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Acquisition and Merger Process Through the Eyes of Employees

A Case Study on How Change Management and Integration Process Affected the Employees of Company X

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Master's Thesis

Media Management

2015

MASTER'S THESIS	
Arcada	
Degree Programme:	Media Management
Identification number:	
Author:	Terhi Maidell
Title:	Acquisition and Merger Process Through the Eyes of Employees; A Case Study on How Change Management and Integration Process Affected the Employees of Company X
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Commissioned by:	

Abstract:

This study is a case study about acquisition and merger process, which took place in February 2014, when Company X (name changed) bought three magazines and 42 employees were transferred from Company Y (name changed). The topic covers such issues as; change management during acquisition and merger from the employees' point of view, how employees react to change and how they experience the change management process. The aim of the study is to understand the employee side of the story during change process in acquisition and merger situations, and to understand how the acquisition affected the personnel, how they adopted to the new circumstances and how they felt the change management was executed during the integration process. The research question for this study is: how employees react to change and adopt new situations during an acquisition and merger process, and how they receive and experience the change management issues? The selected research method for this study is qualitative research and the research was executed through standardised, open-ended interviews. To support the qualitative research and the interviews, three main articles are used as a theoretical framework for this study, and the articles cover topics such as acquisition and merger, change management, organisation culture and personnel. The interviews are analysed with the help of the theoretical framework and other literature through three themes: 1) communication, 2) integration process and change management, and 3) job satisfaction and wellbeing. This case study provides information for Company X's management and board of directors, as well as to other companies and organisations, on how they could organise change processes in the future. It also raises the awareness of how employees experience the change processes.

Keywords:	Acquisition and Merger, Change Management, Employee, Integration Process, Organisational Change
Number of pages:	35
Language:	English
Date of acceptance:	29th of May 2015

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1 INTRODUCTION

1.1 Background information

Traditional media companies, for example print media companies, are struggling nowadays mostly due to digitalisation and difficult economic times. As George Sylvie states in the book *Media Management – A Casebook Approach*, the only constant thing in today's media industry is change and media companies are forced to rethink the ways they do things. Media managers must be prepared to lead their organisations through constant change processes, and leading change is difficult. (Sylvie et al. 2008 p. 41)

One way for media companies to find new revenues is through acquisition and merger. Acquisition and merger is a change process that agitates companies, and it highlights the importance of change management. The change management process affects the personnel, and the success of the change management process is, to a great extent, dependent on the employees and their reactions towards the change. Seo and Hill state that merger and acquisition (M&A) is not a managerial fad but has been an important strategic choice for organisations to survive and prosper. However, advancement in managing M&A processes cannot be accomplished without enhancing our understanding of the human side of M&A. (Seo & Hill 2005 p. 440)

Acquisition and merger success can be defined and measured in many ways, for example in financial performance. Studies of mergers from an economic perspective have shown that the outcomes are disappointing, and it has been estimated that at least half of the mergers fail to achieve the expected synergies and economic outcomes. However, increasingly the success of any organisational combination has been gauged by the reactions of the individuals affected. (Cartwright & Cooper 1994 p. 1-2) A merger is a significant event both for the organisation and its employees and implies a long-term process of change and integration. Employees bring their cognition of the existing organisations and their expectations of the new organisation into the merger (Dackert et al. 2003 p. 706).

This is a case study about the acquisition and merger process, which took place in February 2014, when *Company X* (name changed) bought three magazines from *Company Y* (name changed) and 42 employees were transferred from Company Y to Company X. Company X is a multimedia house known for its magazine brands. Before the acquisition, Company X had approximately 250 employees and company's portfolio included seven magazine brands. Now, after little over a year, Company X is publishing eight magazines.

The final business agreement and official business transfer happened on February 2014, and the employees from Company Y moved in Company X's facilities on March 2014. A special project team and a project manager were appointed to handle and execute the integration project at Company X. Key personnel from different departments were included in this project team, and the goal for this team was to execute the integration project efficiently and smoothly from start to finish. During the integration project the project manager reported directly to the chief executive officer and to other members of the board of directors.

Employees from Company Y came to Company X from quite a different work culture. According to the employees interviewed for this study, the culture and atmosphere at Company Y was much more free (for example they didn't have timekeeping systems for monitoring the working hours), creative, and people were more passionate about their work. Since the part of Company Y that was acquired was a small company compared to Company X, all employees knew each other and the general atmosphere was more start-up-like and the feeling of togetherness was strong. As opposed to Company Y, Company X in Finland is a bigger company where people don't necessarily know each other and there are strict timekeeping systems and tighter control of other practical matters. From the perspective of the employees, the starting point was two different organisational cultures, which should be melted together. (Information gathered from the interviews)

1.2 Motivation for choice of research topic

Change management as a theme is widely discussed around the world and a lot of research has been done about change management in general and from the employee point of view. My interest for this topic arises strictly from my own experiences as an employee of Company X, and from my interest towards change management, leadership and organisation culture issues. Although similar studies have been done in different industries around the world, a case study is always a possibility to study processes in a specific case company, processes that are specific and unique for that company only. Now when little over a year has passed since the acquisition and merger, I think it is important to look back and evaluate the change process and how employees have adopted to the new circumstances. One year is also long enough time, in which case this change process can be viewed as a whole. I hope that this case study provides useful information as well as guidelines and tools for Company X.

1.3 Aim of the study

The aim of this case study is to better understand the employee side of the story during change process in acquisition and merger situations, and as a result of this thesis, the goal is to provide useful information for Company X's management team on how they could organize change processes in the future. This is a case study about change management at Company X, and how it affected the personnel - the old employees of Company X as well as the new employees who came from Company Y. Acquisitions and mergers are types of organisational change, and these processes often lead to other changes in the organisations as well. This case study will concentrate on the change process as a result of acquisition and merger, and I am going to focus on the personnel, how employees react to change and how they adopt the new circumstances and how they felt the change management was executed during the integration process.

