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Organisational culture affecting the success of mergers and acquisitions at subsidiary level in multinational pharmaceuticals

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Abstract

In an ever increasing competitive environment, pharmaceutical companies keep on expanding. Mergers & Acquisitions (M&A's) seems to be one of the preferred means of acquiring critical mass and economies of scale. Research has suggested that human resource capability in the post-acquisition implementation is critical. This study intended to explore whether the role of culture in M&A's are acknowledged at subsidiary level and if so, to establish an applicable framework for managing it. Twelve semi-structured interviews were conducted in order to gain a deeper understanding of the effect of cultural integration on the M&A process. The data was coded, analysed and collapsed into themes in order to establish the applicability of the framework proposed by Lodorfos & Boateng (2006) and possible amendments to it. Rank order tables were used to measure the relative importance of constructs. Only two thirds of senior management at subsidiary level acknowledged the importance of culture at the time of the M&A, management strategies or plans for dealing with it was found to be inadequate with only fifty percent of interviewees being aware of it. The Lodorfos & Boateng (2006) framework is supported by the data generated in this study, but needs to be amended in terms of leadership role, people orientation and communication.



Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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C. Loots

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Chapter 1: Introduction to Research Problem

1.1 Introduction

In an ever increasing competitive environment, pharmaceutical companies keep on expanding. Mergers & Acquisitions (M&A's) seems to be one of the preferred means of acquiring critical mass and economies of scale (Belcher & Nail, 2002; Cartwright & Cooper, 1993). Filling product pipelines for future growth is often a key objective. Unfortunately between fifty five to seventy percent of M&A's do not deliver the desired results (Carleton, 1997).

Research has suggested that human resource capability in the post-acquisition implementation is critical. Half of acquisitions failed because they were poorly managed (Lin *et al*, 2006). Cartwright and Cooper (2000) suggested that around fifty percent of M&A's did not achieve the desired results and that human resource management can play a role in reducing the stress and anxiety and resulting loss of productivity during the M&A process.

Numerous factors have been identified and the role that culture plays in the success of M&A's has been cited (Lodorfos & Boateng, 2006), but as an intangible it remains a challenge to manage it successfully.

1.2 Research Problem

The research problem is defined by a need to investigate whether the role of culture in M&A's are acknowledged at ground level and if so, to establish an applicable framework for managing it. The literature review will further illustrate the need for this study.

1.3 Research Scope

The role of culture in the M&A's process at multinational pharmaceutical subsidiary level was investigated in this study. The pharmaceutical industry was selected, since the researcher has access and this industry is frequented by M&A's. The suitability of the framework proposed by Lodorfos & Boateng (2006) to subsidiary level was also explored.

1.4 Research Motivation

The motivation for the research was both personal and business orientated. Researchers are demonstrating increasing interest in the cultural facets of M&A's (Shraeder & Self, 2003), since traditional explanations are failing to explain the failure rates. While cultural fit and management are acknowledged as a success factor in M&A's, Weber (1996) and Shraeder & Self (2003) states the dearth for research and frameworks in this area.

Over one half of the time a partnership fails, it is due to a culture clash (Gibbon, 2002). This leads to a greater employee turnover (Hambrick &

Cannella, 1993), deterioration in operating performance and an overall decline in shareholder value (Badrtalei & Bates, 2007). Interestingly, a cultural fit assessment is still not part of the routine due diligence process foregoing M&A's and in fact are least likely to be evaluated during the critical pre-merger stage (Horwitz *et al*, 2002).

Implying that while researchers, investors and legal systems are appreciating the importance of culture, it might not have reached the stage where it is influencing decision taking in M&A's. So not only are cultural fit not included in the due diligence evaluation, there is also a lack of researched frameworks to facilitate the management of successful cultural integration. The framework proposed by Lodorfos & Boateng (2006) has not been tested at subsidiary level. Successful implementation at this level is critical during a multinational M&A.

1.5 Research Objectives

This study's aim is to firstly evaluate whether the importance culture plays in the success of M&A's is acknowledged at the subsidiary level and secondly if it is managed in a pro-active manner. It will go further to explore whether the management process employed are adequate at this level. This will be done by means of semi-structured qualitative interviews.

In addition to this, the qualitative content analysis will be used to establish the suitability of the Lodorfos & Boateng (2006) suggested framework. This framework, was intended for managing cultural integration during the M&A process in chemical industries specifically. Potentially changes to the framework will be proposed, which would be particularly useful at the subsidiary level in multinational pharmaceuticals.

Chapter 2: Theory and Literature Review

2.1 Introduction

Four knowledge types have emerged from M&A research (Birkenshaw *et al*, 2000):

- Financial;
- Economics;
- Strategic management and
- Organisational behaviour.

Culture refers to shared and deeply held values and norms. These are formed through a process of socialisation and based on historic events. Members within the organisation learn to act accordingly, therefore creating a powerful cohesion. This may pose a serious threat to the M&A process, if incompatible with the culture of the merging or acquired partner (Nahavandi & Malekzadeh, 1988 and ignoring organisational culture differences may lead to long term hidden costs (Horwitz *et al*, 2002).

Surprisingly due diligence is still largely focused on financial and strategic issues, while cultural and human resource management aspects are only addressed once legal and financial matters have been finalised (Stopper, 1998).

2.2 Organisational culture defined

Schein (1984a, 1991, 1992) suggests a dynamic model of organisational culture which consists of 3 levels:

- *Artefacts* are the visible organisational structures and processes. Schein divides these into three aspects. The first is concerned with the physical artefacts like company logos. The second level is concerned with behaviour including organisational rituals. The third level is concerned with organizational anecdotes, stories and myths, and organisational heroes and villains.
- *Values* are the social principles, goals and standards held within the culture. They define what the members of the organisation care about. By using these values the members are able to make decisions in order to tackle problems, issues and to develop solutions.
- *Underlying Assumptions* are at the most invisible level of the model. These assumptions are taken for granted beliefs and habits and become implicit over time.

These three levels continuously interact during a dynamic process. He argues that culture is what develops over time as people in the organisation solve its problems and therefore survive.

The definition by Hofstede (1991, p. 5) views culture “as the collective programming of the mind which distinguishes the members of one group of people from another”.

Buono *et al* (1985) proposes two concepts in organisational culture:

- Subjective culture- shared values and beliefs;
- Objective culture- artefacts, office locations and décor.

Cartwright & Cooper, (1993) have suggested that culture is to a company what personality is to a person, which should be an indication of how difficult it is to change.

2.3 Challenges of Mergers and Acquisitions (M&A's)

The following are challenges which have to be dealt with during a M&A (Shraeder & Self, 2003):

- Task challenges

Integration of different business systems, policies and procedures, management and performance appraisal systems and accounting practices adds additional stress onto an already stressed human resource (Cartwright & Cooper, 1993). The combined company may already struggle with poor morale, which then leads to poorer performance.

- Demographic challenges

Wide geographical distribution may challenge communication channels and resource allocation. Multinationals might also have to comply with various legal requirements in different countries. It is also

argued the larger companies have more intricate internal systems complicating the change of procedures and power structures (Shraeder & Self, 2003).

- Political challenges

How power is used has far reaching consequences on how the employees will perceive it in future. Mistrust and resentment is easily created when changes are simply forced upon them (Marks & Mirvis, 1992). Power is also a form of status, and loss of it will lead to increased rates of employee turnover (Hambrick & Canella, 1993).

- Cultural challenges

According to Shraeder & Self (2003), these range from employees' reactions, feeling of loss, fear and uncertainty to the importance of the approach chosen for the M&A process. Hostile take-overs have a far more severe impact compared to a company which will be allowed post-merger to continue as a separate entity. The factors influencing cultural integration and the management thereof will now be discussed further in more details.

2.4 The role of culture in M&A's

While certainly not complete, the following themes have been used to describe organisational culture in M&A's (Chatman & Jehn, 1994):

- People orientation;
- Attitudes towards innovation;
- Customer service orientation;
- Employee loyalty;
- Attitudes towards growth.

Harrison (1972) categorised the different types of culture as power (autocratic), role (bureaucratic), task or achievement (autonomy) and person or support (egalitarianism). While task and person/support cultures match well with the others when in the dominant position, the majority of other combinations are potentially disastrous (Cartwright & Cooper, 1993).

The true power of organisational culture is displayed when two diverse cultures are forced to become one during the M&A process (Lodorfos & Boateng, 2006). Carroll & Harrison (2002) through the use of a simulation model, suggested that negative growth promotes cultural integration, while positive growth impedes it. They also suggest that cultural integration proceeds faster when the acquirer is substantially larger than the acquired organisation.

2.5 Proposed frameworks for culture in M&A's

In order to understand the considerable post-merger challenge of cultural integration, the following theories or frameworks have been proposed:

2.5.1 Person-Organisation fit (O'Reilly et al, 1991)

Individual preferences to organisational culture was presented and it was found that the existence of these cultures were interpretable, while at the same time person-organisation fit predicts job satisfaction and organisational commitment after a year and turnover after two years. This evidence attests to the importance of understanding individual's preferences to organisational cultures and the potential impact it might have on the M&A process.

2.5.2 Attraction-Selection-Attrition Paradigm (Schneider, 1987)

This framework proposes that organisations are functions of the types of people they employ. Furthermore the people in the organisation are functions of an attraction-selection-attrition cycle. This framework is developed through a series of propositions, the most insightful ones are:

- People attracted to and selected by an organisation are of a certain kind and they in turn determine organisational behaviour;
- Attraction to and attrition from an organisation yield a limited range in the kinds of people, similar types of behaviour. This leaves the impression that the organisation determined their behaviour;

- The goals, structures and processes that attract people to organisations are determined by the founders' choice and by those meeting the daily demands and challenges associated with survival.

The implications of this framework are:

- The difficulty of bringing about change in organisations;
- The utility of personality and interest measures for understanding organisational behaviour;
- The forming of organisational climate and culture;
- The importance of recruitment;
- The need for person-based theories of leadership and job attitudes. Thus supporting O'Reilly *et al*, 1991 in acknowledging the role of the individual.

2.5.3 Social Anthropology (Nahavandi & Malekzadeh, 1988)

A model focusing on the process of adaptation and acculturation in M&A's was presented. It was suggested that the level of congruence between the acquired and acquirer organisation's preferred models of acculturation will influence the level of acculturative stress. This will then either facilitate or hinder the implementation of the merger. Four modes of acculturation were identified:

Integration : The acquirer is allowing independence to the acquired organisation to preserve their own culture , but be integrated in the acquirer's structure.

Assimilation : One group willingly adopts the identity of the other.

Separation : The objective is to preserve the identity by keeping completely separate.

Deculturation : The acquired organisation does not value their own culture and does not want to become part of the acquirer's.

2.5.4 Organisational Marriage (Cartwright & Cooper, 1993)

Cartwright & Cooper (1993) took acculturation a step further, posing the framework of organisational marriage to the M&A process and contrasting the collaborative/open marriage against that of the traditional where the acquirer is stronger, dominant and sometimes aggressive.

