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**Merger Failure within the Integration Process & the Contributing
Extent of Human Resources**

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May 2016

Master's Program in Management

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Abstract

This thesis investigates the role of the Human Resource (HR) departments in the success or failure of the Merger or Acquisition (M&A) process. Through M&As, companies aim to gain strategic advantages by obtaining another company's core competences, buying their biggest competitor or building a stronger organization by merging with another. In contrast of the high quantity of M&As conducted each year, the success rate for M&As is very low. Previous research has shown diverse factors contributing to either the success or failure of M&As but the majority of these factors are connected to human relations. Nonetheless, companies appear to neglect them.

The researchers have done a literature review to investigate existing knowledge on this subject. Therefore this is a conceptual study which focuses further on these contributing factors but with an emphasis on the role of the HR department and what it can do to eliminate the negative impact of these human factors. Data collection was performed through semi-structured interviews with the HR department of a bank in Iceland as well as with researchers in the field of M&As to investigate the role of HR further. From the extensive literature review and interviews combined five themes emerged: lack of communication from executives to employees on how and what is to come, the need for acculturation of clashing organizational cultures, the inevitable turnover of workers, the mental stress and anxiety that M&As put on employees, and the resistance to change which can threaten the outcome of the whole process.

Our hypothesis is: If HR departments take the significance of these factors seriously and address them all the likelihood of a successful M&A will increase significantly. We further suggest steps that HR departments can follow to help with that process, such as inter-organizational communication, stress management seminars, meet & greet events for employees of both companies, and team building workshops to target new composition of teams.

Keywords: Mergers and Acquisitions, Human Recourses, Success & Failure, Integration process

Acknowledgments

We would like to start off by showing our gratitude towards our supervisor, Anna Thomasson, whose expertise and guidance was crucial in the development and progression of our thesis.

Furthermore, we would like to so graciously thank the HR manager of the Icelandic Banks for his willingness and sincerity for working with us in such an accelerated pace of time, as well as his dedication in the form of his detailed and honest responses to our questionnaires and any additional inquiries we may have had. Your participation was incredibly generous, and we are tremendously grateful for it.

Additionally, we would like to thank the two expert researchers from Lund University School of Economics and Management (LUSEM) whose interviews were incredibly detailed and provided us with unique insights which we would not have considered otherwise.

To our family and friends, thank you for believing in us and giving us endless support and courage to finish this final part of our Master's program.

Lastly, we would like to thank the director of our Masters in Management program, Stein Kleppestø, for supporting us throughout this past academic year. Without your guidance and enthusiasm for this program, we would not have had the same unforgettable experience that we did during this incredible year abroad in Sweden.

Our deepest gratitude,

Maja Spoljarik and Heiða Kristín Másdóttir

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1. Introduction

1.1 Background

Research spanning over the past four decades shows that the main factors which contribute to the failure of most mergers and acquisitions fall within the realms of the Human Resource departments, which continue to be disregarded as a priority during such processes, despite the theoretical acknowledgment. Such factors occur during and after the integration processes, where actions during these times prove to be vital.

Through the process of merger and acquisition, companies seek to create strategic advantages within their field of operation that will advance the competitive standing of both firms, and would be ultimately unattainable on their own and without such a process (Schweiger & Weber, 1989). Some motivating factors for engaging in such a venture include the desire for a more peaceful merger if an aggressive and inhospitable merger is anticipated, forming an advantage over their competitors, and allocating risk between both parties involved (Love, 2000). Despite the initial optimism and acquisitive values that fuel such a venture, the majority of all mergers fail within the infancy of the deal, an average as high as ninety percent, according to Schweiger and Weber (1989). Although there are a number of reasons that can be attributed to such a high rate of failure, our thesis will focus on the key factors which, upon extensive literature review, have seemed to be a constant no matter what field the merger is operating in. These undeniable problems within human integration include the mental stress and anxiety of employees, the lack of communication from executives on what is to come, the need for acculturation of differing organizational cultures, inevitable turnover, and resistance to change which threatens the very foundation of the integration process. These themes, as well as possible solutions to such reoccurring problems, will be identified and analyzed in the following chapters.

1.2 Problem Facing M&As

Presently, there is extensive literature and case studies on the topic of M&A, the importance of the integration process, and why the majority of mergers seem to fail during their infancy as a result of shortcoming during integration. Although the majority of such literature briefly touches upon the vitality of the Human Resource department in such a

phase of integration, there are only a minority of authors who have delved deeply into the analysis of such an important component in merger failure. Often, corporate executives become too preoccupied with the financial side of an acquisition, that they forget to address the significant contribution which employees stand to have on the potential success or failure of the merger (Cartwright & Cooper, 1993). The problem is that the expertise of strategists hired to structure mergers lie in law and finance, and therefore, neglect the psychological stress that acquisitions cause employees, for which such extended neglect greatly weakens the potential for a successful integration (Ivancevich, Schweiger, & Power, 1987). An estimate by Cartwright and Cooper (1993) places workforce issues as the prime reason for failure of thirty to fifty percent of all mergers. Such high statistics show a clear need for strategies which can target the high rates of reoccurring problems within the human integration process in M&A.

1.3 Research Purpose

The purpose of this study is to investigate existing knowledge of the M&A process through an extensive literature review, and therefore, we consider this to be a conceptual study. Our research will be supplemented primarily through theoretical analysis, as we seek to provide a conceptual framework throughout our thesis. Our thorough review of available literature will be supplemented by semi-structured interviews, which we conducted with an HR manager in a well-known Icelandic bank, as well as two professional researchers within the M&A field in order to investigate the role of HR functions and responsibilities. The analysis will focus on the reoccurring human factors which have proven over the past few decades to significantly undermine successful integration in the majority of M&As in the past and up to the present. Following thorough analysis of our theoretical research in combination with our empirical findings, we will develop our own solutions to address the key problems threatening the human integration process during mergers and acquisitions.

1.4 Contribution

This thesis will stress the importance for organizations to identify and be fully aware of what specific problems they will need to target when approaching a merger or acquisition. Resultantly, through the development of this understanding, the researchers will fill the gap of information that is present in current literature regarding strategies which can be

implemented to target the ongoing human integration problems in mergers, which are a result of the lack of prioritization, on the company's part, towards HR needs. In combination with relevant literature and interviews with M&A professionals, the researchers will aim to contribute a focus on HR functions within the M&A process. We will apply this focus towards outlining positive human integration methods, which can be implemented while striving for a successful merger of multiple corporations, their values, and newly created company culture.

1.5 Composition of Thesis

As seen above, the initial chapter of this thesis introduces the reader to the topic of mergers and acquisitions with a brief background and summary of strategic motivations for entering into such a venture. This is followed by the reveal of major problems facing M&As within the human integration process, which then leads into motivations behind the research purpose and what we aim to contribute with this thesis.

The second chapter delves into a review of relevant literature surrounding M&As. It is here that a thorough analysis is presented of the most commonly occurring problems within the integration phase. Such factors covered will be employee stress and anxiety, expectations, lack of communication, opposing organizational cultures, resistance to change, inevitable turnover, and how to achieve acculturation. This chapter will conclude with a discussion targeting the shortcomings of HR and their integration responsibilities.

The third chapter is where the reader will be presented with the methodology that supports the themes found within our literature review. It is here that the reader will find a thorough explanation of how we collected and analyzed our data, introduce the M&A experts we will be interviewing, and defend the reliability and validity of our acquired data.

Following the methodology, the reader will be presented with our findings and discussion section, where we will connect our empirical data with the themes discussed in our review of relevant literature. Following this analysis, we will present the reader with a subsection on solutions aimed towards achieving successful merger integration.

The last chapter will present our final conclusions and suggestions for future researchers, and will be followed by the appendix containing transcribed records of all of the interviews that were conducted.

2. Literature Review

2.1 Introduction

Through our literature review, our goal is to present the reader with a broad synopsis of the predominant factors which give way to an unsuccessful integration process. We begin with the historical background on M&A and follow with a briefing of the main factors of merger failure. We will begin discussing such factors with the topic of hierarchical communication, and continue to provide support on how a lack of this leads to employee mental stress and anxiety as a source of apprehension. Attached to such anxieties is the fear of inevitable turnover during the majority of the integration phase, which will subsequently be the following section. This section will lead into the topics of overall employee expectations, as well as their common resistance to change. From here, we will continue on to discuss the strong influence which opposing organizational cultures have on the overall integration between firms, after which we will explain the imperativeness of achieving such organizational acculturation. We will conclude this section with an evaluation of the role that Human Resource departments play within the post-merger phase, and the contribution which their shortcomings bring to the failure of such a valuable and opportune business venture. Finally, we will provide the reader with a hypothesis that we will revolve our pilot test around in the following methodology chapter.

2.2 Historical Background of M&A

In the past few decades M&As have been becoming increasingly more popular in the business world as a way of profit maximization. The year 2000 was the eighth consecutive year where M&A transactions increased over a twelve month period, reaching a collective value of \$3.5 trillion dollars in around 37,000 universal M&As. Many parts of the world have been increasing their transactions in M&As, but during this same year, the most extensive increase was in North America, which was the predominant market at that time (Pablo & Javidan, 2004).

In spite of companies' good intentions to maximize profit, the result was much less than perfect. Academics have been researching M&As for a few decades now and they all seem to come to the same conclusion. In the early 90s, the success rate of M&As was only 50-70%

and 61% of M&As were considered to be decreasing shareholder value, especially of two companies similar in size. Other researches have shown countless companies failing to succeed in attaining synergy and increasing profits with a low score of only 25-50% success rate (Pablo & Javidan, 2004).

The reason for M&A failure or success has been widely disputed. However, whether M&As are in fact good or bad for business, it is for sure that they will not cease to exist in the near future. So, with the likelihood of a successful M&A being as low as it is, it is therefore vital to understand what makes a successful M&A and what makes it fail (Pablo & Javidan, 2004).

In 1999, Larsson and Finkelstein did a study of sixty-one M&As to see whether they succeeded in attaining synergy. The findings in the study showed among other things some main suppliers of success in M&As. Implementation of M&As in businesses without these suppliers of success sometimes went on without attaining any synergy what so ever (Pablo & Javidan, 2004).

As far as M&As go, understanding success also means understanding failure. Only looking for factors that will contribute to the success of M&A does not demonstrate what alternative companies were doing that resulted in a failed M&A. It is therefore vital to question which elements are distinct between a successful M&A and a failed one. Unfortunately, there are no easy solutions to this problem (Pablo & Javidan, 2004).

A study by Goldberg taking place in 1987 gave a recap of over fifty years of academic research regarding M&A, showing that profits in companies of M&A begin to decrease after the integration. However, financial researchers tend to state that there is no evident decline in profits after the M&A process. This shows inconsistency between the two fields (Pablo & Javidan, 2004).

2.3 Communications

It is well known that communications is a vital factor when aiming for implementing a successful M&A. However, establishing successful communications between all relevant parties in the M&A can prove to be difficult as management needs to be able to minimize all

uncertainty and wrong interpretations from the employees. Both companies usually have restricted information about the opposing party and how the implementation will take place. Any information collected by the acquiring company might be considered as classified, as a way of creating certainty for the employees of the acquiring company. The two companies are sometimes situated apart geographically, and as a consequence, the information flow between them is not efficient. Sometimes, there are even promises of very little or no changes in the acquired firm (Pablo & Javidan, 2004).

As research has shown, getting acquired can produce more uncertainty than almost any other event in a company. No one knows what will happen in the future. Questions such as, 'Will the company be relocated? Will there be new management? Who will I report to? Will there be redundancies? Will we keep our brand?' are common, and most often, no certain answers can be given at a time where they are needed the most. The same goes for the acquirer who, most of the time, offers very minimal information. Employees develop less trust towards management as statements and assuredness of 'minimal change' are questioned, for employees know that change is inevitable. Unfortunately for the M&A, a gap where information is missing is often filled with negative and pessimistic rumors conducted by the employees as a way of establishing some sort of certainty in this time of trouble (Pablo & Javidan, 2004).

Giving insufficient or false information can lead to harmful rumors spreading which affects employees' faith in management in a negative way. This can result in employee resistance and can further create social conflicts between employees and management. In order to prevent this, management needs to be very accurate and thorough in the information given to employees. Management also needs to share information on all stages of the M&As and establish a trusting relationship between them and the workers, as well as between employers of the merging companies. Establishing such a relationship is hard to do when individuals barely know and trust each other, so team building activities is essential (Pablo & Javidan, 2004).

Even if the acquirer's intentions are good and pure, it is hard to avoid employee resistance and feelings of mistrust from workers. These feelings can further minimize the hope for

good and trusting communications from the acquirer in the future, as a vicious dysfunctional communications circle is created, fueled by the employee resistance. An effective and reliable flow of communication is therefore much needed, if this is to be hindered. This can be done through listening to employees' worries, communicating with honesty and fairness, and most importantly, respect. Coming up with a joint way of merging the two firms together is vital, as well as giving out information on a frequent and regular basis. Employees need to feel that they are listened to and heard. Actively listening to employee's ideas and proposals of how best to merge the two companies is important, as it gives some of the power back to the employer. Additionally, trying to keep as much as possible of the acquired company's values and norms helps sooth the minds of employees as they feel assured that not everything will change. Lastly, managers should be aware that people process new information in different ways and may not interpret threats in the same way as their coworkers do. HR management needs to be able to explain everything on multiple levels so everyone feels up to date (Pablo & Javidan, 2004).

2.4 Employee Apprehension - Mental Stress and Anxiety

In the initial stages of the deal, executives tend to ignore the psychological agony that mergers arouse in employees, which consequentially has a major role in the eventual failure of the merger (Ivancevich, Schweiger, & Power, 1987). Time is also a huge factor in the mental status of employees, as the length of time for completing the merger is directly congruent with the amount of time that employees spend stressing and living in fear of what is to come (Ivancevich et al., 1987). Commonly, the integration phase can take up to twenty-four months or more, depending on the amount of changes being made structurally, which continues to drag down employee morale and stability (Ivancevich et al., 1987).

As a result of the imminent need for workforce reductions, it is no surprise when employees start to experience stress and anxiety due to fear of losing their position (Ivancevich et al., 1987). In many cases, it becomes survival of the fittest, where each individual must fight to keep their place, whether they have been with the company for a few years, or even decades. Such 'do or die' competition between employees redirects performance away from the overall goals identified by the company towards self-preserving initiatives instead (Ivancevich et al., 1987).

This is just one of the unfair aspects of the overall integration process that arouses negative sentiments, and unfortunately demoralizes workers rather than stimulating them to work harder (Schweiger & Weber, 1989). As a way of lessening the stress and anxiousness that possible job termination arises, Schweiger and Weber (1989) suggest implementing a series of programs which employees can utilize to better manage their mental stress, develop a career plan after the completion of the merger, and group meet-ups where old employees can meet and get to know the new and incoming ones.

2.5 Inevitable Turnover

With a merger in progress, it is evident that the work force of the newly formed company will double, and therefore, causing an imminent need for employee reductions. Although instinctually, most companies lean towards mass termination, Love (2000) stresses the dangers of such an action. The author suggests the avoidance of any drastic elimination within the initial six month post-merger period, as it often leads to a high degree of turnover (Love, 2000). The result of such elimination creates a repetitive cycle of low morale and an increase in inefficiency (Behn,1988).

Proactively, Schweiger and Weber (1989) recommend that HR management should promote incentives that influence employees towards early retirement, or even all-expense paid transfers to other offices which the company will cover. This places the decision to leave or relocate directly into the hands of employees, and is one good alternative to having the company being responsible for a majority of terminations, therefore, lessening its perception of being the 'bad guy' in the eyes of their employees. Often times, the conduct through which terminations are made significantly impact the viewpoint of those employees that remain, as they take this as a sign of how harshly or sympathetically the new organization will handle situations and the overall treatment of employees that remain (Love, 2000).

In most cases, the presence of doubling-up on high-profile positions is a given. Although this is a factor which must be addressed, as it causes an extensive cost for the newly formed company, Love (2000) suggests that the termination of repetitious and inessential positions be prolonged or avoided, as these positions are vital in influencing the decision of lower-

ranking employees to either remain with the company, or hand in their resignation. More often than not, the higher-skilled workers, that are of greater worth to the newly integrated organization, are the ones that leave earlier than the less-skilled workers (Love, 2000). This is a factor in and of itself which puts a company at a great disadvantage in its attempt to rise in the market competitively through employee driven success. In order to ensure that such negative feelings and behaviors do not affect the success of the integration process, specific strategies must be created to target the unanimous feelings of uncertainty or anxiety so that long-term work efficiency is not compromised (Marks and Cutcliffe, 1988).