1.4 Research question

My research question for this case study and for the case company Company X is: How employees react to change and adopt the new situations during acquisition and merger process, and how they receive and experience the change management issues? I am interested in understanding change management and change processes from the perspective of the employees, and I am interested in leadership and organisation culture issues in general as well as in the case company in question.

1.5 Methodology

In order to answer my research question, I have chosen qualitative research for this case study and the research was executed through standardized, open-ended theme interviews. I sent an invite via Surveypal to all Company X's employees to volunteer and to take part in the interviews. Among the volunteers I chose 11 interviewees, which represented different backgrounds: employees from Company X and from Company Y, different departments and different job descriptions, supervisors as well as subordinates. The same standardised, open-ended interview questions were asked from all of the interviewees; 6 of them were Company X's old employees and 5 of them were employees who came from Company Y as a result of the merger. All interviews were conducted anonymously, recorded and information from the interviews has been compiled together.

I started the interviews by asking general background information; whether the interviewee were from Company X or from Company Y, and I made certain that the employee was actually working for either of these companies before, during and after the acquisition and merger. I also wanted to know if the job description had changed for the interviewee due to the integration process. The actual interview included 12 specific questions and in the end the interviewee had the opportunity to speak freely about the topic and bring up matters that weren't covered in actual interview questions.

I designed the questions so I could receive as much information and open responses about the topic as possible. The list of interview questions consisted of the following 12 specific questions with supplementary questions: 1) What was your first reaction and what kind of thoughts it aroused when Company X announced the news about Company Y -acquisition? 2) How did you think the communication about the acquisition was executed? Did you get enough information or did you miss something? 3) How do you think the integration process was organised and executed? How did the change management work out? 4) Question for employees from Company Y: How were you treated when you came to Company X? How did you adopt to new environment, to new colleagues and to new work habits? 4) Question for employees from Company X: How did you adopt to your new colleagues form Company Y and how do you think they were welcomed to Company X? 5) What kind of problems have you run into in your work environment due to this integration process? How do you think the management and directors of the company have handled the problems? 6) Did you miss something from the management and directors during and after the integration process, for example more support? 7) How did the management and directors take care of the wellbeing of the employees during and after the integration process? 8) From the change management point of view, what might have confused or frustrated you in actions of management and directors? 9) Where the management and directors have succeeded during this process? 10) How is you job satisfaction and has it changed during last past year? Is there any impact from the integration process to you job satisfaction? Have you considered leaving your job due to the integration process? 11) Where there any possibilities for employees to take part to integration process and to influence the events that where going on? 12) How do you think the management and directors could involve employees in change processes like this integration process?

1.6 Previous studies

Numerous studies and research projects about change management have been published from different point of views. The studies, researches and theories are quite universal and can be applied regardless of the industry in question. Relevant studies and theories considering my research topic are the ones, which have concentrated to study the

change management in acquisition and merger processes through the perspective of personnel. To support the qualitative research and the interviews, I read number of different articles and other literature. Among these I chose three articles, which create the theoretical framework for this study. These articles are gathered from the Sage database and they cover topics such as acquisition and merger, change management, organisational change and personnel. Different theories related to these topics are introduced in the articles. In addition to these three articles I have also studied other literature related to the topic and to which I will refer to when suitable.

In the first article that I selected, Seo and Hill have studied the human side of the merger and acquisition (M&A) from the perspective of behavioural sciences and they have written the article *Understanding the Human Side of Merger and Acquisition, An Integrative Framework*. The framework provided by Seo and Hill can be used as a guide for M&A integration leaders to plan interventions to smooth the human integration process. In the second article, *Haunted by the Past: Effects of Poor Change Management History on Employee Attitudes and Turnover,* written by Bordia, Restubog, Jimmieson & Irmer, they have studied how the past can effect on future change initiatives and how poor change management history (PCMH) can effect employee attitudes and actual turnover. In the third article, Syrjälä, Takala and Sintonen have a bit different, but interesting, approach to the topic in hand. In their article *Narratives as a tool to study personnel wellbeing in corporate mergers*, they studied through narratives how a corporate integration is experienced by the personnel and how change affected personnel's wellbeing. Although the research method of Syrjälä, Takala and Sintonen study is a bit different, I find it quite interesting and suitable to be part of my theoretical framework as well since my case study is executed through interviews, and interviews are always personal stories, experiences and reflections of reality.

2 THEORETICAL FRAMEWORK

Change Management as a noun means 'the planning and introducing of new processes, methods of working, etc. in a company or organisation' (Cambridge Business English Dictionary 2011 p. 127). Kotter's definition for change management refers to a set of basic tools or structures intended to keep any change effort under control and the goal is often to minimize the distractions and impacts of the change (Kotter 2011). Merger and acquisition (M&A or M and A) as a noun means 'the activity of combining with or buying another company or advising another company on how to do this' (Cambridge Business English Dictionary 2011 p. 539).

Change management as on area of leadership research began attracting attention from media scholars early in the 21st century. In a changing economic, regulatory, and technical environment, change has become almost the only constant in the organisational environment for media companies. According to Mark Deuze, only a handful of scholars have studied change management in the media business, and given the prevalence of change in the media industry, there is a need for more research on change management, job satisfaction, and motivation issues. Deuze thinks that there is a need to expand research streams to examine how change and motivation issues are affecting media professionals and media performance, and how research on topics such as power, decision making, and communication would contribute immensely to understanding the factors of human agency that shape media content and organisational performance. (Deuze 2011 p. 22-23)

Following three articles along with other literature give the theoretical framework for my case study. In these three studies different methods are used and they have a slightly different perspective on the matter in hand but they still focus on change processes, change management and the employee side of the story. These studies include perspectives of behavioural sciences, organisational psychology as well as business and organisational management.