Dooley & Zimmerman (2003) further investigates mergers as a marriage by exploring communication issues. They propose that the greatest point of leverage may be the interpersonal or conversational skills that individuals in the organisations have. Optimistically, this provides a point for intervention by facilitators, but long term change is needed in order to attain sustainability.

2.5.5 Relative Standing (Hambrick & Cannella, 1993)

This is a framework aimed at understanding the departures of acquired executives. According to this framework, the lower social standing often amid an aura of contest, leads to the acquired executives feeling inferior and fuels their departure, especially during the first 2 years post-merger.

2.5.6 Conceptual Ambiguity (Risberg, 1997)

In acquisition situations from an ambiguity perspective, communication seems to be a resounding theme. The origins for many of the ambiguities seem to lie in unclear or nonexistent communication. Ambiguities of motivation, communication

and success lead to misunderstandings, reluctance to change and executive turnover. Thus, if communication had been the focus throughout the whole acquisition process, many of the ambiguities may have been less severe or avoided entirely.

All of these studies suggest somewhat similar explanations for the pressure experienced to accept the new culture, resistance to this process and the resulting consequences.

2.6 Stages of the M&A Process

In order to truly appreciate the dynamics of the M&A process and the resulting influence it has on employees, Appelbaum *et al* (2000), analysed the role of culture during the three stages of the M&A process.

2.6.1 Pre-merger stage

The pre-merger stage begins once the decision to merge has been made, even when the public announcement and legalities have not yet taken place. Very importantly, this is the preparatory stage and can be a major determinant of success or failure of the M&A process. The most important decision to be taken during this period is which model of cultural integration will be implemented (Appelbaum, 2000):

- Using either one of the existing cultures;
- Creating a culture that includes the best attributes of either;

- Creating a completely new culture that does not use either of the existing cultures as base.

Tetenbaum (1999) urged CEOs and human resource divisions to collaborate and set up plans of actions during this stage acknowledging the importance of culture. Changing culture requires the adoption and actual implementation of slogans. These changes need to be different from current practices and should be perceived as beneficial by employees in order to ensure co-operation. The changes should be reinforced and the proof that they work should be visible (Pritchett & Pound, 1996).

2.6.2 During the merger stage

Employees will feel a great sense of loss (Sherer, 1994). Culture, identity and image are at stake. They might have been very successful in the past and now have to do things in a new way, often without prior consultation. It is not so much what is done, but how it is done. Employees need to be treated respectfully, identify with the merged organisation, accepted by new team members, as well as keep their social standing (Lake, 1997).

Creating a multidisciplinary team to define structure and culture is often useful, but might prove challenging when it has to be selected from a surplus of qualified executives in the merged organisation (Appelbaum, 2000).

It is of critical importance to create a strong and efficient human resource department from either within or outside the organisation. The human resource

function should be able to interact confidentially with employees and summarise the issues at hand to executives. The resulting feedback will gain trust into the process (De Voge & Sprier, 1999; Smye & Grant, 1989).

2.6.3 Post-merger stage

Even under ideal circumstances, five to seven years are needed for employees to feel truly assimilated into the merged organisation. This is preceded by a period marked by fear, uncertainty and loss of control and team members. When dealing with loss, people go through a series of four stages (Appelbaum, 2000):

- Denial – Executives might fail to accept the reality of the merger;
- Anger – The second stage might be directed at the acquiring company or even co-executives for allowing the change;
- Bargaining – Usually an unrealistic strive to keep power and autonomy intact;
- Acceptance – This is the final stage and leads to more realistic actions

According to Mirvis & Marks (1992) employees' fears are sometimes offset by the hope that they will acquire new skills and that normalcy will return. There are three post-merger mindsets that can seriously affect future teambuilding efforts, they are:

- “The Ready” are excited and wrapped up in the positive aspects. These employees might be regarded as traitors by some of the colleagues.
- “The Wanting” are those employees who did not get the positions they wanted and now feel stuck in a what they perceive as a dead-end job. They need time to determine where they would like to go in future.

- “The Wrung out” employees are extremely negative, they see the new situation as a turn for the worst. They may or may not continue to perform their duties, but one-on-one interviews are recommended in order to attempt resolution.

Corporate cultures that have not been clearly defined will severely impede the progress of the post-merger period. Thus it is of the utmost importance that new team members deal with issues of culture and find common ground. Managing this period of cultural transformation should be a priority (Appelbaum, 2000).

2.7 Change management

Change management, as mentioned by Appelbaum (2000) is very important in cultural integration. From Kotter (1996), Jick (1991) and Cummings & Worley’s (2005) descriptions it is clear that major organisational change includes a multi-step process in which leadership plays an integral role.

The 3 main phases that can be identified are:

- Preparation phase, creating the urgent need for change, developing a clear vision, thus setting the stage for transformation;
- Implementing and managing transition through proper planning;
- Institutionalisation, making the changes last.

2.7.1 *Cummings & Worley (2005)*

Preparation

- *Motivating change:* For an organisation to give up the status quo, sensitisation to pressures for change, the discrepancies between the current and desired and positive expectations of change have to be communicated effectively. If there is no pain or danger associated with the current status, the organisation will revert to its comfort zone. The resistant forces should be evaluated and acknowledged, empathy and support should be communicated and allowing active participation should be useful.
- *Creating a vision:* A clear vision should be created of the future and where the organisation wants to be.
- *Developing political support:* Power should be used in positive ways to influence decision makers and facilitate change.

Implementation

- *Managing the transition:* Careful activity planning should be performed with appropriate commitment planning put in place. How well the transition is managed will determine the level of success. Change management structures should be in place to empower the mobilisation of resources.

Institutionalisation

- *Sustaining momentum:* It is very important to provide the resources and support systems for change. New competencies, behaviours and skills should be developed to support the transformed organisation. Special effort should be made

to keep momentum and focus. This is quite a challenge as some of the results from change processes only become evident after some time.

2.7.2 Kotter (1996)

Kotter (1996) takes some of the most common mistakes made during transformation processes as departure point and then offers the “solution” with an eight step program (see table 1 for details). According to Kotter (1996) some of the common errors organisations or managers make are:

- Allowing too much complacency;
- Failing to create a sufficiently powerful guiding coalition;
- Underestimating the power of vision;
- Under communicating the vision;
- Permitting obstacles to block the new vision;
- Failing to create short-term wins;
- Declaring premature victory;
- Neglecting to anchor changes firmly in the corporate culture.

The consequences of these mistakes are in essence non-performance (Kotter, 1996). The transformation does not yield the desired results and the losses in resource and revenue are painful. It is interesting to note that three of the mistakes are vision related, again emphasising the importance of this aspect.

Kotter & Rathgeber (2006) goes further to describe an eight step process for successful change:

Planning/ Preparation

1 Create a sense of urgency

During this step employees have to be helped to see the need for change and the importance of acting immediately.

2 Compile a guiding team

A powerful team is needed to guide the intended change, leadership skills, communication ability, authority, analytical skills and a sense of urgency should be well presented.

3 Develop the change vision and strategy

Determine what will be different and how to make it a reality.

Implementation

4 Communicate for understanding and buy-in

Ensure as many as possible understand and accept the vision and strategy

5 Empower others to act

Remove barriers

6 Produce short-term wins

Do this as soon as possible to ensure momentum is gained

7 Persist

Be relentless in initiating change after change till the vision becomes a reality

Institutionalisation

8 Create a new culture

Reinforce and institutionalise change

Kotter and Rathgeber (2006) also emphasises the power of changing employees' thinking in order to change their behaviour. Feeling differently may lead to better results. This may be accomplished by creating surprising, compelling and preferably visual experiences to convey the positive message of change.

2.7.3 Jick (1991)

The 10 commandments of implementing change:

Preparation

- *Analyse the organisation and its need for change*
- *Create a shared vision and common direction*
- *Separate from the past*
- *Create a sense of urgency*
- *Support a strong leader role*

Implementation

- *Line up political sponsorship*
- *Craft an implementation plan*
- *Develop enabling structures*
- *Communicate, involve people, and be honest*

Institutionalisation

- *Reinforce and institutionalise change*

The ten commandments from Jick (1991) follows the same theme as Kotter (1996, 2006) and Cummings & Worley (2005), but manages to capture the blood, sweat and tears that accompany change. Jick (1991) emphasises the importance of a clear vision, participation effective and honest communication, while recognising the devastating effects of poor preparation. Jick (1991) also recommends strong leadership and that change implementers should be responsible for the day-to-day process of making change happen.

In fact, many companies today are not aiming at implementing a single change, but a culture of a changing, adaptable organisation (Jick, 1991).

2.8 Leadership Role in Change Management

From the literature review on change management, it is clear that leadership is critical. The role of leadership in change management will now be further investigated. Kotter (1996) offers critical insight on the importance of leadership during change and the differences between leadership and management. Leadership is a visionary role, while pure management is more operationally related. Effective management delivers short-term results for all stakeholders, while leadership results in often dramatic change increasing competitiveness.

2.8.1 Covin & Kilmann (1990): A critical assessment of supporting evidence

Although a central theme is present throughout the literature, Covin & Kilman (1990) is emphasising some different make or break factors in change management. These results were obtained by asking open ended questions to

determine the factors with high impact on the change process, both positive and negative:

- Actions/issues that have had a *positive impact* on ultimate success of most large-scale improvement program?
- Actions/issues that have had a *negative impact* on ultimate success of most large-scale improvement program?

Table 1 was constructed to determine the literature support for the empirical findings of Covin & Kilman (1990) and to determine whether these are under leadership control.

Table 1: Results from Covin & Kilman (1990) versus Kotter (1996), Jick (1991) and Cummings & Worley (2005)

Description of issue	Results	Cummings & Worley	Kotter	Jick	Leadership Control
POSITIVE –IMPACT ISSUES	% of respondents				
Visible management support & commitment	18	Yes	Yes	Yes	Yes
Preparing for a successful change	15	Yes	Yes	Yes	Yes
Encouraging employee participation	11	Yes	Yes	Yes	Yes
A high degree of communication	10	Yes	Yes	Yes	Yes
Recognition of strong business-related need for change	10	Yes	Yes	Yes	Yes
A reward system that supports necessary changes	5	Yes	Yes	No	Yes
NEGATIVE-IMPACT ISSUES					
A lack of management support	10	Yes	Yes	Yes	Yes
Top managers forcing change	7	No	No	No	Yes
Inconsistent actions by key managers	7	No	Yes		Yes
Unrealistic expectations	7	No	No	No	Yes
A lack of meaningful participation	6	Yes	Yes	Yes	Yes
Poor communication	6	Yes	Yes	Yes	Yes
The purpose of the program is not clear	5	Yes	Yes	Yes	Yes
There is no placement or a misplacement of responsibilities	5	Yes	Yes	Yes	Yes

Though the emphasis in Covin & Kilman (1990) is slightly different, following the proposed steps of either Kotter (1996), Jick (1991) or Cummings & Worley (2005), will cover or prevent these issues from occurring. In essence they cover the same principles.

