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# The integration of acquisitions and mergers: An interpretive inquiry

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THE INTEGRATION OF ACQUISITIONS AND MERGERS:

AN INTERPRETIVE INQUIRY

by

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## APPROVAL PAGE

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The reverberations of acquisitions and mergers affect millions of people directly and indirectly annually. Managers are cited as the most highly impacted group. The resulting change is multilayered and interactive. The work environment and the organizational culture are redesigned to reflect the new order. Those affected must redefine goals, expectations, norms, beliefs, values, and assumptions which form the strategic connections to their organizational lives.

The purpose of this research was to identify the obstacles and supports encountered by managers in integrating an organization following an acquisition or a merger and to deepen the understanding of the human dynamics involved. This research also sought to suggest means for preventing and resolving barriers to successful integration based on the experiences of those who have been a part of the process. In-depth interviews were conducted with three presidents or CEOs and 13 managers, six from the acquiring organization and seven from the acquired organization, representing three separate acquisitions in the textile industry. Applying the interpretive inquiry methodology, each interview was analyzed separately for the depth of meaning it brought to understanding the integration of

acquisitions and mergers. The researcher examined the interview data to identify themes or patterns of experiences.

Barriers and supports which appear to facilitate the successful integration of acquisitions or mergers were identified from the emerging themes. Implied strategies were suggested for pre-acquisition planning, change management, communication, and leadership which creates a positive environment.

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This paper is dedicated to James William Dodgen in appreciation of his continuing support and to Lauren Elizabeth Dodgen, my constant source of pride and energy.

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# Chapter I

## Introduction

Organizational mergers are not a new phenomenon. Acquisitions occurred at such a rapid pace at the turn of the century that one-third of all manufacturing firms were consolidated by 1902. Merger activity has set new records since 1960. It is estimated that between 1983 and 1987, approximately 10,000 companies changed hands (Meek, Woodworth, Dyer, 1988).

Reasons for acquisitions and mergers vary from the procurement of new technological skills to softening the competition by buying it out. Basically, motivation centers upon combining companies and rationalizing their operations so that the resulting company is better able to produce goods and services, put more succinctly- to improve the bottom line.

Studies indicate that many mergers do not work out well. Meek, Woodworth and Dyer (1988) cite examples in Managing By The Numbers. IBM purchased Rolm for $1.6 billion in 1984 and Rolm lost over $100 million last year. Montgomery Ward has lost over $600 million since being acquired by Mobil. People Express was forced into bankruptcy six months after acquiring Frontier Airlines. LTV's J and L Steel merger with Republic Steel in 1984 was heralded as the model solution for the industry. Losses forced the number two steel corporation in the nation to file Chapter 11 bankruptcy two years later.

The impact of change is compounded by the insecurity resulting from these mergers. Mergers may, as illustrated, result in organizations closing or in layoffs. Chevron's takeover of Gulf resulted in the loss of 16,000 jobs. Termination notices were mailed to 1,650 Crocker National employees the same day Wells Fargo announced the acquisition. Five thousand others received warning notices (Meek and Hale 1988, cited in Meek, Woodworth and Dyer, 1989).

Korn-Ferry (cited in Kanter, 1989) surveyed senior executives on the biggest threats to an executive's career. Mergers and reorganizations were cited twice as often as the second factor of being in a slow growth industry. A recent survey of vice-presidents and personnel directors of the 100 largest companies in the United States yielded similar results. Fifty-six percent responded that losing a job because of a merger or acquisition was their number one fear. It was cited more than twice the second most frequent response of burnout (Half, cited in Kanter, 1989). Such statistics suggest an exploration of the problems created by the integration of acquisitions and mergers would be fruitful, particularly when examined from the vantage point of those who experience it. This study will examine the barriers and supports to integrating acquisitions and mergers by interviewing those who have actively participated in the process.

The failure to merge the talents and energies of the members of the organization into a high performing team is as damaging to the combination as the loss of key talent and the insecurities of downsizing. The way the acquisition process is implemented makes a difference in preventing resistance by managers of acquired businesses to the consolidation of activities, reduced motivation after the acquisition, expenditure of energy on acquisitions leading to neglect of the existing business, and too much acquisition activity overloading the management systems (Kanter, 1989). All of which can prevent building a productive new organizational team.

## Overview

Integrating an acquisition or merger necessitates change in many forms; therefore, the foundation of this study is an understanding of change and change management. The complex and pervasive effects of change are multilayered and interactive. Change seldomly occurs without stress, whether it is chosen or forced, because there must be an ending for every transition. There must be a letting go of the old, not just outwardly, but inwardly to the connections which define the person (Bridges, 1980). The sixteenth century philosopher, Machiavelli, states in The Prince,

> It must be noted that there is nothing more difficult to carry out, nor more doubtful of success, nor more dangerous to handle, than to initiate a new order of things. (1964)

The rate and idea of change have become routinely perceived. Change has become a constant. Toffler (1970) described this roaring current of change as a process by which the future invades our lives. In Future Shock he emphasizes the importance of closely examining change not only from the "grand perspectives of history, but also from the vantage point of the living, breathing individuals who experience it" (p. 3).

Companies, like people, find it difficult to change, mainly because people run companies. Chandler explains,

> It's a complicated process, but the key point is that you have investments in equipment and in people that do things a certain way. Then how do you change? (Naisbitt & Aburdene, 1982, p. 14)

Despite the difficulties involved, change pushes forward. Worker dissatisfaction and employer problems of high turnover, absenteeism, and lower productivity may be attributed in part to the difficulty in dealing with the changing definitions of work and organizations.

Toffler (1990) attributes these changes to a power shift from power of muscle to power of the mind:

> ...changes in the nature of power itself are revolutionizing relationships in the world of business. From the transformation of capital to the growing conflict between 'highbrow' and 'lowbrow' businesses, from the electronic supermarket to the rise of family business and the emergence of startling new organizational forms... These deep changes in business and the economy are paralleled by significant changes in politics, the media, and the global espionage industry. ...for today's power shift will transform them all. (p. 21)

The integration of an acquisition or merger involves the merging of the "people functions" of an organization. Leaders implementing the process of change within an organization must understand that organizational cultures are the aggregate concept which consumes and connects the strategic, political, interpersonal, and institutional concepts of organizational life (Quinn and Kimberly, 1984). Without a recognition and understanding of an organization's culture, leaders may misdirect their efforts to manage and effect organizational change.

The four most common reasons people resist change are (a) a desire not to lose something of value, (b) a misunderstanding of the change and its implications, (c) a belief that change does not make sense for the organization, and (d) a low tolerance for change. Understanding the effects of the change process on those involved necessitates an awareness of what is valued in the workplace in order to help individuals make transitions- the letting go of the old and the acceptance of the new (Bridges, 1980).

## Purpose

The purpose of this study was to identify the obstacles and supports encountered by managers in integrating an organization following an acquisition or merger and to suggest means for preventing and resolving barriers based on the experiences of those who have been involved in the process. These findings provided a data to critically examine the implications of existing prescriptive research for organizational change as it relates to the process of integrating organizations following an acquisition or merger.

## Research Questions

The underlying intent of this research is to deepen the understanding of the human dynamics involved in the integration process of acquisitions and mergers. Specifically this research will address the following questions: (a) What are the identifiable patterns of experiences and perceptions on the integration process of acquisitions and mergers among managers who have been a part of the process? (b) What barriers and supports following a merger or acquisition are identified by managers? (c) What similarities and differences in perceived barriers and supports are identified by managers in acquired organizations and managers in the acquiring organization? (d) Can differences in expectations between managers of acquired and acquiring organizations be identified? If these differences exist, how is the integration process impacted? (e) What procedures for prevention and resolution of the identified barriers can be suggested? The underlying "Why?" was explored through the applied interpretive inquiry and formed the basis for suggesting possible solutions to the identified barriers.

## Definition of Terms

The following terms are presented to provide the reader an understanding of their meanings as related to this study.

Acquisitions - This term applies to a transaction, or transactions by which one corporation obtains title to the substance of another.

Change - The supplementing of one thing for another, transformation or alteration.

Integration - The post-combination phase of the merger process in which the constituent parts of two organizations are combined into an integral whole.

Leadership - The capacity to translate intention into reality and sustain it (Burns, 1978).

Merger - An exchange in which one of the two combining companies loses its identity in the other.

Organizational Culture - Defines how people act within the organization even when the actions may lie in discord with written policies and procedure (Snyder, 1985).

Parent Company - A corporation owning over 50% of the voting stock of another corporation.

Successful Organization - An organization where initiative and spirit are maintained evidenced by employee morale, productivity and confidence in the organization.

## Limitations

The reader is cautioned to be sensitive to the limitations of this study. The sample, by design, is limited. The emphasis is not on exploring the quantity of occurrences, but rather, on understanding the quality of the experience. The purpose here is to offer a depth of understanding born of interpreting experiences and emergent themes.

The reader also must be sensitive to the subjectivity of the interview technique. The researcher is highly involved in the creation of meaning serving as the perceptual lens through which observations are made and interpreted (McCutcheon, 1981). To call for value-free standards of validation is a contradiction in terms, according to Cronbach (1980), a nostalgic longing for a world that never was. The following four criteria may be used to validate these interpretations: (a) Is the line of reasoning sound? (b) Is sufficient evidence presented in support of the interpretations? (c) Is the interpretation in accord with what is known about (acquisitions and mergers)? (d) Does the interpretation promote significant understanding? (Eisner, 1981).

This research aims to formulate and offer interpretations so others can share meanings made from them. Generalization is left to the reader based upon the assumption of the intersubjectivity of interpretations. The reader generalizes to his or her personal situation rather than the researcher offering generalizations to populations.

## Map for Remainder of the Dissertation

The review of literature which follows in Chapter 2 provides the theoretical framework for this research. Change, change management, worker needs, and the acquisition and merger process are explored. Chapter 3 describes the methodology used to gather and analyze data. Interview data is presented and analyzed based upon the research questions in Chapter 4. The final chapter, 5, provides a summary, conclusions, and recommendations for further study.

# Chapter II

## Review of Related Literature

The purpose of this study is to identify the obstacles and supports in creating successful organizations from mergers and acquisitions. The study follows the premise that the probability of creating successful organizations resulting from mergers and acquisitions is a function of the management of the change process. Change is either facilitated or obstructed by the strategies employed.

The review of related literature begins with the broad concept of change with a discussion of planned change. Focus narrows to organizational change. The organizational culture and worker needs are explored because this research is concerned with the merging of the people functions of an organization. Current research and related literature on mergers and acquisitions follows to provide the specific context for this research.

### Change

Benne, Bennis, and Chin (1985) introduce The Planning of Change stating that most students of our society agree that the one major invariant is the tendency toward movement, growth, development, process: change (p. 2). Toffler (1970) reminds readers that change is not a new phenomenon. It began with the earliest forms of life when survival depended upon the ability to adapt.

> Econs ago the shrinking seas cast millions of unwilling aquatic creatures onto the newly created beaches. Deprived of their familiar environment, they died, gasping and clawing for each additional instant of eternity. Only a fortunate few, better suited to amphibious existence survived the shock of change. (p. 289)

Toffler (1970) further illustrates the phenomenal rate of change by dividing the last 50,000 years of man's existence into lifetimes of approximately 62 years. Of the 800 such lifetimes, 650 were spent in caves. Man's movement from stone to space has occurred within less than the last 20% of his existence.

King and Cleveland (1980) classify environmental changes as either systematic or random. Systematic changes imply continuation and can be sub-classified as temporary or permanent. Temporary systematic changes require adjustments of the body while permanent systematic requires adaptation. Random changes are dealt with by some type of reaction. "No living system can survive unless it has the intrinsic capability to deal with the entire range of environmental changes" (p. 8).

Watzlawick, Weakland, and Fisch (1974) compare Group Theory and the Theory of Logical Types to identify two different types of change. The first occurs within a given system which remains unchanged. This change is referred to as first order change. Second order change changes the system.

Early literature on change traced to the Greeks focuses on first order change.

> The Greeks seem to have known only the first of the two. 'Nothing comes into being or is destroyed. Rather, a thing is mixed with or separated from already existing things,' asserts Anaxogras in his seventeenth fragment. Similarly, for Aristotle change is the passage from potentiality to actuality and he expressly rules out what we nowadays would call a shift from level to metalevel, when he writes: 'There cannot be motion of motion, or becoming of becoming, or in general change of change.' The later Greeks and the Middle Ages tended to see change as the antinomy between being and becoming. Only Heraclitus, it appears, envisaged change in a different perspective. In addition to his well know dictum about the impossibility of stepping into the same stream twice, 'all change is contradictory; therefore contradiction is the very essence of reality.' (cited in Watzlawick, et al., p. 10)

Prior (1962) contends that "modern science began when people became accustomed to the idea of change changing, e.g. to the idea of acceleration as opposed to simple motion" (p. 3).

Understanding the distinction between difficulties and problems according to Watzlawick, et al., (1974) is important in applying change to bring about solutions. Difficulties are described as an undesirable state of affairs which either can be resolved by some common sense action for which no special problem solving skills are necessary, or more frequently, undesirable life situations for which there exists no known solutions. Problems are impasses or deadlocks which are created and maintained through the mishandling of difficulties. Three basic ways in which mishandling occurs are identified.

> (1) A solution is attempted by denying the problem. Action is necessary but is not taken.
> (2) Change is attempted as a solution to an unchangeable difficulty. Action is taken when it should not be.
> (3) An error is made in applying the appropriate type of change. First order change is attempted when second order is needed and second order change is attempted when first order change is appropriate. (Watzlawick, et al, 1974, p. 39)

Planned Change

Man has long attempted to be master not victim of his universe including changes in the social and environmental structures within which he must function. The idea of social scientists participating in and actively influencing the planning and implementation of social change has been a center of controversy in America since the emergence of the idea in the late nineteenth century (Benne, Chin, Bennis, 1985). The debate centered upon two broad philosophical issues in the early 1900's:

> should or should not men seek, through deliberate and collaborative forethought in the present, to mold the shape of their collective future? Or should confidence rather be placed in a principle of automatic

> adjustment, operating within the process of history to re-equilibrate, without human forethought yet in the interest of progress and human welfare, the inescapable human upsets and dislocations of a changing society. (Benne, Bennis, Chin, 1985, p. 14)

This debate is best illustrated by discussing the polar approaches of Lester F. Ward, one of the earliest social scientists, and William Graham Sumner, a leading sociologist of the era. Ward envisioned a major role for social scientists in planning the management of human affairs.

> Man's destiny is in his own hands. Any law that he can comprehend he can control. He cannot diminish the power of nature, but he can direct them... His power over nature is unlimited. He can make it his servant and appropriate to his own use all the mighty forces of the universe... Human institutions are not exempt from this all-pervading spirit of improvement. They, too, are artificial, conceived in the ingenious brain and wrought with mental skill born of an inventive genius. The passion for their improvement is of a piece with the impulse to improve the plow or the steam engine... Intelligence, heretofore a growth, is destined to become a manufacture... The origination and distribution of knowledge can no longer be left to chance or to nature. They are to be systematized and erected into true arts. (Commager, 1950, pp. 208, 210, 213-214)

Sumner viewed Ward's proclamation as folly and encouraged "laissez faire."

> If we can acquire a science of society based on observation of phenomena and study of forces, we may hope to gain some ground slowly toward the elimination of old errors and the reestablishment of a sound and natural social order. Whatever we gain that way will be by growth, never in the world by any reconstruction of society or the plans of some enthusiastic social architect. The latter is

> only repeating the old error over again, and postponing all our chances of real improvement. Society needs first of all to be free from these meddlers- that is, to be let alone. Here we are, then once more back at the old doctrine 'laissiz faire.' Let us translate it into blunt English, and it will read- Mind your own business. It is nothing but the doctrine of liberty. Let every man be happy in his own way. (Commager, 1950, pp. 201-202)

Between the 1900's and the 1950's, thought and practice shifted away from Sumner's "laissez faire" approach. Human interactions designed to shape and modify the institutionalized behaviors of man became familiar features of the social landscape (Benne, Bennis, Chin, 1985). These interventions deliberately introduced and coached changes in behaviors and relationships.

Advocates and students of planned change shifted from questioning whether to plan change to how to plan change in particular settings and situations. The 1950's brought the realization that man had no choice in seeking to plan continuing changes in the patterns of their lives (Benne, Bennis, Chin, 1985).

The prevailing planning model of the 1950's was an engineering model of applied science. An engineering model requires plans to be made by experts to meet the needs of the people who are affected. These "experts" interpret what the needs are. The focus is on relevant, objective, technical, economic conditions and requirements. Monologic persuasion is applied to lead those affected by the plan to consent (Benne, Bennis, Chin, 1985).

Benne, Bennis, and Chin (1985) advocate the clinical model of planned change. In this model the experts work collaboratively with those affected by the plan "in order to inform them and to empower them toward participation in making, evaluating, and remaking operating plans" (p. 17).

Chin and Benne (1985) identify three types of strategies for change characteristic of the clinical model. The first is the use of empirical-rational strategies. This set of strategies is founded upon two basic assumptions. First, men are rational and second, men will follow rational self-interest once it is revealed to them. These strategies are most frequently employed in America and Western Europe.