2.1 The human side of merger and acquisition

Seo and Hill have studied the human side of the merger and acquisition (M&A) from the perspective of behavioural sciences and they have written the article *Understanding the Human Side of Merger and Acquisition, An Integrative Framework*. The framework provided by Seo and Hill can be used as a guide for M&A integration leaders to plan interventions to smooth the human integration process. According to the authors the article's purpose is to provide a framework that clarifies and integrates existing research on the human side of M&A. (Seo & Hill 2005)

Seo and Hill have identified six different theories or theoretical themes (anxiety theory, social identity theory, acculturation theory, role conflict theory, job characteristics theory, and organizational justice theory) that form the basis for explaining employees' psychological and behavioural responses to M&A-related organizational change.

According to Seo and Hill M&A involves large-scale organisational change and it can be a significant source of anxiety. The degree of anxiety can vary across individuals and depend on the M&A characteristics, and it is a general observation that employees experience a high degree anxiety when facing the possible occurrence of M&A. This anxiety can manifest itself in different ways for different organisational members at different stages of the M&A process. What comes to social identity theory, Seo and Hill state that several identities can be impacted during the M&A process and the organisational identity represents the distinctive attributes that individuals associate with their membership in an organisation. M&A typically involves one or both organisations abandoning an old and adapting to a new organisational identity. From the point of view of the acculturation theory, organisations comprise individuals and groups, each with unique cultural identities, and within these networks the degree and rate of acculturation can vary between individuals and between subgroups within an organisation. Researchers have proposed that when members of the two combining organisations do not agree on the desired mode of integration, acculturative stress will result, and these stresses and tensions may lead to resistance to acculturation and serious inter-organisational conflicts. These conflicts have also been referred to as culture clash. Role conflict theory suggest that psychological tension occurs when individuals are engaged in multiple roles that are incompatible, and role ambiguity refers to uncertainty about what is expected in a role. M&A integration processes involve disrupting the existing cultural, structural, and

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job arrangements and creating new arrangements. One theory that relates to changes in perception of the work environment is job characteristics theory; changes in employee attitude and behaviour following M&A may simply reflect changes in their job characteristics and work environments after merger. Job characteristics theory suggests that core job characteristics influence perceptions of the work environment and in turn influence motivation and job satisfaction. Organisational justice theories provide important theoretical insights regarding how decisions about reselecting and displacing employees can affect the surviving employees' perceptions and behaviour. If employees see themselves as being treated fairly, they are more likely to develop attitudes and behaviours in support of change, even under conditions of adversity and loss. (Seo & Hill 2005 pp. 424-432)

To integrate these theoretical themes, the authors have adopted a temporal approach in which the M&A integration process is conceptualized as several distinct stages with different factors emerging as critical sources of problems in each stage of the M&A. Those M&A integration stages are premerger stage, initial planning and formal combination stage, operational combination stage and stabilization stage. Each theory provided by Seo and Hill suggests unique sources of problems, their psychological and behavioural effects on employees, and the relevant managerial practices to prevent or overcome the problems. They have integrated the theories into a stage model of the M&A integration process. The stage model predicts how and in which phase of the integration those unique sources of problems are most likely to emerge. According to the writers, advancement in managing M&A processes cannot be accomplished without enhancing our understanding of the human side of M&A. (Seo & Hill 2005)

2.2 Poor change management history

Bordia et al. have written an article *Haunted by the Past: Effects of Poor Change Management History on Employee Attitudes and Turnover* and they have studied how the past can effect on future change initiatives and how poor change management history (PCMH) can effect employee attitudes and actual turnover. In the article Bordia et al. develop and test a theoretical model of the effects of PCHM. Through the research the

writers aim to understand the role of change management history in shaping employee change-related beliefs, attitudes and behaviour. They propose that individual experiences with poor change management history will be captured in belief structures that they refer to as poor change management history beliefs (PCMH beliefs). After the research, and testing the theoretical model as well as their hypothesis', the writers identify practical implications for change leaders. The key message according to the authors of this article is that change leaders need to be acutely aware of the organization's history of change management and they recommend that leaders pay attention to employee change beliefs arising from the history of change in the organization. (Bordia et al. 2011)

Bordia et al. propose that the history of change management and individual change-related experiences in an organisation will have significant consequences for the development of lasting change-related attitudes. The actual experience of PCMH and the resulting PCMH beliefs will impact on employee attitude toward the organisation in general and toward change management in particular. A history of poor change management will result in a loss of trust in the organisation and its ability to manage change. (Bordia et al. 2011 pp. 192-193)

Employees and their openness to change are vital for the successful implementation of any change program. According to Bordia et al. openness to change consists of two elements: 1) willingness to support the change, and 2) positive affect about potential consequences of the change. For example, the lack of participation and information about the change or an expectation of unfavourable outcomes arising from change will reduce openness to change. Bordia et al. suggest that cynicism about the organisational change will be negatively related to openness to change and openness to change will be negatively related to turnover intentions. Organisational change can trigger a comparison of the new work circumstances with the desired goals and values. A lack of openness to change implies that the employee does not like the direction or outcomes related to the changes and is likely to experience image violation. (Bordia et al. 2011 pp. 198-200).