It is important to notice that different respondents (whether managers, internal consultants, external consultants or researchers) are likely to emphasise different factors as either positive or negative (Covin & Kilman, 1990). This is in support of how critical people's frame of reference or perception of a situation is. These perceptions will drive people's behaviour. They will see different problems and therefore opt for different solutions. Thus in a change management situation it is critical to involve all stakeholders in order to get broad-based participation. If possible the change vision en communications should be customised for the relevant stakeholder group, without changing the central message.

Of special concern is the evidence that managers do not seem to realise the importance of communicating and explaining the need for change once decided upon and the influence this will have on their chances for successfully implementing change. Most people are reluctant to change, if the need for it is not explained to them and a clear vision created of the desired outcome, their motivation to try will be very low (Covin & Kilman, 1990).

Both the negative and positive factors mentioned in Covin & Kilman (1990) are under management or leadership control.

Managers should realise the large scale change is a:

- Multi-step process;
- Requiring strong leadership;
- Effective communication and
- Constructive participation by all stakeholders.

The leadership role can be summarised as follows:

Leadership Role 1: Clarifying Purpose:

It is the leader's responsibility to create a clear vision and common future direction for the company. This vision of a better future must be communicated often and effectively to employees to ensure buy-in. The leader must show visible commitment to the purpose and vision of the company (Covin & Kilman, 1990, Jick, 1991, Kotter, 1996, and Cummings & Worley, 2005).

Leadership Role 2: Creating Processes:

True leaders are also good managers. They ensure a good person-job fit and realise that person-organisation fit plays an important role in job satisfaction (O'Reilly *et al*, 1991). They communicate the need for change to employees to ensure that change is implemented. Systems are in place to allow access to information and smooth conducting of business processes. Celebrating small successes helps to build confidence, momentum and team spirit. Business concepts are revolutionalised and not merely improved (Hamel, 2001).

Leadership Role 3: Challenging Person/ Paradigm:

Leaders set examples by purposefully eliciting feedback and challenging own limiting beliefs or paradigms. Direct reports are mentored, coached and exposed to stretch roles. Leaders transition to new roles with awareness and purposefully unlearn ineffective behaviours (Dotlich *et al*, 2004). Jick (1991) also recommends strong leadership and that change implementers should be responsible for the day-to-day process of making change happen. Change is reinforced and the new culture institutionalised.

Leadership Role 4: Connecting People:

Leadership involves emotional intelligence. Leaders should manage with empathy in periods of change. Leadership enables community of practice (Drath & Palus, 2001). Team members are connected through the significance of their quest and a common goal. Cross-functional teamwork follows from this. True dialogue enables reality testing, conflict resolution and trust. Leadership connects team members with external networks and resources. Individuals are appreciated for their important contributions. (Kouzes & Posner: 1999)

2.9 Management of Cultural Integration

2.9.1 *The South African Experience*

Horwitz *et al* (2002) proposed a framework for managing human resources and cultural integration before and after a merger. They utilised primary data from five case studies on local companies from various industries undergoing M&As. Pre-merger planning includes the creation and communication of the vision and purpose, likely changes, identification of concerns, inductions, counselling and team formation.

Post-merger cultural integration is focused in two areas:

- Social integration process through building trust, creating new values and attitudes, change management and conflict resolution
- Task integration process through setting of goals, sharing of resources, setting rewards for enabling processes. Also structures, systems and performance measurements are addressed.

These processes are facilitated by means of team building, communications, delegation, widespread involvement and training.

All of this then leads to merger success, whereby organisational synergies are realised and applied, talent is retained actively, economies of scale leads to greater profit margins, while market shares grow and customer service is improved.

Another consideration in South Africa is the influence of black economic empowerment. Change at the ownership level to a black empowerment partner causes tension amongst employees and can also cause resentment towards affirmative action appointments. These change processes have to be managed with great care and sensitivity (Mason, 2004).

2.9.2 Lessons from other Industries

The case of Daimler-Chrysler is a good illustration of cultural issues being neglected, with disastrous consequences. It is also not the only example of this in the automobile industry (Badrtalei & Bates, 2007), other high profile failures include: BMW AG's six-year ownership of UK's Rover Group, Fiat auto and Lancia, as well as Ford Motor Company and Jaguar to name but a few. The following lessons may be learned from the automobile industry:

- There is no such thing as a partnership of equals, one member will be dominant whether it is from a financial or market position;
- Arrogance should be avoided in order to ensure a successful integration and realise value of the union;
- Change is inevitable and this should be communicated to employees in a truthful, timely manner to build trust;
- Cultural issues are critical and should be studied in advance and if both are to be regarded as successful, blending is preferable;
- Two-way, communication in a regular, honest and open manner is essential;

- Employees are to be involved as early as possible, this will enable buy-in, commitment and retention of their creative energy;
- Time required should not be underestimated, triple the time and double the resources initially estimated.

The banking industry is also frequented by M&A's. Lin *et al* (2006) concludes that since the majority of mergers and acquisitions do not meet expected results, it is imperative to assess the usefulness of the M&A concept as a strategy tool. Their findings strongly suggest that the usefulness of the M&A concept as a strategy tool depends on the acquiring firm's human resource capability. Thus, M&A strategy can be effective when the firm has high HR capability and can manage the post-acquisition integration effectively, including cultural issues.

2.9.3 Chemical/ Pharmaceutical Industry

Hassan *et al*, 2007 found that for selective measures of accounting and operating performance, it is suggested that the desired effects of M&A (i.e. greater profitability and improved efficiency) are more likely to be achieved through acquisitions than through mergers. The study also suggests that US acquisitions of foreign-based companies by either merger or acquisition are less likely to be successful than M&A with US-based companies. This may be due to differences in accounting policies, language, culture, or legal systems. It might be that acquisitions are simpler for a company to absorb. They usually involve a single unit or product rather than a whole company and hence are more likely to target areas of synergy and need. The cultural issues are thus easier to understand and

manage. This in turn reduces absorption and completion time, which is important since the pharmaceutical industry has limited periods of protection for its patents. Acquisitions also make it much clearer where the control lies and what is expected of the acquired company. Again, this emphasises the importance of culture.

Lodorfos & Boateng (2006) proposed a four-stage framework for managing cultural integration, which was tested on a small number of respondents in the chemical industry.

Phase 1: Pre-merger and Pre-planning Stage

Aim: Information gathering and identifying of potential cultural gaps and

Key tasks: Retreat/ workshop, and the use of job rotation in an attempt to identify:

- Structural/physical characteristics of each business.
- Beliefs and values behind practices.
- Decision-making processes and communication lines.

Phase 2: Planning Stage

Aim: to produce the action plan to facilitate the cultural integration process.

Key tasks:

- Negotiating the composition of a team for integrating culture.
- Decide on the extent of cultural integration.
- Decide on methods and timing of change.
- Assess the potential risks.
- Identification of training needs.
- Setting integration goals.

- Budgeting for integration.

Phase 3: Implementation Stage

Aim: Integration of structure and control systems

Key tasks:

- Creating atmosphere for cultural integration.
- Communication.
- Training/staff development.
- Re-organisation.
- Integrate structures, functions or control systems.

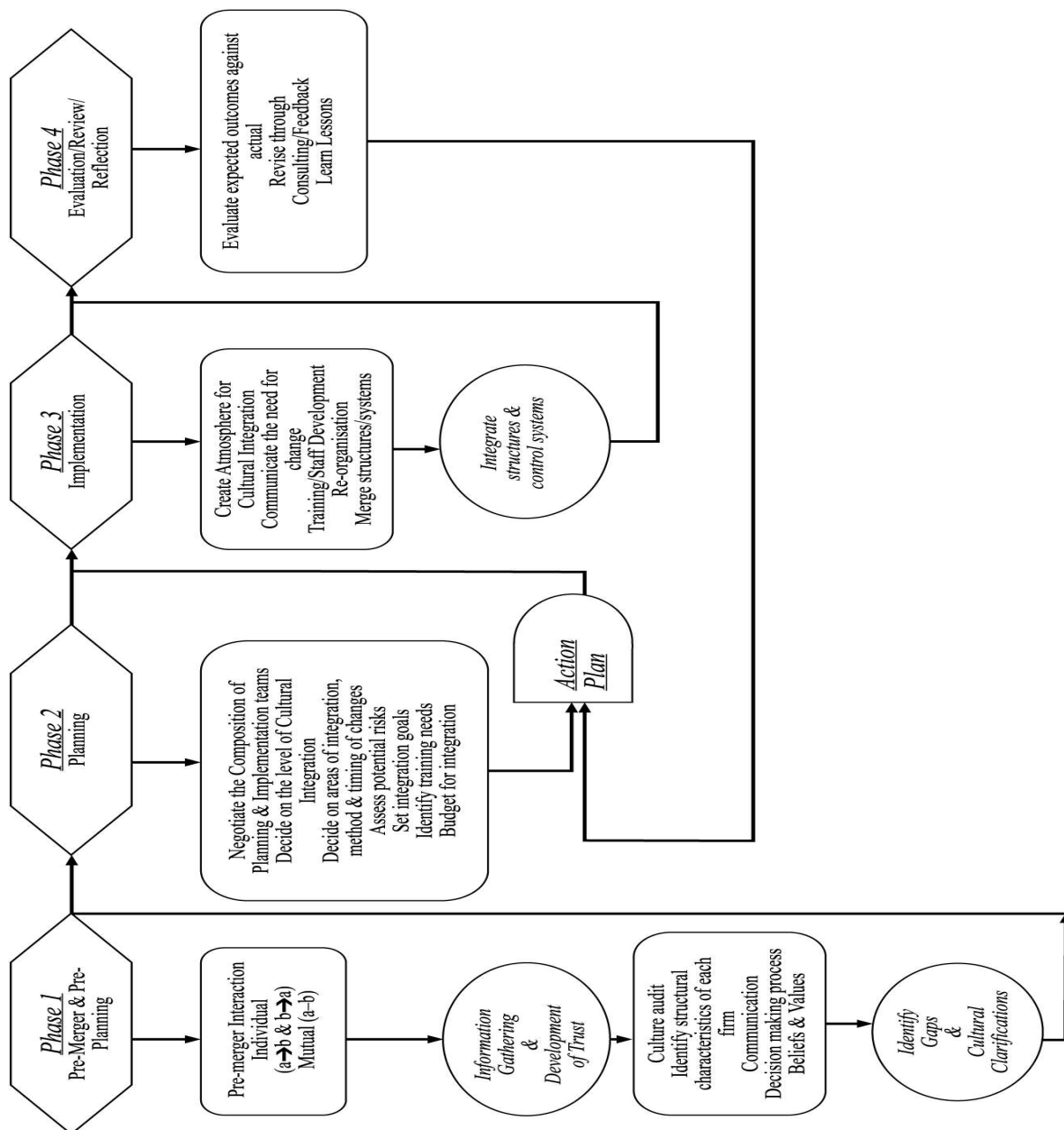
Phase 4: Evaluation, Review and Reflection

Aim: Creation of dynamic feedback process

Key tasks:

- Evaluate expected against actual outcomes.
- Learn lessons.
- Revise through consultations.