Normative-re-educative is the second type of strategies. Persons involved in change with this set of strategies must change their normative orientation to old patterns and develop commitments to new ones. Changes in normative orientation involve changes in attitudes, values, skills, and significant relationships, in addition to changes in knowledge, information, or intellectual rationales for action and practice. Power strategies form the third type. Persons with greater power influence those with lesser power to accept their plans, directions and leadership (Chin & Benne, 1985, p. 23).

Watzlawich, Weakland, and Fisch (1974) draw attention to utopian attempts at change contending that specific consequences result, and that these consequences tend to perpetuate or even worsen what was to be changed. The belief that one can find an all embracing solution, or the utopia syndrome, can take one of three possible forms. The first, described as introjective, produces consequences more psychological than social. This results from a feeling of personal inadequacy in being unable to reach one's goal. The failure to attain the utopian goal is attributed to personal ineptititude rather than to its utopian nature. The second form of the utopia syndrome embodies procrastination with the belief that the process is more valuable than the attainment of the goal. This form may generate problems because of the belief that transitions will occur without problem. Projective is the third possible form and is a morally righteous stance based upon the conviction of having found the truth. It is sustained by the resulting missionary responsibility of changing the world (pp. 40-56). Watzlawick, et al., (1974) further state that it is the basic premise that things should be a certain way which is the problem and which requires change, and not the way things are. First order change is attempted where only second order change can lead to a solution.

The major social structures to which man has attempted to apply models of planned change are organizations. The move of civilization from the agricultural to the industrial era was the impetus for the torrent of changes which followed. A new social organization, the corporation, was formed along the way. The corporation offered pooled resources, shared risks, and the flexibility of exploration. Paradoxically, the structure of the corporation created a numbing conformity, uniformity, and overdependence on rational functioning and a solid resistance to change (Garfield, 1986).

## Organizational Change

Naisbitt and Aburdene (1985) describe the corporation as an analogue for the rest of society contending that this is one of those rare times in history when the two crucial elements for social change are present- new values and economic necessity.

Companies, like people, find it difficult to change, primarily because people run companies. The historian, Chandler (1977), describes it as a:

> complicated process, but the key point is that you have investments in equipment and in people that do things a certain way. Then how do you change? (p. 86)

Organizational change as a category of social change mainly lies within a functionalist perspective about organizations. The organization is viewed as an entity which can be manipulated to some degree to effect change in either the structures or patterns of interaction within the organization (Foster, 1986).

Goodman and associates (1982) categorize organizational change with adaptation. The adaptation model suggests that certain organizations adapt to their particular environment better than other organizations; and consequently, endure (cited in Aldrich, 1979).

Foster (1986) describes a three-step process of adaptation as a

> variation in which the organization differentiates itself in a random fashion; selection, in which those characteristics appropriate for the particular environment are selected; and retention, in which the organization maintains and reinforces characteristics suitable to a particular environment. (p. 86)

This model has drawbacks in the examination of change. The assertions that organizations fail because they fail to adapt and organizations succeed because they successfully adapt are taken as self-evident.

The alternative category of adaptive organizational change suggests that decisions of managers in organizations affect the life of the organization (Foster, 1986). Child's (1972) strategic choice model supports the evolutionary model whereby the strategic choices of managers cause organizations to adapt or not to adapt. This approach is framed in extended time periods. Application to the planning of organizational change is difficult due to the extended time periods involved (cited in Foster, 1986).

Foster (1986) also identifies five models which address the major conceptualization about change in organizations: the personal therapeutic model, the systems-organic model, the political-economic model, and the symbolic-cultural model of change.

> Each of these models attempts to define an aspect of reality as the context for organizational change. ...each model is incomplete; those dimensions important to other models are not considered. Organizational change can be likened to a large layer cake; the cake comprises a number of ingredients held together by some inexplicable chemistry. Various layers represent the various aspects of change: one layer represents rational behavior and rational attempts to effect change in an organization: another layer represents the political environment of the organization; a third, the personal and emotional make-up of the organization, and so on. The whole cake is covered by, and held together through, an icing consisting of symbols, metaphors, and culture ...change programs and processes of change borrow to some degree from each of the models. (p. 150)

A discussion of the five models follows beginning with the Rational-Managerial approach. This approach assumes that the organization is populated by rational actors just as the empirical-rational strategy for change depends upon rational thought processes. Large scale efforts to change organizations dependent on management initiative and abundant collections of data are in this category. Havelock (1973) provides a six step rational-managerial model. The "change agent" relies on the following procedures:

Stage 1: Enter into the organization: recognize its clients, leaders, and gatekeepers and its position in regard to its environment.

Stage 2: Make a diagnosis: identify the organization's problems and the opportunities; determine its goals and the amount of support behind them.

Stage 3: Discover the available resources: learn who are experts and who are innovators.

Stage 4: Choose a solution: after diagnosing the problem and identifying the resources, find a solution through research, brainstorming, and testing possible alternatives.

Stage 5: Build acceptance for the chosen solution: communicate the solution to other actors; identify and work around the barriers.

Stage 6: Stabilize the innovation and build in a capacity for self-renewal.

Baldridge and Deal (1983) contend that the rationalistic approaches to change are unsuccessful because organizations and their members can not be fully rational (cited in Foster, 1986).

The second model, personal-therapeutic, rests on the major assumption that change must begin in the individual at an interpersonal level. Meaningful organizational change, therefore, can result only from change generated in the individual members of the organization. Lewin's work (1951) is the classic model of the personal-therapeutic approach. He identifies three stages in the change process: unfreezing, changing, and refreezing. Schein (1969) elaborated on the stages.

> Unfreezing, Schein says, assumes that significant behavior, beliefs, attitudes, and so on, are reorganized by one's self-image. In Goffman's language, this results in a 'presentation of self' to others in various contexts. The presentation can differ depending on the context, so one's self-image in the home may substantially differ from that operative at work. Unfreezing may occur when the self-image is 'disconfirmed' by any number of processes. (cited in Foster, 1986, p. 153)

The process of disconfirmation allows for the possibility of change. The cognitive dissonance (Festinger, 1957) brought about by the disconfirmation of the self-image requires a redefining of values and beliefs in a revised context. The new image is stabilized and practiced in various situations. Refreezing occurs if other individuals confirm it. The process reverts to step one if the new image is disconfirmed.

Organizations are assumed to be similar to organisms- growing, developing, changing, and dying- in the Organic-Systems model. This model further assumes that organizations consist of interrelated and interdependent subsystems. The movement of organizational development grew from the organic-systems model. The conceptual framework and strategies of organizational development aim to make organizations self-correcting and self-renewing.

Organizational development looks at three levels of activity according to Foster (1986): the interpersonal, the subsystem, and the organization as a whole. Effectively adapting to the changing conditions in its environment is the ultimate goal of organizational development (p. 155).

Political-economic approaches examine the effects of politics and economics as models for change. This model has several distinguishable characteristics. First, the organization is viewed as a political system that has real and symbolic resources. Second, it postulates that the organization has 'political actors' with self-interests at stake. Third, coalitions form within the organization and develop strategies for achieving mutual control of certain resources. The final characteristic is the existence of a political environment where conflict is an integral and desirable component. The manipulation of the economic and political processes creates change.

The symbolic and cultural aspects model of organizational change suggests that change in the metaphors of an organization will result in changes in the organization. Confused or conflicting symbols result in confused or conflict-ridden organizations.

Turner (1972) observed several types of rituals in modern organizations. Rites of passage may occur when individuals physically move into or about in the organization. Rites of sameness or difference reinforce differences or similarities and rituals of performance. Foster (1986) contends that the fallacy of this approach is that understanding the norms, mores, and relationships that govern behavior does not automatically indicate an ability to move beyond those same rituals to cause change.

Foster (1986) proposes a critical perspective on change that requires a synoptic overview of change in society. Change in this perspective begins with directing change at the people of an organization, not at the organization itself. He and Benson (1977) propose that an organization is always in the process of changing. This critical perspective adopts Oakes and Sirotnik's (1986) three part paradigm involving three modes of inquiry:

> empirical, aimed at gathering the facts; interpretive, aimed at probing the meanings and understandings actors give to events; and critical, aimed at exposing and analyzing conditions that lead to the suppression of the human spirit. (cited in Foster, 1986, p. 165)

Waterman (1987) also contends that the only true source of renewal in a company is the individual. Naisbitt and Aburdene (1985) report that

> the current dynamic period when the economic imperative for a more competitive, more productive workforce is leading us back to the kind of humanistic values... trust, freedom, respect for the individual. (p. 2)

The wide acceptance of McGregor's Theory Y which states in effect that people will be more effective if they are treated with respect has produced trends in work teams and participative management.

Organizations are projected to face labor shortages with resulting competition for the best people. Human capital has replaced dollar capital as the strategic resource, meaning people and profits are inexorably linked (Naisbitt, Aburdene, 1985). Strategic planning models must move from concern with numbers to a people orientation. Michael P. Schulhap (1985), Vice-president and Director of the Sony Corporation of America states,

> It is not entirely coincidental that the same year that we have seen industry increasing, almost exclusively, run by financially oriented business school graduates, we have also seen the worst productivity performance since the Depression. (cited in Naisbitt, Aburdene, 1985, p. 20)

Makridakis and Heau (1987) state that for any strategy for change to be relevant and applicable it needs (a) to be used proactively, (b) to accept our limited ability to predict environmental changes, (c) take into account the organizational and political dimensions of corporate life, and (d) to be accepted by a majority of those concerned with strategy as a realistic tool for more effectively coping with the future.

An understanding of the context of current organizational change and the projected change is necessary to achieve relevant change. Naisbitt and Aburdene (1985) identifies ten forces that represent the context in which the corporation is being re-invented:

> 1. The shift in strategic resources from an industrial to an information society.
> 2. The coming seller's market and the new competition for the best employees.
> 3. The whittling away of middle management.
> 4. The continuing entrepreneurial revolution.
> 5. The emergence of the new variegated work force.
> 6. The demographic revolution of working women.
> 7. The growing use of intuition and vision.
> 8. The mismatch between our education system and the needs of the new information society.
> 9. The rising importance of corporate health issues.
> 10. The values of the baby boomers, those born between 1946 and 1964, who are now populating the ranks of management. (pp. 5-6)

As with other social structures where people come together for an extended time with some degree of permanence, organizations have cultures. Efforts to realize change within the corporation can not ignore the corporate culture.

## Organizational Cultural Change

Corporate culture is defined by Snyder (1985) as

> the system of norms, beliefs, assumptions, and values that determine how people in the organization act- even when that action may be at odds with written policies and formal reporting relationships. (p. 164)

It is the aggregate concept which consumes and connects the strategic, political, interpersonal, and institutional concepts of organizational life (Quinn and Kimberly, 1984).

According to Lundberg (1984), "culture is anchored in the epistemological structures which dominate among a culture's members" (p. 71). He is referring to the deeper level of culture from which one draws meaning and the values and assumptions used to make sense of the world. On the surface level culture determines language, knowledge, transmissions and behaviors. At this level traditions, customs, and rituals are organized according to norms, roles and role relationships (Quinn and Kimberly, 1984).

Culture is a key management tool in institutionalizing change. Change here, however, is challenging. As Sarason (1972) points out, in creating a new setting from an existing one, there is the supposition that the new is an improvement over the old. Not only must the values, commitments, and understandings be released, but there must be a realization that they may have been flawed. There must be an ending, a letting go of the old, not just outwardly, but inwardly to the connections, which define the person (Bridges, 1980). Tichy and Ulrich (1984) explain that the ending process is a turbulent time.

> Major transitions unleash powerful conflicting forces in people. The change invokes simultaneous positive and negative personal feelings of fear and hope, anxiety and relief, pressure and stimulation, leaving

> the old and accepting a new direction, loss of meaning and new meaning, threat to self-esteem and new sense of value. (p.60)

Albert (1984) suggests four basic principles for the process of cultural redevelopment. The first is a summary of the past. This involves explaining what is ending, validating the accomplishments and dreams which existed there. This stage provides closure. The second principle is justification. This involves describing the new direction, justifying the change and the need to do it now. Continuity, the third principle, provides the link from the past to the future- identification of those values which will be preserved. The final principle, eulogizing the past, recognizes the sense of extended association and validates the loss of that association.

Prior to beginning a review of suggested strategies for cultural change it is important to beware of the potential pitfall of utopian change thinking within the context of organizational cultural change. These strategies are not cureallS. As Snyder (1985) notes, "...one organization's pheasant may be a turkey to another" (p. 170). He offers four points for context.

1. We are constantly influenced by our cultures;
2. Without knowledge of those cultures we are apt to be led astray in our efforts to manage and change our organizations;
3. With such knowledge, we will be in a much better position to strategically invent the future of those organizations;

> 4. While the job of culture management and change is certainly not a simple task, there are an increasing number of tools up to use to use these ...and ...to improve them. Failing that, we can expect to find ourselves further emersed in the problems of painfully slow culture change in times that demand rapid response. (p. 170)

Change agents are included in suggested strategies. (Bennis, 1984 and Taylor, 1987) As defined by Taylor the task of the change agent is to work with management at various levels to help define problems and design programs directed "at changing the orientation of the organization to fit new circumstances" (p. 28).

Bennis (1984) offers a sequence of steps the change agent uses to catalyze change in organizations:

1. finding facts,
2. developing personal awareness,
3. training people in new interaction modes,
4. creating an organizational 'Cultures' to link the interests of various organizational groups,
5. developing methods for more open joint problem solving,
6. obtaining agreement on goals for the organization and anticipating and overcoming barriers to implementation,
7. agreeing on implementation steps, and
8. stabilizing change.

Following a study of CEO's, Quinn (1980) contends that successful change managers shared two characteristics.

First, they recognized the impact their incremental decisions and action patterns had on the credibility and perceived directions of their new strategies. Second, they tried to keep in mind the symbolic implications of each individual act and the actions applicability in resolving the immediate issue.

McKinsey and company (1985) describe 'levers' within a framework for cultural change.

1. Superordinate goals: the guiding vision and philosophy of the organization
2. Management style and action
3. Human resource management
4. Organizational structure
5. Administrative and control systems
6. Planning
7. Information and communication
8. Strategy
9. Physical design and setting
10. External relations (cited in Snyder, 1985, p. 169)

Snyder (1985) warns that certain components of the organization are 'sacred' when applying these 'levers' within the framework. He advises the culture sensitive manager to look for *corridors of indifference* originally described by Wrapp (1967). Employees may become cynical about management techniques which,

> for example, claim to promote a long-term time horizon, but leave reward systems, management information systems and the content of management meetings untouched. (cited in Snyder, 1985, p. 170)

Although methods vary because of the 'unknowables' involved in implementing cultural change, Quinn (1980) identified the following common characteristics.

1. Major changes take three to five years.

2. Programs to achieve significant change must be phased and largely undertaken bottom up, but the legitimacy of alternatives must be affirmed by the support of key people at the top.

3. Successful change processes must deal with both intellectual content and emotional issues.

4. Effective change processes must be adapted to the specific requirements of the most important subsystems supporting the target system.

5. New goals tend to emerge toward the end of the change process, not at its beginning.

Kimberly and Quinn (1984) contend that cultural change is an organizational activity which can only occur if a large number of people change their beliefs about how the organization works and their roles in it. Changes, therefore, will only occur as a result of the interaction of people and events within the strategies designed to create change.

> Thus, the process of creating cultural change involves developing people who understand the changes that are desired, who have the skills to create them, and who can continually invent new programs and structures to reinforce and accelerate the process of changing. (p. 236)

The plan cannot be fixed. Change is a process; therefore, it requires a flexible plan.

Key to the success of planned change are the individuals who develop and implement the plan, as well as, those whose cooperation is required for the plan to succeed. The human element with inherent needs, goals, and histories which shape perceptions are important variables to be considered by those who strive to achieve successful organizational change.

## The Worker

Today's workforce reflects the dramatic transition that has been taking place in society at large. It is changing in the level of education, lifestyles and values, and attitudes toward work. There is a new work ideal emerging in America. There is a widespread expectation that work should be fulfilling- and that "work should be fun" (Naisbitt and Aburdene, 1985, p. 4).

There is an increased interest in interpersonal relationships and rising feelings of entitlement. Organizational leaders have recognized the fallacy of concentrating solely upon economic needs as the sole motivation of employees. Changes in organizational structures and decision making processes reflect these changes in the workforce and are more appropriate to current employee needs.