2.3 Personal stories

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Syrjälä et al. have a bit different, but interesting, approach to the topic in hand. In their article *Narratives as a tool to study personnel wellbeing in corporate mergers*, they studied how a corporate integration is experienced by the personnel and how change affected personnel's wellbeing. Syrjälä et al. used a narrative research method for data collection and analysis, and they focused on employees' stories about their own wellbeing and the company HR strategy in organisational change. The narrative method used in this study is a quite new tool in organisation research. The writers point out that the elaboration concerning this research is needed because the aim of the research was to test the suitability of the narrative for analysing wellbeing in a business context, and that the empirical results presented in the article are preliminary and suggestive rather than definitive and conclusive. The writers of the article feel that narrative research can allow corporate management to see how employees think and speak, and to understand things from their perspective. The research offers a useful tool by which companies might improve their HR policies and practices. (Syrjälä et al. 2009)

Syrjälä et al. have studied that narratives mediate three specific relationships: 1) those between a human being and her/his perception of the world, 2) between a human being and another human being, and 3) between a human being and her/himself (Syrjälä et al. 2009 p. 264). In their study they mainly used plot analysis, supplementing it when necessary with other analysis techniques. Instead of being a static structure, a plot is the dynamic and integrative operation that creates the identity of a story. Syrjälä et al. states that plot analysis is well suited for studying the experiences of wellbeing among organisational members in the context of mergers and acquisitions. (Syrjälä et al. 2009 p. 268) Each voice in its own way can give insight into the research and Syrjälä et al. believe that these stories may help to detect similar problems in other organisational integrations in a search for HR solutions to such problems. (Syrjälä et al. 2009 p. 281)

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3   ANALYSIS

Based on the interviews, I have created and categorised three different themes for ana-
lysing the interviews with the help of the theoretical framework provided in a previous
chapter. These three themes are: 1) Communication 2) Integration process and change
management 3) Job satisfaction and wellbeing.

3.1   Communication

Change management and organisational communication are tightly linked together. As a
tool, communication should encourage the employees, create trust between the employ-
ees and the organization, and prepare employees to be open and receptive towards the
change processes.

Communication, including listening skills, is the most important skill a leader must
have. Leaders must communicate their vision, goals, and instructions clearly and in
terms that motivate and inspire. Employees who constantly receive partial or misleading
information quickly stop trusting the boss. Skilled leaders communicate effectively
through formal channels and informally in casual conversation and social settings. Re-
gardless of the channel, failure to communicate leads to misdirection, misunderstanding,
inefficiency, and lost trust. Listening skills are no less important than verbal communi-
cation; skilled leaders are active listeners, giving the speaker full attention. They ask
questions, and rephrase back to the speaker what was said to make sure they understood
correctly. They act on advice and suggestions from employees. (Sylvie et al. 2008 p. 30-
31.)

According to Michael W. Kramer mergers and acquisitions between organisations cre-
ate uncertainty for employees, and employees often experience uncertainty and anxiety
about wide range of issues including job security, fear of declining status or job pro-
spects, and loss of control over their careers, their autonomy, and their organisational
identity. They can also experience shock as they become aware of differences between
the cultures of the two merging companies. Through different studies Kramer argues

that in terms of communication it is better to release partial information than to experience the anger, low morale, and low productivity that occur when secrecy creates uncertainty that leads to rumours. Due to the stress created by uncertainty concerning mergers and acquisitions, employees seek out information from formal sources, as well as informal sources. Receiving information has a positive impact on employees, and directive, realistic, accurate and timely information assist in reducing uncertainty for employees. Due to a lack of adequate information surrounding organisational changes, organisational members experience uncertainty. The uncertainty frequently leads to dissatisfaction and intentions to leave. Additional communication with organisational supervisors or other members results in uncertainty reduction and more positive feeling toward the organisation and intentions to remain in the organisation. (Kramer 2004 p. 54-56) Interest in informal change communication processes in organisations reflects the increasing attention directed to the notion that people are not just passive recipients of change but also play an active role in creating and reacting to change (Rafferty & Restubog 2010 p. 1313).

On February 2014, when Company X announced the acquisition and merger news, the first reactions of the interviewees were mostly positive and optimistic but there were negative reactions and feelings of shock as well. Most of the interviewees thought that at first the communication was sufficient but along the way the communication was forgotten. The interviewees felt that employees were left alone with their questions, and that the communication about the practical matters was incomplete. There were low possibilities to discuss about the matters and questions that were unclear and obscure.

> Communication was executed poorly. The only communication that made any sense was communication from Company Y. Grade for Company X's ability for organizing the whole thing was 4- (on scale from 4 to 10). In situations like these people are not that receptive so things should be twisted from the wire and made sure that the message really gets through to employees and that the message is actually understood. Communication left a lot of question marks in the air. (Excerpt from interview, employee from Company Y)

For me the actual staff info and the announcement about the acquisition and merger was the only communication I received. Lots of practical matters were left unclear, and the communication about the actual work tasks etc., were inadequate. (Excerpt from interview, employee from Company X)

Before an integration occurs, employees experience anxiety as they try to cope with the uncertainty by predicting the impacts of the acquisition and merger on their future jobs and careers, and perceived threat of job loss can lead to increased worry and feelings of distress. One of the most frequent prescriptions for reducing anxiety-related stress is top-down, formal communication that provides timely and accurate information about what will happen to the organisation and the employees' jobs (Seo & Hill 2005 p. 424-426).

For employees the first announcement about the acquisition and merger is usually the first touch point to the actual matter. How communication is handled at that point might have a strong impact for future attitudes and orientation of the employees. Poor change management practices, for example poor communication in this case, not only hurt the change being implemented, but can also have detrimental effects on future change initiatives. The experience of poor change management history will impact on employee attitude toward the organisation in general and it will result in a loss of trust in the organisation and its ability to manage change. Low trust will lead to lower job satisfaction, higher intentions to leave and exit the organisation. Cynicism about change will create a lack of openness for change efforts in the organisation, and the lack of openness to change can make the changing organisation unappealing. (Bordia et al. 2011 p. 193-194)

Once the acquisition and merger is officially announced, the level of employees' anxiety may reach the highest level and people are likely to be preoccupied with the deal means for their jobs, livelihoods, and careers (Seo & Hill 2005 p. 435). Inadequate communication in situations like acquisition and merger can create uncertainty, suspense and stress among the employees. Questions left open usually create also speculations and rumours - corridor gossip.