2.6 Employee Expectations

As previously mentioned, the main reason for the failure of accomplishing synergy as a successful outcome of M&As has to do with managing employees during the whole process, and particularly in the post-merger phase. Research has shown that managing these 'human factors' is vital. Up to 50% of failed M&As can be connected to these factors being neglected or handled poorly. One of the main aspects of these human factors is managing employee expectations throughout the whole process. These expectations concern both the employees themselves and their work team as a whole. The uncertainties that employees are concerned about vary from expectations about keeping their jobs, to fears about being transferred to another location, to having negative expectations regarding the future norms and values in the new company culture within the newly formed firm (Hubbard & Purcell, 2001).

The concerns mentioned will differ in time and may contrast between the different positions of the employees. Additionally, the amount of changes implemented by the acquiring corporation or merging companies will have an impact on these expectations as well as weather the expectations seem likely to be upheld (Hubbard & Purcell, 2001).

Studies have shown that most largely sized and pricey mergers have failed to meet the promises of benefits and rewards which they claim in their initial announcement of a planned merger or acquisition (Love, 2000). Often times, employees leave at the onset of the integration process, as their fear of the unknown translates into the inability of the

newly formed organization to meet their expectations, whether it be regarding career development, health care benefits, or just coworker efficiency (Ivancevich et al., 1987).

Employee expectations trickle down to how they would want their family members to be treated, and often the main concern is the negative change in salary post-acquisition (Ivancevich et al., 1987). Such a change ultimately affects the socio-economic standing of the family members who are dependent on this individual, which therefore affects every aspect of their life outside of the job and company (Ivancevich et al., 1987). Suddenly, feelings of anger and blame enter the individual's household and disrupts the supportive dynamic between family members (Ivancevich et al., 1987).

In a case study done by Hubbard and Purcell in 2001 regarding two different acquisitions, the authors came across several different aspects which impact employee's worries in M&As such as information flow, condition and credibility, faith in management's fair implementation, and consistency and logic of implementation done by management.

Employees, therefore, might have two kinds of expectations regarding how each one will be handled or how the M&A might affect their fellow colleagues. The authors state that if employee expectations are handled in a positive way it may lessen the doubts of employees, resulting in higher loyalty towards the administration. However, if employee expectations and faith in a fair implementation does not meet the original assumptions, it may result in a negative outcome for the workers and the company's overall efficiency (Hubbard & Purcell, 2001).

Employees' expectations are constantly changing and adapting to new information and interaction between co-workers. New employees are considered to have more realistic expectations towards their work and the organization, which results in performing better and having less anxiety regarding what is expected of them, especially when they are given compound and detailed outline of their job description beforehand. However, previous understandings of earlier jobs can affect the new expectations, resulting in such expectations being irrelevant to the new tasks acquired. As a result of expectations not being met, it can lead to less loyalty to the company, often resulting in workers leaving their

jobs. Other negative consequences are that they have less trust in the administration. Thus, their efficiency in the work-place begins to be compromised, as absentee rates increase as a result of decreased commitment. Some researchers even state that people become less ethical towards the companies code of conduct and morality (Hubbard & Purcell, 2001).

These expectations revolve mostly around the preliminary trust employees have in their administrators. This shows that early interactions and the building of relationships between a boss and a worker is essential to establish early on, but is also very difficult to repair, attain, or change later on (Hubbard & Purcell, 2001).

Managing employee expectations in M&As can be quite multifaceted as it involves the merger of different combinations of people, culture and company values. Hubbard and Purcell came up with four different basics regarding handling employee expectations.

The first is that every worker has worries mainly regarding keeping their job after the M&A, what kind of position they will get, and new expectations (Hubbard & Purcell, 2001).

Secondly employees in M&As share worries about the change that follows after such processes, both for themselves and their work team. Worrying about the dynamics of the work place, whether the team will stay together, or if someone will be let go. This is characterized as socialization as these expectations concern the team as a whole (Hubbard & Purcell, 2001).

Thirdly, workers have worries regarding settling down in the new company. Establishing expectations that are likely to be true helps in settling down in a new environment.

Lastly, employees have worries regarding the new organizational culture, the administration's way of working and establishing new networks with upper management (Hubbard & Purcell, 2001).

In the authors' case study they talk about an acquisition where these human factors were not handled in a good manner. Lies, secrecy and disrespect towards current employees in

the acquired firm were evident. Upper management in the acquiring firm made some radical and quite brutal changes and decided to fire approximately 40% of the work force. Everyone that needed to be terminated was let go in the same day, and employee managers were forced to be present in the layoffs, often giving managers little other than a few minutes to prepare. Some workers were sent to other offices to be laid off by complete strangers, and others were abruptly rehired by managers interrupting the very meetings where the employees were being let go in. Resultantly, those who were not fired suffered greatly from survivor's guilt. In only a few months following the layoffs, 15% of the remaining upper-management resigned as a way of protesting the brutal and unfair treatment of their former workers (Hubbard & Purcell, 2001).

In interviews conducted after the acquisition with employees of the acquired firm, people expressed their utter disagreement in the process and complete lack of faith in management in general: "I don't know if they will trust again; it will take a long time if they do. People can forget things and go on but it never goes away completely. Once it has been done to you, you never forget it totally," a recipient of the acquired company stated (Hubbard & Purcell, 2001, p. 26).

In summary, the human factors need to be handled properly in order to keep up with employee expectations, as the absence of appropriate control of these elements can result in lack of faith in management, higher absentee rates, less loyalty in the workplace, and lessened efficiency. Trust in upper management is mostly established in the early stages of an employer to employee relationship and is hard to acquire or repair later on. This is further shown in the authors' case study, where neglecting these human factors resulted in real and negative results within the post-merger process.

2.7 Resistance to Change

Employee resistance to change will be dependent on how much of a threat they feel the merger poses to their security, which will be directly intertwined with what these employees expect from the newly formed organization (Love, 2000). Reasons for resistance are often based on employee tendencies of attachment towards team members, company values, appreciation of their skill-sets, and future career goals (Ivancevich, Schweiger &

Power, 1987). These same individuals that begin to feel a loss of control over their fate in the merger exhibit a subconscious tendency to behave the way they previously would in their organization and team of origin, even if this type of behavior is no longer considered to be acceptable and in congruence with the core values of the newly established organization (Love, 2000).

Furthermore, conducted studies have shown such negative employee reactions to be especially evident when their company is the one being acquired. However, the extent of these reactions differ greatly between M&As; the various ways of approaching organizational integration being one of the possible factors. As mentioned before, using the soft, firm or co-competence approach can make a big difference in employee reactions to the M&A (Pablo & Javidan, 2004).

Essentially, research has shown that the negative and pessimistic reaction of employees towards M&As are mostly related to corporate cultures clashing. A number of academics who have studied this factor state that it is vital to form a new and balanced organizational culture as well as to aim to diminish said organizational culture clashes by merging firms with comparable cultures. In opposition, other researchers claim that this might seem relatively straightforward to handle in theory, but it is much harder to establish in actuality (Pablo & Javidan, 2004).

In addition, other reasons why employees sometimes resist M&As or have negative feelings towards them, is the worry about their personal career development. Workers might resist the M&As because of expected, or even very real, negative consequences it may have on their career. Worrying about job safety, concentrated benefits, diminished prospects of further career development, a heavier workload, disruptions in career paths e.g. are some very real problems that employers of M&As have to face. A way of trying to diminish these negative effects of resistance is to integrate some sort of compensation schemes as to try to support the employers in looking at the M&As in a more positive light. That is, however, not an easy task (Pablo & Javidan, 2004).

To conclude, the reasons for employee resistance are connected to bad communication, worry of organizational culture clashes, and the negative effect on career development. All three reasons are appropriate when it comes to finding new ways to handle employee resistance. However, academics and M&A experts tend to look at only one of them at a time, and not the combination of the three. Not recognizing the threat that all three factors might do to employees' resistance, and only focusing on one, will result in the other two having a negative impact on workers. Focusing on establishing a well reformed organizational culture between the merging companies has nothing to do with career development, and workers will, therefore, still have negative feelings towards the M&A due to worries regarding that factor (Pablo & Javidan, 2004).

2.8 Differing Organizational Culture

Through extensive interviews, it has been found that employees base organizational culture on three topics: task specifications, criteria for praise-worthy performance, and guidelines of expected professional decorum (Ivancevich et al., 1987). In many cases, where core values and systematic programs of work efficiency from the acquiring firm are implemented within the company that is being acquired, this action instills feelings of inferiority in the employees of the acquired firm and results in high inefficiency (Love, 2000).

Sequentially, the loss of organizational identity follows, and friction between newly formed teams becomes an inevitable problem (Love, 2000). A lack of recognition of problems with organizational culture threatens long-term employee commitment, as well as favorable circumstances which will motivate employees with incomparable work efficiency to see a future within the new company (Ivancevich et al., 1987). Sales and Mirvis (1984) list three specific reasons for clashes in organizational culture: the difference in power between the acquiring and acquired firm, the dominating core values of the acquiring firm, and sequentially, the resistance to change from the acquired firm due to a fear of loss of identity. Such a loss in identity can express itself through anger driven outbursts, a state of depression, and a loss of team enthusiasm and professional direction (Ivancevich et al., 1987).

2.9 Achieving Acculturation

Back in 2001, Rikard Larsson and his associate Lubatkin did a test of six different factors of achieving an equally shared, developed and fully functional organizational culture, or 'acculturation' as they call it. Their findings conclude, amongst other things, that it did not matter when achieving acculturation whether the companies were of the same size, if it was a domestic M&A or cross-border, or whether companies were related in protocols in any way; they all had different outcomes. Neither did the burden of official controls versus independence control have undesirable effects on the acculturation. However, they found overwhelming evidence that addressing the 'human factor' or elements that had to do with social aspects had positive results in achieving acculturation. This included e.g. visits between the merging companies, coaching and orientation seminars, social rendezvous between both parties, implementation groups and other motivational incentives for the employees organized by the Human Resource department (Pablo & Javidan, 2004).

Achieving acculturation between two different organizations is not easy. Within firms, the organizational and corporate culture is continuously evolving via fraternization and preservation tools. This is troublesome for M&As as each company has different protocols and ways of achieving said corporate culture. When employees face a merger, they tend to think 'us-versus-them' when it comes to interacting with the 'new' culture. As the two companies do not share the protocols of maintaining their cultures, they are therefore at a loss for the needed socialization to establish a mixed cultural norms and values. This progress of establishing integrated socialized tools is a continuing task which needs special implementations to be able to handle and diminish the differences in corporate cultures. This involves a great involvement from the Human Resource department (Pablo & Javidan, 2004).

2.10 Recruitment and Merging of Competences

The factor that is taken the least into account, among others, is the fact that firms and companies do the largest share of their employee recruitment during M&As. Circumstantial ratification proposes that firms recruit up to 10% more workers during M&As as opposed to what they do on a regular basis, including the headhunting process. Overlooking this factor

can have negative consequences from the firm's point of view, as this recruitment differs greatly from ordinary recruitment for the firm. In routine recruitments, the firm carefully assesses each candidate and views how well that individual will fit into the position, the culture, and in the chain of value for the company. But most importantly, all the applicants willingly applied for their desired position in the firm. The HR management is a vital part of this process, and ensures professionalism throughout (Pablo & Javidan, 2004).

However, M&A recruitments revolve around a big group of unfamiliar workers, sometimes ignorant of what will happen, but most importantly sometimes being forced into the recruitment unwillingly, as opposed to the ordinary recruitment mentioned before. Additionally, merging the group with another firm of already employed workers by the acquiring firm is rarely overseen by the HR department, and little valuation and assortment is kept in mind. Ordinary recruitment is also often handled by an entire office of HR managers or by a recruited headhunting organization (Pablo & Javidan, 2004).

This recruitment dilemma that many, if not most, M&As appear to have to deal with, should therefore be one of the many explanations of why M&As fail. However, neither researchers nor experts in M&A have mentioned this factor as an element in the possible explanations of M&A failures. This situation is repeatedly made worse by the fears and worries of employees of who will be let go, who stays, and who will do what. If there ever was a time to have a professional HR team manage such dilemmas to smooth the process and ease the minds of employees, this is that time. That being said, there is no one individual strategic approach, and no one human resource or organizational factor that will ensure a successful M&A, but rather the combination of the three (Pablo & Javidan, 2004).

There are a few different approaches to integration. The first is the soft one, or the avoidance approach. In this type of integration, organizations set out to preserve mostly the current norms and values of both of the merging companies. This takes a long time as the companies are allowed to approach each other over time, establishing trusting relationships and getting to know each company step by step. This approach reduces employee resistance for the prize of sacrificing organizational integration (Pablo & Javidan, 2004).

The firm or governing approach to integration does the opposite. This approach sets out to diminish the potential organizational and cultural clashes, as well as employee resistance, as quickly as possible. It brings about a one-sided strong and direct execution of the acquirer's way of doing things. This implementation identifies that in order to attain synergy, or success, there needs to be a considerable amount of organizational integration between the merging companies. With this, the aim is to diminish employee worries, take initiative and establish, through forcing, an environment for transformation. This is based on the basic assumption that the acquirer is superior, and that the acquiring company should adopt its superior capability (Pablo & Javidan, 2004; Kleppestø, 1997).

Deciding whether to approach the integration of M&A in the soft or firm way is a very common problem for acquiring companies. Both approaches have good and valid advantages that are good for the company; one is good for minimizing employee resistance and the other is good for fast implementation of the acquiring firm's organizational culture, believing that it is indeed the superior one (Pablo & Javidan, 2004).

Both sides are right in thinking the other is an insufficient approach for integration, but both are also wrong in thinking their own approach is the best one. Research states that using either a firm or soft approach in implementations will thoroughly be undermined by the other approach's flaws. The soft implementation sacrifices combining the two different cultures. Even though the firm approach can succeed in implementing a combined organizational culture, it comes with the great expense of not diminishing employee resistance, which can be very bad for the potential goals set out to achieve with the organizational culture combination (Pablo & Javidan, 2004).

As a consequence, the co-competence approach has turned out to be the better way of integrating when aiming for a successful M&A integration. As opposed to the other two approaches, this approach aims to use and exploit the capabilities and abilities both companies contain. As the firm's approach sacrifices all of the acquired company's excellence, a balanced approach will sacrifice some of the capabilities of the more capable firm. By partially breaking down the positions and line of power on a 50-50 portion basis, it is assumed that both companies might have equal capabilities in all departments. The co-

competence way of implementing cultural unison avoids the danger of allocating authority according to whether employees belonged to the acquirer or acquiring company, but rather combines the finest capabilities of both (Pablo & Javidan, 2004).

However, as mentioned before, no approach is perfect and the co-competence approach does not come without problems. Firms sometimes happen to evaluate their own capabilities and competences as better than those of the acquired firm. The debate of authority as related to capabilities can in fact exist. In some situations, it may be clear as to what competences both companies attain, where it lies, and what to contribute to the merging of companies; therefore, it must work as a guideline for the company integration. In further, not so transparent situations, when a company with a 30% market share acquires a firm with 15% market share, it can seem obvious to assume that the acquirer has superior market competences, a better marketing team, better management and better production. However, what they should take into consideration from the co-competence point of view is asking questions such as, 'How did this other company attain half of our market share? What is it that they do that makes them profit at half our competences? Do they have an inferior marketing team/production/management?' The acquirer should therefore be aware that the acquiring company might in fact have similar strategies or even better ones, than the acquirer (Pablo & Javidan, 2004).

It is vital to recognize and appreciate the capabilities and abilities of both companies when pursuing the co-competence approach to integrate organizational cultures. To follow this approach, the HR teams of both companies must cooperate and help each other to learn about the firms' competences as it leads to better management. Additionally, if used, the co-competence approach may diminish employee resistance substantially (Pablo & Javidan, 2004).

2.11 Neglect within HR Roles and Responsibilities

According to Schweiger and Weber (1989), the main reasons for the failure of most mergers and acquisitions can be narrowed down to human resource problems, strategically mismatched firms, high purchase price, and internal organization issues. As Love (2000) points out, the majority of mergers with a high purchasing price often fail due to the

organization's neglect in acknowledging the importance of HR's role through the merge process, as these departments are more than often under-managed and ignored during the development of synergistic strategy early on in the planning period. Thus, it is incontestable that by prioritizing problems within the Human Resource department, during the post-merger phase, will help the organization overall with a more successful integration, as 'people problems' contribute directly to a dissatisfactory task execution and, consequently, a failed integration (Love, 2000, p.2). Schweiger, Ivancevich, and Power (1987) also point out three topics which Human Resource departments should focus on throughout the integration process: employee termination, creating one organizational synergy, and methods of recognition for superb performance.