General agreement exists that worker cooperation, motivation, and involvement seem to depend heavily upon a positive working environment which includes a degree of worker participation in and control of their own jobs, and the nature and structure of the work itself. In A Passion For Excellence: The Leadership Difference, Tom Peters and Nancy Austin (1985) quote Max DePree of Herman Miller,

> The common wisdom is that American managers have to learn to motivate people. Nonsense. Employees bring their own motivation. What people need from work is to be liberated, to be involved, to be accountable, and to reach for their potential. (p. 239)

DePree (1989) advocates adherence to "a person's Bill of Rights" which include:

> the right to be needed, the right to understand, the right to be involved, the right to a covenantal relationship [with the company], the right to affect one's own destiny, the right to be accountable, and the right to appeal. (p. 239)

Whether approached as rights or needs, there is a recognition that:

> concepts of job structures that were appropriate to first-generation immigrants resulted in resentment and low productivity and sloppy workmanship when applied to their grandchildren. (Hudson, Miller and Suojanen, 1975, p. 6)

## Historical Perspective For Worker Needs

Industrialization emerged in the nineteenth century in Western Europe. It is here that the world of work was permanently changed. Heisler and Houck (1977) cite the description of Marx and Engles' Communist Manifesto (1948) with slight modification to describe the period:

> The bourgeoisie (industrialists), during its rule of scarcely one hundred years, has created more massive and more colossal productive forces than have all preceding generations together. The subjection of nature's forces to man and machinery; the application of chemistry to industry and agriculture; (the development of) steam navigation, railways and electric telegraphs; the clearing of whole continents for cultivation; the canalization of rivers and the conjuring of whole populations out of the ground (off the land?)- what earlier century had even a prentiment than such productive forces slumbered...? (Essential Works of Marxism, p. 17)

As he examined the cause of the noticeable increase in wealth in countries such as England, France, and Poland during the eighteenth century, Adam Smith (1937) was one of the first to remark on the impact of division of labor on the personality of the workman.

> In the progress of the division of labour, the employment of the far greater part of those who live by labour, that is, of the great body of people, comes to be confined to a few very simple operations, frequently to one or two. But the understandings of the greater part of men are necessarily formed by their ordinary employments. The man whose life is spent in performing a few simple operations has no occasion to exert his understanding... He naturally loses, therefore, the habit of exertion and generally becomes as

> stupid and ignorant as it is possible for a human creature to become. The torpor of his mind renders him, not only incapable of relishing or bearing a part in any rational conversation but of conceiving any generous, noble, or tender sentiment, and consequently of forming any just judgment concerning many even of the ordinary duties of private life... It corrupts even the activity of his body, and renders him incapable of exerting his strength with vigour and perseverance, in any other employment than that to which he has been lured. (cited in Heisler & Houck, 1977, p. 65)

Marx (1959) also wrote of the alienating conditions of the industrial age. He was disturbed by the elimination of creativity in the workplace. Creativity, according to Marx, was necessary to distinguish man from animal.

> But an animal only produces what it immediately needs for itself or its young. It produces onesidedly, whilst man produces universal. It produces only under the dominion of immediate physical need, whilst man produces even when he is free from physical need and only truly produces in freedom and there from. An animal produces only itself, whilst man produces the whole of nature. (cited in Heisler & Houck, 1977, p. 75)

The Industrial Age continued with the twentieth century. New organizational problems developed as organizations grew. A premium was placed on productivity and efficiency. Management was traditionally based in the authoritarian system. Theory X beliefs that people were lazy and irresponsible and had to be closely supervised dominated the work place. Management was guided by two basic principles: (a) Each subordinate had one clearly defined superior from whom he received orders and (b) all orders must be obeyed without question (Hudson, Miller, and Suojanen, 1975, p. 4).

Power was coercive and focused on the needs of the worker as an economic man. Management held the ultimate power- to hire or fire. Management found goals more easily attained by manipulating the economic needs of its workers, thus wages and benefits became accepted as the most significant motivational factor.

Traditional management was combined with interchangeable parts with specialization of labor when Henry Ford introduced mass production in 1913. The worker continued to be viewed as a

> poorly designed multipurpose machine tool motivated by lower level biological and safety needs, and completely standardized as to ability, strength, and perseverance. (Hudson, Miller and Suojanen, 1975, p. 5)

The work environment continued to be characterized by simplified job content, close control by management and staff, and repetitive body actions determined in advance by motion and time studies. Industrial and production engineers designed assembly systems and managers took care of exceptions which occurred.

In 1910 Fredrick Taylor introduced scientific or task management. According to Taylor (1911):

> Perhaps the most prominent single element in modern scientific management is the task idea. The work of every workman is fully planned out by the management at least one day in advance, and each man receives in most cases complete written instructions, describing in detail the task which he is to accomplish, as well as the means to be used in doing the work... This task specifies not only what is to be done but how it is to be done, and the time allowed for doing it. (cited in Heisler & Houck, 1977, p. 66)

The core of Taylor's approach was that there was one best method for doing each task. This right method could be determined through scientific investigation. Once the method was determined, the exact amount of time that it should take a worker to perform his function could be determined. Under the scientific approach, management scientifically selected workers, rather than permitting the workmen to select their own work. Management assumed responsibility for the "methods, implements, speed, and harmonious cooperation" (Hudson, Miller, and Suojanen, 1975, p. 5).

Taylor promoted Scientific Management as the optimal planning and control system for the Industrial Age. The system was founded upon the premise that industrial workers were motivated by fear of hunger and deprivation, and would do anything to avoid those undesirable conditions.

> A worker will strive to make as much money as possible, although limitations of time, capacity and ability will ultimately control how much he can earn. (Hudson, Miller and Suojanen, 1975, p. 5)

Although directed toward a redesign for overcoming human limitations, Taylor's research into design of work resulted in numerous improvements in the physical layout of industries. His idea concerning human behavior perpetuated the misconceptions of the traditional theory of management. The existence of self-motivation was completely denied in the work environment.

The major shortcomings of the functional theory became apparent as a result of the Western Electric Company studies of its Hawthorne Plant. The Hawthorne plant attempted to increase productivity by improving the economic rewards available to the workers. Researchers found no apparent relationship between productivity and economic incentives or work design. The concept of "social man" emerged- one who seeks satisfaction through membership in a stable group and interacts meaningfully with fellow workers. The fact that certain needs were satisfied within the job environment demonstrated the importance of the informal organization. The quality of the work life became an important concern for management.

Management theories founded in Theory Y- "People are able and responsible"- began to emerge. Job enrichment, organizational development, participative management, and sociotechnical systems developed as means for restoring some of the human value lost in the effort to achieve efficiency by oversimplifying work and oversupervising the employee.

> Thrift, hard work, and a capacity for deferring gratification historically were traits widely distributed among Americans. Moreover as a part of the legitimacy of the economic system, individual members of our society were to be credited or blamed for their own circumstances, according to the degree of their prosperity. (Work In America, cited in Haas, 1975, p. 123)

Motivation was bound in the work ethic. As people began to abandon the old work ethic in favor of self-fulfillment, management was challenged to structure a more conducive work environment.

According to Haas (1975) the key factor in job satisfaction seems to be personal motivation. Despite equal pay and good working environments, there are happy and dissatisfied businessmen, doctors, plumbers, and serving machine operators. Although commitment appears to be facilitated by proper recognition, nothing works without personal motivation.

In the 1950's three specific theories of motivation were formulated. Although their validity is currently questioned, they remain the most widely known theories for employee motivation and provide the basis for contemporary theories. These are: Theory X and Y, the hierarchy of needs, and the motivation-hygiene theory.

A well known theory of motivation is Maslow's hierarchy of needs. Maslow (1954) hypothesized that within every human being there exists a hierarchy of five needs.

These needs are:

1. Physiological- includes hunger, thirst, shelter, sex and other bodily needs.
2. Safety- includes security and protection from physical and emotional harm.
3. Social- includes affection, a sense of belonging, acceptance, and friendship.
4. Esteem- includes internal factors such as self-respect, autonomy, and achievement; and external factors such as status, recognition and attention.
5. Self-actualization- the drive to become what one is capable of becoming; includes growth, achieving one's potential, and self-fulfillment. (Robbins, 1988, p. 29)

With the satisfaction of a need, moving up the hierarchy from physiological to self-actualization, the next need becomes dominant. According to Maslow's theory, people malfunction when they can not meet their needs through constructive and socially acceptable behavior.

Maslow argued that motivation is an internal drive which prompts an individual to take some kind of action. In other words, motivation is a self-applied stimulation to satisfy a need. Although no need is ever completely satiated, Maslow's theory would assume that a substantially satisfied need ceases to motivate. Prior to Maslow, motivation was generally considered to be something that one person did to another in the form of behavior modification.

Although widely used and accepted by practicing managers, research generally does not validate the theory. There is little substantive evidence to indicate that following the theory will lead to a more motivated work place (Robbins, 1988, p. 11).

McGregor (1960) proposed two views of human beings relative to management: Theory X and Theory Y. He concluded that a manager's basic assumptions about the nature of human beings molds his or her behavior toward subordinates.

Theory X is defined by four basic assumptions:

> 1. Employees inherently dislike work and, whenever possible, will attempt to avoid it.
> 2. Since employees dislike work, they must be coerced, controlled or threatened with punishment to achieve desired goals.
> 3. Employees will shirk responsibilities and seek formal direction whenever possible.
> 4. Most workers place security above all other factors associated with work, and will display little ambition. (Robbins, 1988, p. 30)

Theory Y, on the other hand, is based upon four positive assumptions about the nature of humans:

> 1. Employees can view work as being as natural as rest or play.
> 2. A person will exercise self-direction and self-control if he is committed to the objectives.
> 3. The average person can learn to accept, even seek, responsibility.
> 4. Creativity, that is, the ability to make good decisions, is widely dispersed throughout the population, and not necessarily the sole province of those in management functions. (Robbins, 1988, p. 30)

The third theory, the motivation-hygiene theory, was proposed by Herzberg (1957). Believing that an individual's relation to his work is a basic one and that his attitude toward work is a strong determinant of success or failure, Herzberg investigated the question of what people want from their jobs. From the categorizing of factors that affected job attitudes, Herzberg concluded that certain personal characteristics tend to be consistently related to job satisfaction, and others to dissatisfaction. Intrinsic factors seem to be related to job satisfaction with the characteristics attributed to the worker. Extrinsic factors such as company policy and working conditions were cited relative to dissatisfaction.

The data suggest that removing a dissatisfying characteristic from a job does not necessarily make the job satisfying according to Herzberg. Therefore, managers who seek to eliminate factors that create job dissatisfaction may be placating their workforce rather than motivating them. Herzberg advocates an emphasis on achievement, recognition, the work itself, responsibility and growth.

Several contemporary theories of motivation have evolved. The goal theory identifies three major relevant motives or needs in the workplace (McClelland, 1961, 1975; Atkinson & Raynor, 1974).

1. The need for achievement- the drive to excel, to achieve in relation to a set of standards, to strive to succeed.

2. The need for power- the need to make others behave in a way that they would not have behaved otherwise.

3. The need for affiliation- the desire for friendly and close interpersonal relationships.

Considerable evidence also supports the theory that goals can be a major source of work motivation. Specific goals lead to increased performance and difficult goals, when accepted, result in higher performance than simple goals (Napier and Gershenfeld, 1989).

A process theory of motivation is Skinner's behavior modification. Skinner's theory deals with modifying external factors. Behavior can be modified by reinforcement, either positive or negative. Positive reinforcement is more effective in achieving lasting results when it closely follows the behavior to be modified.
Vroom and Yetton (1973) present the expectancy theory as the most comprehensive contemporary explanation of motivation. According to this theory, the higher the strength of an expectation that the act will be followed by a given outcome, and on the attractiveness of that outcome to the individual, the stronger the tendency to act in a certain way. An important contribution of the expectancy theory is the emphasis on perception and beliefs of people. The perception that motivation exists must be shared between employee and manager or it does not exist. Expectancy theory implies that different people value different rewards

and that a single incentive is unlikely to motivate everyone. An important message for managers in expectancy theory is that employees must have confidence in their ability to successfully accomplish a task.

There appears to be little debate on the need to create a positive working environment or climate- one that encourages and receives optimum effort and quality from those involved. This environment fosters commitment through shared vision and goals which do not negate the importance of the individual. According to Gerber (1985)

> ...what people need, then, is a place of community that has purpose, order, and meaning. A place in which being human is a pre-requisite, but acting human is essential. A place where the generally disorganized thinking that pervades our culture becomes organized and clearly focused on a specific worthwhile result. A place where discipline and will become prized for what they are: the backbone of enterprise and action, of being what you are intentionally instead of accidentally. A place that replaces the home most of us have lost. (p. 127)

Garfield (1986) calls for the work environment to be

> that place we might call a zone of peak performance, where he (the worker) can align his personal mission with the specific demands of a job and the overall environment and objectives of an organization. (p. 278)

The environments described by Garfield and Gerber are polar to the description of the alienated workers Marx (1844) described where:

> labor is external to the worker, i.e., it does not belong to his essential being... the worker is at home (with all that term connotes in the way of psychological and biological rewards and supports) when he is not working, and when he is working he is not at home. (cited in Garfield, 1986, p. 72)

DePree (1989) contends that workers need to understand and be "at home" in their working environment- both the human environment and the physical environment.

> There needs to be a visible order and a 'sense of place' so we may know who we are and where we fit. Our environments should have a human scale and we have a right to beauty. (p. 34)

Consideration of the visible order and beauty leads one to examine the physical aspects of the positive environment. Herzberg (1957) used the factor "working conditions" to include the physical aspects of the working environment which are not necessarily a part of the work. He considered the factors more a function of the particular organization or company. The specific aspects included:

1. attractive surroundings
2. clean and orderly workplace
3. adequacy and condition of equipment, supplies, and tools
4. lighting
5. temperature and ventilation
6. absence of smoke, noise, excessive heat, odors
7. safety conditions

8. music

9. recreational, food facilities

10. medical facilities

11. parking facilities

12. geographical location and community

13. hours

Herzberg concluded that the worker accepts working conditions as a standard part of the job with less thought to their importance than for other job factors. Working conditions were found to have an equally low contribution to both satisfaction and dissatisfaction (p. 74). These findings would support DePree (1989) who believes that while the physical environment matters a great deal, it is not as important as the management environment.

> The physical environment is likely to be a consequence of certain elements of the management environment. In that sense the facility will reflect the context of a corporation, its leadership, and its values. (p. 111)

DePree encourages leaders to strive to create an environment that:

1. encourages an open community and fortuitous encounter
2. welcomes all
3. is kind to the user
4. changes with grace
5. is person scaled
6. is subservient to human activity
7. forgives mistakes in planning
8. enables this community (in the sense that an environment can) to reach continually toward its potential

9. is a contribution to the landscape as an aesthetic and human values
10. meets the needs we can perceive
11. is open to surprise
12. is comfortable with conflict
13. has flexibility, is nonprecious and nonmonumental (p. 113)

Herzberg states that employers frequently underestimate the importance of intrinsic job aspects which include opportunity, pride, accomplishment, challenge, responsibility, and service to the company, among others. These intrinsic factors are closely related to Maslow's fourth and fifth levels of esteem and self-actualization and value the individual. In an environment which values the intrinsic, individual diversity is recognized. The need for opportunity, equity and identity in the workplace is understood. Employees, in recognizing diversity, are provided the chance to obtain meaning, fulfillment, and purpose on the job and not solely in private life. Work becomes increasingly more routinized and monotonous for workers in environments which require limited utilization of their abilities. Workers become increasingly repressed, inhibited, and frustrated as they find themselves increasingly unable to satisfy needs through their work. Undesirable activities result in the form of absenteeism, low productivity, and poor workmanship.

Conversely, positive working environments offer opportunities to use and develop human capacities.

> The objective is to involve the workers in a wholehearted program with the immediate objective of improving the quality of worklife at the operating level of the organization. The general thrust is to provide workers more autonomy and greater control over their working activity. (Hudson, Miller, Suojanen, p. 12)

DePree (1989) encourages participative management which enables the expression of diverse gifts of persons with an emphasis on creativity and on the quality of the process. "It fuels the generation of ideas, the solving of problems, and the managing of change and conflict" (p. 77).

Garfield (1986) contends that a positive work environment offers a place where the worker's mission has its best chance to succeed- where he/she can see concrete results emerging from what he/she does.

> When I am in my own place to stand, I am not getting in my own way, selling myself, short, or giving in to the many short cuttings of values and outcomes that life presents as options. I have chosen what is best for those with whom I work and live. I feel strong, physically, emotionally, and intellectually, because my place to stand allows me to perform and contribute at my best. (p. 279)

Positive working environments encourage loyalty. The desire to be loyal and to receive loyalty is natural. A sense of loyalty is part of one's self image as an essential element of the worker's need to belong.

> If a person is betrayed, a sense of helplessness is created... You don't build a powerful, effective society with defeated, despairing people. (Shea, 1987, p. 30)

Shea (1987) contends that managers and executives need to know how to build a culture and environment that fosters loyalty in the workplace.

> Companies loyal to their employees use lay-offs only as a last resort, provide for basic employee needs, and help with their problems to the greatest extent practical. Companies who are callous to these needs tend to have high turnover rates, a poor public image, labor troubles, poor quality products or services, and numerous, lately, lawsuits. They tend to have a hard time attracting suitable workers after a layoff and often find that the low productivity that follows layoffs may lead to more layoffs. (p. 31)

It is essential that the positive environment recognize the social man. Formal and informal work groups not only provide the primary mechanism for the attainment of organizational goals, but also allow workers to satisfy social needs, such as emotional support, which cannot be supplied by the larger organization.

Most writers distinguish between formal or informal groups although there are many types of work groups (Shaw, 1976). Formal groups are defined by the structure of the organization with designated work assignments establishing task and work groups. Desired behaviors are stipulated by and directed toward organizational goals. Conversely, informal groups emerge naturally from the need for social contact and the interaction of the group members. These groups are neither structured nor organizationally determined. For both formal and informal groups, proximity and contact are prerequisites for group formation. People have an opportunity to get to know each other and to determine if the basis for a positive relationship exists.