Although there is a tendency for managers to become distracted by details of the acquisition, it is important that they make an effort to interact more with their employees, and managers should be trained in listening skills and helping their employees cope with anxiety. For example, managers can show patience with employees who are anxious, reassure employees of their worth, listen to their issues, and show an understanding of what employees are going through instead of simply urging them to press on. (Seo & Hill 2005 p. 426)

According to Georgalis et al. interactions can affect how the change process develops and how the change is implemented, perceived and evaluated. Their findings indicate that organisational changes stand a better chance in work situations that are characterised by close and supportive relationships between leaders and subordinates and effective delivery of negative news in fair ways. Extensive communication and participation should be made available to all employees, and fostering organisational justice is key to harnessing employees' cooperation and support in times of change. (Georgalis et al. 2015 p. 108)

3.2 Integration process and change management

Employees' perception of the effectiveness of leadership during the period of organisational change has an impact on their work adjustment. Amiot et al. states that effective management during a merger plays an important role in ensuring that the organisation is implementing this change according to plan and in reducing the levels of ambiguity and stressfulness associated with the merger. (Amiot et al. 2006 p. 554)

3.2.1 The process

According to Seo and Hill merger and acquisition (M&A) -related organisational change is perhaps more complex than any other type of large-scale organisational change because it needs to simultaneously address both the inter-organisational dynamics of leading a large-scale organisational change and the inter-organisational dynamics

of blending two distinctive organisational identities and cultures into one (Seo & Hill 2005 p. 439). Based on different models and studies Seo and Hill propose four M&A integration stages with different sources of problems, and factors that might effect on employees' behavioural responses: 1) premerger, 2) initial planning and formal combination, 3) operational combination, and 4) stabilisation. (Seo & Hill 2005 p. 433)

The premerger stage starts with the examination of a possible merger and ends with the official announcement of the merger. This stage includes planning and discussions among top managers and executives regarding a possible merger and emerging rumours about the possible merger among employees. From employee point of view, anxiety- and uncertainty-related stress is likely to be substantially higher on this stage, and productivity can be affected as anxious employees have difficulty focusing on everyday tasks. *Initial planning and formal combination stage* starts after the acquisition and merger has been announced and ends once a new organisation has been created. This stage involves the creation of a new vision, new goals for the combined organisation, and joint committees and teams to make decisions regarding management changes, staffing plans, and new organisational structure. Once the merger is officially announced, the level of anxiety may reach the highest level, and people are likely to be preoccupied with what the deal means for their jobs, livelihoods, and careers. Identity issues become salient as the formal organisational entities cease to exist. In inter-organisational teams people may develop various intergroup biases and experience intergroup conflicts. These inter-organisational conflicts are likely to escalate as people also clash in cultural differences. *Operational combination stage* involves actual integration of organisational functions and operations. Interactions between the members of the combined organisations are extended from top management and joint committees to general work units. During this phase, budgets, space, work assignments, and reporting responsibilities are realigned. Employees are pushed to learn new ways of doing things, meet new performance standards, and adopt new value and belief systems. At this stage, the intergroup conflict may reach the highest level, and culture clash continues to be a major barrier to effective transition. Uncertainty may re-emerge to influence employees' reactions and employees are still likely to mythologize their old organizations and old jobs. *Stabilisation stage* is the final stage and it is the consolidation process, as the operational integration is completed. Although changes and adjustments may continue

throughout this stage, organisational stability recurs, and norms roles, and organisational routines are stabilised. As tasks and roles are stabilized, most of the previous stressors may gradually disappear. However, it is also likely that several of stressors still remain influential at this stage. Cultural and psychological integration usually take longer than any other integration. (Seo & Hill 2005 p. 433-437)

John P. Kotter writes in *The Heart of Change* that in change processes the central issue is never strategy, structure, culture, or systems although those are important elements. He thinks that the core of the matter is always about changing the behaviour of people, and behaviour change happens in highly successful situations mostly by speaking to people's feelings. According to Kotter, in highly successful change efforts, people find ways to help others see the problems or solutions in ways that influence emotions, not just thought, and feelings then alter behaviour sufficiently to overcome all the many barriers to sensible large-scale change. (Kotter 2002, from the preface)

Most of the interviewees, both from Company X as well as from Company Y, were disappointed how the integration process was executed. Only two interviewees out of eleven thought that the integration process went quite well and one interviewee didn't have opinion about the matter at all. The key message from the interviews was that the integration process in theory and in paper was executed well, but the actual implementation was not that successful.

> At the beginning the feeling in general was that this process would be handled thoroughly. But after the actual moving day all actions stopped. The project was handled well technically and on paper, but the aftercare was totally missing and nobody cared how the process was handled at a mental level and how it affected the personnel's wellbeing. The project was executed half way through and after that employees were left to fend for themselves. After the moving day the actual caretaking should have just started. (Excerpt from interview, employee from Company X)

> I got the impression that lot of work had been done at Company X in order to welcome the new employees from Company Y. And at the beginning all went

well, but soon the reality was uncovered and new employees from Company Y were left alone. Maybe Company X's old issues and problems had something to do with it, and maybe this wasn't all about the Company Y acquisition. And with problems I mean problems, which have existed way before acquisition, for example bad results in job satisfaction surveys etc. Several "magnificent and creative" projects are continuously going on. Sometimes it could be a good idea to actually finish something and to calm down the situation. Now the situation seems quite restless. (Excerpt from interview, employee from Company Y)

Now as aftermath, I as a superior missed tighter grip from Company X, and I would have liked to meet the whole board of directors in the beginning of the integration process. As a supervisor, support and help is expected from me from my subordinates, so some sort of discussion in the beginning would really been necessary. Some aspects were handled well and other issues were completely left undone. There should have been more induction, meeting new colleagues and more discussions. Discussion especially with the board members… The project could have gone better in many ways. (Excerpt from interview, employee from Company Y)

