions. He keeps us informed about a lot of things I don’t necessarily think that our leaders in the past did.” With that increase in communications, Mary observed an improvement in employee morale.

I have a tremendous amount of respect for Paul. When he took over, I found myself going back to *Okay, I can do this again*. Every time he does something, I think *That is so good*. I could have walked by our former CEO and he wouldn't have known who I was. I walk by Paul and he knows me by my first name. When he took over, I noticed my own attitude toward the whole hierarchy change for the better.

Ann viewed Paul's appointment as something to be viewed very positively. "I think that if Paul were to leave you'd see a lot of morale go down," Ann stated. "He's a hope for the future. I've heard nothing but good about him." For Ann, Paul represented a return to the way Agrow used to be. She stated,

Paul is one of the last strongholds in management ties to Agrow. Once Paul leaves, then who knows who ChemCo might send in. Once Paul leaves, then we'll see a stronger influx of ChemCo management coming in and coming into an area where they don't understand the business. If Paul were to leave, you'd see morale evaporate and a lot of employees jumping ship.

Ann described Paul as the "glue holding the company together at this point." But she was also realistic that things would never go back to the way they were. "I just hope I'm gone by the time he goes," Ann concluded. Like Ann, Arthur believed that Paul represented a sign that "we're going to preserve the best of the old Agrow." But unlike the others, Arthur also saw this transition as a message to employees that changes would now begin.

Research Question 3

What was the impact of the merger on the selected employees' professional and personal lives?

Personal and professional impact

Bibler (1989) warns companies to prepare for a loss of enthusiasm about work; a drop in morale and organizational pride; an increase in rumors; and a number of people who spend time in a wait-and-see mode. Bell (1988) states that people feel a sense of powerlessness when they see their companies no longer existing or themselves no longer linked to the companies since the companies had given them status in the world.

Bell (1988) addresses the concern that little, if anything, gets done during the merger process, with most things coming to a "screeching halt" (p. 69). Geber (1987) talks about the worry factor, which results in immediate drop-off in productivity after a merger; workers who feel their security is threatened are too distracted to do their jobs properly.

The impact on employee productivity and motivation

Bell (1988) describes two types of reactions to a merger. Some people go into grief and eventually work through the problem (if they are effective). Others do not deal with and confront it. Consequently, they experience depression, characterized by listlessness, lack of motivation, problems with eating and sleeping, and irrational outbursts of rage, which he describes as an "emotional paralysis" (p. 74).

Initially following the acquisition, Arthur observed "...a lot of different reactions and a little bit of immobilization that captured peoples' energy." But he also noticed that many people responded with the attitude of *I know what I need to do right now, just let me get it done.*

Kathy did not notice a change in her own productivity immediately following the announcement. She attributed this to having been involved in a large project at that time that would continue to completion, regardless of any decisions made by the company. "As the weeks went by and nothing changed," Kathy noted, "you just kind of stopped thinking about it." She acknowledged that while she went home angry a few times, nothing was "really ruining my life."

While Kathy felt her own productivity was not directly impacted, she did observe a drop in productivity in others. This was particularly noticeable in meetings where the typical comment was, *Well, assuming we go ahead with this*, referring to the lack of information about when changes would start to occur. She complained about what she called war stories, the frequent discussions going on about who was leaving and who was staying. "You can't have that much conversation going on," Kathy summarized, "without some change in productivity." Kathy noticed an increased strain in relationships among employees, noting that when colleagues and co-workers have jobs considered to be in jeopardy, "a certain amount of tension is inevitable. It's not a personal thing but an awkward situation."

In contrast, Mary actually felt that her productivity increased immediately following the acquisition. "I think I was trying to impress someone, but I don't know who," she

laughed. This was followed by a period she called “slacking time...when I was lucky to be there until 4:30, let alone 5:00,” Mary recalled. “And I think that was during the time that *everybody* was just down in the dumps.”

Kathy noticed that anxiety levels were particularly high where both husband and wife were Agrow employees. She observed, “I think there was real soul searching for several of them. I know it was a big impact in decisions for one who sought employment outside of Agrow.” For Kathy, the greatest impact of the acquisition was her sense of financial uncertainty. She cited examples of updating her resume, comparing her husband’s benefits to what she was getting, and revisiting health insurance coverage. The acquisition became another factor in making major financial decisions. How uncertain do things look? I mean, jobs are always uncertain today, but you kind of think, “Does it look like something huge is going to happen in the next six months? Maybe we’ll just wait before we make a big financial decision.”

Job security was another concern for Kathy, even as the third year of the acquisition neared. She stated, “I feel like I have to check once in awhile to see, however I can, how secure my current role is. I have looked at my career development almost as collecting skills that I could sell elsewhere more than within Agrow, more than I used to.”

Rob agreed with Kathy, noting that employees would discuss the need to update their resumes, wondering whether they would be needed if ChemCo already had a good support team already in place. He described that first period as being one of “palpable fear.” He personally observed more employee reactions after a period that he called *integration* within his own business area, much more so than after the actual acquisition. While those

changes were occurring, he observed several employees quipping, "I hope my pass card works tomorrow morning." Arthur believed the second year was more difficult for people because, "there was less leadership around and there was a lot of uncertainty as to basic direction."