Formal and informal groups can each be subclassified into two groups. Command and task groups are dictated by the formal organization. Interest and friendship groups emerge informally. Command groups, also called functional groups, are composed of the supervisor and his/her immediate subordinates. The organization dictates the goals, interdependencies, interactions, and performance levels of command groups. Task groups, also organizationally determined, represent those who come together for the purpose of accomplishing a specified task. The situation requires members to communicate, interact, and to coordinate activities if the purpose of the group is to be accomplished.

Informal groups may be subclassified as interest or friendship groups. An interest group is formed when individuals who may or may not be aligned into common command or task groups affiliate to obtain a specific objective with which each is concerned. Such groups usually exist until their purpose has been accomplished. Some develop long-term relationships, such as in the case of unions, and become incorporated into the formal organizational framework. Friendship groups, based upon shared characteristics, develop as a result of opportunity and desire and satisfy members' social needs. The organization does not closely control the membership and composition patterns of interest and friendship groups. Problems may develop for organizational leaders when the goals of these informal groups are incongruent with the goals of the organization.

The principal reasons people join groups are for the organizational purposes of goal attainment or for satisfaction of individual needs. Different groups provide different benefits to their members.

Expectations, how an individual anticipates that events will occur, is an important consideration for leaders considering group behavior. Three sets of expectations are important to examine.

> 1. The expectation that individuals have for the ability to do a competent job and to perform well.
> 2. The expectation the individual has for his or her group, including the degree of participation by other members, interpersonal relationships, and rewards for good performance.
> 3. The expectation the group has for the individual's contribution to group activity and eventual goal accomplishment. (Szilagyi and Wallace, p. 205)

External or situational factors under which the group functions also impact group performance. The organization can control some of these factors such as group size, social density, the type of task, and group composition. Research indicates that under certain conditions each of these factors contributes to group performance levels. The research conducted by Bales (1950) indicates that very small groups show more tension, agreement and asking of opinions, while larger groups show more tension release and giving of information. Groups with an even number of members have a greater difficulty obtaining a majority and members in smaller groups report greater satisfaction (cited in Slater, 1970). Replications of Ringlemann's research in the 1920's on group size indicate that increases in group size are inversely related to individual performance (Robbins, 1988). Although these situational factors are important, it appears that the nature of the task is the most important consideration to the success of group development.

Some form of structure for group activity develops over a period of time within any group in an organization. Group structure may be viewed as the framework or pattern of relationships among members that assists the group in working toward its goal (Szilagyi and Wallace, 1980). The concepts of roles, norms, and status underlie a basic understanding of group structure.

Each individual in a group is expected to behave in certain ways by superiors, subordinates, and peers. Role is defined as a set of expected behavior patterns attributed to someone occupying a given position in a social unit (Robbins, 1988). This behavior or expected role may be specified by a number of means including job descriptions and position titles. In addition to expected roles, there are also perceived and enacted roles. The set of activities or behaviors in the group that an individual believes he/she should do is the perceived role. The enacted role is the way that the individual group member actually behaves.

When differences exist among the expected, perceived, and enacted roles, the probability of role stress, conflict, and negative effects on performance increases. Role ambiguity and role conflict result. Role ambiguity is the lack of clarity regarding job duties, authority, and responsibility that the individual perceives in his or her role. Role conflict occurs when multiple demands and directions which come from one or more individuals creates uncertainties in a member's mind concerning what should be done, when, or for whom. Continuing high levels of role ambiguity and/or role conflict can result in decreased group performance. Szilagyi and Wallace (1980) describe two possible responses. First, the individual can maintain a status position or unless the situation can be controlled, resign or selectively withdraw from group activities and interactions. Second, attempts may be made to modify the demands placed upon the individual.

All groups have established acceptable standards of behavior that are shared by the group members. The primary purpose of these standards or norms is to place some boundaries on the behaviors of group members in order to insure that group performance will be maintained. The role that norms play in influencing worker behavior was not fully recognized until the Hawthorne studies were conducted in the 1930's under the direction of Mayo. The studies concluded that a worker's behavior and sentiments were closely related, that group standards were highly effective in establishing individual worker output, and that money was less a factor in determining worker output than group standards, sentiments, and security (Robbins, 1988).

Norms typically develop gradually in one of four ways. First, explicit statements are made by group members-usually the group leader. Second, critical events in the group's history set precedents. Third, primary or initial behavior problems set group expectations. The fourth develops from carry-over behaviors from past situations. Norms are not enforced for every situation. Those that are enforced are those that facilitate the group's survival, increase the predictability of group members' behaviors, reduce embarrassing interpersonal problems for group members, and allow members to express central values of the group and clarify what is distinctive about the group's identity (Robbins, 1988). According to Dessler (1987), some managers have learned that they cannot only ask, "Does the employee know what is expected of him?" Instead they must also ask, "Does the employee's work group have its own production norms, and do these disagree with mine?" (p. 266).

Status systems result from prestige grading, position, or rank within a group. Status may be formally imposed through the organization or through titles. Status is informally acquired by such characteristics as education, age, sex, skill, or experience.

> Where groups are made up of heterogeneous individuals or where heterogeneous groups are forced to be interdependent, there is a potential for status differences to initiate conflict as the group attempts to reconcile and align the differing hierarchies (Robbins, 1988 p. 88).

The more that group members are attracted to one another and the more the group's goals align with individual goals, the greater the group's cohesiveness. This cohesiveness consists of the characteristics of the group in which the factors acting on the group members to remain and participate are greater than those acting on members to leave it. Szilagyi and Wallace (1980) identify five factors which increase group cohesiveness and five factors that decrease group cohesiveness. Those that increase effectiveness are: (a) agreement of group goals, (b) frequency of interaction, (c) personal attractiveness, (d) intergroup competition, (e) favorable evaluation. Those that decrease cohesiveness are: (a) disagreement on group goals, (b) group size, (c) unpleasant experiences with the group, (d) intragroup competition, (e) domination by one individual.

Studies of group cohesiveness suggest that cohesive groups can formulate performance goals and norms that exceed, meet, or are below management expectations. Groups performing below organizationally accepted norms require some form of managerial intervention because conformity to group norms is a key characteristic of cohesive groups (Szilagyi and Wallace, 1980).

Instruments have been developed for the purpose of measuring the work environment. Ginsberg (1982) describes the major topics to be considered.

> (1) Corporate Goals and Missions. Do employees see purpose, direction, planning, and risk taking in the operation?
> (2) Organization. Are roles defined and limits of authority understood? Do employees understand department/function interrelationships as well as their own involvement in the company?
> (3) Climate for Growth. Do employees view the organization as open, trusting, flexible, and cooperative? Is there growth and opportunity for advancement?
> (4) Management Style. How do employees describe and evaluate the leadership style?
> (5) Communication. Do employees perceive a two-way flow of information. Do they feel a sense of awareness and candor in this exchange?
> (6) Reward System. Do employees regard the reward system as competitive, equitable, and tied to performance. (p. 60)

Peters and Austin (1985) cite examples of leaders in industry. Tom Monaghan, of Domino's Pizza says, "Pay attention to the Golden Rule, and the world is yours." Bill and Vieve Gore of W.L. Gore and Associates apply four principles:

> fairness, which controls destructive dissensions; freedom, which allows associates to experience failure; commitment, the power behind the desire to succeed; and 'waterline' or discretion , which reduces the chances for behavior that could damage the company's reputation and profitability. (p. 240)

Treybig's philosophy at IBM is that (a) all people are good; (b) people, workers, management, and company are all the same thing; (c) every single person in the company must understand the essence of the business; (d) every employee must benefit from the company's success; and (e) you must create an environment where all the above can happen (cited in Peters & Austin, 1985).

Positive work environments require leaders who believe that businesses can become a place of community.

> It can become that place where words such as integrity, intention, commitment, vision, and excellence can be used, not as nouns, but as verbs, as action steps in the process of producing a worthwhile result. (Gerber, p. 127)

Creating work environments which are positive is a process reflecting the context of a positive corporation and positive leadership which values people.

A perceived major threat to worker security is the fear of losing employment as a result of changes in the organization related to an acquisition or merger (Korn-Ferry cited in Kanter, 1989). Mergers and acquisitions are major catalysts for organizational change creating challenges for those who are responsible for creating a new positive work environment. It is estimated that approximately a quarter of a million employees' lives were changed as a result of the ten largest mergers and acquisitions that occurred in 1983 (Pritchett, 1985). Ten percent of the work force, which represents approximately 12 million people, are estimated to have been involved in a merger or acquisition related to downsizing or divestitures (Kay, 1987). Kanter (1989) writes that these changes can reverberate in negative ways, causing career dislocation, diminished personal expectations, and disrupted family lives (p. 13).

Mergers and Acquisitions

Accurate statistics regarding mergers and acquisitions in the United States are not available. Approximately 60% of all merger activity is never publicized or consists of small transactions (less than million dollar deals) that no one tracks systematically (McCann & Gilkey, 1988).

No complete data series exists on mergers and acquisitions in the economy. All of the series have lower limits. Yearly comparisons of existing data series also yield inaccurate results. Fixed dollar lower limits in times of inflation artificially increase the number of transactions over time (McCann and Gilkey, 1988).

Three basic sources of time-series data on mergers and acquisitions for the postwar period are the United States Federal Trade Commission, the periodical Mergers and Acquisitions, and the annual reports of W.T. Grimm and Company. The major source of data for the period 1895-1920 is the study conducted by Ralph Nelson (1959) covering only the manufacturing and mining sectors. Cut off limits are not explicit and rely on financial reporting for the period (cited in McCann and Gilkey, 1988).

Historical perspectives, though limited, are necessary to the understanding of the current trend of mergers and acquisitions. McCann and Gilkey (1985) use the four waves of activity described by Davidson (1985) to outline activity since the 1880's.

Labeled horizontal integration, firms grew by expanding manufacturing capacity at the turn of the century. The merger or acquisition of a similar organization became the dominant corporate strategy to expand the capacity and geographical base. The strong economy fueled mergers and acquisitions. Parallel stock market growth helped to float shares of the new organization form- the publicly held corporation. Activity was dampened between 1910 and 1920 with antitrust legislation and a downturn in the economy. Some firms still grow by horizontal integration where industry concentration is not great such as the airline industry (US Air and Piedmont) and the goods industry (R J

Reynolds and Nabisco Brands). The general trend, however, was redirected in the 1920's.

Vertical integration dominated the second wave of acquisitions and mergers. This appeared to be driven by the desire to create economies of scale. "Downstream" customers or outlets for products and "upstream" suppliers of raw resources and component parts were acquired. Reducing operating costs to maintain profit margin replaced expanding capacity as the driving force. Despite the major antitrust measures enacted during this period, the largest industrial enterprises in the country were built through vertical integration- General Motors, U.S. Steel, and Standard Oil.

McCann and Gilkey (1988) describe the period of vertical integration as a "period of major organizational and management innovations" (p. 21). Management became more professionalized with better qualified managers running operations using more advanced methods. Organizational structures were evolving to allow widespread operations to run more effectively. Top management was free to plot additional mergers and acquisitions. Merger and acquisition activity was again rechanneled when the crash of 1929 spawned new legal and regulatory restraints.

The third wave, conglomeration, was driven by the need to bypass regulatory constraints. Theoretically, mergers and acquisitions were to stabilize financial performances by buying diverse firms. Mergers and acquisitions were used almost exclusively as the strategy to build earnings. This represented the first time a candidate company's financial attributes dominated marketing and production considerations. Candidate firms were screened for the ability to carry greater debt and to generate sufficient cash to fuel additional acquisitions and to boost stock market performance.

Many reasons were offered for the unrelated diversification from the traditional core businesses. The reasons were illfounded (Chandler, 1977). The idea that countercyclical acquisitions would stabilize earnings was disproven in the deep economic recession of the 1970's. Faltering financial performance, higher interest rates, dried up sources of capital such as the stock market and cheap long-term debt precipitated the redirection to the fourth and current wave.

Mergers and acquisitions in recent years have been driven by the need to rationalize the binge of the previous years. More rigorous principles are being brought into the merger and acquisition process. Divestitures increased during the late 1970's and early 1980's spurred by debilitating debts in some instances and restructuring for increased capital in others. Beatrice, for example, is reported to have earned two hundred and twenty million dollars from the sale of unrelated businesses (McCann, Gilkey, p. 22). Most divestitures create corresponding acquisition-mergers. Creative alternatives such as leverage-buyouts and going public with divestitures prevent a one to one relationship between divestitures and mergers and acquisitions.

The restructuring through divestitures is restoring order to the chaos of earlier activity. Many who led the conglomerate movement have passed control to others who must disseminate their earlier creations.

Davidson calls the fourth wave of activity the "mega-merger wave" because of the large number of large mergers and acquisitions involved. McCann and Gilkey (1988) look beyond the magnitude of the activity, referring to this as industry transformation. It is characterized by the wrenching effects of "mega deals" on energy and capital, increasing foreign competition, rapidly changing technology, and the maturing of many industries (Business Week, 1981).

> As firms begin reacting to rapid technological change, they are looking for new technologies to help reduce costs, improve productivity, and introduce new products into new markets. As our economy shifts toward services and away from 'smokestack' industries, as firms may try to abandon its traditional business and enter new ones. History's largest wave of corporate restructuring is still underway, and its full implications still are not clear. They are certainly not all positive, judging from the number of lay offs, closed plants, and deep rifts in the basic commitment of workers and companies to each other. (McCann and Gilkey, 1984, pp. 24-25)

Gaining entry into new technologies is a major driving force behind many recent acquisitions and mergers by large firms. Small technology firms can raise capital and secure early markets by forming strategic alliances with much larger firms.

Eight reasons are used to justify mergers and acquisitions (McCann and Gilkey, 1984).

1. Risk reduction and diversification;
2. Competitive reaction;
3. Perception of underutilized or undervalued assets;
4. Anticipated synergies in markets, finances, operations or human resources;
5. Legal and tax benefits;
6. Access to new technologies or processes;
7. Ego-emotional or psychological motivation;
8. "Idle cash."

The acquiring corporation prepares for the merger or acquisition by identifying the acquisition strategy and screening criteria, selecting the screening approach, making the acquisition, and planning the post acquisition integration process (Morse, et al., 1987).

Five rules, according to Drucker (1981), have been followed in successful acquisitions since the time of J.P. Morgan.

1. Acquire a company with a 'common core of unity'- either common technology or markets or in some

situation production processes. Financial ties alone are insufficient.
2. Think through your firm's potential contributions of skills to the acquired company. There must be a contribution and it has to be more than money.
3. Respect the products, markets and customers of the acquired company. There must be a 'temperamental fit.'
4. Within approximately a year, you must be prepared to provide top management for the acquired company.
5. Within the first year of the merger, a large number of managers of both companies should receive substantial promotions from one of the former companies to the other. (p. 3)

These rules are included here because of their wide use in related prescriptive literature. Paine and Power (1984) dispute the rules based on their literature and empirical research stating

> following Drucker's rules probably does not significantly reduce risks and following them may create longrun competitive problems. (p. 44)

More empirical research is suggested to examine the nature and reasons for acquisition success.

The focus on the human, organizational and managerial aspects of mergers and acquisitions has slowly developed. However, there has been relatively little systematic study of such phenomena. Marks (1982) divides the available research on human and organizational responses to corporate merger into four categories: (1) prescriptive articles, (2) surveys, (3) case studies, and (4) studies of "quasi-mergers."

The success of mergers and acquisitions appears to depend upon many variables. Yunker (1983) suggests that most of the problems which adversely affect the performance of a merged firm are internally generated by the acquirer and by the dynamics of the new entity. The integration strategies are apparently crucial to reduce the job insecurity that may harm individuals and the acquired companies (Paine, Power, 1984).

McCann and Gilkey (1984) report that there was almost perfect consensus among the professionals and executives contacted that the time from the agreement's negotiation to the smooth functioning of the two firms is turbulent and full of risk. "This transition planning and management is essential to the merger's success" (p. 10).

The first major study of the acquisition decision process was conducted by Mace and Montgomery (1962). From unstructured field interviews with 275 executives in 75 United States firms, the researchers concluded that general managers must recognize and have the necessary skills to deal with the different requirements for success in different industries (cited in Marks, 1982). Research By Salter and Weinhold (1979) supported these findings.

Ansoff, et al., (1971) collected retrospective data about the performance of 93 companies. Planning was found to be important to successful acquisitions and corporate performance. The researchers prescribed that managers carefully select and thoroughly evaluate a small number of alternative companies. Salter and Weinhold (1979) suggested that companies locate and purchase undervalued assets stressing a need to have excess cash. These researchers concluded that differing decision processes were necessary depending on whether it was a related or unrelated diversification.

Kitching (1967) found research prior to his work to be "concentrated on the events leading up to and immediately following an acquisition" (p. 85). He summarized the causes of successes and failures finding that communication and support were the dominant themes in managing the people aspects.