Figure 1: Schematic Representation of the framework proposed by Lodorfos & Boateng (2006).



2.9.4 Literature Conclusion

While cultural or “soft” issues are often cited as the reason for M&A’s failing to live up to expectations, these are still not routinely incorporated in pre-merger due diligence processes. This is creating doubt as to whether the importance of the role of culture and therefore cultural integration is truly recognised.

Numerous frameworks have been suggested in order to explain the role of culture during the M&A process. Transformation/ change management has equally been explored extensively in literature, lacking though are researched frameworks or pro-active management proposals for cultural integration. While Lodorfos & Boateng (2006) has proposed a framework for the chemical/ pharmaceutical industry, this has not been tested at the subsidiary level in multinationals. Cultural integration, as is other change interventions, if to be successful should be managed at all levels of an organisation.

The literature review also emphasises the role of leadership and effective communication during periods of change, as well as the important role that human resource capability plays in reaching cultural integration.

Chapter 3: Research Proposals

3.1 Purpose of the research

This chapter details the necessity of conducting this research into the role of culture in the success of M&A's at subsidiary level in multinational pharmaceuticals. This study aimed to gain a deeper understanding of the role of culture in the M&A process in order to suggest a pro-active approach for dealing with it at a subsidiary level. The precise purpose of this research report was to investigate the research proposals as stated in paragraph 3.2 below. The data which were analysed, coded and themed would be used to determine the applicability and possible amendments to the Lodorfos & Boateng (2006) framework. This chapter draws on the issues emerging and research needs illustrated in the literature review, in conjunction with the concepts and purpose of the study presented in the introduction of Chapter 1.

3.2 Research proposals

The research proposals were as follows:

3.2.1 Research proposal 1

The importance of cultural integration in M&A's at subsidiary level are not realised.

This research proposal sought to determine the perceived importance of the part that culture plays in the success of M&As, specifically at subsidiary level.

3.2.2 Research proposal 2

The management strategies used to deal with cultural integration at subsidiary level are inadequate.

This research proposal sought to explore the management strategies employed at subsidiary level and how effective they were deemed to be.

3.2.3 Research proposal 3

Determine whether the model, adapted from Lodorfos & Boateng (2006), is applicable at the subsidiary level.

This research proposal was aimed at determining whether the management strategies employed or the behaviours/ actions deemed useful in the process towards cultural integration at subsidiary level supported the proposed framework.

3.2.4 Research proposal 4

Determine how the proposed model by Lodorfos & Boateng (2006) could be improved.

This research proposal sought to evaluate the existing framework proposed by Lodorfos & Boateng (2006) and determine if and how it could be improved upon to better suit local circumstances at subsidiary level.

Chapter 4: Research Methodology

4.1 Introduction

This chapter discusses the research methodology utilised in this study. The literature review served the purpose of determining the need for further research into the role culture plays in the M&A process and the lack of frameworks to manage this process successfully. The framework suggested for the chemical industry by Lodorfos & Boateng (2006) has not been tested at subsidiary level. The research was exploratory in nature, in order to fully understand the issues at play in cultural integration at ground level. This is then reflected in the research method, design, sampling and analysis techniques employed during this study.

4.2 Research Method

A qualitative approach was followed. Henning *et al*, (2004) suggests this approach when depth rather than quantity of understanding is required. The qualitative study conducted by Lodorfos & Boateng (2006) gave rise to a framework for managing cultural integration. A deep level of understanding was required of the local subsidiary level issues, in order to determine the potential applicability of this framework to ground level.

Various researchers support a qualitative design when an attempt is made to interpret at a deeper level (Leedy, 2001; Zikmund, 2003 & Henning, 2004). Schein (1984b) indicated that the basic assumptions underlying culture may not be adequately captured in quantitative analysis and therefore no in-depth analysis can

result from this approach. In addition, the uniqueness of each M&A may not be fully measured using standardised questionnaires. Thus, a qualitative method is preferred when an in-depth understanding is desired.

In order to clearly grasp and appreciate the role of cultural diversity in M&A's and the associated challenges of cultural integration, the researcher had to explore at a deeper level by means of semi-structured interviews. Only once a clear understanding was reached, was it possible to make useful recommendations in relation to a framework for managing this challenge.

4.3 Population and Unit of Analysis

4.3.1 Population

The relevant population was defined as multinational pharmaceutical companies with South African subsidiaries, which had experienced M&A's during the last decade. Both Animal Health and Human Pharmaceuticals were included.

4.3.2 Unit of analysis

The role of culture in the M&A process.

4.4 Size and Nature of the Sample

A total of twelve interviews were conducted. South Africa may be regarded as a convenience cluster sample, while the interview candidates were a self-selection sample (Zikmund, 2003), selected from the following sampling frame, which met the required parameters of the defined population:

- Intervet/ Hoechst
- Pfizer Animal Health/ Pharmacia Animal Health
- Sanofi-Aventis
- Astra-Zeneca
- Bayer/ Schering
- Glaxo Smithkline
- Pfizer/ Pharmacia
- Ceva Sante Animale/ MDB/ Anchorpharm

The following companies agreed to participate in the study: Intervet/ Hoechst, Sanofi-Aventis, Bayer/Schering and Ceva Sante Animale/ MDB/ Anchorpharm agreed to participate in the study.

Akzo Nobel acquired Hoechst's veterinary healthcare business in 1999. The deal lifted Akzo Nobel's Intervet animal health business from ninth to fourth globally (Scott, 1999).

The acquisition of Schering AG in 2005 by the Bayer Group strengthened the group's healthcare business. Creating a sustainable joint corporate culture was regarded as a critical success factor (Bayer, 2006).

Ceva Sante Animale, based in Libourne France has acquired two local South African companies, Anchorpharm and MDB since 2000. The company has a strong entrepreneurial culture (Caplet, 2008).

In 2004, Synofi-Synthelabo announced the birth of Sanofi-Aventis. Aventis approached the Swiss drug giant Novartis unsuccessfully as an alternative to the hostile takeover (In-pharma, 2004).

Depending on availability, representatives from both the acquirer and the acquired company were interviewed. The objective was to either interview the Country Manager, Head of Human Resources or the person who was responsible for the M&A implementation. Alternatively a member of senior management at the time of the merger was interviewed (see Appendix I for list of interviewees and their positions within the companies). Thus, the sample interviewed represented four M&A's and twelve interviewees of which seven were from the acquired and five from the acquirer.

4.5 Data Collection and Data Analysis

4.5.1 Interview design

The semi-structured interview was designed to explore the research proposals set in chapter 3 (Refer Appendix II for the complete interview schedule). In depth-interviewing was used as a tool to facilitate primary data collection. The perception regarding the importance of culture was investigated, while the reasons for its importance and the experiences of interviewees on constructive and non-constructive behaviour were used to validate and extend to the Lodorfos & Boateng (2006) model.

The interview schedule was designed to enable a discussion flow, while accommodating both companies who had preset plans and those who did not. Comprising of ten questions the interview schedule covered the research proposals as follows:

Research Proposal 1: The importance of cultural integration in M&As at subsidiary level are not realised.

Question 3

Research proposal 2: The management strategies used to deal with cultural integration at this level are inadequate.

Questions 4, 6 and 8.

Research proposal 3: Determine whether the model, adapted from Lodorfos & Boateng (2006), is applicable at the subsidiary level.

Questions 1, 2, 5, 7, 9 and 10.

Research proposal 4: Determine how the proposed model by Lodorfos & Boateng (2006) could be improved.

Questions 1, 2, 5, 7, 9 and 10.

Pre-testing of the interview schedule ensured a smooth conversation flow and established an expected timeline of between 45 to 100 minutes. The length was in most cases determined by the presence or absence of a preset integration plan.

4.5.2 Data collection

Data collection was by means of semi-structured in-depth interviews (see Appendix B for interview schedule).

- Interviews were conducted;
- Extensive notes were taken during interviews.

4.5.3 Data analysis

Content analysis (Henning, 2004):

- The data sets were studied to form an overview and comprehend context.
- Data was coded by means of *in vivo* inductive coding (Maree, 2007) and categorised in terms of themes in relation to the Lodorfos & Boateng (2006) framework by means of *a priori* coding (Maree, 2007) deducted from the existing framework, also specifying constructs not mentioned in the

framework. This was necessary to prevent the loss of depth of information and to ensure useful amendments to the framework.

- The final themes were written according to the stated research proposals.
- A pattern of related themes were constructed and a gap analysis performed, thereby building on the Lodorfos & Boateng (2006) framework.
- In the analysis of research proposals 1 and 2, ordinal scales were deducted directly from the extensive notes and quotes taken during the interviews. These scales do not imply anything about the distance or interval between the components (Zikmund, 2003), but does add some depth to the analysis.
- Two rank order tables (Zikmund, 2003) were constructed in Excel spreadsheets from the data collected in questions 1, 2, 5, 7, 9 and 10. The first comprised of the constructs recognised as cultural differences and the second of those constructs that form part (or should) of a cultural integration strategy. The second rank order table excluded the constructs already covered in the first. The number (out of a possible four) M&A's, the number of interviewees acknowledging the construct (out of a possible twelve) and the number of times the construct was mentioned throughout all twelve interviews, were counted. The two rank order tables were then combined. The *a priori* constructs from Lodorfos & Boateng (2006) were listed and matched to these constructs to determine the applicability of the framework at subsidiary level.
- Those constructs mentioned by six or more interviewees were utilised in the gap analysis to justify amendments to the framework.

4.5.4 Data Validity and Reliability

Thirty percent of the interviewees were presented with the extensive notes taken during their interview in order to validate that it was an accurate reflection of what was said. Maree (2007) suggests this step in order to validate the raw data generated. An expert in qualitative analysis, Dr Caren Scheepers, was presented with the analysis and preliminary findings, to confirm the methodology and output of results in order to limit inevitable researcher bias. Gilham (2004) suggests accepting a degree of subjectivity, but compensating for it by using another researcher's opinion. In addition the methodology and especially the analysis of the results were presented to an experienced statistician, Riaan Bezuidenhout, to verify the processes used.

4.6 Assumptions

The research was subjected to certain assumptions made by the researcher:

- Interviewees would be truthful and honest about their experience;
- Participants could still recall accurately what they have experienced;
- That these experiences shared would be useful in projecting future behaviours and thus relevance of the Lodorfos & Boateng (2006) framework.