Bibler (1989) discusses *synergy* as a primary goal of mergers but one that is rarely achieved. His definition of *synergy*, reduced to its simplest equation, is expressed as $1 + 1 = 3$. He states that *synergy* is one of the most overworked, or at least misunderstood, words in the merger literature. Bibler further proposes that the definition should be "an acquirer's being able to use its significant strengths to improve the performance of the acquired company, or taking one of the acquired company's strengths to bolster a weakness of its own" (p. 228).

Arthur directly addressed the subject of *synergy*, fearing that valuable time was lost during the first two years. "We lost time," Arthur recalled.

It takes four years at least to really come together. And I think we marked time for 18 months of it, so I feel like we're just starting now. For me, who views this as something that could be a really wonderful thing for Agrow, let's get on with it. Let's start figuring out where the synergies exist.

Professional impact

Levinson (1970) stresses that even when a merger offers new opportunities, it still tends to be perceived as a threat to one's equilibrium. Bell (1988) believes that whether a merger is for the better or worse, it throws out of balance the relationships, norms, work

behavior, and support systems. He warns that if these psychological losses are not addressed early on, they can lead to chronic problems in attitude and behavior.

Five of the six employees believed that their professional roles in the company had changed as a direct result of the merger. How they responded to those changes varied among the employees.

Rob did not recognize any direct impact of the acquisition on his job for the first six months. Shortly thereafter, however, his area began to reorganize in what Rob referred to as a process of integration. "There seems to me to be a big difference between a merger announcement and an integration effort," Rob stated. "I don't know if others have addressed this, but it's really only been since April, 2001 that there has been a full-bore integration afoot." As a result of that integration, his job changed, a change he perceived as having an overall positive effect on his profession. It was a change he attributed "100% because of the merger." But he admitted that a positive reaction was not his first response. "At the time I wouldn't call it positive. Now that I'm there, yes, it's positive. It's just been recently," Rob stated, "that folks are starting to come together and make life easier for my particular position."

Mary experienced a positive outcome in her career as a result of the acquisition. "I feel ChemCo is pulling us more into things," Mary stated, "because we're so much more advanced compared to what their group does. Their people are coming and reporting to more of our people within our group." But those changes also increased the personal impact on Mary. "I didn't have to deal with a lot of the politics I have to deal with now," Mary continued. "I probably feel a little more negative now than I did in the beginning, but

I still see the positives in all of this.” Mary believed that stress had increased immensely for other employees as well. “They’re more stressed now,” Mary stated, “because we’re not just producing for our stockholders and our employees and our customers. We’re producing for a much higher and bigger audience.”

Gary also saw his job change as a result of the acquisition. Only in his case, the change came as a result of his former supervisor leaving Agrow. As a result of acquiring a new supervisor, Gary was able to negotiate a different role within the same department, a job at a higher level with different responsibilities. Hence, he recognized direct benefits as a result of the acquisition. But despite this, he still reacted negatively overall to the changes he saw in the company.

In Ann’s case, she believed her job position changed as a direct result of the acquisition, a job change that resulted in a self-perceived negative attitude. “My change...wasn’t handled well, in my opinion,” stated Ann, “so my attitude has been affected.” She described the circumstances around her job change, obviously bitter about the way it was handled. “I don’t happen to be enjoying the dysfunction,” Ann summarized. As a direct result of those changes, Ann acknowledged that she now paid less attention to information related to the acquisition.

Arthur attributed a change in his job role directly to the acquisition. “My job didn’t exist before the merger,” Arthur stated. “My exact job and my role exist because the reorganization was a result of the decision to really get serious about becoming a part of ChemCo.” It’s a change he responded to positively. “I like what I do,” he stated emphatically. “I’d like to have a nice long career at Agrow. But if it turns out that I don’t,

even if it turned out they decided they don't want me, then this has been a very, very good two years."

Research Question 4

Where did the selected employees go for merger-related information and support during the post-implementation period?

Coping strategies and social support

Cooper (2000) and Marks and Mirvis (1986) discuss the importance of what they call social support for employees of an acquisition.

The social environment provides vital resources an individual can utilize to survive and flourish. Social support is one such resource. It is defined as those individuals and groups one turns to either on a regular basis or in time of need for tangible or emotional support. (Cooper, 2000, p. 632)

These sources of support provide information and advice that can increase a person's ability to confront and solve problems, according to Cooper (2000).

A strong social support network should positively influence the use of wishful thinking, emphasizing the positive, and tension reduction because these strategies are beneficial to an individual dealing with an uncontrollable event like an organizational acquisition. At the same time, a strong social support network should negatively impact the use of distancing, self-blame, and self-isolation. Social support is a valuable coping resource that provides individuals

the opportunity to actively make use of people within their environment to help solve and/or confront perceived stressful circumstances. (p. 644)

Marks and Mirvis (1986) agree that social support helps people cope with stress created by mergers. They indicate that supported people display less stress and have fewer suspicions and fears about the behavior of upper management.