Buono and Bowditch (1989) also report finding research limited concerning the human dynamics involved in an acquisition or merger. They identify five areas that are less fully documented:

> (1) the dynamics and processes underlying mergers and acquisitions,
> (2) the attitudes and the perceptions of the merger partners regarding their old and new and newly formed organizations,
> (3) the processes through which these perceptions are formed,
> (4) the types of uncertainties and ambiguities involved in the transformation,
> (5) ways in which managers may facilitate the combining of different organizations. (p. 22)

Organizational transformations have been criticized as being undermanaged at the human resource level (Kimberly and

Quinn, 1984). Two basic reasons were cited. First, managers prefer to focus on technical issues which tend to have concrete resolutions. Second, behavioral issues, such as beliefs values, attitudes, commitment, and communication needs, are difficult to measure in quantitative terms. Often they are dismissed as being irrelevant. Bice (1986) described this type of approach to organizational transformations as ineffective.

Research underscores the need to consider the role of change in the integration process. According to Buono and Bowditch (1989), there must be widespread acceptance of the need for change at all levels of the hierarchy. Focused efforts and sensitivity to what people are experiencing is described as necessary to decrease the costs involved for both the individual and the company.

Research suggests that the integration period generates stress (Schweiger and Ivancevich, 1985, cited in Buono & Bowditch, 1989,) which results in the "merger syndrome" described as a highly defensive, anxious response to the uncertainties involved (Marks and Mirvis,1986).

Disagreement exists on what strategies facilitate the integration. Time is identified as a key factor by some researchers (Pritchett, 1985; Stybel, 1986). The research of Smith (1985) supports the need to postpone controversial changes, such as reorganizations, or relocations, while developing an understanding of systems, preparing people for the changes, and carefully laying the foundation for projected changes. Yunker (1983) also advises firms to make changes gradually. He argues that as long as five years should be allowed for complete integration in areas such as personnel and benefits. Buono and Bowditch (1989) contend that trying to impose changes too quickly can generate resentment, dissatisfaction, and the loss of key personnel. However, employees expect change, according to these researchers, and conveying the expectation that little change will occur actually undermines credibility.

Kubilus (1989) found that administrative areas need to be consolidated quickly but, as much as possible, things should remain unchanged in the acquired company. Companies who were reported to be managing relatively trouble-free mergers reported keeping management in place for a specified time offering incentives and building morale and psychological support.

Others cite effective management as necessary where managers take an active role in directing the process. (Blumberg and Weiner, 1979; Gordon, 1982; Blake and Mouton, 1985; Haspeslagh and Jemison, 1987; Pritchett, 1985). According to Pappanastos, Hillman, and Cole (1987) combination related failures can be significantly reduced and the integration process expedited through an effective use of tension tools, techniques, and methods.

Most research literature on post-combination integrations tend to lack depth according to Buono and Bowditch (1989) offering simple prescriptions.

> Simple prescriptions to change the culture of the merger partner or acquisition target often ignore the length of time and inherent difficulties involved in culture change efforts. Advice to assure your employees rarely addresses the fragility of the trust that exists in merging or acquiring organizations. Recommendations to 'build relationships' typically oversimplify the range and depth of such interactions. (p. 195)

An emergent theme in related research is the importance of communication. The lack of adequate, timely communication is often cited as a problem in the integration of mergers and acquisitions (Hayes, 1979; Marks, 1982; Bastien, 1987; Buono and Bowditch, 1988, 1989). Two types of communication cited as necessary are (a) to keep people informed about the merger or acquisition, its ramifications, and its implementation and (b) to facilitate getting the work done (American Bankers Association and Ernst and Whinney, 1985).

The creation of formal internal communication channels as early as possible in the acquisition or merger process reduces anxieties which are fueled by rumors, internal sources, and new reports (Hayes, 1979; Marks, 1982; Kanter and Seggerman, 1986; Bastien, 1987; Pritchett, 1985; Lewis, 1988; Buono and Bowditch, 1989).

Bastien (1987) warns that inaccurate information is worse than the absence of information. The congruence of communication with actual observed events is perceived to be indicative of the acquired firms values and commitments.

Buono and Bowditch (1989) synthesize research to offer 12 suggestions for early communication to clearly address issues and concerns:

1. reasons underlying the merger or acquisition decision and what the combination will mean for both organizations and their members;
2. general facts about and orientation to the merging or acquiring companies;
3. changes in company name, structure, and management (chain of command);
4. the elimination of or addition to any functions currently represented in the organization;
5. the possibility of a reduction in force, how decisions will be made, and whether there will be outplacement assistance;
6. detailed changes in compensation and benefit packages and management prerequisites (expense accounts, company cars);
7. job-related changes including new roles and assignments;
8. transfers to new job assignments or geographical areas;
9. possible changes in career paths;
10. changes in working relationships;
11. how business will be conducted during the transition period;
12. general changes in company policies (Barrett, 1973; Imberman, 1985; Ivancevich, Schweiger, and Power, 1987, cited in Buono and Bowditch, 1989)

A second issue related to the successful integration of acquisitions and mergers is the expectations of those involved. Firth (1976) and Goldberg (1983) found that precombination expectations of employees, managers, and shareholders usually exceed actual results. Responses are characterized by performance declines, a slow learning process, and organizational dissatisfaction. Employees who are provided with a realistic merger preview maintain much more stable levels of commitment, satisfaction, trust, and performance (Schweiger and DeNisi, 1987).

Realistic expectations resulting from adequate merger previews and early communication may decrease the perception of employee deprivation created when employees perceive that events are detrimental. Perceived employee deprivation generates discontent (Davis, 1959; Runciman, 1966; Gurr, 1970; Cook, Crosby, and Hennigan, 1977; Crosby, 1982). Two discrepancies resulting in employee deprivation are (a) a discrepancy exists between actual and desired outcomes and (b) a discrepancy exists between actual and deserved outcomes.

Morse, Feldman and Martin (1987) contend that in successful merger integrations, senior management stress the common good of the new organization to encourage an acceptance of the need for change at all levels of the hierarchy.

> The successful companies also shared a unique vision of the 'common good.' They communicated the necessity for not putting 'our own' parochial interests first. The people involved in successful transitions recognized the chance to build a better organization than either constituent had enjoyed as a separate company. When that kind of thinking is introduced at the outset and maintained throughout the transition, the resulting

> organization is far stronger than if the process is wracked by defensiveness, turf protection, and desires to retain the status quo. (p. 316)

Perceived inequities in managing the new organization may fuel perceptions of employee deprivation. Most premerger statements and discussions about the integration of acquisitions and mergers emphasize the importance of participation in effecting organizational change. However, studies indicate that the process is usually tightly controlled by top management (Barmash, 1971; Sales and Mirvis, 1984; Buono, Bowditch and Lewis, 1988; Buono and Bowditch, 1989).

Kanter and Seggerman (1986) describe the process as merger related strategies "done to rather than done by employees." Riggs (1958) suggested that

> when feasible, the newly acquired management should be given an equal voice in approving proposed changes, so that its own sense of recognition and responsibility can remain stable. (p. 217)

The leaders of the integration must recognize that there are usually good managers in both organizations and change the assumption that only the acquiring management will manage the new entity. According to Morse, Feldman, and Martin (1987), "The 'winner gets the spoils' attitude is a short-sighted road to a crack up." They contend that "companies that care about the people element usually will be more efficient, more productive, and more profitable" (p. 323). Four characteristics of viable programs cited are:

> 1. There is an emphasis on senior management visibility or actually getting executives in front of the 'troops.'
> 2. A lengthy time frame, typically 18 months or so, is allotted.
> 3. Consistent repetition of common themes is utilized.
> 4. A variety of media are used to communicate the message. (p. 314)

These researchers also describe four patterns of failure:

> 1. Acquirers believed they had the corner on talent.
> 2. Fast decisions based on shallow perception.
> 3. Lack of early warning system (systematic program for monitoring the integration process and determining if it was proceeding in desired fashion or going off the track. Benchmarks, turnover rates, employee surveys, key people identified, employee assistance program usage, absentees.
> 4. Unilateral imposition of policies and practices.

Research suggests that in order for mergers and acquisitions to develop long term success, the process must be considered as a human process. Buono and Bowditch (1989) describe the process as more of an art than a science and contend that merger related prescriptions should be viewed as guidelines that may facilitate the integration. McCann and Gilkey (1988) agree encouraging a sensitivity to integration issues.

> Sensitivity to integration issues means pacing initiatives, knowing how far to go and when to stop,

establishing a limited set of themes with which to forge a coherent identity, prioritizing areas for integration, and paying sufficient attention to the rest of the organization to maintain performance and unity. (p. 202)

# Chapter III

## Methodology

This research employed the qualitative technique of interpretive inquiry. Bandura (1986) states that the capacity to learn from other people's behavior and the consequences for them enables people to acquire large integrated patterns without having to form them by tedious trial and error. This study sought to identify the patterns of human response to the integration process of acquisitions and mergers through the behaviors, experiences, perceptions, and consequences of individuals who experienced the process.

Numerous case studies of mergers are available from the mega mergers of R. J. Reynolds and Nabisco to small insurance groups and banks. These case studies describe the strategic planning process of the actual merger or acquisition, focus on the implications for the organization and its stakeholders, or focus on those who lead the merger. Although the human resource issue is cited as a crucial factor in the successful integration of acquisitions and mergers, available data is limited and is descriptive derived from survey data or interviews conducted secondary to the "case" - the organization or the merger process (Marks, 1982).

Kundera (1980) writes,

> It takes ridiculously little, an insignificant breeze to make what a man would have laid down his life for one minute, seem an absurd void the next.

Mergers and acquisitions appear to stir such a breeze. The depth available through an understanding of the process can better equip those who must initiate, implement, or experience it.

Population

For the purpose of this study, managers of acquiring organizations and managers from acquired organizations were studied as individual cases. The primary intent was to sharpen insight into the human dynamics underlying the integration of mergers and acquisitions by identifying those patterns of behaviors or perceptions which appeared and perceived barriers and supports to the integration process. Further, it was intended to suggest actions to facilitate successful integration.

Not less than four on-site management level individuals from three different textile firms which have made acquisitions were interviewed producing a study population of 13 managers and three presidents or chief executive officers (See Table 1). Subjects were a part of the management team for a minimum period of one year prior to the acquisition and were employed in a management position at the time of the acquisition. Subjects included managers from both the acquiring and acquired organization. Participants were selected from candidates suggested by the organization. Selection was not random in that management provided the list and participants agreed to be interviewed. One person refused to participate and cited fear of repercussions from upper management as the reason. The management level was targeted based upon the research which indicated managers were most impacted by acquisitions and mergers (Kanter, 1989). A minimum of one year tenure with the organization ensured familiarity with and some grounding in the premerger organizational culture. Interviews were also conducted with three managers who were not a part of the three transactions, but had experience with other integrations.

Subjects included a representation from the age groups 26-35, 36-50, and 50+ to enable analysis of data related to normal life stage changes in addition to identification of cross-categorical themes. The subjects were caucasian males (Table 1 and Table 2). Although geographically located in the southeast, all subjects were not native southerners. The plant sites of those interviewed were located in the piedmont sections of North Carolina and South Carolina. The corporate offices were located in North Carolina, New

York, and Tennessee. The companies were major textile manufacturers. All of the merger activity represented horizontal integration.

## Research Design

The researcher conducted lengthy interviews with each subject focused on the following areas suggested by the research of Buono and Bowditch (1985).

1. Personal descriptions of work
2. Organizational history
3. Types of people working at the firm
4. What type of place the company is to work at
5. Management style before and after the combination
6. Policy and procedural changes
7. The integration process itself
8. Outcomes of the integration
9. Individual reactions to the combinations
10. Perceived facilitator and obstacles to the successful integration of the acquisition or merger.

The purpose of the interview was to encourage the subject to give meaning to the process of integrating acquisitions or mergers. The questions using the format generated by Mercoby (1988) were open-ended. They were not intended to limit the interview but offer a framework for consistency and efficiency.

Each interview was recorded and transcribed.

Subjects were given an opportunity to review the transcripts for accuracy and clarification if necessary. Their suggestions were considered by the researcher. However, the researcher was the final judge as to what data was included in the dissertation. Actual transcripts were not appended but were placed on file with the researcher.

## Analysis

Each interview was analyzed separately for the depth of meaning it brought to understanding the human dynamics underlying the integration of acquisitions and mergers. The researcher examined the interview data to identify themes or patterns of behaviors which were characteristic of the process regardless of the setting or life stage. Finally, emerging themes were studied to identify barriers and supports to facilitating the successful integration of acquisitions and mergers. Strategies to prevent and resolve barriers were identified.

Table 1

INTERVIEW SUBJECTS: TOTALS

N: 16

White Males: 16

| Position | N |
|---|---|
| President,CEO | 2 |
| Division President | 1 |
| Vice-President | 2 |
| Plant Manager | 1 |
| Human Resources | 3 |
| Operations Manager | 2 |
| Department Manager | 3 |
| Sales Manager | 2 |

| Age | N |
|---|---|
| 26-35 | 3 |
| 36-50 | 7 |
| 50+ | 6 |

| Original Employer | N |
|---|---|
| Acquiring | 7 |
| Acquired | 9 |

Table 2

INTERVIEW SUBJECTS

N: 16

White Males: 16

| Position | N | Age | Original Employer |
|---|---|---|---|
| Company A | | | |
| Division President | 1 | 36-50 | Acquiring |
| Vice President | 1 | 36-50 | Acquiring |
| Sales Manager | 1 | 26-35 | Acquired |
| District Sales Manager | 1 | 36-50 | Acquired |
| Human Resources | 1 | 50+ | Acquired |
| Company B | | | |
| President, CEO | 1 | 36-50 | Acquiring |
| Vice President | 1 | 36-50 | Acquiring |
| Plant Manager | 1 | 36-50 | Acquired |
| Operations Manager | 1 | 50+ | Acquired |
| Department Manager | | | |
| A | 1 | 50+ | Acquired |
| B | 1 | 26-35 | Acquiring |
| Company C | | | |
| President, CEO | 1 | 50+ | Acquiring |
| Human Resources | | | |
| A | 1 | 50+ | Acquired |
| B | 1 | 36-50 | Acquired |
| Operations Manager | 1 | 50+ | Acquired |
| Department Manager | 1 | 26-35 | Acquiring |

# Chapter IV

## Findings and Data Analysis

This research sought to identify obstacles and supports encountered by managers integrating an organization following an acquisition or a merger. The data on which this research was based consisted of in-depth interviews with 13 middle to upper-level managers in the textile industry and three presidents or chief executive officers representing three different textile companies. A manager in each of the three acquiring companies was interviewed. The others were employed by the acquired companies. The chief executive officers were all a part of the acquiring organization. The research focused on three specific transactions. The experiences of those interviewed, however, included eight different transactions. Two upper level managers who had experienced an acquisition outside of the three identified companies were also interviewed. The data from these interviews was interjected as additional information.

Specifically this research sought to answer five questions: (a) What were the identifiable patterns of experiences and perceptions on the integration process of acquisitions and mergers among managers who were a part of the process? (b) What barriers and supports following an acquisition or merger were identified by managers? Why? (c) What similarities and differences in perceived barriers and supports were identified by managers in the acquired organization and mangers in the acquiring organization? (d) Did differences in expectations between managers of acquired and acquiring organizations exist? If these differences did exist, how was the integration process impacted? Why? (e) What procedures for prevention and resolution of the identified barriers could be identified? Why?

The presentation of the data is organized according to six common themes identified in the interviews which were the perceptive lens through which the subjects described the integration process: personal history and work experience, perception of loss or gain, perception of change, communication, perceived value of individuals, and perceived opportunities for growth. The presentation of each theme includes the identification of obstacles and supports to the integration process. The themes also provided a framework to examine the impact of differences and similarities in perceptions between acquired and acquiring managers.

Pseudonyms were used for both individuals and companies to provide anonymity for participants. Although the organizations were not the focus of this research, pertinent background information is useful to establish a context for presenting the results.

## Context

The textile industry emerged primarily as a highly developed "cottage industry" during the eighteenth century. The factory organization concept grew in northern England. The Industrial Revolution, at its peak between 1760 and 1815, accelerated the growth of the mill system. The replacement of water power with steam power increased the speed of power-driven machinery and firmly established the factory system in England. Development in Europe and the United States followed. A succession of improvements in textile machinery increased the volume of production and lowered prices for finished cloth and garments through the nineteenth century. Advances in the twentieth century emphasized automated systems and advanced technology.

Life in the American textile industry has changed dramatically from the close of the nineteenth century when workers left rural farms to toil in the tiny mill villages of the South or the industrial cities of the North. These textile mills spawned a new generation of companies like Milliken, Springs Industries, National Spinning, and Vanity Fair with broadened product lines responsive to changing technology, markets, and times.

Quality has become a focus demanding participative management, employee empowerment and committed leadership. As the market became crowded with products and the need to grow technically became crucial to maintaining a competitive stance, growth by acquisition became a common process.

Horizontal integration, acquiring similar organizations, provided a means to expand manufacturing capacity and/or eliminate competitors in crowded markets. As technology advanced, horizontal integration also allowed companies to expand product lines and gain technical expertise. Textile companies sought to integrate vertically to reduce operating costs and maintain profit margins as labor and materials became more costly. Customers were purchased to control product outlets. Owning suppliers of raw materials and equipment or component parts decreased manufacturing costs. Following market trends of other industries, growth by acquisition gained prominence and spread to include acquiring unrelated industries which lead to conglomerates.