2.11.1 Lack of Communication to Employees

Interviews have shown that a lack in communication by HR managers or executives is often attributed to their skepticism of what is to come with the merger, and simply did not possess enough information that they would be legally allowed to share with employees prior to the completion of the acquisitions and integration process (Ivancevich et al., 1987). Often times, the acquiring firm does not disclose much information with the firm that is being acquired, which results in further friction and disorganization within the unification process (Ivancevich et al., 1987). Interviews conducted with employees have shown their discontent with the absence of a firm strategy from HR in dealing with terminations (Ivancevich et al., 1987). Such inconsistencies in foundations for judgment enraged employees as it proved for the presence of dishonesty within the new organization (Ivancevich et al., 1987).

Fostering employee allegiance to the newly formed company and organizational values can be done through communicating the availability of future career prospects, which automatically targets the fear of being stuck in one position or having no room for improvement (Ivancevich et al., 1987). This is one way to sooth such apprehensions and turn it into an opportunity that inspires the employees to plan their future within the organization, as opposed to automatically looking elsewhere.

2.11.2 Building Trust and Credibility of Management

Within the post-merger process, perhaps the most vital task which HR teams face is molding opposing managerial styles of leading teams that were previously aligned towards one firm's organizational values, and directing these towards accomplishing new organizational goals and core values (Schweiger & Weber, 1989). In order to do this, a plan of action must be put into place in order to achieve harmony within newly created teams. Since the process of merging two or more firms entails increased demand of labor from both existing and incoming employees, keeping employee morale high is imperative in such a time. Thus, ensuring commendable leadership should be made an essential priority.

One method of arousing employee trust and respect for management is through the tone in which orders are delegated, where strong-willed verbalization seems to influence negative perceptions of managers in the eyes of their subjects, as they feel that they are being talked down to in the form of commands, as opposed to kind direction (Humphrey, 2002). Humphrey (2002, p.497) places an emphasis on the need for 'transformational leaders' who motivate their employees through a deeper emotional connection, as opposed to 'transactional leaders' who base their management strategy on the traditional procedural style of handing out tasks and rewards.

Furthermore, an optimistic mindset as well as how a manager presents himself externally makes a significant difference in the way he/she is perceived. Studies have shown that managers who speak in a positive manner and handle situations with a solution oriented attitude rather than looking to find blame, are much more likely to receive higher praise by their employees (Humphrey, 2002). These managerial outlooks will also be used by employees as omens of goodwill in future objectives (Humphrey, 2002).

2.11.3 Lack of Organization and Implementation of Necessary Tasks

A major and common problem which threatens the likelihood of a satisfactory integration process is the impulsive nature with which mergers are sought after

initially. Although seeing an opportunistic fit may be easily identified, employing the necessary projects that are vital in achieving the desired competitive benefits is where the actual hardship lies, and is an area which Human Resource teams fail to meet (Schweiger & Weber, 1989). Although the concept of planning is one that falls into the pre-merger stage, it is vital in its affects on the post-merger process, as problems, which are not addressed properly or delegated appropriate solutions, originate here and continue on to damage the integration stage (Schweiger & Weber, 1989). Inefficient planning within the HR department leads to lower levels of productivity across all teams, as a lack of guidance and structure leaves employees with organizational uncertainty (Schweiger & Weber, 1989).

2.11.4 Rewards

In order to preserve the exceptional employees and maintain their optimum level of task performance, a company must implement a way of rewarding such labour. Such rewards can be in the form of an increase in salary or annual bonuses, employment contracts, ensuring autonomy within teams, and performance assessment to show that each individual is an important investment to the company (Ivancevich et al., 1987). Merging existing personnel policies is vital in the post-merger process, as such assurances have a direct effect on the well-being of employees and their motivation towards remaining with the changing company (Schweiger & Weber, 1989).

In this chapter, we presented the reader with a thorough analysis of the most commonly occurring themes that have been the reasons for merger failure in such ventures spanning the past four decades. Based on the literature review, we present the following five themes as being most important within the responsibilities of HR in the M&A process: communication and employee morale, employee mental stress and anxiety, culture diversity and resistance to change, employee expectations, and finally, workforce reductions. We will bring these themes with us in the following chapter discussing our empirical data. We hypothesize that if the HR department works with these five themes, they will improve the integration process and the overall success rate of mergers and acquisitions. In order to add to the standing of our hypotheses, we will do a pilot test by interviewing one HR manager of a well-known Icelandic bank, and two researchers that are

senior in their field, in order to test these themes and see what they believe to be of most importance.

3. Methodology

3.1 Research Design

Although our contribution will be the results of our conceptual framework derived from the review of available literature surrounding HR and the five themes consistent in M&A processes, we would like to further provide testing for these themes through conducting a pilot study. We will use the collected data from our pilot study towards contributing to the evolution of our overall conceptual framework (Bryman and Bell, 2011). This will be done through three interviews conducted via skype, face-to-face, and an online questionnaire. The first interview was with the HR manager of a well-known Icelandic bank, who was present through the merger and acquisitions of three banks within a five-year period. The following two interviews via skype and face-to-face were with two leading researchers in the M&A field.

Through the collection of this data we will gain detailed and unique insights into the human integration process, not only from a more technical and analytical point of view coming from the leading researchers we will be interviewing, but also a more involved and personalized view of the M&A process from the eyes of the HR manager of the Icelandic company. Within our pilot study, we will implement the use of the idiographic approach, which we will use to specifically demonstrate proof of the five aforementioned themes which threaten the successful human integration in mergers and acquisitions (Bryman and Bell, 2011).

3.2 Data Collection

The literature review was conducted by reading the most relevant studies written by expert researchers in this field from the past few decades regarding the M&A integration process and the role of HR management within in. We aimed to collect researches from different time periods and global locations to get a good overview of what the role of HR is, and to identify the extent to which they corroborated with one another. As shown in our “Findings” chapter, most studies already conducted on HR are intertwined, as they revolve around similar themes and elements related to the functions of HR departments. We read published articles, books, previous Master studies, and other published work in the aim of

describing the results and findings of former research as thoroughly as possible. When writing the literature review, we organized our findings around the most commonly found themes in the majority of available literature on M&A and the human integration concept. We then proceeded to tie these themes together in order to depict the domino effect which normally takes place when one or more of these is neglected during a merger and acquisition.

To support our conceptual analysis, we executed our collection of data through a series of semi-structured interviews and online questionnaire which we deemed to be sufficient for our interpretive take on the post-merger process, in combination with the unique perspectives provided by the professional researchers who have had firsthand experience with such merger and acquisition cases. Our first interaction was executed through a questionnaire covering the main themes which we saw to be reasons for merger failure through our extensive literature research. This questionnaire was sent through email to the HR Manager of one of the largest and well-known banks in Iceland (Bank A), which acquired three smaller banks, Bank B in 2011, and Banks C and D in 2015. For both legal and professional purposes, the HR manager and company expressed their interest to remain anonymous. Our second interview was done over Skype with a well-known professor at Lund University School of Economics and Management (LUSEM), who has extensive consulting experience and is a researcher in the field of M&A, having also published manuscripts addressing this topic. From this point forward, we will refer to this researcher as “RA” in order to keep his identity anonymized. Our third interview was conducted in person with a published author and professor at LUSEM, whose field of expertise is M&A. This researcher, whom we will refer to as “RB” from now on in the thesis, has published several books that address the majority of the organizational problems experienced during M&As that were outlined in the preceding ‘Literature Review’ chapter. Given that both RA and RB have extensive knowledge in the field of M&A, we believed their thorough research on the topic would give us two unique perspectives on strategies with which best to handle organizational acculturation hardships.

Our online questionnaire was written in a broad ranging format, where we left room for both free-text answers, multiple choice answers, and finally answers where there was a

numerical 1-5 rating system. For the free-text answers, the individual answering was provided with a text box where he/she could type out their answers with no character or length restriction. With this, our hope was to receive one of a kind answers that were specific to each theme presented within the questions. For the multiple choice answers, around five to six response options were provided to be chosen from based on the patterns and most common themes we found during our research that pertained to the specific question being asked. Finally, for our numerical rating system, we provided five to ten pre-determined responses based on previous studies we had read regarding HR management, for which he/she could rate on a one to five scale for accuracy, where one represented least important or accurate, and five represented most important or accurate. Anything rated in between one and five was considered of neutral importance.

In contrast, our Skype and face-to-face interviews were conducted with a list of around ten pre-written questions that we constructed ourselves, which were discussed in chronological order for the most part. In between these questions, we allowed ourselves to ask spontaneous questions that were in relation to or complimented the direction in which the individual's answers were going, in order to build a more laid-back conversational atmosphere. We felt that this was a more efficient way to engage the respondent, by allowing for elaborations of their answers, as well as our professional opinions and curiosities regarding their personal experiences within the topics.

Furthermore, the questionnaire, face-to-face interview, and Skype interview were carried out following the review of relevant literature on the topic of common factors of integration hardships during mergers and acquisitions. All interviews were recorded using the QuickTime recording software on our computers to ensure accuracy, after which they were transcribed and used as a source for response clarification. We felt that this allowed us to revisit each respondent's answers throughout our writing process which made it easier to focus on one specific theme at a time. Our analysis of the collected interview data focused around common themes which we found through our research of the relevant literature. Therefore, our organization of the collected data was based on such themes which we recognized while transcribing and analyzing the interviews, and which we later supplemented with supporting quotes from each interview that fit the different themes

appropriately. As new themes emerged out of each interview, they were sequentially added to the outline in our “Findings” chapter.

Our decision to transcribe these interviews was not only to aid our referencing process during our writing, but to also help individuals in the future who choose to potentially reference our thesis and theories as additional more recent content, which is something that we struggled with, as most of the available literature proved to be written a decade or two ago.

The interview questions were written with relevance not only to our particular area of study, but also in consideration to each respondent’s educational and professional background. Since all of the individuals we interviewed specialized in different managerial themes, i.e. human resources, strategy, managerial consultancy, cultural inclusion economics, etc., we tailored each interview to reflect their areas of expertise in order to get a broad sense and varying perspectives on how to handle each situation and issues that arises within the integration process. After each interview we reflected on our findings individually to create a more in-depth analysis, which we afterwards combined into one concise outlook. Recording the responses allowed us to revisit each interview and compare it to the following or preceding one.

3.3 Data Analysis

When analyzing our accumulated data in the form of interviews and questionnaire, we tried to be as open-minded as possible. In this sense, we did our best to reference not only what we have learned in the Masters in Management program, but also in our undergraduate education of Leisure and Social Studies and International Relations. Since we both come from different native backgrounds, Icelandic and Macedonian, and have worked in dissimilar industries, marketing and management versus health care and education, we found that many times we based our analysis of the respondent’s answers to our personal experience in our different areas of specialization. Therefore, we acknowledge that our interpretation of the data collected might be different than how the respondents understood the aim of our questions and our analysis of their answers. However, although based on numerous

perspectives, our analysis of the respondent's answers is nonetheless thorough and concrete.

Moreover, the overwhelmingly common factors found throughout the literature pertaining to the integration process and Human Resource responsibilities may have skewed our perceptions towards supporting such claims. Despite such unanimity, we acknowledge the fact that every organization faces its own individual challenges and every HR department has a different cohesiveness through which they operate. Therefore, although the main factors addressed in this paper do not necessarily pertain to every case, especially those where there has been some integration success, they have however proven to be present in the overall majority of merger and acquisition cases during the past three decades, thus making them a viable source of reference.

Lastly, we would like to point out the limitation of language, as it was a key factor with our interview of the HR manager of the Icelandic Bank. The interview questions were initially contrived in English and were then translated into Icelandic by Heiða to her best knowledge, as Icelandic is her native language. As a way to self-check her translation efforts, she used a credible English/Icelandic translation search engine online to check for accuracy. When sending out the interview, we provided the manager with two versions, one in Icelandic and one in English, for their convenience. He then returned the questionnaire with his answers written in Icelandic, as this was his language of both preference and comfort. We proceeded to translate his answers using both methods of direct translation by the Icelandic researcher, as well as two Icelandic/English online translation engines.

Furthermore, cultural limitations with the way the Icelandic HR manager formulated his responses made it difficult to neutrally translate the interview, as the Icelandic and English languages differ greatly both grammatically and structurally. However, to our best available knowledge, we set out to translate the respondent's answers as neutrally as possible, having to make minor changes in sentence structure and sayings. This did limit the accuracy of the respondent's answers as it is our interpretation and translation, and it is not their initial choice of words. However, with the combined use of two accredited search engines and the

Icelandic researcher's native comprehension of the language, our interpretation and translation is the most accurate it could have been when working with such circumstances.

3.4 Initial Setbacks

In relation to the final structure of our study, the initial organizational rejections we experienced combined with the vast amount of theoretical literature we found through our research led us to reframe the approach of our study towards a more conceptual approach and framework. We would like to point out some setbacks we encountered during our initial collection of empirical data, which have contributed to the smaller range of interviews within actual companies operating in the field of M&A. At the start of our hunt for potential organizations to partner with, we experienced significant rejection. After such concerning luck, we found an Icelandic infrastructure certification company that appeared to be enthusiastic to work with us. Following our effort to send the entire HR team specialized interview questions and questionnaires, we unfortunately, did not receive any data back for two to three weeks, despite our efforts of numerous follow-ups with the manager. After contacting the CEO, the HR manager finally notified us that they were withdrawing from our agreement due to lack of time.

As a result of this late cancellation and being dressed for time, we managed to find the Icelandic Bank (A) which agreed to work with us fairly close to our thesis submission deadline. As the HR team within this bank was extremely small and structured differently than most normal teams, we were only able to receive feedback from the HR Manager himself, as he was the only member of the team that was present for all three of the mergers. However, despite this limitation of only being able to interview one team member, his presence and high authority during all three of the mergers aided his answers and our data collections with more precise and widely-ranging perspective while discussing the threats and positive aspects of the three mergers which he worked through.

3.5 Reliability

In order to determine the reliability of our collected data, it is important to recognize the possibility of whether our empirical findings can be replicated, which is highly uncommon in

research concerning business (Bryman & Bell, 2011). Bryman and Bell (2011, pp.158) outline three factors which should be taken under consideration when judging the reliability of a measure: stability, internal reliability, and inter-observer consistency. Stability aims to have unfluctuating results of the collected data from respondents (Bryman and Bell, 2011). Despite our interviews being conducted in a short span of time, they have already proven to be stable, as the results from each respondent encompassed relatively the same themes, and thus contributing directly to our hypothesis. Their answers, of course, had slight variations from one another, but this is to be expected when interviewing respondents with different professional work experiences. Internal reliability is based on the consistency of responses between different indicators (Bryman and Bell, 2011).

Since we implemented both interview methods of questionnaire and direct interviews, the internal reliability seems to be sufficient, as the respondents' answers from each seemed to complement each other, therefore, forming a consistency between the data we collected and our stated hypothesis. Finally, inter-observer consistency refers to the consistency in the decisions made by the multiple observers (Bryman and Bell, 2011), as is the case in our study, where we each take part in the recording, transcribing, and analysis of the attained results. Since we, as thesis partners, reflected on and discussed our findings of the questionnaire and series of interviews together, we did not have much friction within this process, as we found that we categorized each theme, found in various responses, in line with one another's perception of placement. Despite having different cultural and undergraduate backgrounds, our analysis, though sometimes different, still came together very nicely with what seemed to be a natural flow and match, despite the influence of cultural and educational differences. It is, however, important to acknowledge the fact that our participation in the Master's in Management program also played a part in shaping our interpretations and analysis, as well as aided my partner and I toward better understanding the contextual topics brought up in the interviews, and from there, shape similar interpretations that tie back to the lessons we have learned throughout our Master's program.

3.6 Validity

Establishing validity of empirical data is dependent on whether the choice of method(s) used to collect data actually measure that data accurately and produces the results that are needed (Bryman and Bell, 2011). The correlation between responses from our three different interviewees show proof that our choice of 'measurement validity' through our questionnaire and interviews was in fact valid, as these methods of gathering data deduced responses that were in line with the themes found throughout theoretical research (Byron and Bell, 2011, pp.42). Byron and Bell (2011) discuss the importance of external validity, where the results acquired through the chosen methods have the possibility of being generalized outside of the realm of focus of a particular area of research. Within our study, the focus and outline of the numerous commonly present human integration factors can indeed be applied to any organization and within a multitude of specializations, as these factors are present not only in the process of a merger and acquisition, but also during any type of inter-organizational restructuring. It may be the case regarding the latter that the organization is experiencing one to two of these factors, and not necessarily all of them, as is the case with the majority of M&A organizations.