Cooper (2000) describes emotional intelligence as including (a) a self-awareness of one's emotions as they are happening; (b) managing emotions so they are appropriate; motivating oneself (marshalling emotions in the service of a goal); (c) recognizing emotions in others or empathy (the most fundamental "people skill"); (d) handling relationships (managing emotions in others).

Kroeger and Thuesen (1991) maintain that the key to managing others effectively is to manage yourself first. "The more you know about yourself, the more you can relate to others from a position of confidence, self-assurance, and strength" (p. 14).

More traditional organizations choose control as the way to manage people through a merger. However, Kimberly and Quinn (1984) believe the important issues in the vitality of living systems is "not control, as earlier versions of systems thinking emphasized, but dynamic connectedness" (p. 289). Mohrman et. al. (1989) agree that team members should be able to initiate credible leadership in a manner consistent with their own personal styles.

Cooper (2000) suggests that intervention programs should focus on increasing employees' perceived control, confidence, and self-efficacy about handling the changes associated with an acquisition. At a minimum, management needs to proactively communicate with employees throughout the transition process. The ability to understand

the coping process, and how individuals choose coping strategies to assist them in dealing with stressful encounters, is a necessary first step in the design of organizational interventions geared toward helping people cope with organizational acquisitions (p. 645). If coping succeeds, the person is no longer in jeopardy and the reasons for the emotional distress disappear. "Coping is not just a fixed set of strategies that are drawn on whenever they are needed, but a changing pattern that is responsive to what is happening" (Cooper, 2000, p. 804).

Official sources of support

When asked where they went within the organization for official personal and emotional support during this acquisition period, the most frequent response of the six employees was their direct supervisor. Arthur felt particularly fortunate to have good relationships with his managers so he was, in his perception, "able to get pretty straight talk out of them." In addition to her supervisor, Kathy relied on the question/answer web site, citing improvements in the immediacy of the information provided.

Mary actually visited directly with the most recent CEO and president, Paul, a man for whom she holds great respect. "He asked me how I was doing and how I felt about it," Mary recalled. "You know, it was only about a 3- or 4-minute conversation but it meant something that he would take the time to talk to me. Having that conversation with him made me think that this was all probably for the best."

Rob, on the other hand, did not feel he had any official resource to use as a sounding board. "Heavens no!" Rob stated emphatically.

You want that to leak out and get fired because you're perceived as not being a team player? Heavens no! Sometimes in the hallway you might find a cynical person with whom you could share a cynical barb over a donut and a can of soda. There may have been crisis teams or something, but I wouldn't know about that.

Marks and Mirvis (1986) discovered that social support helped people cope with stress created by mergers. They indicate that supported people displayed less stress and had fewer suspicions and fears about the behavior of upper management. This theory held true for Rob, who relied on friends outside of Agrow. "It does help having friends outside of Agrow," Rob stated. "You see folks going through transitions that are thrust upon them, not that they chose to go through. Realizing and seeing other people going through tough times and coming out on top, you know, it kind of encourages you. They come out all right."

Ann was the most emphatic about not using any official resources for support during this time. "I wouldn't touch anything internally from Agrow and ChemCo," Ann stated. "The EAP program supposedly is personal and confidential. But I don't trust it to remain personal and confidential since it's funded by the company. I think the company does have access to those records so I wouldn't do anything within the company."

Personal sources of support

Of the four employees who were married, all identified their spouses as being their primary resource for personal support, with friends and acquaintances being their next

source for support. Gary, who described himself as a self-reliant and independent individual rather than somebody who leans on others, described his wife as being a wonderful listener. "I try not to let a lot of my frustrations show," Gary stated, "but my wife knows me pretty well and she would sense times that I was frustrated." He cited close friends as being his other support resource, but recognized that "there are only a few people that I really trust to be able to talk about this. I no longer get personal. I won't start talking about feelings and that kind of stuff."

Like Gary, Kathy relied on her spouse and "carefully selected co-workers on occasion...someone who's in a similar circumstance with a family and my level in the organization." She would occasionally check with colleagues and ask, "How screwed up do you think we are? What risks do you think we face? What have you done to be prepared? I've actually found those conversations to be really helpful."

Arthur also identified his spouse as his primary support network. "All of this got discussed," said Arthur. "What does this mean for us? What do we think? How are we going to approach it?"

For Rob, being married to another Agrow employee presented several challenges, particularly when he believed he was privy to information from committee work that he could not share with his spouse. On the other hand, he believed their off-hours discussions about merger-related activities were actually small. He recalled, "We probably talk a lot less about work because we have so much in common now...there's a real economy of conversation."

Mary, who is single, relied on her mother, another Agrow employee, for personal support. She also relied on a former manager because "I have a lot of respect for her. She's a good sounding board and she always puts things in a different perspective." Mary credited her ability to go through change fairly quickly as her way of coping. "I just don't have much problem with change," Mary said. "You go on, no big deal." But she observed that others were having a harder time, with some just beginning to deal with the change almost two years after the announcement.

Ann, who is also single, chose exercise as her first source for relieving stress. "I pretty much turn it off when I leave here. That's always been my style," Ann stated. "Work hard here, then leave."