The three acquiring textile companies whose management participated in this research followed those trends. Several prominent families in a small southern city purchased a failing textile mill. Anderson Manufacturing was born. The leadership and management of the company became successful and competitive with full ownership residing with one of the families. Anderson Manufacturing began growing by acquisition in the mid 1950s by acquiring smaller textile operations in the same geographic region. According to the current president,

> in 1954,'55,'56 the industry went on an acquisition binge. Business got pretty difficult for some companies. Lineberry over in Benson began selling off some holdings. They had five or six plants at the time. We purchased four of them.

All of Anderson Manufacturing's acquisitions have been horizontal with the belief that they had a better idea of how to sell yarn.

> If you look at what we did I think this is what makes us different from companies like RJR. I do not want to say that ours are 'no brainers' for us but ours really were pretty simple. When we made these acquisitions we had the luxury of making them in times when we were over sold and we needed more capacity. One of the reasons we were oversold is that we were doing a good job with our quality. We had a great sales staff and we covered the market. We bought people who did not have those things, yet had pretty good plants.

In June, 1989, the owners of Anderson Manufacturing and Benson Manufacturing shook hands on the purchase of Benson by Anderson. The agreement was signed in August, 1989. According to Larry Turner, who was brought in to head the operation of the three new mills,

> It was a good handshake. The company was going broke and the owner was real sick. His son was running the company...

Southern Textiles was formed 45 years ago and currently holds mills in Tennessee, Alabama, Georgia, California and North and South Carolina. The purchase of TexSouth in 1987, also a horizontal acquisition, introduced new product lines and increased market shares in dual markets. Ned Long moved in as president of the knits division of the purchased TexSouth, two manufacturing facilities employing approximately 1,000. According to Long:

> Southern and TexSouth were both about the same size with about $300 million a year in sales. Southern had made some changes in strategies back in the early 80s. That allowed us to get into position to make acquisitions comfortably which is what we wanted to do in order to maintain control of the company. TexSouth really was not in that position. They had gone private in early '83 and had a big debt load. They were interested in finding some way to solve that problem. We were familiar with TexSouth. There were people working in Southern who had worked in TexSouth at one time. Common business relationships began talks about the possibilities of putting the businesses together. Over about a three or four month span we came up with an agreement. They signed a letter of intent in early March and finalized the deal in early April, 1987. It's a matter of Southern having a strategy to grow the business by acquisition as it made sense to us. On TexSouth's side, they had some problems that they were looking to solve.

The third company, White Industries, is the largest corporation and includes operations in six states. It is the only one of the three listed on the New York Stock Exchange. White Industries began in the late 1800s, employing local workers and building a mill town. Company historical documents offered this description:

> The people shared certain characteristics. For one thing, the mill hands tended to be homogeneous; there was much 'like mindedness.' They shared more than poverty and insecurity; their interests and traditions bound them together as surely as if they were of the same blood. Clannishness was quickly evident to outsiders who went into their midst.

The company grew rapidly with expanded railroad services constructing plant sites in neighboring communities. A series of successful acquisitions began in 1900. The mills and subsidiary corporations have passed through five generations of Whites. White Industries purchased Leitner Company in 1985, another family owned textile operation that had grown to be listed on the New York Stock Exchange. According to company historical documents:

> It was described as the largest merger of two corporations in the history of United States Textiles. White Industries diligently searched for the right company to purchase in order to reach its long term goals for sales, earnings and return on equity... All parties saw the merger as an opportunity for both companies to become stronger. Both companies valued goods and both continually worked at upgrading plants and equipment.

Leitner and Company employed approximately 9,000 and White Industries employed 16,000 at the time of the acquisition. Combined plant sites totaled more than 43 in the United States and overseas.

The integration of the three textile companies shared horizontal approaches. The differences in size and ownership offered an opportunity to explore management experiences in the integration process regardless of the variables of size and acquisition type.

Each of the six common themes was treated separately to examine the human dynamics underlying the integration. Identification of barriers and supports to the process are included. Differences in perceptions and expectations between managers of acquired organizations and managers of acquiring organizations also are presented. The order in which the themes are presented is relative more to the chronology of the process than to importance.

## Personal History and Experience

Personal history and experiences influenced the attitudes of those interviewed toward the integration. Seven of the managers who were a part of the acquired company, and who have successfully progressed within the new organization following the acquisition, described stable and committed family and/or personal work histories.

One of the few acquired managers in his organization to be promoted to a senior management position in the parent organization described his background:

> I am going to be honest with you. My father does not have a lot of education. He is a hard worker

> and worked for the same company for 48 years. He ended up as a supervisor. I guess I grew up with nothing handed to me. At age 11, I was cutting grass and buying clothes. I worked and put myself through school... I grew up thinking if you have a good job and you are committed to it, you can not change. You just can not take that chance.

Another manager responded:

> Q: It seems that you believe in staying with a company.
> A: Yes, yes I do. I do not feel I can get anywhere by moving around. I feel that if I do a good job, I will be treated like I am doing a good job. That has worked out pretty well for me.
> Q: Did your parents have that same belief?
> A: Yes. My mother did not work outside of the home, but my father did. He stayed with the same construction company about all his life.

A third manager, who had 21 years with the acquired company, stated,

> If you like your job and like what you are doing and you are treated fairly, which I have been everywhere I have worked, then why change? My parents always felt that way.

Three other managers described several relocations in their work histories to progress either within the organization or with different companies histories. They indicated a desire not to return to that lifestyle. One stated, "I had two children in college and I had two more at home. I had a lot of self-imposed pressure to stay in this area." This "self-imposed pressure" appeared to be life stage related. However, a younger manager shared a similar concern, "I had invested my entire career. I did not just want to walk off and leave it. My family is here."

Five of the interviewed managers, including the three who were no longer with the companies, and two senior managers in one of the acquiring companies who had left other organizations following acquisitions did not perceive moves negatively.

> I would have gone to other parts of the country if it had been a move to advance my career. I was able to keep moving... and get a lot of experience and develop...

Managers who maintained a value of commitment and stability based upon personal histories and external demands appeared to derive internal encouragement to adapt to the changes within the company rather than discard long term beliefs and personal commitments. An obstacle for those managers may have been that those senior executives interviewed who directed the integration process did not view moves negatively. One described exit interviews with displaced managers,

> I always told them, 'You will not hear me now, but you will hear me later. This may turn out to be the best thing that ever happened to you. Go on from here.'

The ability to "go on" or remain successfully with the company appeared to be related to whether or not the manager perceived the change as a loss or a gain.

Loss or Gain

The individual perceptions of the acquisitions as a loss or gain appeared to act as either an obstacle or a support to the integration. All of those interviewed who remained with the company following the two integrations described as "successful" viewed the acquisition as a gain. One of the managers explained,

> When I hear people talk about (the acquired company) days, it is mostly negative stuff. Even with the downsizing people see it as a positive thing to have happened... I think we were fortunate that a company like (acquiring company) wanted us. I think we had a better opportunity because it was locally owned.

A manager in the same organization agreed,

> If it had not been for (acquiring company) those mills would have been stopped... I think that had it been bought by one of these other companies the improvements would not have been made.

A manager in the second company described having access to the information that the acquired company had financial difficulties.

> I was in a position where I saw a lot of the financial information. We had gone through a leveraged buy out and we had no money. We were successful, but we had no money. The bank owned everything. The cash came in for receivables and went to the bank. We always had a revolving line of credit. It was going down, but all the profits went to paying off the debt which left no money. I knew that if we really hit a bad time in business that the bank could take us over... a lot of people did not know what kind of shape the company was in... They did not

> understand that they had a job today because (the acquiring company) bought the company.

A colleague agreed,

> In my estimation, (the acquired company) was not the most progressive textile company in several areas- pay, the way people were treated, advancement opportunities, just a number of things that after a span of time had begun to surface that did not appeal to me... It was an opportunistic thing for me that we were acquired.

Both of these managers were exploring other job options at the time of the acquisition and described the acquisition as "the best thing that ever happened for the company."

These managers continued to describe fellow managers who were no longer with the company.

> He has been forced to be accountable and it has been difficult for him to adjust to it. We have a corporation now that owns us and expects some accountability which is the way you should run a business. It is contrary to the way those folks have operated- some of them, for years. We still have some people, not just management, but also in production and some auxiliary areas who see what (the acquiring company) is having to do to put it on track. They are faulting (the new company) for the things they are being forced to do because (the old company) never did any of these difficult things.

Managers in the third acquisition did not perceive the acquisition as a personal gain. "We had a lot of things going on. They wanted to tap that resource." In describing systems another manager stated,

> When we were with (the old company) and it has been proven to be so now, we had some systems that were more sophisticated and more updated. Yet, we still did away with the more updated systems and went back to an old antiquated system because that is the way they did things. That was frustrating.

These same managers were aware that the company would be sold because the incumbent owners wanted to retire. One described the initial optimism they felt,

> All of the people were very, very happy because they knew we would continue to exist, maybe not as an individual plant but as a group...We had an excellent reputation when (the company) took us over.

Reality was disappointing.

> What disappointed me was that I had always heard that (the acquiring company) was such a people oriented company. Everyone said, 'Boy you are going to love (the acquiring company)'...We did not have the same privileges we perceived were available.

Another stated,

> The hourly people saw the benefits as being less than they had before. The salaried associates perceived it the same way with the exception of retirement and profit sharing which was much better than we had before. They perceived it as less even though it probably coincided with the rise in medical costs. As far as dealing from a managerial level, we felt like the redhaired stepchildren. That was not just here, but at all the (old company) locations.

These managers questioned the objectivity of the acquiring company's decisions to rationalize operations.

> Things were done to protect the (acquiring company's) plants in a particular area when we were more profitable at another location running the same thing. We closed the plants and moved them to another site... There were less feelings for where the (acquired company's) plants were. I think possibly some of those things could have been done differently.

According to another manager,

> They really feel that that plant was sacrificed to protect the old (acquiring company) people. We have closed six old (acquired company) locations recently. We have not closed any old (acquiring company) locations.

According to a manager who left the company, the acquisition was viewed as a loss.

> Speaking personally, no, and it continues to be that way. Now, years after the acquisition, they have cut out 1200 jobs. When you cut out 1200 hourly jobs you lose 30-40 salaried managers. It is a tough time for people like myself who are highly motivated and want to grow.

The owners and top executives who initiated acquisitions viewed the acquisitions as gains. The transactions were not consummated if they did not. The managers, however, did not pursue the acquisition nor could they prevent it from occurring. They had three choices: (1) support the integration, (2) resist the integration, or (3) leave the company.

Closely connected to whether a manager perceived the integration as a loss or gain was the attitude toward change. Personal resistance to or acceptance of change appeared as a common element in examining obstacles and supports to successful integration.

## Attitude Toward Change

Each manager interviewed described the need to change as a necessity.

> Their methods of doing things. Well, if you are not willing to change them, you might as well leave because you are not going to get along with the company.

A manager described a fellow manager who did not survive the integration.

> He just absolutely refused to get along with anybody. He wanted it to be his way, he did not care if (the acquiring company) owned it or if the President owned it. That does not work, you have to be flexible.

A manager employed by an acquiring company who was responsible for integrating one of the acquisitions explained that change was too difficult for some of the acquired managers.

> They had been operating like that for so long that they were not going to change. Most of them just finally quit. We did not have to fire many of them at all. They just said, 'Look, this is not for me.'

A manager with another acquired company described resistance to change as the quickest way out.

> Q: What would you recommend to a friend who worked for a company that had just been acquired?

A: If they were corporate staff, the first thing I would recommend to them is to find out what they do in their particular area. If they do it differently, be ready to make the transition. A performer has a lot less to worry about than someone who does not perform. I would tell them not to resist change because resistance is the quickest way out. If you talk to the old (acquired company) people who are no longer here, the vast majority of them are not because they resisted. That is the quickest way out.

Those interviewed recognized that the pervasiveness of change was difficult.

> When you take a company that operated a certain way, then you change that, you are changing not only the physical facilities but the mindset, the procedures, every phase from stem to stern. It is almost like being in intensive care.

Experience led one manager to believe that there existed a point at which changes were impossible.

> I am not sure where the line is. Involved is the dynamics of the person. Some people are just more flexible than others. After a point I think it is probably impossible for anyone to make that transition. They have become acclimated to a life style, a routine. I do not think you can relate it to age. I think it is a mindset. Some of our folks have been in the trenches for too long to have that resiliency.

An important distinction was made concerning changes. One of the acquired managers explained that he had changed processes and procedures, but not his basic commitments to himself.

> I made that decision early on. That I am me. I operate one way. I take a stand. I am honest. I stand up for my people and I have not changed that.

Paralleling the importance of the attitude of acquired management toward change was the integration of processes by the acquiring management. One of the division presidents interviewed explained that the companies may have found it difficult to change. "I think you get into a mindset that if you have been successful doing something, it is hard to accept the fact that you have to do things differently."

A manager with an acquired company suggested that acquiring management be open to adopting methods from the acquired company.

> I would recommend that (the acquiring management) be open minded enough to look at the systems not only from what they are familiar with. Keep the best, most modern system. Really we are going back now after we went to their old system and lost our more modern system. Five years later they are going back to what we had initially. I think there is a lesson to be learned. I think there was just a personal prejudice toward what they had. I am sure we were 'they' to them too.

Another manager warned,

> If the acquisition company is not willing to learn from who they buy, then they are going to be in serious trouble before too long. Their way is not necessarily the best way. It may be right, but it is not necessarily the best. You can not have duplications, but you can not automatically assume that all of the management of the company you are buying is all worse.

Even those managers who were flexible and viewed the acquisition as a positive change found constant instability difficult. One manager referred to it as the state of "ever change."

> There is a saying around here that if you do not like the way things are just wait. They will change it someway. N was tremendous for this group. Now, he is gone and J is here. I am not saying J is not good, but all of a sudden there is a new set of standards. You are just getting comfortable with one and now it is changed. JL was in charge of sales. I was very comfortable working with him. I knew what he expected. Boom, now they have moved him out. There is a new set of expectations. It seems that it is always changing. It seems right when you are getting comfortable to a point, it changes. Then you are uncomfortable, somewhat insecure. That has been tough.

The organization had experienced these constant changes for a three year period at the time of this interview.

The length of the change process created obstacles in a second company as well. The only noticeable change during the first two years of the integration was that division staff began attending meetings. "Until something started happening we thought we would stay like we were," related one manager.

Another manager described the process,

> It was almost like we have three years to do something. We do not do anything for the first two and one half years. What are you going to remember? The last six months where everything changed so rapidly.

Each of the managers involved recommended that a company be more expedient in the process.

> At staff level it affected them tremendously- the not knowing. They lost a few key people during that time but not many... I would tell them to move a lot quicker, especially in areas where people were going to lose their jobs because the people who were left would be a lot more productive. We had a lot of reduction in output because of these people who did not know if they were going to have a job. I would tell them to move a lot quicker.

The ability and willingness of management, both in the acquired company and the acquiring company, to adapt and initiate change was identified as a support to the integration process. Constant, long-term change, even for those who were flexible, tested individual limits and became an obstacle. Resistance to change by both individuals and system were obstacles to integration.

Frequent and immediate communication was cited by all of the managers as necessary to facilitate the integration. Clarifying expectations reduced anxieties and insecurities surrounding the changes.

## Communication Issues

Acquiring management in two of the three transactions immediately began to communicate expectations to the acquired staff.

> They came in and had big meetings with everybody...They assured all of the people that they were going to be

> treated fairly, they were going to be paid equally, and that as long as they ran their jobs properly they were going to have a job.
>
> This was viewed as an important initial step.
>
> It is important to know what is going to happen including benefits and whatever. That is not as important as knowing that you are going to have a job.

Both companies organized employee meetings to introduce the new company immediately following the acquisition. One company president described the process:

> Once we ink the deal, starting with day two, we meet with every single employee in the organization in groups of 10 to 12, some 24-30. We go in, the CEO, myself, vice-president of management, head of sales, vice-president of finance, the plant manager, and personnel manager. We each have something to say. At that point in time, we outline everything. We outline why we bought them, what we hope to do with the business, what our objectives are, what we're going to do and what they can look forward to seeing us do and what the history has been in our organization. We also tell them a little bit about us and where else we operate plants, what our market share is, what our philosophy is. We introduce ourselves to them. We tell them what their benefits are going to be- the changes, if any, in hospitalization; if any in pension; if any in our schedules; if any in seniority, in housing, or in any other conditions that might happen. We explain all that to them right up front. Then we ask if they have any questions. You get a lot of questions like, 'Are we going to get a raise?' We answer that head on, 'Not until we get profitable.' It has been a great process for us. Frankly, I do not know how you can do it any other way and expect to be successful. The people have questions. In a manufacturing operation, I do not care what it is, you have some know-it-alls out there. If you allow them to tell what you are going to do, you are asking for morale problems. That's why it is best to hear it from the horse's mouth.

The managers of the textile company acquired by this president's company also believed that communication was a key to the success of the integration. They described it as "excellent." The interaction with the chief executive was cited as important in both companies for credibility,

> ...they would have believed them (middle managers) but it would not have been to the high degree as coming from (the CEO). I think that was like icing on the cake.

The key difference appeared to be that one of these acquiring companies fulfilled commitments made in these early meetings.

> They have held up to their end of the bargain. They have done everything that they said they would. I think that is one way that they go off on the right foot with the people. In return they got a whole lot of good employees.