4.7 Research Limitations

- When evaluating the role of culture at subsidiary level, South Africa might be regarded as a convenience cluster sample. Given our country's fairly unique circumstances with regards to diversity management in combination with BEE, some of the findings might not be applicable to other countries, therefore limiting its use as secondary data.
- As a qualitative study no statistical inferences can be made about the population.
- As specified in the methodology, whenever possible, the researcher aimed at interviewing a representative from both the acquirer and the acquired company. This was not possible in even numbers in all cases and might have influenced the results.
- The influence of researcher bias has already been discussed in paragraph 4.5.4 above.
- The time post-merger might influence the results as well as the role of respondent in the company. These factors could be limited by interviewing the counterpart and selecting companies in a similar post-merger time frame, but with a limited number of potential interviewees this could not be achieved.

Chapter 5: Results

In this chapter, the results obtained from the twelve semi-structured interviews conducted are presented. These interviews were conducted in order to establish the role of cultural integration in the success of M&A's at subsidiary level in South Africa. A self-selection sample from pharmaceutical and animal health multinational companies undergoing an M&A in the last decade was taken and employees on the senior management team at the time of the merger were interviewed. A total of four M&A's were involved, with the twelve interviewees comprising of five employees representing the acquirer and seven the acquired companies.

5.1 Coding

After overviewing the contents of the extensive notes taken during the interviews they were coded as follows:

Reflective Notes	Extensive notes taken during interview	Coding
<p><i>Passionate</i></p> <p><i>Very goal and output orientated</i></p>	<p><i>How important was the role of culture regarded in the success of the M&A by the executive team (at subsidiary level)?</i></p> <p>We knew that is was important, one do culture mapping, describe all issues, decided against it. Instead, we are going to develop our own, company values became the underpinning values locally (respect, courage). Did it in 3 weeks, before going through shock waves of M&A's. Within a month new team and bosses were in place. Employees encouraged to get to know each other. Workstreams from all departments, common objective common goal and working together. Speed is key, done quickly and had a common goal. Too quick for negativity to develop.</p> <p>NB if you are seen upfront to be fair and quick, you gain respect. Show decency, how you speak to people, culture of caring. Majority left with good mind of future. Some just couldn't fit in , couldn't make mindshift, make tough decisions and let them go, but be fair</p>	<p>New culture to develop</p> <p>Values</p> <p>Speed</p> <p>Common goal Teamwork Speed</p> <p>Respect</p> <p>Let go- not fitting in</p> <p>Fair</p>

Full transcripts not included to protect confidentiality of the interviewees.

Table 2: Master List of *in vivo* inductive coding (Maree, 2007)

	Construct		Construct		Construct
	2nd Marriage	H	Handle Complaints	P	Policies
A	Atmosphere	I	Incentives to Stay		Pre-Planning
					Reactive Problem Solving
B	Behavioural Competency		Induction	R	Reinforcing New
	Better future	J	Job Security		Respect
	Burning Platform		Joined Events		
			Keep Own Culture/		Revenue Loss
C	Change Agents	K	Management		Sales vs Marketing
	Change Blocker		Knowledge Loss	S	Size
	Common Goals	L	Leadership Role		
			Let Go- Not Fitting In		Speed
	Communication Construct		Location		Staff Turnover
			Long term vs Short term Focus		Strongest Prevail
	Customer Confusion		Management Style		Structured Plan
D	Customer Service Definition	M	Market Focus		Structures
	Decision Making		Milestones		Survival
	Delay Implementation		Nationality		Systems
	Demotivation	N	Negativity	T	Team Meetings
	Different Visions		New Culture Develop		Teamwork
	Disillusionment		No Force		Transparency
	Disruption		No Plan- A Plan	U	Uncertainty
	Distrust		People Factor	V	Values
E	Entrepreneurial	P	Performance Management		Way Business is Done
				W	Work streams
F	Fairness				

These codes were then divided into themes according to the research proposals set in Chapter 3. *A priori* codes (Maree, 2007) from the framework of Lodorfos & Boateng (2006) were identified as set out in Table 3.



Table 3: *A priori* codes identified from Lodorfos & Boateng (2006)

A Priori Constructs (Lodorfos & Boateng, 2006)
Assess Potential Risks
Beliefs & Values
Budget for Integration
Communicate the Need for Change
Communication
Consulting/ Feedback
Create Atmosphere for Cultural Integration
Cultural Clarification
Culture Audit
Decision-Making Process
Development of Trust
Evaluation/ Review/ Reflection
Identify Gaps
Identify Structural Characteristics
Identify Training Needs
Implementation
Information Gathering
Learn Lessons
Level of Cultural Integration
Merge structures/ Systems
Planning
Planning & Implementation Teams
Pre-Merger & Pre-Planning
Pre-Merger Interaction
Re-organisation
Set Integration Goals
Training/ Staff Development

5.2 Interview Schedule Results

Results will now be presented as per the interview schedule as applicable to the relevant research proposals.

5.2.1 Research proposal 1

The importance of cultural integration in M&A's at subsidiary level are not realised.

Table 4: Importance of cultural integration acknowledged at senior management level in local subsidiaries.

Importance acknowledged	Acquired	Acquirer	Total
Yes	3	5	8
No	4	0	4
<i>Total</i>	<i>7</i>	<i>5</i>	<i>12</i>

A total of eight (66.6%) of respondents acknowledged the importance of cultural integration in the success of M&A's at subsidiary level. All the respondents (100%) on the acquirer side acknowledged the importance, while 3/7 (43%) on the acquired side did.

Table 5: Relative importance of cultural integration in ordinal scale at senior management level at the time of the M&A.

Importance of cultural integration	Acquired	Acquirer	Total
Very Important	0	3	3
Intermediate Importance	3	2	5
No Importance	4	0	4
Total	7	5	12

On an ordinal scale 3/12 (25%) of interviewees perceived senior management at subsidiary level to regard cultural integration as very important, all three were from

the acquirer's side. 5/12 (42%) perceived it as of intermediate importance. 4/12 (33%) regarded is as of no importance.

5.2.2 *Research proposal 2*

The management strategies used to deal with cultural integration at the subsidiary level are inadequate.

Table 6: Number that had a plan for cultural integration and also were aware of such a plan.

Plan Yes/No	Acquired	Acquirer	Total	M&A
Yes	3	3	6	3
No	4	2	6	1
Total	7	5	12	4

6/12 (50%) of respondents were aware of a plan for cultural integration, while 3/4 (75%) of the M&As involved had plans in place.

Table 7: Perceived success in ordinal scale of management strategy or plan by six interviewees aware of the plan.

Perceived success of plan	Acquired	Acquirer	Total
Very Successful	2	1	3
Intermediate Success	1	0	1
Minimal Success	0	2	2
Total	3	3	6

Of the six interviewees aware of a cultural integration plan, 3/6 (50%) perceived it as very successful, with one (17%) judging it as intermediately successful and two as of minimal success.

Table 8: Number of those unaware of a plan for cultural integration deeming it helpful or not in future.

Helpful in future	Acquired	Acquirer	Total
Yes	4	1	5
No	0	1	1
Total	4	2	6

Of the six interviewees unaware of a cultural integration plan, only one did not think that it would be helpful in future.

The positive expectations from such a plan include:

- Less frustration;
- Resolution of uncertainties and
- Less disruption.

And are marked by:

- Pro-activeness;
- Communication;
- Empathy;
- Clear leadership;
- Teamwork and
- Employee involvement.

5.2.3 Research proposal 3

Determine whether the model, adapted from Lodorfos & Boateng (2006), is applicable at the subsidiary level.

In order to determine the applicability of the Lodorfos & Boateng (2006) framework, it is important to realise the 12/12 interviewees realised the cultural differences between the merging companies. The following rank order table shows the frequency of the specific cultural constructs mentioned, the number of respondents mentioning it as well as how many of the four M&A's acknowledged it.

Table 9: Rank order table of frequency cultural constructs realised as differences.

Differences Identified	Of 4 M&As	Number of Interviewees	Frequency Mentioned
Size	4	9	16
Decision Making	4	7	12
Market Focus	4	7	10
Nationality	4	7	8
Systems	3	7	11
Policies	3	3	8
Organisational Structures	3	3	4
Management Style	3	3	3
Way Business is Done	2	5	6
Performance Management	2	4	6
Customer Service Definition	2	2	2
Different Visions	2	2	2
Sales vs Marketing Focus	2	2	2
Short vs Long term Focus	1	1	1

The differences recognised were size, decision making processes, market focus, nationality and systems, with between 7 to 9 (58 to 75%) of interviewees acknowledging these constructs.

The six interviewees who did acknowledge a plan for cultural integration (Table 6) were asked to reflect on the contents of these plans.

Table 10: Existing integration plan entailed

Constructs identified in existing plans
Behavioural Competencies
Common Goals
Communication
Joined Events
Keep Local Management
Leadership Role
New Culture Develop
No Force
Reinforcing New
Speed
Work Streams

Table 11: Changes that would be made to plans in Table 10 given a second chance.

Suggested improvements
(More) Communication
(More) Speed
(One) Location
Handover
Joined Events

Table 12: Factors/ actions or behaviours perceived as stumbling blocks on the road to cultural integration in alphabetical order.

Stumbling Blocks
Change Blockers
Changes in Performance Management
Communication (Lack/ blocking of and inconsistency)
Differences in Decision Making
Differences in Remuneration
Differences in the Way of Doing Business
Different Customer Service Definition
Different Locations
Different Market Focus
Different Systems
Different Visions
Disillusionment
Greater Size
Hostility
Lack of Induction
Lack of Teamwork
Lack of Transparency
Lack of Trust
Negativity
Non-inclusive
Poor Leadership
Reactive Problem Solving
Sales vs Marketing Focus
Spreading of Rumours
Uncertainty
Wide geographics



Table 13: Factors/ actions or behaviours regarded as helpful towards cultural integration.

Helpful Actions/ Behaviours or Factors
Burning Platform
Change Agents
Climate Survey
Common Goal
Communication
Delegative Management Style
Empathy
Employee Involvement/ Buy-in
Friendly Atmosphere
Incentives to Stay
Job Security
Joined Events
Leadership Role
New Culture Development
One Location
Performance Management
Speed
Synergistic Market Focus
Teamwork
Transparency
Trust

Table 14: Rank order table with constructs needed in a cultural integration plan deducted from tables 10 to 13 (excluding those dealt with in table 9).