Since many employees knew that Arthur had been part of an acquiring organization in his previous job, it might be expected that Agrow employees would engage him in conversations about what to expect. And in a couple of instances, employees did just that. Arthur recalled,

But I didn't really get sought out for repeat trips. At that stage of the event, I wasn't experiencing the same angst and I'm not sure everyone wanted to hear what my opinion was. Early on people would talk to me about that, since I had some experience in a large corporate environment. But I never really had anyone come to me twice, because once I started saying *Well, you know what will probably happen is this and then this and then this*, frankly, at that stage of the game, those folks didn't want to hear this.

Research Question 5

What recommendations would these employees provide to leaders of an organization contemplating a merger?

Employee predictions and recommendations for the future

Since the interviews were conducted about one and a half years into the post-merger period, the employees interviewed were able to reflect back on what they had learned and were also willing to project their own forecasts of the future.

Employee predictions for the future of Agrow and ChemCo

With nearly two years of post-merger experience, the six employees were asked what they saw for the future of the merged organization. How optimistic or pessimistic were they? As the newest employee of those interviewed, Rob saw more positives than negatives for the future. "Folks still have jobs to do," Rob observed. "We are in the business of selling seed. It's just to different folks and for different reasons now. It's not just farmers. That's a good thing, it's a new challenge. The challenge keeps things from getting stale."

Arthur was concerned that the true potential of synergy that could be gained from this merger of two strong companies was not being fully harnessed yet. Arthur stated, "I'm not convinced we're going to find the synergies that matter in terms of the big company changes until we start having day-to-day people interaction between Agrow and other entities of ChemCo. And that's not going to happen until we have found whatever the home is to bring us together."

Arthur sensed that Agrow employees did not want to get too close to that sense of togetherness because they did not necessarily like where that might be leading them. He believed that there were groups saying *I don't want to get close to that other system or organization because we might get absorbed, because a piece of us might get outsourced.* "But, you know in the end," Arthur summarized, "it doesn't matter whether I like it or not."

As the acquisition neared the end of the second year, Kathy predicted that the first significant change for Agrow employees would be seen in pay, benefits, and vacation. "For a long time we worried about it, but always saw it as something that would be in the future," Kathy said. "But now they've kind of said, *By this fall, we'll know what's going to happen.* And that is going to be a huge deal!" she predicted. "Job security, long term-impact on our benefits, you know, everything you've got to be concerned about from work schedules to pensions. That certainly is all up for grabs now. It's really the most major thing." Kathy admitted she did not know any specifics about what benefits changes they would see. "But I do think Agrow has got an excellent benefits and work environment and my gut instinct is that it's hard to imagine having to harmonize with ChemCo being a positive."

Ann predicted similar changes, including integration of benefits and reductions in the number of employees who would be provided company vehicles. But for the most part, she predicted the third year would be "pretty much status quo," believing that the largest areas of Agrow (research, sales, and corporate administration) had already been through the most significant changes.

Ann predicted that the impact of farmers' negative opinions of ChemCo may have a serious impact on the future of the merged companies. "A lot of farmers do not like the image of ChemCo being involved in farming, at least from the seed and growing side," Ann observed. "What impact is that going to have? Good integration or bad integration?"

Ann admitted she was not as positive as she once had been. On the other hand, she still held out hope that things would be okay. Ann stated,

I want to believe ChemCo's a good company to work for. Even though I have a bit of a negative attitude that I'm still working on because of my personal situation, in the long run, I still have high hopes that this is going to be a good merger and a good thing for both companies—Agrow and ChemCo—and for the employees in general.

Gary seemed the least optimistic about the future success of the merged organization. "If you look at some of this stuff that's been tossed out there, it is incredible," Gary said. "It's not doable. It doesn't fit the culture. It doesn't embrace some of those values." When asked what it would take to reengage Gary's spirit and motivation, he was pessimistic at best. "It would take a careful articulation of some corporate objectives and some business objectives."

Gary referenced rumors about a Harvard Business School case study that revealed ChemCo has either sold off, spun off, or shut down most of its mergers and acquisitions in three to four years. As a result, Gary predicted that in a few years, ChemCo would "keep the trade secrets and the crown jewels and the intellectual property and spin us off. Within

a few years, I suspect we will be sold. And the danger is that they will have ChemCo-ized Agrow.”

Kathy observed less fear among employees related to job loss. “There’s still such a high demand and people who have worked with some areas in ChemCo have come back and said we’re really ahead of them, so maybe they think we’re valuable. That wholesale outsourcing fear has subsided.”

Employee advice for merger leaders

Merger activities inevitably create significant change for employees, which in turn creates uncertainty for the workforce that ultimately results in stress. People are unsure of the effects of the acquisition, both professionally and personally, and are forced to cope with both actual and perceived changes associated with this type of organizational change. In answer to the question, “What can be done to help people cope with merger-related stress?” Marks and Mirvis (1982) identify care, counsel, direction, and involvement as all being essential. They warn about groups moving through stages called “ballroom dancing” and “religious wars” (p. 163). They cite the need to help people on both sides, individually and collectively, to come to grips with their emotional reactions to the deal and get into a merger mind-set. Marks and Mirvis (1982, p. 224) contend, “We cannot stress enough the importance of effectively and sensitively managing the human side of change.”