Georgalis et al. suggest that organisations would benefit from developing a greater understanding of change practices that shape employee perceptions of justice and ultimately bring out either negative or positive responses to change. Attention should also be given to fostering positive relationships with employees within the climate of fairness and respect. Change implementation practices should focus on activities that increase employee knowledge and understanding of the change and encourage their involvement. (Georgalis et al. 2015 p. 108)

Adjustment to change is better if employees are consulted about the implementation of the change, that there is effective leadership during the period of change, and that employees are kept adequately informed about the change process (Amiot et al. 2006 p. 567). According to Amiot et al. organisational change can be implemented in either a participative (collaborative or consultative) or non-participative (directive or coercive) manner. Employees' participation in decision making, and the information provided to

employees regarding the merger are considered to be the key event characteristics that are likely to have a strong impact on employees' stress and coping processes. (Amiot et al. 2006 p. 554)

> In the future and in similar change processes, it would be beneficial for the company to make better use of the personnel in creating new organisational culture as well as helping with the more concrete issues. More was expected from the employees of Company Y and they were trusted more, and it has probably been the biggest difference between Company X and Company Y. You cannot find the same kind of organisational culture from Company X that we had in Company Y, and certain negative hierarchy in Company X is clearer. (Excerpt from interview, employee from Company Y)

Based on the interviews, most of the employees did not think they had the opportunity to participate to the integration process or the decision-making processes. When asked if it would be beneficial for the company to let personnel participate and in what way, most of the interviewees thought that it could be a positive thing if employees could influence to the practical matters and issues that concern themselves.

> There were not any possibilities to make a difference. Newcomers were encouraged to change things, but it was just bunch of empty words. Real and genuine tools for making a difference were not given. (Excerpt from interview, employee from Company Y)

Change management practices such as participation in decision-making is positively related to openness to change (Bordia et al. 2011 p. 199). For example, encouraging employees to participate in job redesign processes has been recommended as a useful approach to reduce possible resistance and to maintain a positive attitude during the transition (Seo & Hill 2005 p. 431).

Amiot et al. point out the need for organisations undergoing changes to ensure that employees are consulted about the implementation of the change, that leadership during this process is effective, and that there are clear channels of communication with em-

ployees about the change process. In times of organisational change, a managerial approach that communicates a clear vision to employees, request their ideas in the implementation of the changes, and takes into consideration their needs and concerns should also be particularly effective in reducing feelings of threat and stress, in fostering feelings of self-efficacy, in inhibiting less adaptive forms of coping in the longer term. This approach can also minimize the voluntary exit as a response to organisational change. (Amiot et al. 2006 p. 569)

According to Seo and Hill their theoretical perspectives show the importance of approaching the integration process in a systematic way, developing integration plans to help guide the process, and ensuring that issues are adequately addressed. Seo and Hill state that some companies that have had success at M&A highlight the importance of assigning a full-time integration manager and assembling an integration team. The integration manager should be someone who is well respected, has proven managerial skills, and also has strong skills in facilitating organisational change. In addition, the integration manager should have the necessary functional knowledge to lead the integration. (Seo & Hill 2005 p. 432)

3.2.2 The management and leadership

According to John P. Kotter, leadership and management differ in terms of their primary function; the first can produce useful change, the second can create orderly results, which keep something working efficiently. This does not mean that management is never associated with change nor does this mean that leadership is never associated with order. With effective management, an effective leadership process can help produce the changes necessary to bring a chaotic situation under control. Both are needed in order to organisations to prosper. (Kotter 1990 p. 7) Leadership produces change and in cases of effective leadership, the directions of that change is carefully selected in an activity that is at the core of what leadership is all about (Kotter 1990 p. 35). Leadership defines what the future should look like, aligns people with that vision, and inspires them to make it happen despite the obstacles (Kotter 2012 p. 28).

It reflects from the interviews that more transparent and clearer role was needed and required from the Company X's directors during the integration process, and the board of directors were criticised for the lack of leadership. In turn, the directors received acknowledgement for such a bold move to buy three magazines in these unstable economic times.

I have wondered if the board of directors ever had a cohesive line in this process. More integrated approach and long-term solutions would have been needed. It always seems that keeping up the appearances is more important that what actually is going on within the walls of Company X… The respect for the board of directors comes from their actions and practices. A leader should lead by his/hers own example. (Excerpt from interview, employee from Company X)

Company X is totally missing content management, and the board of directors is differentiated from the rest of the crew. The board of directors and employees potter around in two separate gangs. Genuine interaction is missing. There is a strange hierarchy, or the approach to management and leadership issues is from the 80s'. Unfortunately the leadership know-how and practices of the chief executive officer don't stream forward to other directors. The "pseudo-casual-feeling" can't be seen in practice or in leadership level. (Excerpt from interview, employee from Company Y)

All and all I am very thunderstrucked and disappointed how things have been handled and managed. At Company X I get the feeling that everything and everyone can be replaced. In orations superlatives are flowing, but when it comes to practice, those words does not matter at all. If people do not feel special and valued when working for Company X, this won't become that most recommended workplace… It would have been nice to know about the visions for the future and to what direction we should drive our work. At Company Y we had a clear mission and goal, which was pursued together. At Company X this seems to be missing totally. (Excerpt from interview, employee from Company Y)

Kotter states that employees in large, older firms often have difficulty getting a transformation process started because of the lack of leadership coupled with arrogance, insularity and bureaucracy. The problem in such case is that it is difficult to enact by sheer force the big changes often needed today to make organizations perform better. Transformation requires sacrifice, dedication and creativity, none of which usually comes by forcing. Without competent management, the transformation process can get out of control, but much bigger challenge is leading change. Only leadership can motivate the actions needed to alter behaviour in any significant way and only leadership can get change to stick by anchoring it in the very culture of an organisation. (Kotter 2012 p. 32-33)

According to Tushman and O'Reilly III, for directors and managers, finding the right strategy, vision and purpose are essential for long-term success, but they also have important motivational features. These features prove to organisational members that the work matters and their efforts are contributing to something worthwhile. A shared vision helps to inspire the organisation with meaning and purpose, and commitment requires that people genuinely believe that their efforts contribute to some higher good and make a difference. (Tushman & O'Reilly III 2002 p. 100) A vision that people believe in can add passion and enthusiasm to an organisation, but a vision that people either do not understand or believe in undermines management's credibility and is a source of great cynicism (Tushman & O'Reilly III 2002 p. 51).