Helpful Actions/ Behaviours or Factors	Out of 4 M&As	Number of Interviewees	Frequency Mentioned
Leadership Role	4	12	33
(More/ lack of/ inconsistent) Communication/ Rumours	4	11	25
(Lack of) Teamwork, Workstreams	4	7	18
Common Goal/ Better future	4	7	14
Empathy/People Factor	4	6	9
Job Security/ Uncertainty	4	6	7
(More) Speed	4	5	15
Disillusionment/ Negativity/ Frustration/ Disruption	4	5	10
Employee Involvement/ Buy- in/ Non-inclusive	4	5	10
Change Agents/ Blockers	4	5	8
Joined Events	4	5	7
(One) Location	4	4	5
(Lack of)Transparency	3	6	14
Reactive Problem Solving	3	5	6
Friendly Atmosphere/ Hostility	3	4	6
(Lack of) Trust/ 2nd Marriage	3	3	8
New Culture Develop	3	3	8
No Force	2	4	5
Fairness	2	2	5
Burning Platform	2	2	2
Climate Survey	2	2	2
Differences in Remuneration/ Incentives	2	2	2
Reinforcing New	2	2	2
Behavioural Competencies	1	2	3
Handover/ Lack of Induction	1	2	2

The most important constructs identified were leadership role, communication, teamwork, common goals, empathy, transparency and job security. With Leadership Role and Communication acknowledged in all M&A's involved and 100 and 92% of interviewees respectively. They also had the highest frequency of

being mentioned by far. The need to execute with great speed (15 times) as well as employee involvement (10 times) were also frequented often.

Table 15: Matching *in vivo* inductive constructs from rank order tables 9 and 14 to Lodorfos & Boateng (2006) *a priori* codes in order to determine applicability at the subsidiary level.

A Priori Constructs (Lodorfos & Boateng, 2006)	Matching In Vivo Construct	Supported Yes/ No
Assess Potential Risks		
Beliefs & Values	Values	Yes
Budget for Integration		No
Communicate the Need for Change	(More/ lack of/ inconsistent) Communication/ Rumours	Yes
Communication	(More/ lack of/ inconsistent) Communication/ Rumours	Yes
Consulting/ Feedback	Climate Survey	Yes
Create Atmosphere for Cultural Integration	Friendly Atmosphere/ Hostility	Yes
Cultural Clarification	Way Doing Business/ Size/ Nationality	Yes
Culture Audit	Way Doing Business/ Size? Nationality	Yes
Decision-Making Process	Decision Making	Yes
Development of Trust	(Lack of) Trust/ 2nd Marriage	Yes
Evaluation/ Review/ Reflection	Stage	
Identify Cultural Gaps	Way Doing Business/ Size/ Nationality	Yes
Identify Structural Characteristics	Organisational Structures	Yes
Identify Training Needs		No
Implementation	Stage	
Information Gathering	Joined Events/ Teamwork/ Workstreams	Yes
Learn Lessons		No
Level of Cultural Integration	Size nationality	Yes
Merge structures/ Systems	Systems	Yes
Planning	Stage	Yes
Planning & Implementation Teams	(Lack of) Teamwork, Workstreams	Yes
Pre-Merger & Pre-Planning	Stage	
Pre-Merger Interaction	Joined Events	Yes
Re-organisation	Organisational Structures	Yes
Set Integration Goals	Common Goal/ Better future	Yes
Training/ Staff Development	Induction/ Handover	Yes

With the exception of budgeting for the process and identification of training needs all of the other a priori constructs from Lodorfos & Boateng (2006) were supported by the semi-structured interviews.

5.2.4 Research proposal 4

Determine how the proposed model by Lodorfos & Boateng (2006) could be improved.

Table 16: Gap analysis of the constructs identified by 50% or more during semi-structured interviews.

Helpful Actions/ Behaviours or Factors	Number of Interviewees	Match with	# A Priori Construct	A Priori Constructs (Lodorfos & Boateng, 2006)
Leadership Role (More/ lack of/ inconsistent)	12		1	Assess Potential Risks
Communication/ Rumours	11	4,5	2	Beliefs & Values
Size	9	8,9,19	3	Budget for Integration
(Lack of) Teamwork, Workstreams	7	22	4	Communicate the Need for Change
Common Goal/ Better future	7	26	5	Communication
Decision Making	7	10	6	Consulting/ Feedback
Market Focus	7	14	7	Create Atmosphere for Cultural Integration
Nationality	7	8,9,19	8	Cultural Clarification
Systems	7	20	9	Culture Audit
Empathy/People Factor	6		10	Decision-Making Process
Job Security/ Uncertainty	6	25	11	Development of Trust
(Lack of)Transparency	6	5,11	12	Evaluation/ Review/ Reflection
			13	Identify Gaps
			14	Identify Structural Characteristics
			15	Identify Training Needs
			16	Implementation
			17	Information Gathering
			18	Learn Lessons
			19	Level of Cultural Integration



Helpful Actions/ Behaviours or Factors	Number of Interviewees	Match with	# <i>A Priori</i> Construct	<i>A Priori</i> Constructs (Lodorfos & Boateng, 2006)
			20	Merge structures/ Systems
			21	Planning
			22	Planning & Implementation Teams
			23	Pre-Merger & Pre-Planning
			24	Pre-Merger Interaction
			25	Re-organisation
			26	Set Integration Goals

The factors relating to leadership role and empathy or people orientation were identified as gaps of high importance. These need to be incorporated in order to amend the framework for the subsidiary level.

In this chapter the results from the semi-structured interviews were analysed and presented according to the research proposals set. Amendments in terms of leadership role and empathy or the people factor were proposed accordingly. In the next chapter these results will be discussed in-depth and tied back to the literature study in Chapter 2 in order to justify and support the proposed amendments to the Lodorfos & Boateng (2006) framework.

Chapter 6: Discussion

The results obtained from the twelve semi-structured interviews conducted, were analysed in Chapter 5. In this chapter the results are discussed with reference to the literature study as set out in Chapter 2. In order to ensure confidentiality of the participants direct quotes are not referenced.

6.1 Interview Schedule Discussion

A discussion will not follow in accordance with the research proposals as set out in Chapter 3.

6.1.1 *Research proposal 1*

The importance of cultural integration in M&A's at subsidiary level are not realised.

During the semi-structured interviews comments ranged from, “not sure we had any regard”, “missed completely” to “we knew it was important” and very important”.

A total of sixty six percent of respondents acknowledged the importance of cultural integration in the success of M&A's at subsidiary level. All the respondents on the acquirer side acknowledged the importance, while only forty two percent on the acquired side did (Table 4).

On an ordinal scale, twenty five percent of interviewees perceived senior management at subsidiary level to regard cultural integration as very important, all

three were from the acquirer's side. Forty two percent perceived it as of intermediate importance, while thirty three percent regarded it as of no importance at all (Table 5).

Interestingly there seemed to be a disconnect between different interviewees involved in the same merger. The acquired side did not perceive the realisation of the importance of cultural integration in the senior management team at subsidiary level to the same extent as the acquirer. The most reasonable explanation, "insufficient communication by the leadership".

Thus while there is a realisation of the importance of cultural integration (two thirds of interviewees), considering that senior management was interviewed, this is alarmingly low. Especially when taking into consideration that only one third regarded it as very important. This is in accordance with the findings of Stopper (1998) and Horwitz (2002), who found the role of cultural integration to still be underestimated even though recognised and therefore excluded from pre-merger due-diligence.

6.1.2 Research proposal 2

The management strategies used to deal with cultural integration at the subsidiary level are inadequate.

This research proposal intended to explore how adequate management strategies/ or cultural integration plans were at subsidiary level. Firstly whether there was a

cultural integration strategy present and then the awareness about the plan was investigated. Thereafter the perceived success of these strategies was explored.

Half of respondents were aware of a plan for cultural integration, while seventy five percent of the M&A's involved in fact had plans in place (Table 6). There is a discrepancy between how many M&A's in fact had a plan with only half of the senior management being aware of the plan. Again this is indicative of inadequate communication and /or inadequate planning for dealing with the cultural integration. The acquirer and acquired groups did not differ markedly.

Of the six interviewees (Table 7) aware of a cultural integration plan, fifty percent perceived it as very successful, with seventeen percent judging it as intermediately successful and thirty three percent as of minimal success. It is important to note that the perceived success was measured in this study, and different respondents had different definitions and measurements of success:

“The company instantly accelerated in performance, thus successful.”

“I believe that it was spectacularly successful, a really good feeling compared to other subsidiaries and head office.”

“2.5 on a scale from 1 to 5, thus successful, but not highly successful.”

“An out and out failure. Failed M&A, went from 130 employees to 10 in less than a year.”

Of the six interviewees (Table 8) unaware of a cultural integration plan, only one did not think that it would be helpful in future. The fact that the need for a plan is

acknowledged, while only half was aware of a plan at the time of the merger, indicates the plans or strategies employed were inadequate.

The positive expectations from such a plan included:

- Less frustration;
- Resolution of uncertainties;
- Less disruption.

Shraeder & Self (2003) makes reference to employees' reactions, feelings of loss, fear and uncertainty as one of the cultural challenges to be dealt with during the M&A process.

The interviewees would have wanted the following constructs to be part of a cultural integration plan:

- Pro-activeness (Appelbaum, 2000, Covin & Kilman, 1990, Jick, 1991, Kotter, 1996, and Cummings & Worley, 2005);The following is a quote from one of the interviews, "Thinking it through beforehand...Being more proactive in communicating, people might have been less unsettled."
- Communication (Covin & Kilman, 1990, Jick, 1991, Kotter, 1996, and Cummings & Worley, 2005);
- Empathy (Cummings & Worley, 2005);
- Clear leadership (Covin & Kilman, 1990, Jick, 1991, Kotter, 1996, and Cummings & Worley, 2005);
- Teamwork (Lodorfos & Boateng, 2006);

- Employee involvement (Covin & Kilman, 1990, Jick, 1991, Kotter, 1996, and Cummings & Worley, 2005).

The above-mentioned constructs are thus supported by literature and by the data generated during this study, as will be seen in the discussion of the following research proposal.

Lin *et al*, 2006 suggested that half of acquisitions failed because they were poorly managed. Certainly, between the different companies taking part, there was variation in terms of the perceived success as well as awareness of plans or strategies. Opinions were polarised, varying from highly successful to complete failure. As set out in the research methodology, due to the qualitative nature of this study no statistical inferences can be made regarding the population, but in the sample interviewed there is room for improvement. One also has to take into consideration the influence of self-selection bias. It could be argued that the companies that agreed to partake in the study might have had a more positive experience compared to the general M&A population.

6.1.3 Research proposal 3

Determine whether the model, adapted from Lodorfos & Boateng (2006), is applicable at the subsidiary level.

During all twelve of the semi-structured interviews it was clear that cultural differences between the merging companies were indeed realised. The rank order

table (Table 9) listing the constructs identified by the interviewees, was sorted according to how many of the M&A's involved mentioned them, followed by the number of interviewees and then according to the frequency it was mentioned throughout the whole interview by all respondents. It should be noted that the different counts are re-confirming the importance of the constructs listed as the most important. Indicating that the total frequency mentioned could in this study be considered to be an indication of relative importance.

The most important differences recognised (Table 9) were size, decision making processes, market focus, nationality and systems, with between fifty eight to seventy five percent of interviewees acknowledging these constructs. These will now be discussed in more detail:

- Size

“Smaller more intimate versus this very large corporate environment”

“Size caused cultural change”

“Difficult to adapt to this huge structure”

“Big company culture...less of a family culture”.