4. Findings

4.1 Background of Icelandic Bank A's Mergers

Bank A acquired three banks in Iceland over the past 5 years; Bank B in March 2011, Bank C in March 2015, and Bank D in September 2015. All of these banks had a number of branches spread out over different parts of Iceland, depending on where the bank was located. All three banks were acquired by Bank A after substantial financial difficulties and deemed inoperable by the Financial Supervisory Authority in Iceland which, in cooperation with the Icelandic Competition Authority, is in charge of analyzing and approving every M&A in Iceland. Bank A took over all properties, debts, and contracts with suppliers and service companies.

4.2 Problems/Characteristics of Merger Failure

4.2.1 Introduction

In this section, we will discuss the collected results of our interviews with the HR Management team of the Icelandic Bank, Respondent a (RA), and Respondent B (RB). We will divide their responses between the common themes which we found to be present throughout the three respondents in regards to the responsibilities of HR in during and post-merger success and failure.

We believe it is important to point out that the HR manager of the Icelandic bank may have responded with more passionate and exaggerated answers to the questions we posed, as his experience is more personal and a result of being present during not one, not two, but three mergers. Furthermore, his answers might skew some of the data found in our theoretical research, as the three mergers in which he participated were all successful by rare occurrence. Contrastingly, the responses from RA and RB might have come off as more subtle and emotionally detached, as their professional opinion is based off of both theoretical and consultancy point of view, and is therefore an observational perspective.

In congruence with our extensive analysis of relevant literature as well as collection of data through our conducted pilot study, we have found that the main

characteristics of merger failure can be narrowed down to the topics of the five following themes: communication and employee morale, cultural diversity and resistance to change, employee expectations, stress and anxiety, and workforce reduction. The following is our analysis of each interview findings, followed by strategic solutions towards conducting a successful merger.

4.2.2 Communication and Employee Morale

Employee morale is strongly connected with how effectively executives communicate the changes that will take place throughout the merger. More often than not, there is a delayed flow of information from the acquiring firm or upper-level management. Although this is usually not intentional, it is common for management to get caught up in the planning and integration process, focusing on the presentation of their strategies for such processes to company executives. The lower-level employees therefore receive the news last minute or through second or third parties, which is then usually inaccurate and most of the time worrisome. This lack of inclusion is where employee morale beings to diminish.

“Participation, a sense of belonging to the project, a sense of being within and having the capacity to influence is probably the most important thing. I think, that just being part of, the feeling of just being part of the process of change by being addressed as an important figure, or being addressed as a figure in the process as such, you know, being communicated to, being acknowledged as someone that belongs to that particular process and all that is quite important.” - RB

Deducted from our interview with the HR manager of the Icelandic bank, the absence of information seemed to be present within the pre-merger process throughout all three of the mergers that occurred between 2011 and 2015. Some workers and employees will be in a position to get less information through normal channels of communication and more information through other more unorthodox channels of communications. However, it is evident that once the merger was confirmed, the flow of communication increased rapidly, and trust began to build between the new management teams tasked with overseeing the integration.

“There were no communications between the companies beforehand. After the merger, however, we tried to pair together those individuals within the merging companies that were responsible for certain tasks, and the individuals within Bank A who were responsible for the same tasks. We tried to communicate information on regular bases... We ensured that the management of each branch had a good overview of the status of the implementation at all times. Also, we established routine interactions with management in the new branches to get their status updates and situation.” – HR Manager of Bank A

Furthermore, we found that within communication is the importance of proof through distinctive action. It is not enough to only make asseverations, but company leaders must provide a detailed plan or timeline of how they aim on achieving this, while also exemplifying what claims they have already met and proven to be true.

“But my experience is that... communication has a lot to do with trust... People that are here, what matters are that they’re staying but do they trust that information to be accurate and open and honest. So it’s... it’s actually more about creating trust, than communicating. I’ve never seen an acquisition where there was enough communication. But I have seen cases where... where managers, particularly in the acquiring company, have been able to provide some trust. Which is usually done through some sort of action rather than words.” – RA

In M&As, one of the most important human factors to handle is the development of employee morale throughout the whole M&A process. The mergers or acquisitions are more often than not decided by either top management or evaluating organizations, so there are many employees in each company who do not know about the merger or acquisition until it has already been accepted by top management.

“So if I’m out on the shop floor doing my thing there with my machine... most probably I don’t get that much in contact with the fact that we’re now being acquired

but if I'm in a, in a management position I probably need to coordinate and integrate and communicate, and make decisions.” – RA

Communications need to be open and up front about what is happening, as well as being available from the beginning of the M&A process. This is, however, not often the case. What employees need is stability, certainty and honesty. But for reasons the companies can alone justify, a lot of information is withheld from employees on all stages of the M&A.

“What companies usually try to do is to keep it secret and therefore there is no room for communication at all but... I don't really think there is a good, good strategy for that. I think the strategy is to immediately [when] you can communicate, start communicating.” – RA

As RA mentions, the communications need to be good from the beginning. The first steps of the M&A process are very delicate and can further affect the communications throughout the whole process. As research shows, establishing a trusting relationship later on in the process when it started with lies or dishonesty, can prove very difficult to attain. Bank A emphasized communicating well to all employees throughout the whole M&A process. They had special teams, or steering committees, formed by the HR manager and most of the management of the merging companies. There was also a project manager whose only job was to make sure that all tasks and processes were going accordingly.

“We tried to keep the flow of communication to the HR team as clear as possible. We sent e.g. representatives to the merging companies early on in the merger process to meet the employers. I, as the HR manager, went to all the workstations where mergers or new branches were being established.” - HR Manager of Bank A

These teams set out to make the information flow as smooth as possible, with daily meetings where everything of importance was discussed and then communicated to employees. The HR manager tried to be as involved with employees on the

interpersonal level as he could, by visiting the acquired companies and communicating with all relevant teams and committees. The merger with Bank B was the biggest one Bank A did in the past few years, as it was substantially bigger than the other two merging companies. The M&A team put a lot of effort into updating employees. They also developed meetings with teams to introduce Bank A as a workplace. This, according to the HR manager, resulted in soothing feelings of uncertainty, which otherwise would have been considerable.

The circumstances for one of Bank A's acquisitions, however, made it quite difficult for this to happen as one of the mergers was decided upon on a Sunday and was valid on the Monday. All communications and information flow was therefore executed very rapidly during the first week. The HR Manager of Bank A states that this was unfavorable for communications and employee morale, and if possible, they would have done it differently, cooperating more with the relevant parties.

When establishing good communications, it is vital to build them on trust. Employees, especially in the acquired firm, feel very vulnerable in the light of M&As and therefore need to feel more secure. Lying to employees, not keeping promises or giving false ones, or behaving in any dishonest way, has an immediate negative effect on employee morale.

Trust can also be obtained through actions. There are always a certain number of factors that are important for the acquired company to keep, not because of marketing reasons, but for sentimental reasons of personnel. It can have to do with the legacy of the company, something that made them special, something they are very proud of and so on. The acquiring company can therefore provide trust and show that they 'care' by enabling the acquired firm to keep some of these personal issues, as shown in the next quote from RA:

"Strategically, it may be important but symbolically extremely important issues. And in one case that I followed while doing my PhD, the acquired company had a, they didn't distribute their products via wholesalers; they distributed them directly to

retailers. And... and I don't think that was strategically important, really, but they considered it to be important, it was symbolically really important. The acquiring company said first day "We think it is important that you keep your direct distribution" so people sort of relaxed, that was allowed to happen." – RA

This is not always possible, however. In Bank A's acquisitions of the smaller banks, they had a full integration of the bank's work protocols so everything was new for the acquired company. When that happens, it is important to let the employees of the acquired firm gradually get used to the fact that they are being acquired and help them to identify themselves with something. RA states that this can be a very sensitive process but can be handled if employees get to grasp that they will soon be reporting to someone new, they will have new protocols and maybe even a new brand.

Employee morale does not necessarily have to be completely negative towards the merger. The HR manager said that in Bank A's acquisition cases, the other companies were deemed inoperable so an acquisition was their last change, or they would have to shut down the banks completely. RA states that this always depends on the situation, that like in Bank A's case, the companies want to be acquired. Whether it is to be saved from bankruptcy, if the acquirer is a bigger company with much better resources and you are a small unknown company, you will definitely gain from the acquisition and that will not result in a negative morale.

"But I do think that employees' normal expectations on 'fair treatment' were fulfilled. Following the merger, branch employees have spoken about the mergers, their interaction with Bank A's employees and their position within the merger, in a positive way... Employees of the merging banks praised the employees of Bank A for a professional approach and we emphasized in our work that those from Bank A who were in contact with the merging banks would be treated with respect." - HR manager of Bank A

4.2.3 Employee Stress and Anxiety

It seems that a large source in causing employees stress is the apprehension of an increased work load. Most jobs are demanding enough as it is and the thought of having to double-up on the amount of tasks you would normally have to complete in a day will naturally cause panic, especially tasks which appear last minute and are unexpected. Such panic also comes with a fear of failure or disappointing one's managers, especially in a time where competition to stay ahead and prove your worthiness is at an all-time high.

As the HR Manager of Icelandic Bank A explains:

"Employees' worries revolved mostly about job security, both their own and their colleagues. Within Bank A, worries of increased workload surfaced with fixing some problems with loans that appeared soon after the merger."

Additionally, stress and anxiety can arise from the type of merger that is occurring. Often, the acquiring firms are the subordinate firm's main competitors, and therefore, the terms for the merger are usually very strict and one-sided with little room for negotiation.

"It's the acquiring firm [which] is the one who's actually determining the strategies, determining the organization, determining what's going to happen in the organization, so I would probably, I would experience, I think that most commonly people in the acquired firm, blue collar people in the acquired firm, probably feel more anxious than the ones in the acquiring firm." - RB

Employees know to anticipate complete conform in the rules and regulations of the newly formed company and the cultural values that will most likely take over the previously existing ones. Often, employees of the acquired firm automatically consider making the decision whether to remain or leave and search for a new position. This can be excruciating, as employees who were perfectly content with

their now subordinate company, and who want things to remain as they were, face the absence of such a selection.

“Paradoxically, sometimes you are actually bought by your worse enemy, you are bought by a competitor, and that makes it quite difficult to emotionally decide to switch to the other company and the other brand and things like that.” – RA

Our findings regarding stress and anxiety connect completely to what we have seen in our research of literature. RA states that it is indeed more threatening for the acquired company than the acquiring, although some cases have shown the opposite.

“I think in most cases it’s more threatening to the acquired than the acquiring ... there has been known cases where actually hit... the acquirer harder than... the acquired... it goes with the power. In which it usually goes with either size or... being the acquiring. But there have been cases where a small common company bought a big company, and the big company sort of culturally took over.” – RA

Blue collar workers feel threatened because they are sometimes more easily replaceable than upper management, or positions with more specialized job description. However, our interviews showed that it is actually the top and middle management who feel the most stress, anxiety and threats. It is there, when departments are merged, that they realize that they have two of everyone, and they do not need two of everyone. Only one manager in each department is enough so that brings about stress for top and middle management.

4.2.4 Employee Expectations

Through our interview with the Icelandic bank HR manager, it was clear that there was a significant gap in communication throughout the merger phase. As a result, the managers were unaware of what their employees expected to gain or feared to lose from the acquisition. The following quote exemplifies this state of uncertainty

and shows exactly how generalized and perhaps presumptuous of a view the managers had of employee expectations.

“It is, perhaps, a bit unclear what expectations workers had regarding the mergers. As mentioned before, their fear was mostly related to losing their jobs. Their expectations, therefore, were mostly related to keeping their jobs. But I do think that employees’ normal expectations on “fair treatment” were fulfilled. Following the merger, branch employees have spoken about the mergers, their interaction with Bank A’s employees and their position within the merger, in a positive way.” - HR Manager of Bank A

It seems that the communication that actually took place happened within the post-merger or integration phase. Although this is also an important aspect to consider, it is, however, impractical that managers were receiving feedback on expectations of a process which already took place.

4.2.5 Culture Diversity and Resistance to Change

All of our respondents talk about the importance of time to allow employees to get used to the synergy and new organizational values. It is something that needs to happen organically, through a natural progression.

If the acquiring firm attempts to force the immediate acceptance of their values, it will only result in further resistance. Instead, it seems that a more appropriate strategy is when the dominant firm clearly states what the new core values will be, but allows some leeway during the integration process for employees to conform to them. On occasion, as was the case with the Icelandic Bank A’s acquisition of Bank C, once the new rules were presented, acquired employees began to see that they were actually more efficient and looked to them as something to learn and progress from professionally.

“There was not a lot of resistance. People seemed to realize that even though the protocols of Bank A were more conventional and quite rigid, it was the protocols

which people should follow. No conflicts there. Quite on the contrary, some workers of the merging banks commented that more rigid protocols actually made their work easier.” - HR Manager of Bank A

As RA also points out:

“If you’re the small company totally unknown and you’re bought by this big company that is well-known and with all their resources, it’s usually not a really big deal. It’s going to be a little bit tender for a while, but after a while, they want to join the new company.”

The strongest resistance comes as a result of fearing the loss of one's identity within the newly formed organization. Adopting new core values are not always the reason, but also the allegiance of employees to one another.

“Acknowledging people’s... significance is the most important, in order to facilitate for people’s identification with the proposed changes.” - RB

Team members have their own special chemistry which incoming members will initially seem to threaten. A merger means new employees and managers, which causes uneasiness and vulnerability. Such vulnerability leads to employee tendencies to put their guard up, which is where such resistance is created.

“The need for an identity, it’s a, you wanna hang with your tribe kind of thing. So... based on that, I would say that... One important goal...is to make sure that... all parties are allowed to identify with something without feeling too threatened.” - RA

“Working with things that have communication and identity a lot, is probably important in order to empower people, to get people more empowered in the sense that they feel they can have some kind of influence, can be influential in such ways.” - RB

“I think one of the most important things when you try to create a common identity among people that are coming from different organizations, and all that, I think it’s very important to talk about ‘we’. And, you know, communication here is probably the key element, you know. Of course, you need to work with visual identities, you know, you need to work with symbols and you need to work with, something that everyone identifies with, symbols and all that. But I think that communication is hugely important, you know. I think one of the most important, underestimated things in communication is how we address ourselves. And how are we addressing each other, and all that. It’s very important to always talk about ‘we’.” - RB

Research has shown that people do not generally like change. It is therefore normal, as it happens quite frequently, that employees resist the M&A. However, it happens more often when companies are bought or acquired by their worst enemy. Even though it may be good for business, it can be very emotionally difficult to accept that we are now partners and should start working together. It is not in rivals nature to suddenly drop what might be years of competition and ‘bury the axe’.

What is important is getting the right people on board. RA states, that if the right senior managers accept the M&A freely, they will influence the people who are loyal to them, and therefore reduce the employee resistance. In Bank A’s case, as mentioned before, the acquisition came as a way of helping the banks stay operable, resulting in an immediate acceptance by its employers. HR manager states that no severe complaints were brought up because of this reason. He also states that the events leading up to the acquisition differ from other more conventional M&As so this cannot be generalized to all M&As.

Regarding organizational cultures, Bank A used the firm approach, as described by Larsson. By completely copy pasting the working protocols of Bank A to the new branches, the company culture followed.

“It seems that the corporate culture of Bank A has largely overtaken the culture that prevailed in the merging companies ... However, as it so normally happens, there is a

difference between all of Bank A's branches, whether they took part in a merger recently or not. But, those branches that have been merged or are newly established now seem to work with the present norms and values that have been evident in Bank A." - HR manager of Bank A

Employees of the acquired firms in Iceland were, however, surprised by some of the methods used by Bank A. They were considered more rigid and conventional. But workers of the acquired firm did realize that this was the new way of working and accepted that without conflicts. To ease this process, Bank A set up teams that handled training and education of the new protocols. After the merger, workers actually claimed that these new although rigid protocols actually made their work easier. Looking back and reflecting on the acquisition, the HR manager is taken by surprise of how little resistance Bank A had to face in the acquisition. That shows how different circumstances each M&A can have.

"I think, looking back, that many of the merging banks' employees were so glad to keep their jobs that other factors became less important to them. When one looks at this process afterwards and reflects on the situation, it is quite surprising how little resistance surfaced." - HR manager of Bank A

4.2.6 Workforce Reduction

As seen in our theoretical research, workforce reduction is one of the main elements in why mergers often fail. Too often, the acquiring companies underestimate the need for an extended workforce both during and after integration. They tend to rely on inefficient methods of choosing who to terminate, such as randomized reductions which run the risk of terminating top-skilled employees, and more often, mass reductions.