A common theme among in the literature is the need to personalize the communications as much as possible. Marks and Mirvis (1982) spend considerable time discussing the importance of communication, presenting a number of alternatives, and

discussing some of the major problems that can occur when organizations attempt a one-size-fits-all communications strategy. They discuss a systematic study conducted by Professor David Schweiger of the University of South Carolina, in which two distinctly different communications approaches were used with employees. Within a few months, the realistically prepared employees regained their prior ratings of job satisfaction and saw the company as being far more trustworthy, honest, and caring than those who received a less personal and more typical form of communication.

Greater emphasis on communications

When asked what recommendations they would have for leaders involved in future acquisitions, all six of the employees made suggestions related to communications improvements. Ann recommended more openness in communication, in being more forthcoming about what will and won't happen and how it might affect employees in different divisions. Gary and Rob strongly agreed, recommending that an acquiring company be as honest and straightforward and aboveboard as they can. Kathy recommended that the acquiring organization aim for a more consistent voice. Ainspan and Dell (2000) suggest that informal networks in companies use influential peers rather than rely on corporate mouthpieces, something both Kathy and Ann recommended. "One of the most effective ways to communicate something like this is to do things that pull people together as a team for sharing," said Kathy. "I felt like there was a wall between people who knew certain things and those who didn't. I think it undermined a lot of the other communications efforts."

Arthur urged leaders to be more direct and forthcoming with employees much earlier. Using Agrow as an example, he believed leaders should have said,

We're getting together and here are the reasons why. Over the coming years things are going to change because we have to integrate. Here are some things that we think are really key about Agrow that we want to be sure and preserve. Here are some things about ChemCo that we think Agrow can learn. We don't know how all of this is going to look. It's probably going to be one year when you won't see much. Within the second and third years you'll begin to see things happening. We'll start to move some managers back and forth. They'll be in different spots, and it will probably be four or five years before you'll see everything worked out, at which point we're going to be dealing with a really bright future because we see an opportunity. You have a much bigger environment in which to be really good at what you do. So what are some of those things? What should some of that look like?

To move forward, Arthur recommended that the acquiring organization bring in its best leaders to serve as models of the way the organization should do things. Their mandate would be to serve as an example of what the organization believes and practices "to show us what the best of that organization looks like."

Timing and speed of change

A key question related to mergers revolves around the timing and speed of implementing changes. What is the best rate and amount of change that should occur?

Citicorp's David Franzen argues that there is a window of opportunity of 100 days following an acquisition (Buono & Bowditch, 1989). During this period, people expect change; thus, his prescription is *why disappoint them?* Searby (1969) agrees that immediately following a merger, there is a period when people in the new organization expect and perhaps even want change. He sees the immediate post-merger period as an ideal time for making changes, and goes so far as to suggest including some that have nothing to do with the merger but are simply overdue. Pritchett (1987), who agrees that a window of opportunity is open only for a brief time, suggests that people expect change after the merger announcement/event and that this window of opportunity should be taken advantage of. The same changes, sought at a later date, after the time window has shut and the organizational dissonance has faded, can meet with extreme resistance.

Believing that speed is the driver of successful integration, short-term integration plans should be implemented within weeks, thereby eliminating uncertainties and shifting the focus to achieving growth for the merged companies (Habeck et. al., 2000). Pritchett (1987) believes that people need personal closure on job-oriented issues and therefore personnel decisions should be made and communicated as rapidly as possible. He believes that moving too slowly making changes is hazardous and argues against making incremental changes in a deliberate, carefully staged fashion. He suggests finishing the merger and putting an end to the suffering, stating that uncertainty and ambiguity create the most stress. Bibler (1989) recommends that CEOs faced with having to cut some people loose must be open and candid about it. If there is going to be any kind of bad news, it should be made public quickly, rather than making people wait and fret. Others argue to go

slow to avoid shooting themselves in the foot by attempting to change too much, too quickly. Bibler (1989) recommends that the new company be given time, as much as a year, to assimilate and understand before changes to financial changes and charges are made. On the basis of his experience in nine mergers and acquisitions, Yunker (1983) argues that in some areas, such as personnel and benefits, it may take as long as five years for complete integration.

The most significant difference in opinion of those interviewed focused on the timing of changes during the first two years of the acquisition. Three of the employees felt more time was needed while the other three tired of the long period of inactivity. For Mary, the delay in making many significant changes in the first six months was not a wise decision. Taking an opposite stance, Ann recommended that the acquiring firm take it slow, to learn the business, particularly if the business being acquired is already successful, such as Agrow.

While Kathy did not suggest a specific timeframe for making changes, she urged the acquiring organization to "...get their stuff together a little bit. It would help to try and just lay out even a rough timeline." Kathy suggested, "If they could even suggest that we will begin to look at harmonizing benefits in three years it would help." Like Kathy, Arthur recommended that the acquiring organization have "some of the end game in mind because folks are going to want to know immediately what it means for me." He continued, "Tell people if it's going to take us a year and a half to really integrate, then make sure we all know that. What are the integration plans and share some of that kind of stuff rather than sit on our thumbs with no apparent movement for a year and a half."