The second company moved more slowly following the initial meetings. According to the manager who was terminated,

> The getting answers went too long. We just kept doing the same things. Just the fact that it was going on the same did not solve the problem. As a result we lost that credibility... We had to delay it again and again. Finally it just got to be kind of a joke.

The division president explained that these barriers to communication were created by inadequate planning of management resources.

> When we expanded and bought (the acquired company) and got more complex, complicated businesses with much bigger product lines, we found out quickly that we did not have the quality people running our MIS group or the systems to run those businesses. Another problem we found is that we had a sound business strategy to grow the business and we had a good financial strategy and position to grow the business but we did not have the depth of management to acquire a business that we needed to be able to go into and have an impact.

As a result managers did not feel secure. The initial fifteen minute meetings "did a lot" for the managers but it was not enough to assure them of a future with the company. One manager suggested,

> The whole idea would be to tell them how important they would be to success of the merger. This importance, not just at the time of the merger, but long term. Get them comfortable early.

In the third integration, where few changes were made until the last six months of the third year, communication was described as a problem, possibly attributable to the magnitude of the merger. "We were pretty big then. I think it was as big a shock to them as it was to us."

A manager with this acquiring company who resigned after the merger to work for the company whose communication was described first in this section, compared the two. "A company does not have to be faceless, like a big public company."

He attributed the lack of communication as lack of understanding of the operation, despite the fact that both were textile companies.

> I really do not think they understood what it took to run a plant, to run a textile manufacturing company... They just tried to run it without being involved.

Communication within the first company was described as excellent by another manager from the acquired company.

> I get lots of information. If they were coming out here to terminate me, I would know it before they got here because I already have the information. I know what is expected up front. I know who is making what. I am allowed to go in other plants anytime I want to tour.

When the company implemented changes, notices were posted on bulletin boards describing exactly what would happen. According to one of the mangers, "You know exactly what is going on. They keep people informed."

This open communication was a change for these acquired managers.

> It was very poor with (the acquired company). We even had some of the other plant managers who would make snide remarks... I feel like we are more in harmony than we were in (the acquired company). I feel like I can go over and talk to JM anytime I want to about anything.

The president described "an open door policy" which encouraged two way communication.

> We do not ever leave a meeting with one of our associates that we do not tell them that we have an

> open door policy. If they do not get satisfaction, we want them to follow the chain of command, but they can come to us.

The owner and chief executive officer communicated the policy both verbally and nonverbally.

> The (CEO) likes to come through here on Saturdays. He comes in casual clothes. He just likes to mingle with everybody- shaking hands and speaking to them.

Each manager interviewed with this company appeared to have adopted the same policy.

> I make it a point to be at work every morning before shift changes so if the people need to talk to me or I need to talk to them, I will be available six days a week. I get dedicated employees that way. I feel we have a pretty tight knit group. Everybody knows if they need to talk, they can talk to their supervisor, to me, or right up the line- somebody is going to listen.

The president explained that close constant physical contact could not be maintained with those plants that were geographically distant but "we are still active managers. I am in those plants. We all are. There is no mysterious (corporate office) out there." A company newspaper produced by the employees was also used to promote "that sense of community in that people know what is happening in other plants."

The communication also was viewed as an improvement in the second company,

> We know more about where we stand than we ever did before in terms of making a profit or problems, or how we stand on working on those things. There is more sharing of information.

However, one of these managers described the communication more as monitoring than as inclusion.

> There are a few more layers of management or communication that has a built in 'got to have approval' type of thing... It is a very elaborate and expensive record keeping. You are looking at bottom lines everyday as opposed to the way it was before. It just takes so much more in the number of phone calls and the pounds of paper for reports and presentations. Getting all these things ready as to how we did this week and the week before and quarterly meetings and quarterly reviews. Then you have rehearsals for the quarterly meetings. You script it and you orchestrate and you prepare and you run people through here to get ready.

Another manager in the same company agreed with the description of communication as monitoring. "It is like they are going to prove that that is the way you do things."

Two way communication appeared to have been blocked by key individuals.

> He neither solicited nor accepted opinions from anyone here. When they were offered, he immediately dismissed them. The people left that area.

Some of the existing key managers were described as blocks to communication. A manager described one of the vice presidents in the acquiring organization.

> We would say we need to do this. It would be totally dismissed if it was something he did not understand how

> to do or if it was something he disagreed with. Most of the time he did not understand it... That in itself caused a lot of problems.

Both of these senior managers in the acquiring company were no longer with the company. The new leadership was reported to

> encourage participating, putting decision making down, sharing information and breaking down the walls between the different functions... We put everybody on a level playing field from an information standpoint. Instead of telling everybody what to do, we started asking what we ought to do.

Managers in the third company recognized that "keeping the communication lines open up and down was definitely a key through the whole process." Lack of communication was reported as a continuing problem.

> Even to this day we still do not communicate the way we should be able to communicate. We continue to try, but it is not something that you have overnight.

The fact that the acquisition occurred six years earlier is paradoxical.

A second manager, describing "poor communication," stated,

> We find out more in the newspaper than we find out from our own company. We could make an announcement to shut down a plant and we would read it in the newspaper before we knew it here. You know it in the plant the same day you read it in the paper.

To facilitate integration he recommended being "open in their communications and quicker so that it eliminates a lot of the worry and a lot of the concerns."

These managers recalled the interaction prior to the acquisition:

> (the acquired company) was very close knit... You could pick up the phone and call for advice or just to talk. We can not do that with (the acquired company). Since 1985 I have visited one location in depth and parts of two other plants. When I had been with (the acquired company) for that period of time, I had been at all the plants and the managers had been in mine.

He described communication in the acquired company as a free flow of information.

Communication was cited by all the managers as a key support to successful integration of acquisitions and mergers. Those managers who described an open, free flow of information from upper levels to frontline employees, and laterally to fellow managers, also described a higher degree of satisfaction with the integration, a feeling of being a part of the team, and less personal anxiety concerning the change. Conversely, those managers who described poor communication, expressed less satisfaction with the merger, more personal anxiety, and feelings of disenfranchisement.

Knowledge, depth of management, and pre-planning on the part of the acquiring company were perceived to facilitate communication networks during the integration. Closed communication that was directed only from upper management and discouraged participation was an obstacle to successful integration. The responses were similar to those created by the absence of communication.

Communication was identified as a key because these acquisitions began with financial statements, contracts, buildings, and machinery. However, in the final analysis these acquisitions were about people. One company president stated, "You have to do a good job of informing the people because you are acquiring some good people."

A manager agreed, "that is all this is, is a people business- trying to get the most out of people, motivating them instead of brow beating them." Open communication and inviting participation in decision making were described as important steps toward demonstrating a value for the acquired managers.

## Valuing Individuals

The president of one of the acquiring companies was critical of financiers who sit on Wall Street buying companies,

> because he does not care one thing about these people. So, why should they care about him. Look at Cannon and what has happened to them. For them to say management does not care about me, they are right, they do not. RJR- do you think for one minute that Ross Johnson cared about those employees? They could have cared less.

The managers interviewed agreed that employees look for indicators that a company values the employees as a support to the integration process. The obstacles created by the insecurities following the acquisition focused the need for reassurance. According to one manager,

> The first thing is a feeling of what is going to happen. Are they buying us just for the (product) name? Those sort of things go through your mind. Insecurity is bred whether you mean for it to or not.

Verbal communication was insufficient at this point.

> You can say anything you want to, but if you have it going over in your mind, what you hear is not going to do any good. You have to show them. You are going to have to show me.

Actions which fostered a sense of team and belonging for the acquired managers appeared to support integration. Acquired managers in one of the integrations described feeling a part of the team prior to the acquisition.

> We had the feeling that we cared about one another. We would stick up for each other. We did a lot of fellowshipping. We went on outings... there was a fraternalistic feeling that I think was genuine caring about people.

Another of these managers responded,

> I do miss feeling a part of the corporation instead of just feeling part of this plant. The plant managers are starting to build teams among themselves now (six years later). I think the real benefit will be when it filters down.

The management group interviewed who perceived an increase in team support were acquired by an organization that named plants by the corporate name and a number, Plant 17, for example. Employees worked for the company, not a specific plant.

The other managers were "looking for someone to show us something and that did not happen." What they perceived happening was a "clash of philosophies."

> At (the acquired company) we hired and developed supervisors, department managers, and staff people that were technically oriented. People who could run their job technically. (The acquiring company) brought people along much faster. A lot of people they brought along did not have the technical skills to run the same job in the same way that the (acquiring company's) managers would. So (the acquiring company) developed a technical department... The first real anxiety type problems we had in the conversion was this technical department coming in and telling you everything you were doing wrong. You may be sitting there making plenty of money for them and so forth and then they would come in and tell you what you were doing wrong. They would really try to get you to do it (the acquiring company's) way, not the best way, but their way or the technical services department's way. That created a lot of animosity.

The managers reported an "us and them" feeling created when key promotions continued to go only to the acquiring company's original employees.

> If there was a consolidation, it appeared that the (acquired company) person was the one who was discontinued. The (acquiring company) person was put over the whole thing. I did not see a lot of promotions from (the acquired company).

These observations created anxiety for the managers. One explained,

> I never felt like they were out to get me, but I felt like I would be gotten. It was not a personal thing. It was just that they know these guys and they do not know me.

The managers attributed increased feelings of job security to the fact that they had been given the time to "prove that they can produce." The manager who chose to resign, "got tired of it." He explained, "I needed another challenge. I just needed more responsibility. I just did not see that coming." He described his new employer,

> I happen to like the way he thinks. It is a great company. He loves people, he believes in the plants and re-investing in the company. That was it for me.

When asked what he believed an acquiring company needed to do to support managers in the integration of the acquisition, he answered,

> I would want their confidence and I guess I would want to be given the opportunity to show them we could be profitable... whatever it would be, I would be looking to them for help.

Managers interviewed from a second integration described receiving this type support.

> I think if you interviewed the workforce here now they would tell you that things are 100% better now than they were two years ago. They are getting more hours,

> they are making more money, they have more job security. They did not feel that way at first.

The employee meetings with high profile involvement of the senior management, including the CEO and president, mitigated the initial anxieties by explaining the company philosophy of employee involvement and empowerment. The president of the company conveyed a belief that you have to let the people know what is important to you and give them the confidence to help accomplish it.

> I think it makes a statement when you go out there and say, 'I believe in quality. From this day forward if you have to shut the machine down, you do it. That tell them something... Here I like to say there is no difference between me and the guy sweeping the floor. We just have different responsibilities. We are both essential.

A manager of the acquired company agreed that the company is "high quality oriented and high people oriented" stating,

> They showed me that when they gave everybody who worked for (the acquired company) a job. Even the managers who lost their jobs were given jobs in the beginning. They were not able to hang on to them because they did not perform their duties.

One of the other managers described his initial fear of being perceived as a failure because of the performance of the acquired company.

> I thought to myself whether or not I have to go hunt for a job, I would give anything to have six months

> with this company to prove that I had sense enough to do the job.

What his manager found was a company that allowed mistakes and encouraged him to take responsibility.

> There is too great a need for team work and sharing of ideas and things... When I first came down here they said 'you run that place like you own it'... You are told here are your objectives. You just do it. When you do it and feel good about it then that is security. Running your job is the best security in the world.

A second manager related a similar experience.

> I think that the thing that helped me switch over was when the plant manager told me to take these certain people. He gave me assignments of what he wanted them to do and he went on about his business. I did a good job on what he asked me to do. He told me how much he appreciated what I was doing... I just feel like I got off on the right foot with the managers... They valued my opinion about what to do on certain things.

The president and division manager, ironically, questioned giving everyone an opportunity.

> We gave everybody a chance but I will tell you what. We would have been better off if we had just cut our losses from day one and told them 'sorry we have not got anything for you!' Then we could have put some of our own guys in there for the transition. The acquisition would have been a lot quicker. I can tell you that is a lesson that we have learned. We will not make that mistake again.

The acquired managers believed that a policy of immediately terminating managers following an acquisition would have had serious repercussions. "It would be too big a shock just to come in and wipe out everything at one time."

Another believed:

> that might have put a bad taste in some people's mouths. I believe they would have lost a lot of good employees... It would have really shaken everybody up. It would have made people feel insecure.

Objectively applied rationale for terminating and promoting employees appeared to support the integration process. Subjective criteria created obstacles. One manager described the impact that seeing decisions based on politics had on him.

> I have seen instances where performance is not enough. In a company like (the acquiring company) I have seen it a lot. Politics mean a lot. Playing politics will get you a long way, it did in that company... All those positions were just politically grabbed up. One friend of mine was the quality director for the company. He ended up getting knocked out of the job by some guy who never worked in quality. He was named quality director of the team because he was real tight with the vice president. When I saw that, it just enraged me and it did not even happen to me. How can you do those kinds of things? Those kinds of things made it easy for me to leave the company.

Each of these acquired managers also cited recognition as important. One described "atta boys", memos sent to commend good performance from senior management.

> You know when you do something wrong but this is the first job I have ever had where somebody has told me

> that I have done a good job. To me these thank yous are worth a thousand dollars. I had just as soon have this as a thousand dollar bonus. Of course I would like to have the bonus but the bonus you just go out and that $500-1000 is gone in an hour and you forget about it. But something like this you hang on to it and it goes a long way. And that is why I am here and that is why I plan on staying here.

The second demonstration of a sense of value noted by these managers was the immediate material investment the acquiring company made.

> I saw a company willing to invest money in the company. The last few years with (the acquired company) we could not get the money to buy parts we needed... they were just running everything they had, never making any changes. You could tell that they did not care. (The acquiring company) has completely modernized two of the plants. They put a ton of money in each of them. It is unbelievable.

Investment was a part of the strategic plan for this company. The president warned,

> Overpaying and over leveraging is the wrong way to make an acquisition... There is no money to put back into the operation, the operations are not efficient. They are outdated, quality levels suffer.

The division president of the third acquiring company also described investing in the acquired company directly to convey a sense of value and team.

> One example of what I am talking about is that we had a hot food cafeteria downstairs, cooked by employees that all the people who worked in the offices ate in. It was prepared daily and cooked on site in a very nice facility. Out in the plant we had a hot food cafeteria, but it was all brought in by a vending

> company. The quality of the food was different and the plant cafeteria was a pig pen. What we did was eliminate hot food and put vending in both areas. We spent $60,000 out in the plant upgrading the facility. We got rid of designated parking. We started having weekly staff meetings.

The acquisition was a "God send" for one of the managers because he

> got opportunities. Now I am running a $38,000,000 division... They organized quality teams. They solicited participative management. They solicited view points from subordinates. It is a team concept. It is a lock arms, not horns concept.

He described the new senior manager,

> He is the kind of guy who delegates. He has let me run this place from day one... It has been a partnership. If I needed help I went to him. I like it that way. I do not like anyone peering over my shoulder.

The manager who was terminated by the acquiring company did not share these sentiments.

> I would say (the acquiring company) is a little more uptight. Am I doing the right thing? Am I doing it the right way? Am I dressed the right way?... (The acquired company) was a little more rigid or exact and demanding... I always had the feeling that what I did or how I did it was not a concern to my boss as long as I got it done. I kept him informed when they needed to be informed. After (we were acquired) it was tough to even feel like you had communicated enough and on time to please... even though I knew what I wanted to accomplish was for the good of the organization.

He continued to relate that this led him to "analysis to paralysis."

> It almost got to the point of what the heck as long as I keep my nose clean and everyone knows what is going on. I got hit with a couple of things where I got, 'What do you mean you have already done it? Well, who decided that?' Well, I did... You just worry about it, you really do.

This situation was particularly irksome for this manager who viewed himself as a "key player." He was accustomed to a much more "laid back" approach where the attitude was "we will talk about it before suppertime and we will settle it before we go to bed."

Another manager presented a similar scenario with a manager who he was promoted to replace.

> D was an asset... I think if he had been allowed to run his division and then been held accountable for it he would have felt more comfortable. He would have had more of the decision making process.

The replacing manager discussed the senior management style prior to accepting the position.

> If I have to go in there, I have to be able to make the decisions without having to get his clearance on every little thing. I have to have the authority to make decisions, but he has to hold me accountable.

Valuing the individual was conveyed through inclusion, investment and affirmation. These appeared to support the integration process by encouraging commitment and facilitating growth.

Opportunities For Growth

A recurring theme among the managers was the creation of, or the elimination of, opportunity. These "windows of opportunity" were created by the acquiring management and by the acquired managers. The exodus of some managers who could not or would not change to meet the style of the new management created opportunities for promotions for others. As one manager explained, "You have to hang on long enough until you are considered a part of the company." This manager believed the acquired manager must assume responsibility for creating some of those opportunities.

> I tried to create as many opportunities as I could to go to (the corporate offices) to spend a week... I spent a lot of time with a lot of different people. I asked a million questions. I asked about (the CEO)... One day I was going out the door. This big tall guy came up to me, looked down and said, 'Larry, I have not had an opportunity to meet you yet. I am (the CEO)!' I almost passed out. He knew my name and who I was. I guess from that day on I was his biggest fan... You have to be willing to wait until you have made the transformation into becoming a part of the company, then you can make a contribution.