"Depending what you are aiming for with the acquisition ... Of course it's some consolidation processes where it may be irrelevant who's actually, you know, retained in the organization. Some other situations it may be important to keep some employees on the basis that they have a kind of core knowledge, core competence

you want to draw upon, in another strategy or in the future strategy and all that, you know, so I mean, I think that most management would probably like a situation where you have the possibility to actually retain the people that you want to retain on the basis on some future strategy. I think that that would be the most likable situation from a managerial point of view.” – RB

Neglecting the importance of a well structure reduction can arouse negative feelings in the remaining employees. Such pessimistic feelings then lead to anger and resentment, task inefficiency, and loss of cultural identity. Managers fail to see that all of these are intertwined, and by targeting one, you can essentially target the rest.

In our case of the Icelandic Bank, although Bank A did in fact have to make reductions during the acquisitions of Bank B and Bank C, they were fairly minor and mainly referred to repetition of positions, as opposed to randomized employee reductions.

“In a few cases, people had to be let go and that was also part of my responsibility... Employees’ worries revolved mostly about job security, both their own and their colleagues... There was resentment against the lay-offs, but we received no actual complaints.” - HR Manager of Bank A

It is important to point out that a possible reason that Bank A did not receive any formalized complaints is because, in such a process where chances of termination are high, it is likely that individuals will be reluctant to voice their concerns in fear of such an action causing them to lose their position. Furthermore, in regards to the employees that were already let go, it is no surprise that they too would not be motivated to submit a formal complaint, as this feedback does not benefit them in any way given their unemployed status.

Although our research has shown that workforce reductions are inevitable in the majority of mergers, this is not always the exact case. Our interview with the HR Manager and CEO of the Icelandic Bank shows proof of that In their case, the one out of the three companies they acquired experienced the exact opposite. The bank for

which they worked for had made intentions clear that, due to their financial hardships, all of their employees would lose their job. Therefore, when Bank A stepped into the picture offering to acquire them, the employees of Bank B were thrilled with the acquisition, as it meant that everyone would get to keep their job, and in a sense, advance in the professional ladder, as they would now be working for a bank that was twice the size of their previous employer.

“The branches that Bank A merged with were not deemed operable, so therefore, its employees looked at a merger with Bank A as the best possible option, as continuous operations for the branches were not possible.” - HR Manager of Bank A

In this chapter, we analyzed our data as we compared answers from our interviews to the five themes previously derived from our theoretical research. All our respondents emphasized on the importance of taking these five factors into account during a successful M&A integration as shown through their quotes. Full interviews can be accessed in the “Appendix” chapter. Speaking to the HR manager of Bank A about the acquisitions of Banks B, D and C gave us a clear insight into the tasks of the HR department during such processes. With regards to our in-depth literature analysis in combination with our personal interviews with merger and acquisition professionals, these themes will be further discussed in the next chapter as well as solutions to the problems identified, in the integration process of acquisitions, will be provided.

5. Discussions

5.1 Introduction

We have now introduced the theories connected to why mergers fail and the human factors related to those failures. We have also presented our data and analyzed it according to our hypothesis within the five aforementioned themes: Communication and Employee Morale, Employee Stress and Anxiety, Employee Expectations, Culture Diversity and Resistance to Change, and Workforce Reduction. As our hypothesis states, we found that all themes intertwine and collaborate with each other and contribute to the success or failure of M&As. These themes will now be further discussed and connected to the literature review.

5.2 Limitations of results

It is interesting to see in our findings how the merger in Iceland directly corroborates with previous research on M&As and when it does not. However, as the merger in Iceland was a success story it did not align with some of the already conducted research on M&As, as they mostly speak of failure factors. That limited our abilities to tie our findings with the literature. However, our findings are relevant as a contribution to the already conducted research of M&A as this is a case of special circumstances in the financial industry in Iceland as success M&As do happen. Other limitations of results such as language and time have already been defined in the methodology chapter.

5.3 Communication and Employee Morale

As our data showed, the morale of employees of M&As is strongly connected to the handling of communications. HR manager of Bank A fully agreed that communication is a vital factor, as did the researchers we interviewed. Previous scholars not only agree, but go even further and state that however important efficient communication is, it is hard to attain. Larsson (2001) further states that if communications are insufficient, employees will fill the gap of missing information with gossip in an attempt to establish some sort of certainty where it is lacking (Pablo & Javidan, 2004). This supports our hypotheses that, in order to keep up a positive morale, management needs to take this factor into serious consideration. Effective communication should be one of the most highly prioritized aspects during an M&A in regards to employees, because the employee morale is essential in whether mergers fail or succeed (Pablo & Javidan, 2004).

Effective communication is needed but rules must be followed (Pablo & Javidan, 2004). HR manager of Bank A explained that there are two important institutions in Iceland which actually control how the information flow between two merging companies is to be handled. That raises a challenge for management as they are legally obligated to withhold any information about the merger before it is officially valid. RA agreed that this was a challenge and said that as soon as management is able to communicate, it should start doing so. This is further corroborated by Larsson in his research of M&A's (Pablo & Javidan, 2004). We can then further speculate that finding a way around rules of confidentiality, disclosure, and communication of classified information is something that needs to be simplified for management. This can be done through either changing the laws (for example in Iceland) or adjusting the general discourse so that it will become an accepted that an increased information flow will in fact assist in successful M&A rather than diminish its potential. Companies will look at profit maximization, and if this will increase the likelihood of a successful M&A, it should be given more attention.

5.4 Employee Stress and Anxiety

From our interviews we found that employees mostly feel stressed and anxious from an increased workload. As two companies merge the workload doubles. However, instead of the increased work load giving employees the incentives to work harder to prove themselves to their new management, the fear of failure or disappointment drags them down and adds to psychological distress. Scholars Ivancevich, Schweiger and Power (1987) claim that when management ignores this psychological agony, it often results in M&A failure. They further state that stress and anxiety is directly connected to how long the integration process takes, as that equals the time employees stress. This supports our hypothesis as it suggests that management needs to start taking employee stress and anxiety seriously as opposed to ignoring it and expecting workers to deliver at high levels of efficiency, if not higher at the time of the integration. Acknowledging the psychological agony that M&As causes employees is important in the attempt to achieve a successful M&A as the workers themselves are the core competences in most organizations. We hypothesize that this could affect the entire productivity of the organization.

Another large factor that causes employees stress and anxiety is the fear of losing one's job (Ivancevich et al., 1987). Initially, we assumed that the blue collar workers would feel most anxious as they might feel to be easily replaceable as opposed to workers with higher skill sets and a more specialized job description. However, both RA and RB suggested that it is actually top and middle management that feel most anxious about losing one's position as when departments merge, one of the previous managers becomes redundant. This is hard for management to prevent, as in M&A there are usually redundancies and therefore it is inevitable for top and middle management to stress about the coming events. However, connecting back to communication, being up front about the procedure on how the M&A will be handled might ease some of that stress and anxiety. As RB states: "The acquiring firm is the one who's actually determining the strategies, determining the organization and determining what's going to happen in the organization". This supports our hypothesis as it suggests that good collaboration between merging firms can make a big difference in easing employee stress and anxiety.

5.5 Employee Expectations

HR manager of Bank A stated that as the top manager of the M&A, he was actually unaware of his employee's expectations during the M&A. This was most likely due to an immense lack of communication between firms, departments and management throughout the integration process. It seemed that most of the communication happened in the post-merger phase, or the integration phase itself. However, employees showed signs of content with the implementation process and workers speak of the success of the M&A to this day.

Research by Hubbard and Purcell (2001) showed that during the post-merger phase is when human factors such as managing employee expectations are frequently ignored. The case of Bank A is therefore contradictory to Hubbard and Purcell's study. However, because of the special financial situation with Banks B, C and D, most expectations are likely to have revolved around job security as opposed to expectations regarding career development, pensions, health care and other more general expectations in M&As as corroborated by Love (2000).

HR manager of Bank A further states that employees revealed gratitude towards the HR department for 'fair treatment' throughout the process. However, there was no official follow up process or reflection upon the M&A so true feelings of the workers through the M&A process can be questioned. We, therefore, suggest a thorough follow up process which evaluates the employees' expectations pre-, during, and especially post-merger. Only then is it possible to properly manage those expectations. In Bank A's case, the communication between workers and management mostly took place after the M&A. It was therefore too late to change the implementation process to the employees' favor by constructive criticism.

5.6 Culture Diversity and Resistance to Change

Both the HR manager of Bank A and our interviewed researchers talked about the importance of time when allowing employees to get used to the idea of the M&A, the new firm they will now be working with, and new corporate culture. RA and RB spoke about how a natural progression is the best way to ease the process. Forcing new corporate values and company culture upon the workers will only result in resistance. Larsson and Lubatkin (2001) researched the best way to merge two different cultures in an M&A and presented three different strategies; the soft approach, the firm approach and the co-competence approach. The soft approach is what our interviewees recommended. That way most of both company's current norms and values are preserved and people have time to get to know and trust one and other. This results in a natural progression over a long period of time, almost diminishing employee resistance (Pablo & Javidan, 2004).

However, Bank A used the firm approach. That approach sets out to diminish all and any organizational clashes that might come up as quickly as possible. By enforcing the culture of one company, often the acquiring company, gives employees no time or space to resist (Pablo & Javidan, 2004). Bank A is one of the biggest banks in Iceland and they already have specific work protocols and an established culture that has been around for decades. It is therefore no surprise that their culture completely took over as they had special teams coming into Banks B, C and D to teach the employees the ways of Bank A. Employees of Banks B, C and D were surprised with these protocols but accepted them nonetheless. RB was quite surprised by this as one can often see the old cultures in the newly formed

company for years after the M&A. The firm approach is an impersonal one where there is no discussion between the firms on how to integrate the two different cultures. We feel that this approach is not a desired approach as it diminishes the significance of the employees and gives them no say in the process. We believe that the only reason these mergers were conducted relatively smoothly is because of the already mentioned financial situation of the acquired banks, making the employees much more acceptable to all kinds of changes as long as it meant they could keep their jobs. As this is not always the case, we emphasize the importance of a well-structured protocol when merging two corporate cultures together as a way of minimizing employee resistance.

5.7 Workforce Reduction

It is inevitable for firms to avoid workforce reduction when two companies merge. Departments are either combined or abolished making a number of workers redundant. Love (2000) argues the importance of handling employee reductions in a delicate way. He states that no redundancies should be enforced within the first six months after the merger takes place as it could lead to a high degree of turnover. Both RA and RB emphasized handling redundancies in a structured and well thought of way as opposed to randomized layoffs or deciding to let go the same amount of people in both companies. Hubbard and Purcell (2001) found in their studies that neglecting a well-structured employee reduction can arouse negative feelings in the remaining employees such as survivor's guilt. We hypothesize that these feelings then lead to anger and resentment, task disincentives and the loss of cultural identities resulting in an unsuccessful merger or acquisition.

The HR department in Bank A had to make some redundancies. However, because all employees would have lost their jobs as a result of Banks B, C and D being deemed inoperable, letting some people go resulted in almost no employee resentment against management. The majority of the workers were able to keep their jobs and those who did felt appreciated and were glad to keep their positions. These special circumstances suggest that the HR department in Bank A did not have to worry about employee resentment against management as a result of workforce reduction. However, this could have been handled in an even better way. The HR manager himself said he would have wanted to have

much more reflection after the merger to find out how employees of Banks B, C and D actually felt during the whole process. We agree as this supports our hypothesis: giving employees a good and valid reasoning for how the lay-offs are to be handled is still vital even though most workers seem to be content with it. As mentioned before, no follow ups were made in regards to those who were let go in Banks B, C and D and it would be interesting to find out their feelings of the workforce reduction process.

Now that we have looked at some of the main challenges facing the HR teams during an M&A, discussed our findings and connected them to our hypothesis, it is time to consider some possible solutions. We suggest the following solutions.

5.8 Solutions towards a Successful Merger

5.8.1 Inter-organizational Communication

Love (2000) suggests a method called 'procedural integration' which aims at advancing the efficiency and rate of work across all teams within the organization. Research shows that in cases of a successful post-merger process, over half of the companies in this category avoided making any structural changes of senior management (Love, 2000). Similarly, companies which abstained from centralizing fundamental duties, problems such as work inefficiency, infrequent attendance, and voluntary loss of personnel were half as likely to occur (Love, 2000). Some problem aversion strategies that Love (2000) suggests are individualized interviews between each employee and managers, the singling out of the most highly efficient workers, and lastly, the agreement to keep all those who are enthusiastic about remaining with the newly formed organization.

5.8.2 Meet & Greet Events for Employees of Both Companies

Introducing the soon-to-be coworkers with one another prior to their physical integration within the workplace is an efficient way to build early camaraderie and openness to the changes that are about to unfold. Such a meeting will allow the employees of both firms to connect on a more personal level and find similarities or interests, despite their status within the organization's hierarchy. Giving each individual a voice shows that the organization cares. This is also a way in which

employee perceptions can be swayed away from seeing each other as a threat. By making such connections, employees will begin to see the merger as a positive opportunity to learn from and network with individuals of various specializations, simultaneously giving them something to look forward to in the year or so ahead.

5.8.3 Team Building Workshops to Target New Composition of Teams

On a different occasion, newly formed teams should also be given the opportunity to get to know each other on a more 'eye-to-eye' level. The Human Resource Department should organize meetings at the onset of the integration process for every team, ideally within the first two weeks, where team members can openly express their expectations of each person, how they themselves will contribute in making such goals happen, personal growth goals, etc. Timelines for future tasks should be discussed as a way to get everyone on track before the majority of the work begins. Furthermore, in regards to project oversight, managers should implement rotational coupling of team members, which will exemplify the strengths and weaknesses of each individual. This will also be beneficial to the manager when assigning tasks in the future, as he or she will know who is best equipped for each undertaking.

5.8.4 Presentation of New Opportunities

As with many ventures in business, it is all about how you present it to your audience. By having a positive presentation and outlook, one is more likely to win the audience over and sway them into an optimistic and supportive perception. HR teams can present the merger with an outline of the new opportunities for growth and career development that it will bring.

“One really important part of this is career and talent development, which of course is a major part that the HR department is supposed to handle. When a company is bought, you basically create chaos into her career development system... And therefore, particularly the more talented people in that company, which you probably on the regular basis are career oriented, they feel less sure of: “How can I make a career here? Am I at a disadvantage because I didn’t belong to the acquiring

company?" So, setting up new clear career path or career expectation systems combined with some sort of talent management or talent development, I would say is probably the most important thing you can do." - RA

HR can point out key benefits of being acquired by such a larger firm with longer experience in the market, such as the gain of new technical training and the chance to network with an entirely new list of clients. Furthermore, monetary benefits should be thoroughly outlined, including the potential for salary increases, yearly bonuses, and access to better health care providers, just to name a few. As family is the main priority for most individuals, the Human Resource department should touch upon the possibility of increased time off, whether through normal compensated leisure days or newly adopted company holidays. This is especially relevant with larger companies, as they tend to have an extended period of company paid time off. Moreover, employees should be made aware of how this merger experience will help their careers in the long run, as having worked through the trials and tribulations of a merger is a strongly respected professional experience on a resume.

Having touched upon the positive aspects which Human Resource teams can utilize in their presentation of the merger to employees, it is additionally just as important to exhibit honesty throughout this time. There is no doubt that the question of workforce reduction will come up. However, by answering this with a genuine and honest response will change the mood almost immediately. In a majority of the cases reviewed, we have found that HR teams are usually not presented with specific figures regarding such a subject. When addressing such topics, it is important that HR managers take advantage of this blockage of knowledge and voice their uncertainty, as this leaves room for the topic to go either way, both positive and negative, in the future when that information is received. Employees will see this straightforwardness as a sign of respect, and will work that much harder to be more efficient so that the odds do go in their favor.

“I would say that... anything you can do that seems honest, straight-forward and opened is better than the opposite... I remember one case, I was working for a company and they planned to communicate that they were not planning any redundancy, and I told them, people won't believe you, so I wouldn't say that, because even though it's true, it would be considered a lie, and lying wouldn't be the first thing you want to do. So, it's better to say that... we don't know, or even better to lie and actually say that “there will be redundancy, but we need to come back with that”, because then people believe you, even if you're lying.” – RA

To conclude, there are several possible solutions to the challenges facing HR teams during an M&A. The aforementioned solutions we have listed provide center around the five themes stated in our hypothesis, as they are the most important ones to consider within HR duties and responsibilities. Making employees feel important and feeling a part of a team, letting them know that their voice is heard, keeping them informed at all times about what is happening and helping them form new relationships with the other firm are themes that we feel to be vital in the aim for a successful integration.