Change management

Marks and Mirvis (1982) list ten steps in helping manage a merger. Of those ten steps, three of them include focusing on work teams as the basic building blocks of a combined company: (a) helping people “let go” of the past and getting them excited about the future; (b) tracking the combination; (c) involving people and listening to them. Rob had recommendations that mirrored the suggestions of Marks and Mirvis. “If corporate communications could have done one thing,” Rob suggested,

they should have had a grieving, a public ceremony that says we’re no longer an independent company. That should have happened two years ago. They could have said, *For 73 years we did this and this, but to go forward, we really need to do business differently. For all of us, there’s a grieving here.*

Rob continued, “A change is a change and even if it’s a great change, there’s something about status quo that’s really addictive.” Rob also suggested that a celebration be held early in the acquisition cycle. He referred to the 75-year anniversary celebration that Agrow hosted in the spring of 2001. “That was a real nice thing, to say we have accomplished a lot in 75 years, now let’s go forward. It would have been nice to have something like that shortly after October 1, 1999.”

Arthur realized that there is a “reasonable period of time when you just need to let it settle. But,” he continued, “make some careful decisions about how long you want to let things just sit.” He advised the leaders of an acquisition to first be honest with themselves,

then tell the employees everything they possibly can that has no chance of being changed, even if it's bad news. "If I'm trying to make things happen," Arthur continued,

my key is trying to help people understand the synergies that are coming, the opportunities that are coming, and to say things like, *There are these things about Agrow that are wonderful and we want to keep them. Here are some things that we think Agrow can learn from ChemCo and we'll be working on.*

And that's something you say not only at the high level but at the individual level.

In the typical organization, according to Ingalls (1976), there is "an overriding tendency toward minimal expression of feelings, minimal openness to feelings, and minimal risk-taking with ideas and feelings" (p. 12). He believes that if we can generate sufficient information about a difficult situation,

we tend to become more aware of what the real problems are and increasingly effective in resolving the difficulties we face. Unfortunately many organizations, as well as individuals, tend to deny and suppress emotion-laden issues, and intuitive insight is less favored than statistical analysis. (p. 45)

Of those interviewed, Kathy was the only one who offered advice to employees of the acquired organization. "I think you have to be clear on where your career and your job and your life all fit together and be prepared for something like this to happen," Kathy said, "because I'm running out of people I know who haven't been through some type of merger." She continued to offer advice to employees by suggesting,

Don't count on working for the same company for 30 years and then retiring. And even if you stay, it's not going to be for the same company. Fifteen years ago, I think a lot of people still thought that, and that's very dangerous. I always knew this intellectually, but now I know it viscerally. It's really true that the rug will be pulled out from under you sometime.

For Kathy, the merger experience proved to be a learning experience, one that was "incredibly, incredibly complex...to the power of ten more complex" than what she had anticipated. Kathy summed up her observations, "It's just like trying to be on a merry-go-round inside of a merry-go-round trying to put a puzzle together. It's just that everything is moving. It's unbelievably complicated."

CHAPTER 4. SUMMARY, IMPLICATIONS, AND RECOMMENDATIONS FOR FURTHER STUDY

A review of the literature reinforces my own observations that little attention is given by today's organizations to employee motivation and morale before, during, and after the merger/acquisition process. The participant responses reinforce that Agrow and ChemCo followed the same pattern of most other merged organizations described in the literature.

Summary

The six employees interviewed for this case study reaffirm the literature that suggests mergers and acquisitions seriously impact the motivation, morale, and ultimate dedication of employees to the organization. If we assume that Agrow is representative of other organizations that are part of merger initiatives, we should listen carefully to the words of these individuals, because they are representative of scores of other employees who will someday be participants in merger activities. The relationship of communications, leadership, and culture are strongly integrated, as evidenced by the responses of the informants in this study.

Communication appears to be a key factor in how employees respond to a merger. From the first announcement of the merger throughout the entire post-merger process, it is apparent that organizations cannot over-communicate. On the other hand, those communications must always be honest and straightforward, timely and meaningful, and must focus on the information needs of the receivers. Most employees today are too intelligent to blindly accept traditional corporate word-spinning during the emotion-packed

turnmoil that accompanies mergers. While the messages will not always deliver the information the employees want to hear, it is apparent, from the employees interviewed in this study, that honesty and timeliness are valued and desired. In the absence of official, direct communication, employees will communicate their own information. Thus, this study reinforces the strength of the corporate grapevine.

The criticality of leadership is evident throughout the post-merger period. Furthermore, there is a strong relationship between leadership and communications. While an organization may not be able to control the exodus of leaders when a merger occurs, it is apparent from the employees interviewed in this study that the leaders must demonstrate in their own behaviors what they speak to their employees. In the simplest of terms, leaders must walk their talk. Therefore, the communications must reflect what the leadership does and the leaders must represent what their messages are communicating to employees.