Evaluation of past change efforts is important for the future decisions. Bordia et al. states that if a past change is perceived as well managed, it will lead to positive outcomes (for example high levels of trust in the organisation and low levels of cynicism) and on the contrary, if the change is perceived as poorly managed, it will lead to negative outcomes (low levels of trust in the organisation and high levels of cynicism. Bordia et al. suggest that the experience of bad change management in the organisation develop beliefs that the organisation is bad at managing change. The beliefs will affect reactions to future organisational events including the development of organisation-related attitudes and behaviour. A history of participative decision-making and fairness of procedures, treatment, and outcomes led to greater trust in the leader. (Bordia et al. 2011 pp.195-196)

According to Tushman and O'Reilly III the fundamental challenge is to manage the change process to maximise the probability that the organisation gets to its desired future state, works consistently with its plans, and does so at minimal cost to both the organisation and the employees. To effectively implement change, managers must engage their colleagues and employees emotionally and intellectually. This can require creating crises, building coalitions, and dealing with anxiety and resistance to change. It requires a committed senior team and extended leadership throughout the organisation. (Tushman & O'Reilly III 2002 p. 211)

3.3 Job satisfaction and wellbeing

According to Michelle C. Blight it is commonly reported in both academic and practitioner journals that organisational culture is vital to the success or failure of acquisitions and mergers. Acquisitions and mergers can be a significant source of trauma both for employees and managers. Human resource difficulties may add substantial costs to the integration process and hinder the ability of organisation to achieve desired synergistic benefits of merging. (Blight 2006 pp. 395-396)

Job satisfaction is generally understood as "the pleasurable emotional state resulting from the appraisal of one's job as achieving or facilitating the achievement of one's job values", and job satisfaction is important indicator of employees' adjustment to organisational change. According to Rafferty and Restubog considerable research suggest that large-scale changes are negatively associated with job satisfaction and positively related to intentions to leave an organisation. (Rafferty & Restubog 2010 pp. 1315-1316)

Amiot et al. state that to understand employees' adjustment to a merger, it is necessary to consider how they cognitively construe and interpret the situation and which emotions are likely to be triggered by such situation (Amiot et al. 2006 p. 555). One indicator of adjustment is job satisfaction and it has been considered to be an important organisational outcome. Job satisfaction is associated with increased job performance, lower intentions to leave and fewer turnovers. (Amiot et al. 2006 p. 556)

People's feelings and experiences of wellbeing are a fundamental part of the structure of everyday life, which is communicated and reflected by their personal stories (Syrjälä et al. 2009 p. 263), for example these case interviews. According to Syrjälä et al. narration is the way human beings typically communicate and make sense of reality, and it offers a suitable tool for analysing human experiences. Wellbeing is present in the conception of the good life people strive for, also in an organisational context, and process of defining the meaning of good life is mediated through narration. (Syrjälä et a. 2009 p. 267) Our wellbeing is determined by the degree to which our basic human needs are satisfied (Syrjälä et al. 2009 p. 269).

The interviews gave quite negative picture of aspects of wellbeing. Most of the interviewees, both from Company X and from Company Y, thought that the management team of the company did not take care about the job satisfaction and wellbeing issues. Once again the interviewees felt that they were left alone with their questions and worries, and they felt that there should have been more motivation and encouragement from the company's management side. The interviewees felt that there should have been kept far better care of wellbeing and that these issues should have been taken seriously. From the motivational side, most of the interviewees felt that in the end the integration process did not affect their work motivation that much and they have still managed to keep up the good work.

> The management often forget how the little things can have great impact. The fact that you keep your staff happy and satisfied is in the end the heart of everything. (Excerpt from the interview, employee from Company X)

> The wellbeing of the personnel is not taken care of at all. The mental side has been left untreated and the employees have been left alone. In addition, the employee co-operation negotiations concerning the media sales caused unnecessary waiting, speculations and uncertainties, which should have been handled better by company's management. More immediate solutions and decisions would have been needed so that the situation and mental side would not been boiled

over to such a bad mode. (Excerpt from the interview, employee from Company X)

The management of the company didn't much show their faces when we came to Company X. I didn't get the feeling that "we take care of our employees", and as I mentioned, the orientation should have been executed better from the beginning. (Excerpt from the interview, employee from Company Y)

According to Syrjälä et al. there is no such thing as a single, solid, unitary phenomenon of organisational change, and instead its meaning, form and content are constructed in multiple social negotiations between and within diverse groups of actors. How the process is experienced varies depending on the actor's point of view. (Syrjälä et al. 2009 p. 280) Syrjälä et al. state that a narrative analysis can yield new knowledge by exposing such aspects of personnel welfare needs, which have either not been voiced or observed before, and it can introduce new vision into management thinking and HR strategy in different phases of corporate integration processes. (Syrjälä et al. 2009 p. 281) Narrative research can allow management to see how employees think and speak, and how they understand things from their perspective. It offers a useful tool by which companies might improve their HR policies and practices of working life. (Syrjälä et al. 2009 p. 282)