6. Conclusion

The purpose of this thesis is to investigate the role of the Human Resource department in the process of M&As with a focus on the extent this role plays in the outcome of the human integration process. Previous research has shown multiple factors related to human interactions having a strong influence on the success or failure of M&As. Most research has focused on the negative impact of neglecting these factors in the M&A process with possible solutions, but the role of the HR department has not been delved into as an important parameter in these situations. This thesis was therefore conducted to fill a gap in M&A research, where our main contribution is our summary of previous research of M&As with a focus on HR functions and related issues.

We faced some limitations in the process of conducting our research such as language limitations, time pressure, and unsuccessful cooperation with companies resulting in unfavorable extent of empirical data. However, with much resilience and ambition we overcame these obstacles and proudly present this thesis as a theoretical contribution to M&A research. Acknowledging the thinness empirical data, we cannot generalize upon other M&A situations, but rather show how the expertise of the respondents supports our conceptual framework based on theoretical analysis.

Through our extensive literary analysis and compliment of interviews with an HR manager and researchers in the field of M&A, we discovered five themes that we believe are vital to consider within the role of HR in the aim of a successful integration of two companies; communication and employee morale, inevitable workforce reductions, mental stress and anxiety that M&As put on employees, cultural diversity and the resistance to change, and overall employee expectations. We believe that taking the significance of these factors seriously and addressing them will significantly increase the likelihood of a successful M&A. We further suggest steps that the HR department can follow to help with that process, such as inter-organizational communication, stress management seminars, meet & greet events for employees of both companies, and team building workshops to target new composition of teams.

As a part of our pilot test study, our online interview with the HR manager of the Icelandic bank presented us with a case of rare integration fulfillment. From this, we were able to

take away a real life success story, teaching us that if an organization takes the before mentioned factors as a priority and treats the HR department with the respect and acknowledgment that it deserves, this will lead to increased rates of success in M&A cases. As shown in our interview, there was constant communication from both company executives and the HR manager throughout the acquisition. As the HR department reassured the acquired employees they would all be keeping their positions, employee stress and anxiety was lifted. Taking into account that the aforementioned themes are all intertwined, by addressing one factor, the HR team simultaneously provided solutions to many more. Through reassuring the employees a spot in the newly merged company, the HR team also targeted employee resistance to change, as this move proved that assimilating to this newly formed company culture was truly in the best interest of the employees in question. Such data provided support to our previously outlined solutions, as it shows that the full engagement of HR within the M&A process will allow organizations to target the common themes of merger failures, and eliminate them through human integration oriented solutions.

6.1 Future Research

When looking to the future we see great potential in researchers further examining the role of HR managers in relations to the success or failure of M&As. Previous research has mostly emphasized on contributing human factors to the implementation and not how all of them are connected. Although some scholars suggest solutions to the problems these factors cause, the concrete actions of the HR department are not yet clarified and connected, resulting in a gap in research. This is not, however, because these actions are any less important in the success of implementation, as our hypothesis states them to be very influential. Some of the previous research on M&A is quite outdated and we believe researchers should use this as an incentive to conduct modern studies in the field.

As this paper is a conducted pilot test in a conceptual framework it does neither confirm nor deny our hypothesis of the HR tasks within the M&A process. Despite our found relevance of the aforementioned themes, our empirical study is very still very thin. Therefore, future researchers should use the five themes as a point of departure for a case study or survey,

and investigate further. In our findings we suggest further reflection from the HR department throughout the whole M&A process, as well as interviewing employees in addition to management, thus providing empirical data on more than just one level of organizational hierarchy. Taking into consideration that no M&A is the same, as there are many parameters that contribute to each situation, we hope that future researchers will help to develop our understanding of M&As and contribute to the ways in which to handle future mergers and acquisitions.

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8. Appendices

Appendix A

Anonymized Interview with HR Manager of Icelandic Bank A in English

Name: HR Manager

Department: Human Resource department

Supervisor: S.P. (not in the beginning)

Position: CEO

In previous years, the Human Resource department belonged to the Department of Development and Human Resources. The department was abolished in the summer of 2015. Since then, the Human Resource department answers directly to the CEO.

What role did you play during the following merger process? Pre-merger, during merger and post-merger (i.e. tasks, responsibilities, etc.)

The same goes for all the categories above, I was the Human Resource manager of Bank A. I was responsible for that all employee related information (vacation days, remuneration, pensions, etc.) being delivered successfully between companies. That all employees from the merging companies received their pay directly the next payday. Making of new contracts with employees of the merging companies with relevant paper work and background checks. Additionally, responsible for new employee adaption into Bank A and the making of new teams. In a few cases, people had to be let go and that was also part of my responsibility. Oversaw my groups of staff in each merger. Was also in a steering committee for M&A, but the steering committee consisted of most of the managers of the units that were mostly affected by the merger/changes. The steering committee took all of the big decisions in the whole process.

How was communication handled with the new teams coming in from the merger?

There were no communications between the companies beforehand. There are very clear instructions from the Icelandic Competition Authority and The Financial Supervisory

Authority in Iceland that companies may not have direct communications between themselves. The decision of a merger or the approval is made with the sanction of an overseer, or the decision is made by the overseer and the merger takes effect almost immediately.

After the merger, however, we tried to pair together those individuals within the merging companies that were responsible for certain tasks, and the individuals within Bank A who were responsible for the same tasks. The parties exchanged information and brought information to the steering committee or the relevant teams. This is especially relevant to the merger of Bank B, as it is a much bigger company than Bank C and Bank D.

Was there a different system in place to ensure a successful merger for each of the companies, or was there one unanimous system used for all?

Within Bank A there is a project manager whose only job was to ensure that all defined tasks and processes were going according to plan.

The project manager has very regular meetings (sometimes daily) with the steering committee, goes over the status and changes from the last meeting, brings up affairs that need to be discussed, and makes a project plan on those tasks that need finishing.

The project manager works by a task description that is formulated at the start of the merger. There are also checklists available that mention many technical issues that need to be taken into consideration in merging branches.

Once the companies merged with Bank A, was there a new HR team set up as a combination of the companies, or were the original teams maintained? If the latter occurred, how was supervision of company teams divided between the different HR teams?

There were no proper HR teams within the companies that Bank A merged with so the question is irrelevant.

What were some complaints voiced by employees from either side of the merger?

Truth be told, I don't remember any severe complaints being brought up. The mergers have a number of factors leading up to the mergers which different from conventional unison of companies that merge voluntarily. The branches that Bank A merged with were not deemed operable, so therefore its employees looked at a merger with Bank A as the best possible option, as continuous operations for the branches were not possible. Employees of the merging banks praised the employees of Bank A for a professional approach and we emphasized in our work that those from Bank A who were in contact with the merging banks would be treated with respect. I think that went well. However, employees of Bank A were taken by surprise by some of the methods used in the merging companies, but there were no actual complaints.

There was resentment against the lay-offs, but we received no actual complaints.

The first merger, with Bank B, was the biggest and took the longest to finish. We put a lot of effort to almost a daily update to all of the employees which seemed to give good results in soothing feelings of uncertainty, which otherwise would have been tremendous.

What were the most common worries voiced by employees as a result of the mergers (i.e. threat of losing position, being transferred to another team or office, etc.)?

Employees' worries revolved mostly about job security, both their own and their colleagues. Within Bank A, worries of increased workload surfaced with fixing some problems with loans that appeared soon after the merger.

How did the HR team manage to keep up with employee expectations?

I think it went pretty well, if I say so myself. It is, perhaps, a bit unclear what expectations workers had regarding the mergers. As mentioned before, their fear was mostly related to losing their jobs. Their expectations, therefore, were mostly related to keeping their jobs. But I do think that employees' normal expectations on "fair treatment" were fulfilled. Following the merger, branch employees have spoken about the mergers, their interaction with Bank A's employees and their position within the merger, in a positive way.

How did such expectations change within the following processes? Pre-merger, during merger and post-merger.

I cannot answer in more detail than the answer in the box above.

What strategy did the HR team use to build trust between the newly created teams and upper management?

We tried to communicate information on regular bases. We set up meetings with teams to introduce Bank A as a workplace. We set up teams that handled training and education in the work procedures that Bank A uses and were decided to be the official protocols. We ensured that the management of each branch had a good overview of the status of the implementation at all times. Also, we established routine interactions with management in the new branches to get their status updates and situation.

How did the corporate culture change within the banks as a result of the merger? What were some of the new corporate values adopted?

It seems that the corporate culture of Bank A has largely overtaken the culture that prevailed in the merging companies. However, as it so normally happens, there is a difference between all of Bank A's branches, whether they took part in a merger recently or not. But, those branches that have been merged or are newly established now seem to work with the present norms and values that have been evident in Bank A. Now in Bank A we have been working on the corporate culture to pushing it towards being more efficient. All evidence show that the merged and new branches are participating fully in such projects and engage in the changes just as much as everyone else.

How did the HR team address employee resistance to change in corporate culture and corporate values?

We tried to keep the flow of communication to the HR team as clear as possible. We sent e.g. representatives to the merging companies early on in the merger process to meet the employers. I, as the HR manager, went to all the workstations where mergers or new branches were being established. There was not a lot of resistance; people seemed to realize that even though the protocols of Bank A were more conventional and quite rigid, it

was the protocols which people should follow. No conflicts there. Quite on the contrary, some workers of the merging banks commented that more rigid protocols actually made their work easier. I think, looking back, that many of the merging banks' employees were so glad to keep their jobs that other factors became less important to them. When one looks at this process afterwards and reflects on the situation, it is quite surprising how little resistance surfaced.

In your opinion, what could have been done better?

Obviously, we could have prepared the mergers better in cooperation with counterparties. It may be known that the merger with Bank B was decided on a Sunday and presented on a Monday (it is actually the Financial Supervisory Authority of Iceland that decides on the merger and then it becomes valid immediately). Therefore, we had almost no time to prepare for that merger, and everything was executed very fast during the first week. The merger with Bank C and Bank D we knew about with a bit more notice, but were not able to organize anything in consultation/cooperation with counterparties. We could have done more frequent measures on how the process went on – so we can better give reasons for our actions, afterwards.

Appendix B

Anonymized Interview with HR Manager of Icelandic Bank A in Icelandic

Nafn: Mannauðsstjóri

Deild: Mannauðs

Yfirmaður: S. P. (var það ekki áður)

Staða: Bankastjóri

Áður tilheyrði Mannauður sviði sem hét Þróun og Mannauður. Það svið var lagt niður sumar 2015 og Mannauður heyrir beint undir bankastjóra frá þeim tíma.

Hvert var þitt hlutverk í eftirfarandi ferlum í samrunanum? Fyrir samrunann, á meðan samrunanum stóð og eftir samrunann (verkefni, ábyrgð, umsjón yfir hverjum?)

Fyrir alla ofangreinda flokka gildir það sama, ég var Mannauðsstjóri Banka A. Ég bar ábyrgð á að allar starfsmannatengdar upplýsingar (orlofsstaða, launakjör, lífeyrisgreiðslur o.fl.) kæmust rétt á milli fyrirtækja. Að starfsmenn frá sparisjóðum fengju launagreiðslur strax næstu mánaðarmót. Gerð nýrra ráðningarsamninga við starfsmenn sparisjóða og tilheyrandi pappírsvinna og bakgrunnsskoðun. Ennfremur ábyrgð á aðlögun nýrra starfsmanna inn í Banka A og samsetningu nýrra teyma. Í nokkrum tilvikum þurfti að segja upp starfsfólki og var það einnig á minni ábyrgð. Var með umsjón yfir mínu starfsfólki sem koma að verkinu með mér eftir atvikum. Var einnig í stýrihópi samruna, en í stýrihópi sátu til þess að gera fáir aðilar, flestir yfirmenn þeirra eininga sem helst þurfa að koma að samruna/breytingum. Stýrihópur tekur allar stærri ákvarðanir í ferlinu.

Hvernig fóru samskipti milli mismunandi teyma í fyrirtækjunum fram?

Það voru engin samskipti milli fyrirtækjanna fyrirfram. Það eru mjög skýr fyrirmæli frá Samkeppniseftirliti og FME að fjármálafyrirtæki mega ekki eiga bein samskipti sín á milli. Ákvörðun um sameiningu eða samþykki er því tekin með með samþykki eftirlitsaðila, eða ákvörðun tekin af eftirlitsaðila og samruni tekur þá gildi nánast samstundis.

Eftir samruna var hins vegar reynt að para saman þá aðila innan sparisjóðanna sem báru ábyrgð á tilteknum málaflokki og aðila innan Banka A sem bar ábyrgð á sama málaflokki. Aðilar skiptust á upplýsingum og komu upplýsingum áfram til stýrihóps eða viðeigandi teyma. Átti þetta sérstaklega við samruna við Banka B, enda mun stærra fyrirtæki en Banki C. og Banki D.

Var sérstakt verkferli í gangi fyrir hvert og eitt fyrirtæki til að ganga í skugga um að samruninn gengi vel fyrir sig?

Innan Banka A var verkefnisstjóri sem vann eingöngu að því að tryggja að öll skilgreind verkefni og ferli gengju samkvæmt áætlun.

Verkefnastjóri fundar mjög reglulega (stundum daglega) með stýrihópi, fer yfir stöðuna og breytingar frá síðasta fundi, leggur upp málefni sem þarf að taka afstöðu til, leggur svo línur með þau verkefni sem eru framundan.

Verkefnisstjóri vinnur eftir verkefnislýsingu sem mótuð er í byrjun. Til staðar eru gátlistar sem taka á ýmsum tæknilegum atriðum sem þarf að taka tillit til við sameiningu útibúa.

Þegar fyrirtækin höfðu sameinast í Banka A, var nýtt samsett mannauðsstjórnunarteymi sett saman úr öllum fyrirtækjum, eða voru upprunalegu teymunum haldið? Ef upprunalegu teymunum var haldið, hvernig var yfirumsjón yfir starfsmönnum frá fyrirtækjunum fjórum skipt niður milli teymanna?

Það voru ekki eiginleg mannauðsteymi innan þeirra fyrirtækja sem Banki A sameinaðist og spurningin á því varla við.

Hvaða kvartanir komu upp frá mismunandi hliðum fyrirtækjanna?

Ég minnst þess satt að segja ekki að það hafi komið upp alvarlegar kvartanir. Samrunarnir eiga sér sögulegan aðdragenda sem er ólíkur hefðbundnum sameiningum fyrirtækja að fúsum og frjálsum vilja. Bankarnir sem Banki A sameinaðist voru ekki taldir rekstrarhæfir og starfsmenn þeirra litu því á sameiningu við Banka A sem skársta kostinn fyrst áframhaldandi rekstur sparisjóðs var ekki í boði. Starfsfólk bankanna hrósaði starfsfólki Banka A fyrir fagmannlega nálgun og við lögðum mikið upp úr því að starfsfólk Banka A sem var í samskiptum við starfsfólk bankanna kæmi fram af virðingu. Held það hafi gengið mjög vel. Starfsfólk Banka A var hissa á ýmsum vinnubrögðum sem tíðkast höfðu innan bankanna, en það voru ekki eiginlegar kvartanir.

Það var óánægja með uppsagnir, en það komu ekki fram eiginlegar kvartanir.

Fyrsta sameiningin, við Banka B, var sú stærsta og tók lengstan tíma að klára. Við lögðum þá mikið upp úr nánast daglegri stöðuuppfærslu til allra starfsmanna sem virtist gefa góðan árangur til þess að sefa óöryggistilfinningu sem ella hefði örugglega getað orðið talsverð.

***Hverjar voru þær áhyggjur starfsmanna fyrirtækjanna sem upp komu vegna samrunans?
(Áhyggjur um að verða sagt upp, vera send í annað teymi, ný staðsetning o.s.frv.)***

Starfsfólk bankanna hafði fyrst og fremst áhyggjur af starfsöryggi, bæði sínu eigin og líka samstarfsfólksins frá sparisjóðnum. Innan Banka A voru áhyggjur af auknu vinnuálagi við að vinna úr útlána-vandamálum sem komu fljótlega í ljós eftir samruna.

Hvernig tókst mannauðsstjórnunarteyminu að halda í við væntingar starfsfólksins varðandi samrunann?

Þó ég segi sjálfur frá, þá held ég það hafi gengið nokkuð vel.

Það er þó etv óljóst hvaða væntingar starfsfólk hafði varðandi samrunann. Eins og kemur fram hér að framan var ótti þeirra helst að missa vinnuna. Væntingar þeirra voru því að miklu leiti að halda starfi sínu.