The impact of merger activity on organizational culture is immense, as evidenced by the participants' responses. The organization selected for this study certainly had a strong culture, one that had deep roots in the hearts and minds of the selected employees. The stronger the organizational culture and the sense of pride employees have in that culture increase the difficulty of achieving a smooth transition during a merger. Based upon this study, care should be taken in simply assuming that two organizations have similar cultures. Leaders should avoid underestimating the impact that a merger will have on organizational culture. Because the relationship of leaders and culture is strong, organizations must pay particular attention to the impact on culture when leaders exit an organization.

This study also supports other research that suggests that a merger has a profound impact on the personal and professional lives of employees. While organizations can expect some decline in employee productivity and motivation, care should be taken to minimize these negative effects. It was not apparent in this study that many official support mechanisms were made available to employees. But equally important, it was not apparent, judging from the employees' responses, that they would have availed themselves of that support even if it did exist. That, however, may be linked to the sense of distrust that existed among the employees, which may have been affected by the communications approaches used during the various phases of the merger.

It is interesting to note that spouses were the primary support network for the majority of the employees in this study. In this case, there appears to be strong relationships for those couples, which provided a sense of comfort and security for the employees.

The selection criteria used to identify the six participants included a cross-section of years of service, departments, roles, physical locations, and gender. There was little difference in how these factors impacted employees' responses to the areas related to communications, leadership, productivity, and social support. The strongest relationship appeared with years of service and reactions to changes in organizational culture. The participants with the greater years of employment with Agrow expressed stronger negative reactions to the merger activities than those with fewer years of employment.

It is apparent from this study that employees do have recommendations for improving the merger process. The participants shared many constructive ideas and possibilities, even

when they were not necessarily in favor of the merger in the first place. While the accuracy of their forecasts for the future remains to be seen, their recommendations for how organizations can improve the overall merger process should be given careful consideration.

The goal, then, for organizations should be to help employees gain their own personal control over their fears and emotions. Cooper (2000) reminds us that research reveals the stronger one's perceived generalized control, the less likely an individual is to appraise a specific situation as harming or threatening. This reinforces Ingalls' (1976) belief that human energy must be directed toward constructive and creative ends.

I continue to be intrigued by the merger processes, activities, discussions, and range of emotions that surround such a significant and frequent business event. I have long been an advocate and champion of building proactive, ongoing communications and change initiatives into corporate planning. Certainly an event of this magnitude can benefit from increased attention to people-related issues. I believe that more can, and should, be done to communicate and work with employees during the acquisition process, which in turn should have a significant positive impact on the newly-merged organization.

My review of the existing literature uncovered a significant amount of numbers, statistics, and facts about mergers and acquisitions. What I found lacking from this body of research was the personal side of the merger story—the words, the feelings, and the emotions as described by those individuals experiencing the impact of such a significant event. It was my intent to contribute another perspective to the body of research that already exists—to support the facts and statistics with the true stories of the employees of

an acquired organization. These stories personalize what might otherwise be viewed as nothing more than the cost of doing business. It is my hope that this study can help leaders of mergers better understand the significance of the event upon employees and that they will use that awareness to address the human components more frequently in their overall merger strategies and plans.

Levinson (1970) states a compelling argument for increasing attention to organizational development concerns related to mergers, suggesting the impact goes beyond the involved corporations. He suggests, “If contemporary modes of merger result in widespread loss of initiative, increased constriction of imagination, and floating populations of executives, this has not only self-defeating implications for organizations, but also has powerful negative effects on society” (p. 147).

Mergers will continue at an ever-increasing pace. Employees can provide valuable insight to an organization’s leaders into how these mergers can return greater value, more quickly, by paying greater attention to the emotional needs of its employees throughout the merger process. As Samuels (1972) states,

Profits are not produced by machinery, buildings, or products. It is people that give life to these otherwise dormant assets. The key to the success of a merger turns out to be the people involved, the amount of thought and planning that has gone into the merger, and the ability of the people involved. (p. 7)

It is my hope that this study will reinforce the need for greater attention to the human factors that are an integral part of a merger’s ultimate success or failure.

Implications for Employers

I believe that employee input is some of the most priceless information corporations can acquire. This study reinforces the value of obtaining employee input and feedback throughout the merger and post-merger process. Many of the frustrations and disappointments expressed by these six individuals could have been avoided or at least minimized if the leaders of the organizations had considered the various frames of reference that employees might hold. If communications would have been more positively perceived earlier in the post-merger period, perhaps the negative feelings expressed by these employees would have been reduced and minimized.

Organizational leaders faced with a merger should avoid making simple assumptions about the impact of the event upon employees. This includes a careful comparison of the organizations' cultures and leaders. Leaders should build a communications strategy that takes into account employees' needs for information that is timely, factual, meaningful, but most of all, honest.

Organizations should also look carefully at the qualities of leadership that are most respected by the employees. In this study, the appointment of the third CEO brought back a sense of renewed spirit and hope. While some of that may reflect the employees' desire to return to the way things were, it would be valuable to look closely at the qualities represented by that leader in comparison to the previous ones and to consider these factors when appointing future leaders.

Every merger brings change. Organizations should provide leaders and employees with change management knowledge, processes and tools that enable the organization to

move through the stages of change with the least amount of loss and disruption. When disruption can not be avoided, these organizational change tools and processes can help individuals better support themselves and their colleagues so that employees feel less victimized and more in control.