According to Bordia et al. the organisation and it representatives, such as supervisors and senior management, influence many aspects of the employee's working environment, including job roles, rewards and recognition, and career development. With low trust in the organisation, an employee will be unsure of whether job-related interests will be looked after. A lack of trust in the organisation is likely to result in lower job satisfaction and contrariwise, trust in the organisation will be positively related to job satisfaction. (Bordia et al. 2011 p. 197)

Companies and organisations can help employees to cope with the stress produced by merger and acquisition. Interventions can include for example employee counselling and stress management training. Organisations can provide social support in various ways, including employee assistance programs and conducting "town meetings" where

employees can voice their views openly, listen to others, and take solace in the fact that others experience the same emotions. It is also important to enhance employees' perceptions of control. This can be done for example by allowing employees to participate in decision making during and after the merger and acquisition. (Seo & Hill 2005 p. 426)

Since ancient times, narratives have been people's way of recounting things to their fellow men. According to studies of Syrjälä et al. by asking employees to write down their feelings and personal experiences of the change is beneficial and it can give the employees the sense that corporate management is genuinely interested about their wellbeing. The personnel feedback can give good management advice if the managers are open and willing to listen. There is a considerable amount of untapped experience, expertise and competency at all levels of the organisation and it only needs to be brought out into the open. (Syrjälä et al. 2009 p. 269)

4   DISCUSSION

The answers of individual interviewees are always tied to their own life situation. In this case study the answers were also tied to different organisational culture backgrounds, cultures from Company X and from Company Y. The interviewees reflected their experiences from the perspective of these different cultures. After evaluating the interviews, I can say that the change and integration process had greater impact on employees from Company Y, and they were much more critical on how the change was executed and managed. It might just be a consequence that usually the smaller group have to adopt the rules and customs of the bigger and already existing group of people. From the perspective of employees from Company Y, it seems that they had to blend in and learn the new organisation culture from the beginning, leaving the old culture behind and oblivion. For some employees it is an easier task to adapt, and for some individuals it is much harder task. In my opinion, it would be beneficial in situations like this to weld the two cultures together and introduce the best practices of both companies.

What makes the integration difficult and challenging, is the fact if the employees are not involved in the process, and if they are not open and ready for the changes. In this case study, at first the employees were quite open and ready for the change, but along the way they got frustrated about the management and the execution of the integration process. What comes to this integration and change process, according the interviewees there were no real possibilities for employees to participate in decision-making at any level. It would be the company's best interest to listen to employees and make use of the experiences and knowledge of the employees in the future change processes. This could be done for example by letting employees influence more on their job descriptions and work tasks, work environment and wellbeing, common HR policies etc. This could give the employees the sense that they are valued, respected and trusted. Since resistance is always related and connected to change, in a way or another, empowerment of the employees could make the change easier to execute and manage. For employees the possibility to participate could be meaningful and motivating.

From the perspective of the employees, it is extremely important to understand why the organisational changes, in this case the acquisition and merger, are made in the first

place. According to interviews, I can say that employees need to know why the change is being implemented, what is expected to achieve with the change, and what is the vision and strategy of this change process. The vision and strategy should be concrete and intelligible, not some high-flying oration which are not transformed into reality. For employees the vision and strategy need to be so clear and understandable that it is easy to identify with and easy to work for.

The importance of communication during change processes cannot be highlighted enough. According to the interviews there is just not a possibility to receive too much information. And the information should be on time, accurate, formal as well as informal, and appropriate. Waiting creates speculations, rumours and uncertainty among the employees. And as it came up in the different theories, listening skills are an important part of communication. Managers and directors should listen more their employees, and they should try to understand their anxieties, doubts and worries. Employees might spot some existing problems or drawbacks that managers do not see.

In the future, it might be a good idea to consider hiring an external change management consultant to lead and guide the project group. Of course the internal experience of the company is important as well, but the consultant might bring professional insight, vision and efficiency to the process. External consultant might see issues and stumbling blocks that are not visible for the internal project group. The expertise of an external consultant can be something that cannot be found inside of the company, and he/she could bring fresh thinking and new ideas to the change process.

5 CONCLUSIONS

As mentioned earlier studies of mergers from an economic perspective have shown that the outcomes are disappointing. News that wafted from Company X while I was writing this thesis, are in my opinion supporting these studies. Now when a little over a year has passed since the acquisition and merger, Company X announced to start co-operation negotiations in order to reduce employees (May, 2015). The emphasis in the negotiations will be in three magazines, and two of those magazines were acquired from Company Y. One of the three acquired magazines from Company Y was already ceased in autumn 2014 as unprofitable. Of course there are different economical challenges in today's traditional print media business affecting the situation, such as decreasing of the money spend on print advertising and the decline of the single-copy sales. But still, as a benighted employee, I cannot stop evaluating the past events with current events.

I argue that employees are the biggest recourse in the organisation, and taking care of their wellbeing and job satisfaction is extremely important, especially during change processes or in otherwise difficult times. When the needs necessary for employees' wellbeing are taking care of, employees are satisfied. Satisfied employees are more productive, creative, and more committed to work for the common goal. Nowadays more and more flexibility is required from the employees, and I think they are more willing to stretch a point if they in counterbalance feel receiving something. The value and impact of an incentive cannot be underestimated.

As a conclusion, I hope that Company X, as well as other similar companies and organisations, can find some insight for future change initiatives from this case study. I hope that organisations learn to listen employees and value their experience and opinions as a resource for the company. Employees respect managers and directors who lead with their own example and who are easily approachable.

It can be argued that if I, as an employee of Company X, am a right person to conduct this case study. I have sincerely tried my best to rely on theories provided by the experts in this field, and to listen and understand my fellow colleagues at Company X via confi-

dential interviews. I have set aside my own experiences and feelings, and I have tried to look things from the perspective of an outsider.

"Speed of change is the driving force. Leading change competently is the only answer." (Kotter 2012, from the new preface)

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