En ég tel þó að eðlilegar væntingar starfsmanna bankanna um “sanngjarna meðferð” hafi verið uppfylltar. Í kjölfar samruna hafa bankastarfsmenn rætt jákvætt um samrunan, samskipti við starfsfólk Banka A og stöðu sína í kjölfar samruna.

Hvernig breyttust þessar væntingar í gegnum ferli samrunans?Fyrir samrunann, á meðan samrunanum stóð og eftir samrunann.

Ég get ekki svarað þessu nákvæmar en svarið í boxinu hér fyrir ofan.

Hvaða aðferð var notuð til að efla og byggja traust milli nýrra teyma og stjórnunar/yfirmanna þeirra?

Reynt að miðla upplýsingum reglulega. Settir upp fundir með teymum til þess að kynna Banka A sem vinnustað. Sett upp teymi sem sá um þjálfun og fræðslu í þeim vinnubrögðum sem tíðkuðust innan Banka A og ákveðið var að vinna eftir. Tryggt að þeir yfirmenn sem tóku við hverju útibúi væru með góða yfirsýn hvernig samlögun gengi á hverri vinnustöð. Regluleg samskipti við útibússtjóra í sameinuðum/nýjum útibúum til að fá stöðumat þeirra.

Hvernig breyttist vinnustaðameningin í fyrirtækjunum eftir samrunann? Hvaða nýju viðmið og gildi urðu til?

Okkur virðist að menning Banka A hafi að mestu yfirtekið þá menningu sem ríkir. Eðlilega er munur á menningu allra útibúa Banka A, hvort sem þau hafi verið hluti af samrunum nýlega eða ekki. En þau útibú sem hafa verið sameinuð eða komið ný virðast okkur nú starfa í takt við áherslur og gildi sem ríkt hafa í Banka A. Nú er verið að vinna með menningu bankans og ýta henni í það að verða árangursmiðaðri. Ekki er annað að sjá en sameinuðu/nýju útibúin taki að fullu þátt í slíkum verkefnum og taki slíkar breytingar til sín jafn viljug og aðrir.

Hvernig tók mannauðsstjórnunarteymið á viðnámi breytinga á vinnustaðaviðmiðum og gildum?

Reynt var að halda sem opnustum samskiptaleiðum til mannauðsteymis. Við sendum t.d. fulltrúa á staðin mjög snemma í ferlinu til þess að hitta starfsfólk. Ég, sem Mannauðsstjóri, fór á allar vinnustöðvar þar sem samruni/nýtt útibú var til staðar.

Það var ekki mikið um viðnám, fólk virtist átta sig á því að vinnubrögð Banka A, þó þau væru ferkantaðri og íhaldssamari, væru þau vinnubrögð sem vinna ætti eftir. Ekki ósætti með það. Þvert á móti nefndu sumir starfsmenn sparisjóðanna að stífari vinnubrögð einfölduðu þeim starfið. Ég tel, svona eftir á að hyggja að margir starfsmenn bankanna hafi verið svo fegnir að halda starfinu að aðrir þættir hafi skipt þau minna máli. Þegar maður sest niður svona eftir á og hugsar málið þá sætir það í raun furðu hversu lítið viðnám kom upp á yfirborðið.

Að þínu mati, hvað hefði mátt betur fara?

Það hefði að sjálfsögðu verið betra að geta undirbúið samruna í samstarfi við mótaðila. Það má t.d. nefna að samruni við Banka B var ákveðinn á sunnudegi og kynntur á mánudegi (í raun FME sem ákveður samruna og þá tekur hann strax gildi). Okkur gafst því eiginlega enginn undirbúningstími fyrir þann samruna, en allt var unnið mjög hratt fyrstu vikuna. Samruna við Banka C og D vissum við með meiri fyrirvara, en gátum ekkert skipulagt í samráði/samstarfi við mótaðila.

Það hefði mátt gera tíðari mælingar á því hvernig ferlið gekk fyrir sig – svo maður gæti bætur rökstutt mál sitt gagnvart ytri aðilum, eftir á :)

Appendix C

Interview with RA via Skype

What are some methods or practices that you suggest that HR managers could implement during the integration process to better create and lead a successful merger of two different organizational cultures?

Good question... Well... if you read my book you know that I argue that... it's not so much about norms and values that are creating the problem, it's more ... the need for an identity, it's a, you wanna hang with your tribe kind of thing. So... based on that, I would say that... One important goal, this is not a method, but one important goal is to make sure that... all parties are allowed to identify with something without feeling too... threatened or... something like that... The reason why I'm struggling with this question is that... it so much depends on... the context of the integration, or if you like... what is the purpose of the merger or the acquisition... or what was the underlying... underlying strategic reason why they bought it... I don't discuss this much in my book because it wasn't... clear to me at that time but... just after I published my book, a few books came that discussed it more in detail, they basically said that... If the... if the purpose, or if the strategic reason for the acquisition was that the company had a tangible resource... a factory, intellectual property right... or something to... of that kind... so that you were not really... so dependent of the people... The, the best way to move the integration forward would be to, you know, get rid of people, or give them an ultimate: join us or leave us. But if the reason why you bought the company had to do with the... the human knowledge, the human resources... you would need to spend more time making people want to join the organization. And... and based on that theory the authors suggest that a sort of a matrix... That's related somehow to the speed by which you, to do the integration, the need for... protecting the... the cultural, the acquired company... and things like that. So, I would say in some cases... HR's... role is to get rid of people... To... to, maybe identify the... the talent... and try to convince them to stay but apart from that it is actually, just give them an ultimatum: "If you wanna stay, that's OK, but if you wanna go, that's OK too". But in some other cases it's a... It's a longer more... sensitive process in which you... allow the acquired company... either the employee of the acquired company, to gradually get used to the idea that... they are now... bought by someone and

will report to, to other people or... whatever it is that's happening, maybe they have a new brand and a name and, all sort of things that can happen. In that process I would say that it's important to gradually get to accept what has happened.

As far as of employees on the lower level, would you say that employees of the acquired firm face more threats than the employees of the acquiring firm, or would you say it's relatively equal?

I think in most cases it's more threatening to the acquired than the acquiring. It depends a little bit, there has been known cases where actually hit... the acquirer harder than... the acquired... But that also depends quite a lot on... what type of acquisition it is, what was the strategic reason but I would say on a general bases, it's usually... it goes with the power. In which it usually goes with either size or... being the acquiring. But there have been cases where a small common company bought a big company, and the big company sort of culturally took over. Now for... my experience is... in most cases... the people it hits hardest are usually the... top and middle management... In some cases of course also more blue collar workers, or lower level managers are in some sort of trouble but... usually it has to do with... top and middle management... you happen to have two of everything, two [in] marketing, two [in] accounting, things like that that, and you don't really need that. Which makes that situation much more threatening to... to that group of people, and therefore they tend to react more. Now, that's also where horizontal communication is usually the strongest, so if I'm out on the shop floor doing my thing there with my machine... most probably I don't get that much in contact with the fact that we're now being acquired but if I'm in a, in a management position I probably need to coordinate and integrate and communicate, and make decisions. And this is where higher level managers are, are important. And therefore they also need more... they need to better understand, the cultural context of the organization.

As far as communication, how do you think it can be better handled, because we read that most of the time a lot of the stress and anxiety and reasons for high turnover, during the merger and before integration, is because most managers aren't allowed to discuss the information since it's still considered classified so employees are relying on outside sources

and news and essentially rumors to get their information. So, what is something that you recommend in this situation? As far as communication.

Well, the issue you're talking about now is usually only relevant before the actual integration. So... during the diligence phase and things like that... What companies usually try to do is to keep it secret and therefore there is no room for communication at all but... I don't really think there is a good, good strategy for that. I think the strategy is to immediately [when] you can communicate, start communicating... Now in Sweden, quite often you can use the unions because these are issues that are dealt with on board level mostly, and in Sweden the labour unions by law have a representative in the board of directors. And therefore they can be informed about the potential acquisition and can therefore also be used to, at least in some cases, be used to communicate: "It's cool, everything is OK, don't worry". But, in general, I think it's, there is no way around that. It's... It has to do with what happens immediately [when] you can communicate. But my experience is that... communication has a lot to do with trust... People that are here, what matters are that they're staying but do they trust that information to be accurate and open and honest. So it's... it's actually more about creating trust, than communicating. I've never seen an acquisition where there was enough communication. But I have seen cases where... where managers, particularly in the acquiring company, has been able to provide some trust. Which is usually done through some sort of action rather than words.

So what sort of action would you recommend?

Well... quite often the acquired company has some sensitive issues, things that are important to them. Things like "Don't change our brand" or "Let us keep our marketing department" or... Strategically, it may be important but symbolically extremely important issues. And in one case that I followed while doing my PhD, the acquired company had a, they didn't distribute their products via wholesalers; they distributed them directly to retailers. And... and I don't think that was strategically important, really, but they considered it to be important, it was symbolically really important. The acquiring company said first day "We think it is important that you keep your direct distribution" so people sort of relaxed, that was allowed to happen. Only a year later they actually changed that, but by then they had established some sort of trust.

And as far as terminations which seems to be one of the main problems, how would you suggest that managers go about this, because I know in our readings, I know some of the options were first to offer them severance benefits and try to get them to do early retirement or transfer of offices, and then there's also only keeping the strongest employees versus randomly firing extra employees. What would you say is the best way to handle terminations in that sense?

I don't know what is the best in general terms, I've never seen a study showing that kind of evidence, but from a, from a trust and communication point of view, I would say that... anything you can do that seems honest, straight-forward and opened is better than the opposite. So, for instance, there has been, you know, let's fire equally many acquiring or acquired companies so it's a 50/50 basis... I think that's really bad because its, it has its logic, but in the end, we need the best. So if you can have an honest assessment of the proved talent and conduct assessment in a transparent way or a trustworthy way, in the medium to long term time perspective you are better off openly looking for the best. ... I can't give you a reference, but I think I read a study once that showed that strategies around... let's take every second from each company actually leads to a higher turnover later on because you end up with people that do not really want to stay. So, you might be in trouble short term because some people you want to stay will actually leave, but in the long run, you're better off anyway.

We read some studies that actually this happened that couple of months after the acquisition, middle managers left voluntarily because they wanted them to stay, but they didn't want to stay because of this whole process.

And it is very often that, this is in many ways my main point in my thesis is that, it doesn't really have to do with values and norms and culture in that sense, it has to do with a sense of belonging, a sense of feeling respected, things like that, and if you have a not fully open and transparent process, most people would feel a little bit disrespected, and that's not good so, and it, I remember one case, I was working for a company and they planned to communicate that they were NOT planning any redundancy, and I told them, people won't believe you, so I wouldn't say that, because even though it's true, it would be considered a lie, and lying wouldn't be the first thing you want to do. So, it's better to say that... we don't

know, or even better to lie and actually say that “there will be redundancy, but we need to come back with that”, because then people believe you, even if you’re lying.

As far as identity, we know that mergers cause a loss of identity, so what would you say are some incentives that both organizations can provide to maybe inspire employees towards having a new identity, within their new teams, or under new management and such organizational values?

Wow, that’s a very good question... I think it depends on the situation, i mean, in some cases people want to be acquired, because provided that it’s the right company buying them, so if you’re the small company totally unknown and you’re bought by this big company that is well-known and with all their resources, it’s usually not a really big deal. It’s gonna be a little bit tender for a while, but after a while, they want to join the new company.

So maybe it’s more of just waiting for a natural progression?

Yeah, wait and see for a little while... Now, sometimes it has to do with loyalty to individuals, so if the right senior managers are going along, they will actually take with them people that would also be willing to do the big leap... Again, that depends on the situation.

Paradoxically, sometimes you are actually bought by your worse enemy, you are bought by a competitor, and that makes it quite difficult to emotionally decide to switch to the other company and the other brand and things like that but... if you are allowed to keep your own brand, it has to be sort of reorganized into a portfolio brands, so it, and therefore, you are allowed to stay proud of your brand, it’s usually a process that will take a relatively short time... But again, it goes back to being given time and space to get used to the idea, and follow a line of communication, a change process that is based on mutual respect.. But I don't think there is one tool to fix this, it’s like any change project, it requires a lot of leadership, a lot of communication, and usually a lot of time. And therefore, sometime it’s not worthwhile doing. So if it isn’t that important to keep the people, why even try?

As far as gains of the merger, since a lot of times it’s bigger companies buying out smaller companies, we have this quote that says, “Shareholders of acquired firms have gained

significantly, while shareholders of acquiring firms have gained minimally.” So, what would you say is a motivation of larger firms to go on and you know, purchase these smaller companies were they’re not really gaining as much in the long run?

That is also a very good question... There are all sorts of theories around that, um, and I haven't looked into that, but I do mention some of it in the introduction of my book, but... Now, logically, there should be some sort of synergy when you buy another company. If one company A is buying company B, the owner of company B should theoretically know the value of company B, and therefore, the price. They shouldn't be willing to sell below that price. And therefore, company A should actually stand to gain nothing from the acquisition because theoretically, whatever they had to pay is matching whatever they will have to earn, so why do it? Unless, the company is worth more valuable to the acquirer than to the seller, for some reason, because they have easier access to some sort of strategic resource. Maybe they have a sales access to a market or something like that. And, so one explanation might be that the acquiring companies sees this synergies, but the market doesn't. They don't really understand why they would be prepared to pay this much money for this... And, there is some support of this, there is a relatively well-known study done by McKinsey and Company indicating that the type of synergies has a big impact on the likelihood on the acquiring company running money in the acquisition, and the short version of that is that, if the intended strategic synergy has to do with cost reduction, as in we buy this other company to restructure the industry, or maybe to shut down the production facility, or we need only one sales force, then usually they do actually earn quite a lot of money on this investment, whereas, if the strategic reason was market synergies, i.e. we buy the company in order to increase our turnover, not to decrease our cost, they usually do not profit from the acquisition....One reason why the market might react is that they don't understand is this a cost reduction strategic move or a market synergy strategic move, and therefore, has a different assignee to fate potential of earning money, and therefore, market prices are usually going down. Now, it's important to remember that an acquisition is like any investment, it's only that you happen to buy a company and not a machine or whatever it is that you normally invest in, and... a lot of investments are not profitable. It's only that the market doesn't see the investment, and can therefore not react unless it's huge. Say, if you have a company that is all of a sudden investing in a completely new facility for a lot of

money, the market might say: “We don’t understand the logic here so, we will sell our stocks”. But when you buy a company that is usually a very public thing so, therefore, you can assume that the market will see it and react on it.

In addition to everything we discussed, would you say that there is something that we aren’t looking at as far as the main focuses?

So tell me again, what is the purpose of your study?

The purpose of our study is analyzing the role of HR management within the post-merger processes, so the integration process, because we found that most research says that mergers fail because of everything that is done within that post-merger process versus, you know, the planning period or during the merger.

Well, then I would say, one extremely important, I think, and I think there is some scientific evidence to prove that, one really important part of this is career and talent development, which of course is a major part that the HR department is supposed to handle. When a company is bought, you basically create chaos into her career development system... And therefore, particularly the more talented people in that company, which you probably not he regular basis are career oriented, they feel less sure of: “How can I make a career here? Am I at a disadvantage because I didn’t belong to the acquiring company?” So, setting up new clear career path or career expectation systems combined with some sort of talent management or talent development, I would say is probably the most important thing you can do.

Appendix D

Interview with RB

So, we will start off with a quote that we used in our study and it was, "Shareholders of acquired firms have gained significantly, while shareholders of acquiring firms have gained minimally." So, in correlation to that quote, what would you say is the motivation of larger firms to acquire these smaller firms that they're not really gaining as much from?

Well, you know, that's a complex question. It's a very complex question and I think that you need to, you can answer that depending on of course which of these stakeholders that you viewed in the process from, and I think that you would, in order to discuss the question that you are posing, I think it's important that you are quite clear about which stakeholder you are addressing that question on behalf of or how do you want me to regard that question? I mean every merger and every acquisition can be evaluated and be discussed not debases of a variety of different stakeholders, and of course, the shareholders are once stakeholder, but they don't have the same views either. So it's a multitude of different actors. Well, but then there's also lots of other stakeholders as well. And this is what makes the whole thing around mergers and acquisitions so complicated. I wouldn't say that, for example, shareholders as such would be necessarily the most important actor to regard in merger or in acquisition from, so there are many different stakeholders.

What would you say is the most important, or the top two let's say?

Top two stakeholders?

No, top two motivations to consider before what the shareholders are gaining or losing?

Motivations on behalf of the shareholders?