Implications for Employees

Employees can expect that sometime in their professional lives they will be part of a merger or acquisition. Knowing this, they must always be ready for the changes that can result from such activity. While they cannot control the change itself, they can find ways to better control how they respond to those changes, by learning and practicing change management techniques, by utilizing formal and informal support mechanisms and networks, and by taking more responsibility for their own actions and behaviors.

Employees should use caution when receiving communications, from both the official and unofficial sources. They should expect that there will be periods of time in which answers are truly not available. On the other hand, they must be willing to find credible sources and ask questions of those sources who should have the legitimate answers.

Employees should assume that the merging of any two organizations will result in some level of cultural and leadership change. They must be prepared for changes in their job roles, reporting relationships, and business direction. These changes may not always be perceived as favorable, but they must be willing to at least give these changes a chance, as evidenced by the positive impacts shared by several of the employees interviewed in this study.

Recommendations for Further Study

Given the ever-increasing numbers of mergers today and the impact of these mergers on the workforce and the economy, the subject certainly merits increased attention, and the availability of organizations and individuals for further research in this area is wide and diverse.

As a result of this study, there are many other ways to further analyze the impact of mergers on employees. Any one of the focus areas of this study, such as informal or formal communications, leadership exodus and employee loyalty, or coping strategies and social support could become a separate subject for in-depth research and review.

One possible approach would be to select several individuals and follow their reactions and responses to change from the first day of the merger announcement through a two- to three-year post-merger period. A number of different change models, such as the change curve presented by Gilley, Quatro, Hoekstra, Whittle, and Maycunich (2000, p. 46), could serve as a reference model from which to track the change journey of one or more employees over time. Patterns of employee thoughts and behavior could be plotted over time in the four major stages of change presented in their change curve model: denial, resistance, exploration, and commitment.

Because some change in leadership always accompanies mergers, a qualitative study could focus on interviews of leaders who stay and leaders who leave and what their motivations and responses are to the merger. Likewise, a study could be done looking

solely at the impacts of changing leadership based upon employees' perceptions of those leaders' qualities and styles.

Additional study could focus on the types of social support employees use for their coping strategies and the effectiveness of various strategies in helping employees respond more positively to merger activity. Participants who were married identified their spouses as primary sources of support during the merger. The question arises, then, where do employees who do not have that strong personal relationship with a significant other go for their emotional support?

This study only represents the merger impact on employees in the acquired organization. It would seem logical that the acquiring organization would also realize impact on its culture every time it acquires another organization. What are the similarities and differences of the impacts on the acquired and acquiring employees?

I asked one question related to the impact of the merger event on the participants' personal lives. The responses would indicate that there was little, if any, impact upon their lives outside of the work place. This seems unusual, especially given the deep sense of organizational culture described by these same employees. Additional questions and research could attempt to further explore whether there really is little impact upon their personal lives, or if, in fact, the individuals have either not recognized those impacts or have not yet realized the full extent of those impacts.

APPENDIX. INTERVIEW QUESTIONS

The following are the initial interview questions I asked each participant. While the specific interview questions are presented here with the related research question, the actual order of the questions asked varied during each interview, based upon the responses given by each participant.

Research Question 1: What major events or activities during the post-merger period triggered significant emotional responses from the selected employees?

- **Think back to when you first received word that ChemCo was acquiring Agrow. Describe your thoughts and feelings at that time—both positive and negative.**
- **What specific post merger-related activities and events have elicited positive or negative reactions from you?**
- **How significant has this event been in your overall “change” history with Agrow and with your career? Talk about how you’ve handled the changes associated with this activity in comparison to previous change events in Agrow.**
- **Are you more or less positive about this merger since October 1, 1999? Why?**

Research Question 2: What impact did the merger have on the selected employees’ perceptions of organizational culture?

- **What similarities and differences between Agrow and ChemCo have you observed?**
- **How, if any way, has Agrow changed since the merger?**

- How, if any way, has your attitude toward Agrow changed since the merger?
- Share your observations about the phrase “Agrow employees bleed green”—before the merger and after the merger?

Research Question 3: What was the impact of the merger on the selected employees’ professional and personal lives?

- How has this merger impacted your working relationship with your manager and co-workers?
- What have you observed about the impact of this merger on your co-workers and colleagues?
- Has this event triggered any increase or decline in your sense of dedication to the organization? Describe.
- Can you recognize any increase/decline in your own motivation? Describe.
- Can you recognize any increase/decline in your level of productivity? Describe.
- What, if any, impact has this event had on your personal life?

Research Question 4: Where did the selected employees go for merger-related information and support during the post-implementation period?

- How do you stay informed about merger-related activities? What are your information sources?

- **When you find yourself struggling with things related to the merger, where do you go for emotional and professional support? What are your coping strategies and tools?**
- **What is Agrow/ChemCo providing you for support during this time?**
- **What do you wish Agrow/ChemCo would have provided you for support during this time?**

Research Question 5: What recommendations would these employees provide to leaders of an organization contemplating a merger?

- **If a leader of an organization asked you to identify ways to make the merger process a more positive process for employees, what suggestions would you provide?**

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