Carroll & Harrison (2002) suggested that integration proceeds faster when the acquirer is substantially larger than the acquired organisation. This might be because the organisation larger in size is more likely to be dominant. Shraeder & Self (2003) argues that larger companies have more intricate systems and power structures complicating change. In this study the focus on size was more related to a sense of loss, relating to the family culture of the smaller organisation.

- Decision making

“...decision making is hierarchal, less of a family unit versus smaller company, less processes, quicker decisions.” According to Schein (1984, 1991, 1992) decision making is underpinned by the value system, which in turn defines what the members of the organisation care about. Thus it is very important to understand the decision making process as well as the underlying reasons for it in order to progress with cultural integration. Handling this aspect as soon as possible will prevent misunderstandings later on.

- Market focus

“Because the businesses were so different, they could be left to operate as two separate companies. This contributed to it (integration) being able to take place fast.”

- Nationality

“The Afrikaans culture is very pyramidal, a strong person is not being challenged.”

It was also seemed that merging cultures from the same nationality was less problematic. This finding is supported by Hassan et al (2007), who suggested that US acquisitions of foreign-based companies were less likely to be successful than with a US based company.

- Systems

“Have to follow the line, can’t just do what you want, you have to follow the systems.”

Though systems aren't strictly speaking included in the culture definition it does become part of "the way we do business". Therefore it does influence how people relate to each other and the new organisation.

Others constructs listed were policies, organisational structures, management style, the way business is done, performance management, customer service definition, visions, sales versus marketing focus and short versus long term focus.

The most important constructs identified towards a management strategy for cultural integration (Table 14) excluding those already listed under cultural differences (Table 9) were leadership role, communication, cross-functional teamwork, common goals, empathy, transparency and job security. Leadership role and communication were acknowledged in all M&A's involved and one hundred and ninety two percent of interviewees respectively. They also had the highest frequency of being mentioned by far. The need to execute with great speed (fifteen times) as well as employee involvement (ten times) were also frequented often.

- Leadership role

"..don't throw out the baby with the bath water. A huge part of the inherent value is senior management." This quote followed from an interview regarding a multinational acquiring a local organisation. Fortunately they realised the value of keeping the local leadership in place and thereby retained valued and facilitated cultural integration.

“... the person leading did not have that open-mindedness or willingness to engage both sides.”

“Leadership seen to work together very well...have to understand you have to take the best of the best, you will end up with a stronger company. Otherwise deemed to fail. You have to be open to adopt a new or changed culture”.

“The general manager created a different culture”.

“Senior management all across was visible and communicated at a strategic and personal level”.

Leadership’s attitude and commitment may prove to be a make or break factor in the success of cultural integration as can be seen from the above-mentioned quotes.

“Success equals freedom, change is inevitable.” This quote used by a general manager to engage employees, is echoed by Badrtalei & Bates (2007) who investigated the Daimler-Chrysler acquisition.

Leadership roles will be discussed in more detail in the following research proposal.

- Communication

“Fought a lot, communication was honest.”

“Quickly as possible, let people know what happens, only call them when there is a message, but importantly if there is no message, there is no communication.”

There was a strong focus during the interviews on fair, honest and timely communication. This finding is in accordance with the findings of Covin & Kilman (1990), Jick (1991), Kotter (1996) and Cummings & Worley (2005). Communication is again dealt with under leadership role in research proposal 4.

- Cross-functional teamwork

“.. .silo’s or pillars not helpful.”

Appelbaum (2000) did note that creating a multidisciplinary team might prove challenging.

- Common goals/ better future

Listed as helpful, “Inherently both was target and results driven.”

“Sharing common goals, if people see what needs to be achieved they realise they are all in this boat together.”

- Empathy/ People orientation

“Realise the fear in people’s minds and be prepared to accommodate it.”

“Be professional, let them talk and give feelings and opinions”. Three of the M&As make mention of these feedback sessions. This finding and thus the importance of human resource capability is supported by the literature review (De Voge & Sprier, 1999, Smye & Grant, 1989 and Lin *et al*, 2006).

- Transparency

“Consultations from HR point of view, fully inclusive, open, we presented the exact process.”

“... not push under the carpet”.

Transparency was emphasised in the interviews and regarded as essential to build trust. Badrtalei & Bates (2007) listed truthful, timely, two-way communication in a regular, open manner as an essential when listing the lessons learned from the automobile industry.

- Job security

With the exception of budgeting for the process and identification of training needs all of the other *a priori* constructs from Lodorfos & Boateng (2006) were supported by the semi-structured interviews (Table 14) to a greater or lesser extent. It is significant that the interviewees did mention almost all of the *a priori* constructs answering the open-ended questions, with the exceptions being logical steps, not so much actual concepts.

6.1.4 Research proposal 4

Determine how the proposed model by Lodorfos & Boateng (2006) could be improved.

A combined list of constructs identified as constructs of cultural differences and those to be part of a cultural integration strategy was created. Those confirmed by

fifty percent or more of interviewees were used as a base, to perform a gap analysis with the *a priori* constructs from Lodorfos & Boateng (2006).

The leadership role and empathy or people factor were identified as gaps of high importance (Table 15). Also communication, though present in the Lodorfos & Boateng (2006) framework should be incorporated to a greater extent.

From the literature review the following four leadership roles were identified. These leadership roles are clearly supported by the results of this study.

Leadership Role 1: Clarifying Purpose

Role: It is the leader's responsibility to create a clear vision and common future direction for the company.

Communication: This vision of a better future must be communicated often and effectively to employees to ensure buy-in. The leader must show visible commitment to the purpose and vision of the company (Covin & Kilman, 1990, Jick, 1991, Kotter, 1996, and Cummings & Worley, 2005). This leadership role is supported by the common goal/ better future construct as well as the quotes referring to the importance of leadership commitment listed under research proposal 3.

Leadership Role 2: Creating Processes

Role: True leaders are also good managers. They ensure a good person-job fit and realise that person-organisation fit plays an important role in job satisfaction (O'Reilly *et al*, 1991).

Communication: They communicate the need for change to employees to ensure that change is implemented. Covin & Kilman (1990) also supports this concept. Systems are in place to allow access to information and smooth conducting of business processes. Celebrating small successes helps to build confidence, momentum and team spirit. Business concepts are revolutionalised and not merely improved (Hamel, 2001).

During one of the interviews mention was made of the importance of milestones set and reached has played during the integration process. The high importance of systems also support this leadership role. Also the leadership quotes from research proposal 3 supports the importance of the need for change being communicated to ensure buy-in from employees.

Leadership Role 3: Challenging Person/ Paradigm

Role: Leaders set examples by purposefully eliciting feedback and challenging own limiting beliefs or paradigms. Direct reports are mentored, coached and exposed to stretch roles. Leaders transition to new roles with awareness and purposefully unlearn ineffective behaviours (Dotlich *et al*, 2004). Jick (1991) also recommends strong leadership and that change implementers should be responsible for the day-to-day process of making change happen.

Communication: Change is reinforced and the new culture institutionalised. The notion of reinforcing the new is supported by the interview data, “Strongly frowned upon referring to legacy companies.” From the onset the focus should be on the new entity and finding new and better ways to do things.

Leadership Role 4: Connecting People

Role: Leadership involves emotional intelligence. Leaders should manage with empathy in periods of change (Cummings & Worley, 2005) and employees need to be treated respectfully and keep their social standing (Lake, 1997) Leadership enables community of practice (Drath & Palus, 2001). Team members are connected through the significance of their quest and a common goal. Cross-functional teamwork follows from this. True dialogue enables reality testing, conflict resolution and trust. Leadership connects team members with external networks and resources. Individuals are appreciated for their important contributions.(Kouzes & Posner, 1999) .

Communication: Empathy/ People-orientation, it is important that employees be treated with empathy and respect. Human resources also have an important part to play here. “Never forget, M&A’s are about people. Show empathy, show you are human. You need to understand and deal with the human element.”

In this chapter the results from Chapter 5 were discussed and tied back to the literature study in Chapter 2 in order to justify and support the proposed amendments to the Lodorfos & Boateng (2006) framework. In the next chapter the findings will be concluded and the amended framework presented.

Chapter 7: Conclusion

In this chapter the conclusions drawn from findings of this qualitative study into the importance of cultural integration in the success of M&A's at subsidiary level, will be presented. Recommendations flowing from the findings which followed from the analysis of twelve semi-structured interviews, will be made to relevant stakeholders. Recommendations for further research on the topic will also be discussed.

7.1 Research Conclusions

Due to the qualitative design of the study no statistical inferences can be applied to the population. The influence of self-selection bias was another factor that had to be taken into consideration when interpreting the results. Special care was taken to validate the data generated as well as the logic followed when analysing the results.

7.1.1 *Research proposal 1*

The importance of cultural integration in M&As at subsidiary level are not realised.

This research proposal sought to determine the perceived importance of the part that culture plays in the success of M&As, specifically at subsidiary level. With comments ranging from, "not sure we had any regard", "missed completely" to "we knew it was important" and very important".

Thus while there is a realisation of the importance of cultural integration (two thirds of interviewees), considering that senior management was interviewed, this is alarmingly low. Especially when taking into consideration that only one third regarded it as very important. This is in accordance with the findings of Stopper (1998) and Horwitz (2002), who found the role of cultural integration to still be underestimated even though recognised and therefore excluded from pre-merger due-diligence.

7.1.2 Research proposal 2

The management strategies used to deal with cultural integration at the subsidiary level are inadequate.

This research proposal sought to explore the management strategies employed at subsidiary level and how effective they were deemed to be. Lin *et al*, 2006 suggested that half of acquisitions failed because they were poorly managed. Certainly, between the different companies taking part, there was variation in terms of the perceived success as well as awareness of plans/ strategies. Opinions varied from highly successful to complete failure. As set out in the research methodology, due to the qualitative nature of this study no statistical inferences can be made regarding the population, but in the sample interviewed there is room for improvement. One also has to take into consideration the influence of self-selection bias, it could be argued that the companies that agreed to partake in the study might have had a more positive experience compared to the general M&A population.

7.1.3 Research proposal 3

Determine whether the model, adapted from Lodorfos & Boateng (2006), is applicable at the subsidiary level.

This research proposal was aimed at determining whether the management strategies employed or the behaviours/ actions deemed useful in the process towards cultural integration at subsidiary level supported the proposed framework. All but two of the Lodorfos & Boateng constructs were supported by the interview data. These were budgeting for the M&A process and training and development. These are both logical, integral steps and might not have been mentioned for this very reason. They should continue to be included in the framework and thus this study support the Lodorfos & Boateng (2006) framework.

7.1.4 Research proposal 4

Determine how the proposed model by Lodorfos & Boateng (2006) could be improved.