Just on behalf of the acquiring firm.

Yes, but on the basis on which perspective do you want me to regard that particular process from? Anyone's particular perspective or?

Not in particular, just overall.

But that's difficult to say, you know. Because every merger and acquisition, for example, if I were to regard for example, let's say that big company such as for example, just for the sake of discussion, let's say that Apple for example would acquire Ericsson in Sweden. So how would I evaluate that? So would I evaluate that as the basis of being an employee of Ericsson, would I evaluate that of being an employee, or would I evaluate that on the basis of being a manager in any of the organizations or would I regard the acquisition as being a bank or a member of society? You know, there are many different stakeholders here, so that makes that questions so difficult to be specific about. If you ask me to regard that questions on behalf of maybe, "put yourself in the position of being a shareholder, how would you regard it, how would you regard your motivations on the basis of being a shareholder?" And of course, being a shareholder, I would look at the wealth created or the expected wealth created, you know. So, what happens with my shares in the particular organization once they are in process of proposing an acquisition with another organization? I would look you know, I would be quite, um, my motivations would be quite, uh, limited in terms of being more monetary oriented, and the possibility for the organization actually, for me actually to gain some, some elaborate part of the shares that I have in that particular organization, you know. And of course, I could also look at the possibility for the organization to, if they buy and organization to gain something in terms of, you know, competence, in terms of resources, to the extent that they can expand further, or market shares, whatever an all that you know. But, taking a more strict shareholder orientation or perspective on this, I would, you know, look at it from a quite financial point of view. But that's what I would do if I were a shareholder, especially if I were a shareholder, you know, with the basis in the more Anglo-Saxon economy context. For example, being a shareholder if it was an American company, or a British company, or something. That's the difference, you know, between how you view things. If I were a shareholder in Sweden, I would probably, you know, look at the more long term prospect perhaps. You know, the possibility for the organization to actually acquire resources that makes it possible that they can exploit to sustain some competitive advantage, you know, with the future and all that. I would probably be more strategic rather than financial. Does that make sense?

Yes, completely. Um, so, what are some methods or practices that you suggest that HR managers could implement during the integration process to better lead a successful merger of two different organization cultures?

Yea, you know, you have some intriguing questions. I think that these questions you know, motivates, you know, lots of studies, and there are lots of studies around these things as well. And, when it comes to HR managers, working with inherent difficult topic of organizational culture, you know, I think that it um, if I were an HR manager, I would probably work a lot with facilitating for... communication among those... both in the acquiring organization and the organization that is acquired as well you know. I think since mergers and acquisitions, at least more radical ones, normally produce lots of, um, questions, lots of uncertainties, lots of anxieties, on people you know and all that... And normally, I think it's important for HR to recognize some of that anxiety. I think it's important to acknowledge that. I would probably as an HR manager, I think that would be my mandate to try to facilitate for discussion around, more open discussions around who we are, you know, in terms of norms and values and culture and all that. I think that these are the questions that people normally think about in mergers and acquisitions, and I think it's important also to acknowledge that. I mean, the problem is of course, if you don't acknowledge that, the discussion will be there nevertheless, and people would always ask themselves questions are the culture, what they stand for, and all that, which ultimately may produce strong identities in people, what they stand for. Therefore, I think it's important to be quite serious about these issues and acknowledge them, create forums, workshops, discussions, communications. I mean, if we are going to be a bit more practical, around these norms and values and what they stand for. And probably, I would also, in order to um, help people you know...think about the culture an norms, bring in...you know, people that are not necessarily within the organization in order to clarify what the organization stands for in terms of norms and values and, since getting and making in an organization. So, so, I would acknowledge the seriousness of culture and I would try to make the different organizational cultures or views of this process more salient, rather than neglect it.

You also, in relation to this, discuss the importance of language. So what are some strategies that HR can utilize maybe keep the language flow between the employees more positive so that they are more open to the change that are about to take place? Because most of the time it's fairly negative.

Yeah, yeah... Well, you know, some are normally in these situations, there are some positives and there are some negatives, and then there's a huge bunch in the middle that are perhaps a bit more indifferent around it. But, certainly a fair share of people that are, you know, anxious about these things, and many of them are also quite negative, and maybe they also uh excursive resistance to things and organizations so you have to acknowledge them. That's why I think it's important to actually to acknowledge that in order to get different people to stay in different processes. Because, normally, when people can say, they tend to open up a bit and become more receptive arguments and stuff like that, you know, so creating a dialogue I think is very important to the extent that you think that it's important to get people along the process. Of course, if it's not important to get people along the process, you know, you're in a difficult situation, but assuming that it's important to get people along, I think it's important that you create a dialogue. And then, moving back to your questions, which was now, again?

How they can influence the language towards being more positive?

Well, you know, I think it's important to create situations where people need to work with exercises that somehow maintain their engagement, and that somehow...prevent, you know, negatives, and... that somehow makes it possible for people to, to um, to discuss the things that you are worrying about, the things that you're are anxious about, in a... Firstly, that you are able to discuss them, and secondly, that you are able to discuss them in a positive light using words and framing communication hat somehow encourage you to go on board and participate in this process, you know. It's a difficult thing to work with language, but I think one of the most important things to work with in the process like this, in terms of, you know, trying to...are people, you know, moderators that somehow are engaged in the discussions and help people clarify what they mean and all that...You know, and moderators preventing situations from going berserk, because sometimes if you don't, if you have a situation where, for example, top managers are meeting some of the

employees in the organization, these situations are quite tricky to the extent that, people, you know, often ventilate negative feels and all that, you know... and you need to craft the setting in a situation like that in a way which facilitates a dialogue where everyone is encouraged somehow, or at least some are encouraged to present in a rational and sober manner the way they look upon things and all that, you know... Normally, that requires a third person or someone outside the organization that can play that very moderating role, and if they, if you work with serious and well informed moderator, I think that may be actually one of the most important things to do, if you facilitate for discussions, and communications, and dialogue between different actors in a process like this.

One of the other interview we had stressed the importance of being honest when addressing such issues, so I know you talk about in order to make the language flow more positive, the importance of framing what you're saying, but if you're being honest, would you recumbent that it's more important to frame the argument towards a more positive light?

Honestly, it's difficult for me because, of course I should say that you should be honest because it sounds well and all that. ... It's difficult for me to sit and say that you shouldn't be so honest all the time. But I've written some pieces around authenticity and all that, you know, and authentic leadership and all that, and in practice, it doesn't work. I mean, it sounds good on paper, but in practice, there are lots of complications around that, you know. So, whether being too authentic or being too honest about your motivations is sometimes quite tricky. And then, of course, it is difficult to know about your motivations as well. It's difficult to know what your own motivations are, what honesty may actually imply or entail in a situation like this an all that. I think it's important to keep track of the process, rather than to elaborate too much on your own authenticity or your own honesty. I think it's difficult to, to play a role too much, but we all play roles, you know, there's lots of role playing going on here and all that. So I have no particular take on being honest. I think it's important to be perhaps more pragmatic than honest. That's what I would say. Depending on what honesty means, of course, but sometimes you don't want people to be honest. I mean, you want people to be social. So honesty, yeah, to some extent, you shouldn't really lie and be dishonest in that respect and all that, but there are norms and stuff like that you know... Who said honest? Sorry... But that's one take on it, of course, and normally when

you read much stuff, top management stuff, and culture stuff and, some of the more popular management theories and all that, you know. Often, this is a big thing in leadership. But I've written some stuff around that, you know, and it's quite complicated and quite tricky...

Yes, I think when we asked them, it was more around the topic of termination and somethings like that, expected termination.

At least open around, you know, how things are going to work, and not being too closed. If you are, you know, laying off people and terminating people and all that, I think it should be quite straight with that, in terms of being quite open with "this is going to happen now" so you don't lure people into thinking that they're actually...

False security?

Yeah, false security, that you're retaining jobs and all. I think that that's a tricky thing, so maybe you should put the honesty thing in some context to the extent that, I think that of course that's quite important to be open around that at least.

As far as strategies for termination, because we read that sometimes they just do mass terminations where it's completely randomized, other times they try keep the strongest employees, or the higher skilled employees or more efficient employees. So what would you say is a better way of handling employee terminations?

Well it's difficult to say, again context is quite important, depending what you are aiming for with the acquisition. Of course it's some consolidation processes where it may be irrelevant who's actually, you know, retained in the organization. Some other situations it may be important to keep some employees on the basis that they have a kind of core knowledge, core competence you want to draw upon, in another strategy or in the future strategy and all that, you know, so I mean, I think that most management would probably like a situation where you have the possibility to actually retain the people that you want to retain on the basis on some future strategy. I think that that would be the most likable situation from a managerial point of view. I would definitely like that more than a situation where who's leaving or who's staying in the organization is in the hands of someone else.

And going back to stress and anxiety. In relation to blue collar or lower-level employees, would you say that employees of the acquired firm face more threats than the employees of the acquiring firm, or would you say it is relatively equal?

I think it is an empirical question. I think it's basically, it's difficult to say something to it. Theoretically, in retrospect, I think that we would probably assume that this is the situation. The common assumption is probably around that the acquired organization is put on the most stress, in terms of people have to leave, that it's the acquiring firm is the one who's actually determining the strategies, determining the organization, determining what's going to happen in the organization, so I would probably, I would experience, I think that most commonly people in the acquired firm, blue collar people in the acquired firm, probably feel more anxious than the ones in the acquiring firm. I think so. But that's a bit speculative. It's basically an empirical question, you know, I would probably assume that, if I didn't know better.

Back to your book, Changing Organizational Culture, we were looking at the eight-step change process which you mentioned. What would you say is the most important step, out of those eight in regards to a merger?

Yes, that is the Kotter framework. It's one of these classic frameworks in how you should work, normative frameworks, on how you should work with change processes. And there are many of these around, they normally present change in a fairly, you know, uncomplicated and rational manner. I generally don't favour these end-step models. But if I were to single out some aspect in this eight step Kotter model, I would probably point to the first one. I would probably suggest that working with sense of urgency is probably the most important in order to trigger people to do at least something, you know. To create a sense of urgency, as Kotter talks about... or a sense of 'we need to do something', I think it's important to somehow... and that's why I was talking a bit about undermining the situation, destabilizing forces and all that, because that's normally what produces some kind of action, produces some kind of thinking, producing some kind of feelings of thinking. And the need to accomplish something, at least. So I would work with that very much. If we are talking about, you know, doing a more radical change. Or, you know, if we are talking about a merger or an acquisition, which is basically seen as more radical change.

In your book, you touch upon the importance of managers empowering the employees. What are some ways in which managers can do this during a merger, and how extensive do you think their influence actually is?

Yeah. You know, I think that empowering employees, once you have a situation where, you know, people may think it's important to do something, I think it needs to be followed by a sense of that you, that you are included in the process. So I think that participation, a sense of belonging to the project, a sense of being within and having the capacity to influence is probably the most important thing. I think, that just being part of, the feeling of just being part of the process of change by being addressed as an important figure, or being addressed as a figure in the process as such, you know, being communicated to, being acknowledged as someone that belongs to that particular process and all that is quite important. And addressing people it means, well just to some extent informing people, of course. But informing them, sometimes, you know, inviting people to have a say, inviting people to talking, having some kind of workshops and all that. But basically, acknowledging people's... significance is the most important, in order to facilitate for people's identification with the proposed changes, and all that. And I think that that particular process is perhaps most important, because a change process in an acquisition is a kind of project, you know. A project, normally, relies very much on people being, or the motivation among people relies very much on people's possibility for people to identify with that particular project. And identifying with a project is, you make that project an important project, a special project, including people in that particular project and people like to be there, belonging to that particular group, so that's... Somehow working with things that have communication and identity a lot, is probably important in order to empower people, to get people more empowered in the sense that they feel they can have some kind of influence, can be influential in such ways.

Would you say, then that it's more important, when looking at the majority of the individuals, would you say it's more important that they feel, or to focus more on the comradery between team-members and their allegiance to a manager, or is it more important to emphasize or try to get them aligned with the new core values? What do you think that employees usually gravitate towards more?

Now I think it's important to work with a few key actors. I think it's important to work with people that you know are a bit of opinionally in the respected work groups, and all that, you know. I think it's... you address the ones that you think... you address the ones you think have a cloud in the organization, and all that. Of course you may, you should also, you know, invite everyone to participate and all that, you should have communication meetings and all that, but if you're in a situation which is quite not unusual, you know, where's there are lots of thousands of people and you want them included in the process, of course that's very difficult to know that. You need to work on that, nevertheless, you know by communicating, by having discussions and talking and all that, you know as a top manager. But one of the most important things is, as a top manager, is to identify people that you ally very well with, and of course target these people and have them on board in the first instance. And then, on the basis of having them on board, creating ways of change among others as well. But it's important to track key individuals in this process.

So forming alliances in a sense?

Alliances, you need to have alliances with the key people. Alliances, you need to have, yeah, I wouldn't call them alliances, reliable people, you know. People, you know, that you can talk to, that can tell you what is going on the organization, you know. What do we call these? Yeah we call these, they can work as your drones. You need to have drones in the organization. Yeah, anyway, not necessarily, but you know keeping track on what's going on and sensing and feeling. I'm not talking about letting bombs down... But, yeah. Key individuals.

What are some incentives that both organizations can provide to inspire employees towards having a new identity within their new teams or under new management or such organizational values?

Yeah... They're quite broad questions you know! Sometimes you can see organizations old cultures for several years after the merger. In the mentality, people, organizations still evolve within the new organization. Well when it comes to identity, identity is related to many, much of the explicit stuff. Identity is a bit different from culture. Of course we use culture material in identity, and all that, but identity is very much connected to how I look upon myself or how we look upon ourselves. So identity is more explicit, it's around how we

look upon ourselves, you know. And here we touch upon things like symbols, communication, language, and how we talk about ourselves, you know. But I think one of the most important things when you try to create a common identity among people that are coming from different organizations, and all that, I think it's very important to talk about 'we'. And, you know, communication here is probably the key element, you know. Of course, you need to work with visual identities, you know, you need to work with symbols and you need to work with, something that everyone identifies with, symbols and all that. But I think that communication is hugely important, you know. I think one of the most important, underestimated things in communication is how we address ourselves. And how are we addressing each other, and all that. It's very important to always talk about 'we'. We do this, we do that, and well it's easy to fall into that trap, you know, by talking about us and them and all that, and 'they' are the ones that are coming from another organization, and all that, but if you do that, you know, you're normally just maintaining old identities in the organization, and that creates a lot of 'us' and 'them'. And I think that identities actually form by having a strong 'us' against 'them' and 'them should be another organization, you know. So communication, in terms of 'we' is hugely important. Exercises where you put emphasis on 'we', a lot of stuff that you do with your colleges around the 'we' aspect. Buildings, to clothing to symbols, visual identities, the travelling, the get-together's, the dinners, the talking; everything should be focused around, you know, the 'we' aspect. And I actually did a study where a big constructing organization in Sweden, a couple of years back. One of the managers in that organization told me that. So I'm working as a manager for a particular kind of site, a building site that build houses and all that, you know. And he said to me "When I come to work in the mornings, the workers in this particular building site they dress in their building clothes when they come in the morning. And they live in small shacks, you know." And he came there one morning and he saw these pictures in this shack, you know, the sheds. So he came there and he saw these of women, you know, that they use, like an old thing, calendar women. And he said he was so shocked to see that, and he said that to me "Because I'm not used to it, I've never seen that before. Do you have a suggestion on what I can do about this?" And I said "I think it's important for you not to tell them 'you shouldn't do that', you know. What you should do, on the other hand, is to say "we don't do this in this organization. Try that. Because if you tell them that you shouldn't do that, you become another person. You belong to another group. But just start talking

about that, that we don't do that, because we belong. We are here together. We don't do that". And he did! And they actually took them down. And they thought, you know, "We don't do this, we don't put pictures like that in this organization". They thought like they belonged to this organization where this is not really a good thing to do.

And their view aligned with his?

Their views aligned, well, to some extent possibly, I don't know. I think there was some identity thing here, you know, so I didn't actually interview these people. It was funny because he told me that. I met him, I said "try that" and then I met him again a while after that and he said it worked, and all that, and I thought that these things may actually have some kind of impact in how people look upon themselves. Anyways, that's why I normally emphasize the 'we' aspect a lot, you know. And I always try to work with 'we' in different ways, you know, in different aspects. I always try to make the 'we' element distinctive around some prestigious elements and all that, you know. I do that as a Masters director as well, you know. I am a master's director, as well. And we have a clear identity, you know. And we are quite serious about that identity. And I do a lot of stuff around that identity as well, you know.