The managers had to be prepared to take advantage of the opportunities when management presented them. One of the terminated managers was offered a transfer early in the acquisition process as an assistant to a vice president.

> I would aspire to that job because he was close to retirement. I think that probably did not set too well although they did accept my selling them that I needed to be here... I did not go and they hired a person

> close to what is happening. He has been named the vice president and my old boss is retiring.

Another manager believed that one had to take advantage of the opportunities when they were presented because the luck could change.

> ...I took the company jet back to H. It was just me and the two pilots. I looked out at the mountains and thought about the days when I was just a little mountain kid who did not have anything. Now I was riding in a corporate jet. It could crash down, but the key to that thing is that life is fortuitous. You never know. The wave came on board and I swam. I was lucky. Someone saved me. Just as easily as it came it can go.

A manager in another company also affirmed luck as important.

> I think one thing is that you have to be a little lucky. I really do. If I had been with a plant that was closed down then I probably would have been looking for a job. So far we were just lucky enough that we were remodeling these plants back at the time (the acquired company) bought us.

Luck would not keep one on the job. Good performance was necessary.

> I do not think they are going to keep someone around just because he happens to be at a plant they plan to keep open, because there are too many people out there available for them easily to make a change. Even though I was lucky enough to be here, I think I have done a good job.

The advice offered by another manager for someone who was a part of an integration summarized most of the views of those interviewed.

> The other advice I would give someone is listen, stay alert, do not get in to conversations of we and they. Be yourself, run your job. If you are running your job and you are successful at it, nine out ten times it is going to be recognized. But if you appear to be afraid and you start, in layman's language, 'sucking up' and trying to butter up and do things differently, then I think you are going to be recognized as a weak person.

Acquiring companies were commended to "be fair in decisions" and to "evaluate people" to assure everyone an opportunity. Closed doors led managers to seek opportunities outside the company or become discontent and frustrated with the organization.

Both the company and the individual became a barrier through closed career opportunities and poor performance. Supports were created when both the managers and the companies were open to the possibilities.

## Data Analysis

The perceptions of the managers interviewed offered valuable insights into the interpretive "Why?" of this research. The specific research questions are addressed. Question a: What were the identifiable patterns of experiences and perceptions on the integration process among managers who have been a part of the process?

Six common themes were identified in the research relevant to how integration was perceived by the managers interviewed: personal history and work experience, perception of loss or gain, attitude toward change, communication, valuing of individuals, and perceived opportunities for growth.

Question b: What barriers and supports following an acquisition or merger were identified by managers in the acquired organization and managers in the acquiring organization?

Personal histories and experiences which valued commitment and stability appeared to encourage managers to move forward with the new company. Deeply forged management styles from years of application that had grown resistant to modification were significant barriers to the process.

Acquired and acquiring managers perceived resistance to change as an obstacle to integration. Individuals who appeared to be successful at some level within the new organization described adapting to the changing environment rather than clinging to the policies, procedures, and expectations of the past. Acquiring managers who were described as supportive of the integration process also demonstrated a willingness to adapt to the new organization.

Individuals who perceived the change as an improvement or a gain offered less resistance, even to the point of welcoming the integration. Those who viewed the integration as a loss expressed more difficulty supporting the integration and found it more acceptable to leave the organization.

Immediate, clearly stated, constant, and consistent communication supported the integration of the acquisitions. Direct communication and interaction with managers at the highest levels of the organizations, including chief executive officers, presidents, and owners, generated the greatest support for the process. Withholding information, blocking communication channels, and refusal to listen were obstacles to the process. Companies can support the process of integration by expeditiously detailing benefits, goals, expectations, and objectively evaluating significant aspects of the acquired company for value and retention.

Question c: What similarities and differences in perceived barriers and supports were identified by managers in the acquired organization and managers in the acquiring organization?

Both differences and similarities existed between managers in the acquired companies and managers in the acquiring companies in the perceived barriers and supports. There was no disagreement in the need for communication to support the integration. All managers interviewed perceived communication as a key to successful integration. However, managers in two of the acquired organizations perceived the communication to be "one way." They viewed the communication as coming down to them as the transmission of information and instructions with limited opportunity for input.

The perception of the acquisition as a loss or as a gain was a source of differing perspectives. Acquiring managers in each of the integrations perceived the acquisition as a gain for the acquired company. The perceptions of managers in the acquired companies varied in relation to perceived personal losses in opportunities for growth and to the amount of anxiety experienced in the process related to job security and performance.

The managers in the acquired firms reported experiencing more anxiety than those in the acquiring firms. This anxiety appeared to be related to the perceived loss of control over the situation. Acquiring managers appeared to be aware that the ultimate decisions rested with the acquiring company, but believed that the primary control for job retention, which was performance, rested with the individuals.

Both acquired and acquiring managers perceived resistance to change as an obstacle to integration. The perceived resistance to change from the acquiring company was described as more related to systems and in the acquired companies the resistance was perceived as more related to individuals.

Question d: Were there differences in expectations between managers of acquired and acquiring organization? If differences did exist, how was the integration process impacted?

Both acquired and acquiring managers expected the integrations to be successful. A major difference in expectations was related to the change process itself. The managers of the acquiring firms were expecting to initiate change while the managers of the acquired firms expressed an expectation that they would be changed.

Another differing expectation was that the majority of the acquired managers expressed a desire to be given the opportunity to prove themselves to the acquiring company, but appeared to expect their jobs to be terminated regardless of the level of performance. Acquiring managers appeared to expect failure by the majority of the acquired managers.

Question e: What procedures for prevention and resolution of the identified barriers could be identified from the data?

Preacquisition planning to include the human resource component appeared to facilitate the integration process. The following procedures for the prevention and resolution of barriers were suggested by this research.

1. Develop a clear vision of the organizational integration with clearly defined roles for key players.

Involve acquired managers as soon as possible.

2. Prepare a written strategy outlining goals to provide consistent direction.

3. Conduct an objective evaluation of systems and plans for system consolidation.

4. Conduct an objective appraisal of financial, managerial and production capabilities of both organizations.

5. Develop a thorough understanding of the management philosophy and history of the organization.

Communication was identified as a key to the successful integration of acquisitions. The following strategies were identified to support integration in the area of communication:

1. Transmit information on plans, changes, goals, philosophies, time tables, and introductions of key personnel immediately following the announcement of the acquisition.

2. Involve top management in written communication, meetings, and personal appearances throughout the company.

3. Reflect a genuine interest in and commitment to the new acquisition and its employees.

4. Convey a knowledge of the company and an understanding of its history.

5. Provide for two-way communication. Solicit and be

receptive to information, ideas, opinions, and involvement of newly acquired personnel.

Newly acquired managers expressed a need for affirmation from the organization. Leadership, management styles, and philosophies that encouraged participation in decision making and foster autonomy in work appeared to support the integration process. Strategies to prevent or resolve barriers to integrating new managers were:

1. Evaluate management through individual career planning and performance, suspending assumptions about judgements based on the performance of the acquired company.

2. Maintain a clear, objective rationale for terminating personnel.

3. Provide opportunities and necessary tools for personnel to be successful.

4. Recognize achievements formally and informally.

Change management is a necessary support for successful integration. The impact of change was compounded in the integration process following the acquisitions because the pace of change was accelerated and intensified. The following strategies were identified to prevent and resolve barriers related to change management:

1. Accept and openly acknowledge that change is an inevitable and desired part of the process.

2. Provide training in change management for both acquiring and acquired managers.

3. Allow flexibility in integration plans to accommodate random change.

Common perceptions and experiences were identified among managers interviewed, although the acquisitions were unrelated. Strategies were suggested to reduce or to resolve the barriers to the integration of an acquisition based upon those common experiences and perceptions. It must be noted that these suggested strategies are related to the integration phase and that this research did not explore the financial or strategic planning that preceded the process.

# Chapter V

## Summary, Conclusions and Implications, and Recommendations for Further Study

The reverberations of acquisitions and mergers affect millions of people directly or indirectly annually. Managers are cited as the most highly impacted group. The body of research available on this impact is slowly expanding. The systematic research that exists is oriented more toward the study of survival following the integration or the examination of how to maintain organizational morale and productivity. Research to understand perceptions and attitudes or identifying obstacles and supports for the process is limited.

The effects of change following an acquisition or merger are multilayered and interactive. The movement toward creating a new organization destroys as it creates. The work environment and the organizational culture are redesigned to reflect the new order. Those affected must redefine goals, expectations, norms, beliefs, assumptions, and values which formed the strategic connections to their organizational lives.

The purpose of this study was to identify the obstacles and supports encountered by managers in integrating an organization following an acquisition or merger and to suggest means for preventing and resolving barriers based on the experiences of those who have been involved in the process. Existing prescriptive research for organizational change was examined as it relates to the process of integrating organizations following an acquisition or merger.

The underlying intent of this research was to deepen the understanding of the human dynamics involved in the integration of acquisitions and mergers. Specifically, this research sought to answer five questions: (a) What were the identifiable patterns of experiences and perceptions on the integration process of acquisitions and mergers among managers who have been a part of the process? (b) What barriers and supports following an acquisition or merger were identified by managers? (c) What similarities and differences in perceived barriers and supports were identified by managers in the acquired organization and managers in the acquiring organization? (d) Could differences in expectations between managers of acquired and acquiring organizations be identified? If these differences did exist, how was the integration process impacted? (e) What procedures for prevention and resolution of the identified barriers could be identified from the data?

Interviews were conducted with thirteen managers and three presidents and/or chief executive officers representing three textile companies who had made horizontal acquisitions. Subjects included managers who were employed by the acquired company at the time of the acquisition and managers who were employed by the acquiring company at the time of the acquisition.

Research Questions

The perceptions of the managers interviewed offered valuable insights into the interpretive "Why?" This research contributes to a fuller understanding of the human dynamics involved in the large scale organizational changes resulting from an acquisition or merger. The specific research questions are answered.

Question a: What were the identifiable patterns of experiences and perceptions on the integration process among managers who have been a part of the process?

Six common themes were identified in the research relevant to how integration was perceived by the managers interviewed: personal history and work experience, perception of loss or gain, attitude toward change, communication, valuing of individuals, and perceived opportunities for growth.

Question b: What barriers and supports following an acquisition or merger were identified by managers in the acquired organization and managers in the acquiring organization?

Personal histories and experiences which valued commitment and stability appeared to encourage managers to move forward with the new company. Deeply forged management styles from years of application that had grown resistant to modification were significant barriers to the process.

Acquired and acquiring managers perceived resistance to change as an obstacle to integration. Individuals who appeared to be successful at some level within the new organization described adapting to the changing environment rather than clinging to the policies, procedures, and expectations of the past. Acquiring managers who were described as supportive of the integration process also demonstrated a willingness to adapt to the new organization.

Individuals who perceived the change as an improvement or a gain offered less resistance, even to the point of welcoming the integration. Those who viewed the integration as a loss expressed more difficulty supporting the integration and found it more acceptable to leave the organization.

Immediate, clearly stated, constant, and consistent communication supported the integration of the acquisitions. Direct communication and interaction with managers at the highest levels of the organizations, including chief executive officers, presidents, and owners, generated the greatest support for the process. Withholding information, blocking communication channels, and refusal to listen were obstacles to the process. Companies can support the process of integration by expeditiously detailing benefits, goals, expectations, and objectively evaluating significant aspects of the acquired company for value and retention.

Question c: What similarities and differences in perceived barriers and supports were identified by managers in the acquired organization and managers in the acquiring organization?

Both differences and similarities existed between managers in the acquired companies and managers in the acquiring companies in the perceived barriers and supports. There was no disagreement in the need for communication to support the integration. All managers interviewed perceived communication as a key to successful integration. However, managers in two of the acquired organizations perceived the communication to be "one way." They viewed the communication as coming down to them as the transmission of information and instructions with limited opportunity for input.

The perception of the acquisition as a loss or as a gain was a source of differing perspectives. Acquiring managers in each of the integrations perceived the acquisition as a gain for the acquired company. The perceptions of managers in the acquired companies varied in relation to perceived personal losses in opportunities for growth and to the amount of anxiety experienced in the process related to job security and performance.

The managers in the acquired firms reported experiencing more anxiety than those in the acquiring firms. This anxiety appeared to be related to the perceived loss of control over the situation. Acquiring managers appeared to be aware that the ultimate decisions rested with the acquiring company, but believed that the primary control for job retention, which was performance, rested with the individuals.

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Another differing expectation was that the majority of the acquired managers expressed a desire to be given the opportunity to prove themselves to the acquiring company, but appeared to expect their jobs to be terminated regardless of the level of performance. Acquiring managers appeared to expect failure by the majority of the acquired managers.

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Newly acquired managers expressed a need for affirmation from the organization. Leadership, management styles, and philosophies which encourage participation in decision making and foster autonomy in work appeared to support the integration process. Strategies to prevent or resolve barriers to integrating new managers were:

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4. Recognize achievements formally and informally.

Change management was a necessary support for successful integration. The impact of change was compounded in the integration process following the acquisitions because the pace of change was accelerated and intensified. The following strategies were identified to prevent and resolve barriers related to change management:

1. Accept and openly acknowledge that change is an inevitable and desired part of the process.

2. Provide training in change management for both acquiring and acquired managers.

3. Allow flexibility in integration plans to accommodate random change.

## Conclusions and Implications

The experiences related offer insight for those who must channel the changes resulting from the integration of an acquisition or a merger toward constructing a successful, new organization. These shared experiences and perceptions also are valuable to increase the understanding for those managers who are impacted by the process. Such understanding can facilitate personal inner peace through shared experiences and acceptance. As such, it merits review.

This research also provides elements through which to examine the existing body of prescriptive research offered to support successful integration. A single model for organizational change did not emerge from this research. The interactive process of integrating organizations precipitates reverberations which cannot totally be predicted or planned. Successful integration requires managers who are cognizant of the nature of change. They must understand that change is dynamic and complex and, as such, demands multiple approaches.

The data supports research such as studies by Ansoff, et al., (1971), Drucker (1981), and Marks (1982), that identify adequate planning as a prerequisite for successful integrations. Managers who are facilitating the merger process must be involved early to impact and monitor such variables as the adequacy of financial resources and management skills and depth.

Communication is a powerful tool in the integration of organizations. The findings of this research support other research (Buono and Bowditch, 1985; Morse, et al., 1987; and Fulmer and Gilkey, 1989) that encourages immediate, clearly stated, constant, and consistent dissemination of information to minimize anxieties created by a lack of understanding or misunderstanding. Direct communication from and with those managers at the highest levels of the organization such as presidents, chief executive officers, and owners generate the greatest support for the process.

The timing of the communication is as important as the information conveyed. Immediate and consistent communication not only clearly delineates expectations but also conveys a sense of inclusion as opposed to exclusion. Such communication is a prerequisite for managers who are attempting to build a sense of belonging.

Leadership, management styles, and philosophies which encourage participation in decision making and foster autonomy support the integration process. Acquiring management can enhance personal job security, confidence, and job satisfaction by conveying recognition and trust. Suspending assumptions concerning the adequacy or inadequacy of the newly acquired managers is required in order to provide an opportunity for success.

The need for change management skills is increased in the integration of acquisitions and mergers because the pace of change is accelerated and intensified. These acquisitions precipitated permanent systematic changes which required adaptation. The adjustment described in this research related to integrating acquisitions suggested an expectation, by those managers who reported the greatest difficulties, that the organization would return to a previous state. The existence of these expectations can compound the use of inappropriate strategies creating problems from difficulties (Watzlawick, et al., 1974). Therefore, training for both acquiring and acquired managers in change management could decrease the cost of trial and error approaches to change.

This research supports Quinn's (1980) strategies for change managers. Managers involved in the integration of an acquisition or a merger are acutely aware of each act or omission involved in the process. Successful integration requires a careful consideration of incremental decisions and constant evaluation of the results.

The avoidance of utopian attempts (Watzlawick, Weakland, and Fisch, 1974) is recommended in integrating organizations. Managers who are morally convinced that they possess the perfect solution will compound the difficulties created by the change process. The likelihood for personal failure also is increased for these managers because they establish expectations which cannot be achieved.

Utopian solutions may not exist for integrating acquisitions and mergers. However, this research indicates that leaders who approach the integration process with the intention of creating a positive work environment that values people (Shea, 1987) and shares a vision of the "common good" (Norse, Feldman, and Martin, 1987) are better equipped to facilitate the process.

Recommendations for Further Study

The following recommendations for further study emerge from this research:

1. This research examined the perceptions of managers on the integration of acquisitions and mergers in the textile industry. Obstacles and supports to the process were identified through an interpretation of those perceptions. Other studies can be conducted to validate the success in applying the suggested strategies.

2. Further studies, qualitative and quantitative, could expand the subject base to include managers from other industries and examine the impact of different types of acquisitions on this data. Expansion of the data base and a quantitative approach would permit generalization to other populations.

3. The change process could be a focus of another study to explore the types of change and apply the framework to evaluate solutions suggested by Watzlawick, et al. The results of such a study could have implications for the planning stages for the integration of acquisitions and mergers.

4. Research, indirectly related to the integration of acquisitions and mergers, could focus on the impact of the

introduction of new managers to work settings, particularly managers who possess the authority to initiate changes in organizational policies and procedures such as site managers and division presidents and vice presidents. The results of such research would have implications for management and leadership development programs.

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