This research proposal sought to evaluate the existing framework proposed by Lodorfos & Boateng (2006) and determine if and how it could be improved upon to better suit local circumstances at subsidiary level.

The leadership role and empathy or people factor were identified as gaps of high importance (Table 15). Also communication, though present in the Lodorfos & Boateng (2006) framework should be incorporated to a greater extent.

From the literature review and interview data four leadership roles were identified, accompanied by a central message that has to be communicated clearly and often by the leadership to ensure buy-in:

Leadership Role 1: Connecting People (Drath & Palus, 2001, Kouzes & Posner, 1999).

Stage: Pre-merger and Pre-planning

Message: Empathy and people orientation (Cummings & Worley, 2005; Lake, 1997).

Desired Result: Cross-functional teamwork and collaboration

Leadership Role 2: Clarifying Purpose (Covin & Kilman, 1990, Jick, 1991, Kotter, 1996 and Cummings & Worley, 2005).

Stage: Planning

Message: Common goal, better future

Desired result: Employee buy-in Purpose (Covin & Kilman, 1990, Jick, 1991, Kotter, 1996 and Cummings & Worley, 2005).

Leadership Role 3: Creating Processes (O'Reilly et al, 1991, Hamel, 2001).

Stage: Implementation

Message: Need for change Purpose (Covin & Kilman, 1990, Jick, 1991, Kotter, 1996 and Cummings & Worley, 2005).

Desired result: Employee buy-in

Leadership Role 4: Challenging People/ Paradigms (Dotlich *et al*, 2004, Jick, 1991).

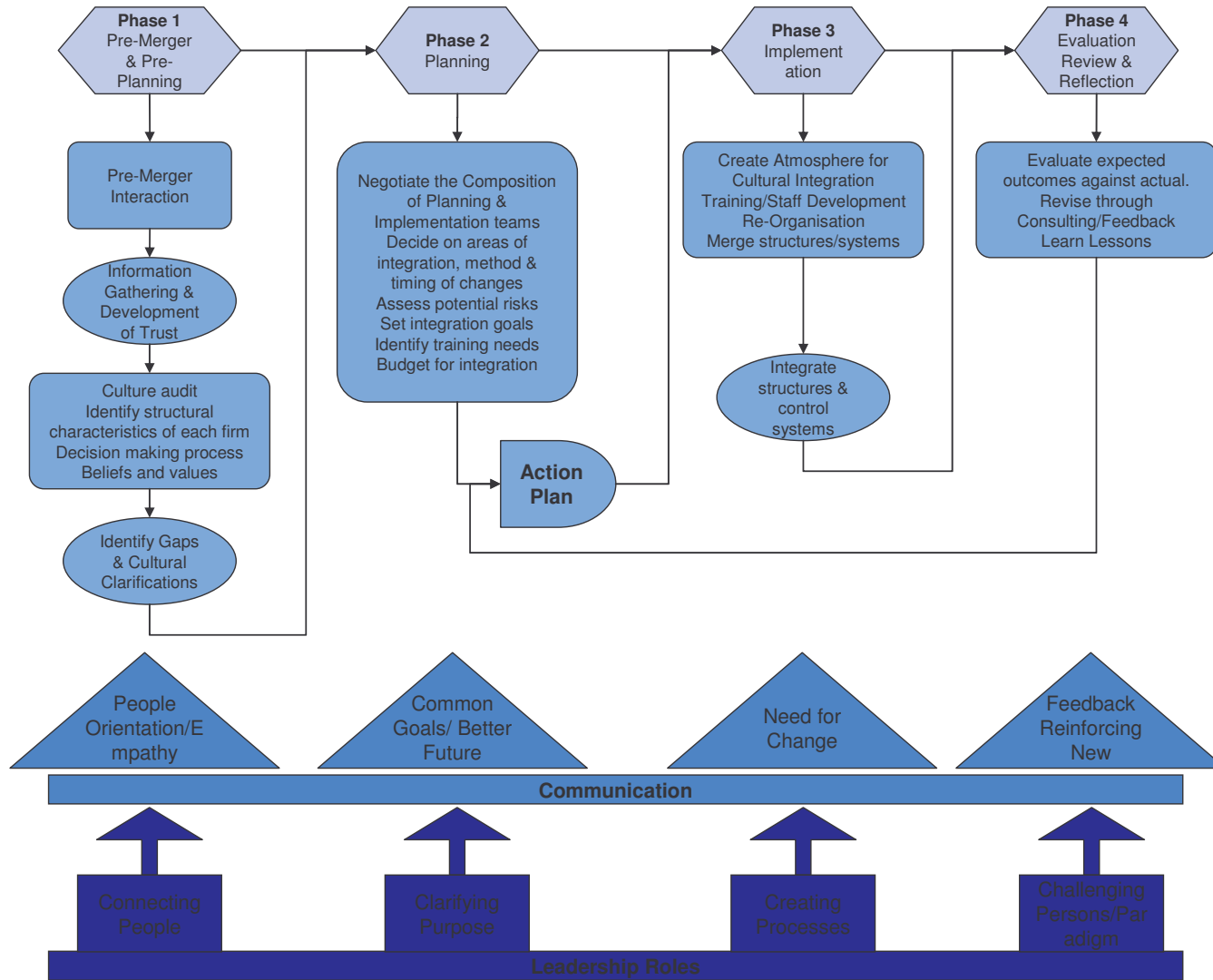
Stage: Feedback/ Evaluation/ Reflection

Message: Feedback/ Reinforce new culture

Desired result: Institutionalisation

These roles have been aligned with a stage of the M&A process where it is most critical but are certainly not limited to it. The Leadership Role and Communication platforms continuing throughout the process (Figure 2) indicates the dynamic and ongoing nature of these constructs during the M&A process. Hereby follows the amended Lodorfos & Boateng framework (2006), Figure 2.

Figure 2: Amended Lodorfos & Boateng (2006) framework



7.2 Recommendations to Stakeholders

The *importance* of cultural integration should be realised and pro-actively managed, using an appropriate framework as guide.

Clear leadership at the time of M&A is critical. Empowering employees, communicating an inspiring vision and illustrating empathy and people orientation should be a leadership priority. When acquiring a local company, it is advisable to keep the local management in place.

Communication cannot be over-emphasised. It should be open, honest and transparent. Employees should be communicated to regularly and be told upfront what information will be communicated and what not. This way harmful rumours and uncertainty can be limited.

Operate with a strong *people-orientation*, this implies empathetic leadership and a strong human resource capability.

Be sensitive to the *size* differences and the resulting implied differences in cultures of merging companies. Keeping elements of a smaller family culture alive in the larger combined company will aid the message of empathy.

Collaborative *workstreams and cross-functional teamwork* are essential, not only for the successful integration of systems and policies, but also for people to get to know one another and for nurturing the development of a new combined culture.

The *common goals* of the combined company and creating a *vision of a better future*, is a very important responsibility of the leadership. Successful communication of this vision will enable change.

Differences in *decision making*, especially the underpinning values guiding these processes should be understood and aligned.

Set-up one *location* as soon as possible, it facilitates change and communication

When different *nationalities* are involved, consider the cultural differences and be sensitive to it.

Organisational restructuring should be executed in the shortest *time* practical, in order to limit the detrimental effects of uncertainty and job insecurities. Follow a transparent and fair process, communicating and empowering employees as far as possible

7.3 Recommendations for Further Research

Firstly, a qualitative follow-up study is recommended in order to confirm the applicability of the amended Lodorfos & Boateng framework. A larger sample of the pharmaceutical and other industries may be tested in order to draw statistical inferences and test the applicability to the pharmaceutical and other industries. The anonymous nature of such a study conducted via an internet questionnaire will enable the research procedure.

Secondly, it would be interesting to further explore the leadership capabilities required, with specific reference to communication styles of successful M&A leadership.

Thirdly, no, reference was made to BEE in any of the interviews conducted. It would be of value for the South African business community to further explore this aspect and its specific influence.

Fourthly, in accordance with Cummings & Worley (2005), that noted that the specific background and field or reference influenced the perspectives on change management of participants, it was found that the human resources director interviewed showed more interest in the people orientated aspects. It would be useful to compare the perceptions of different disciplines e.g. finance versus human resources in a future study.

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Appendices

Appendix I

List of interviewees

M&A: Intervet/ Hoechst:

Name: Johann Breytenbach
Position: Marketing Manager, Poultry
Current Position: Business Unit Manager, Cattle

Name: Alan Kloeck
Position: General Manager
Current Position: General Manager

Name: Paddy Morgan
Position: Sales & Marketing Manager
Current Position: Area Manager, Companion Animals, Asia & Australia

Name: Peter Oberem
Position: Executive Director
Current Position: Managing Director

M&A: Bayer/ Schering

Name: Richard de Chastelain
Position: Divisional Director
Current Position: Divisional Director

Name: Paola Marrai
Position: Marketing Manager, Women's Health
Current Position: Business Unit Head, Women's Health

Name: Barry van Schalkwyk
Position: Finance Director
Current Position: Administrative Director

M&A: Ceva/ Anchorpharm/ MDB

Name: Herman Stassen
Position: Sales and Marketing Manager
Current Position: Commercial Director

Name: Marius Viljoen
Position: Co-owner and founder
Current Position: Managing Director

Name: Martin Mitchell
Position: Regional Director
Current Position: Regional Director



M&A: Sanofi-Aventis

Name: David Helps

Position: Human Resources Director

Current Position: HR Director

Name: Marc Mitchell

Position: Sales Director

Current Position: Head of Sales



Appendix II

Interview Schedule

Organisational culture affecting the success of mergers and acquisitions at subsidiary level in multinational pharmaceuticals

Student: C. Loots
Student nr: 93284757
corne.loots@sp.intervet.com/ corne.loots@yahoo.com
Supervisor: Dr Caren Scheepers

*Assumption: Introduction, consent and confidentiality issues already discussed.
Please note that the times allocated are only approximations, it will be dependant on each interviewee's personal experience.
The semi-structured interview will cover the following areas/ questions specifically referring to the management of cultural integration at subsidiary level:*

1. Did the relevant companies have cultural differences? If so, in what respect?

(3 min)

If "Yes"

2. In what way did cultural differences impact on the M&A process? (3min)
3. How important was the role of culture regarded in the success of the M&A by the executive team (at subsidiary level)? (2min)
4. Did the organization have a management plan in place for post-merger cultural integration at subsidiary level? (1 min)

If "Yes", proceed with nr 5, if "No" proceed with nr 8.

5. If so, what did it entail? (11min)
6. How adequate was this plan in your opinion? (1 min)
7. What might you have done differently given a second chance? (10 min)
8. Do you feel such a plan might have been helpful and if so, how? (5 min)



9. What factors/actions did you experience as stumbling blocks in the path towards cultural integration? (10 min)
 10. What factors/actions were most helpful towards reaching cultural integration? (10 min)
- (4 minutes extra available for variation)