



UNIVERSITEIT VAN PRETORIA  
UNIVERSITY OF PRETORIA  
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**Gordon Institute  
of Business Science**  
University of Pretoria

**RESEARCH REPORT**

**Success and Failure Factors in  
Post-Acquisition / Post-Merger Integration**

By

TP Maepa 13403053

E-mail: [tpmaepa@gmail.com](mailto:tpmaepa@gmail.com)

A research project submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfilment of the requirements for the degree of Master of Business Administration.

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## **ABSTRACT**

The complexities of integrating companies, through mergers or acquisitions, are immense and challenging for the leaders involved in the process who are responsible not only for the integration but also for the attainment of the intended objectives. The implications has the potential for far reaching consequences for the leaders themselves, shareholders and employees. However, as much as half of mergers and acquisitions concluded fail to achieve their stated objectives (Stahl, 2004; Bijlsma-Frankema, 2004; Deutch & West, 2010; Sher, 2012).

The purpose of this exploratory research study is to establish how the success rate of these mergers and acquisitions could be improved. The focus of the research is on the post-merger / post-acquisition integration process which should not only ensure that the financial objectives of the integrated entity are met but also to ensure the retainment of critical talent. The role leadership plays in the process will also be looked into as leaders play a pivotal role in establishing organisational cultures and therefore accountable for the success / failure of the post-merger integration process.

A practical post integration application model will be developed to aid the improvement of the success rate of future post-merger / acquisition integrations.

## **KEYWORDS**

Mergers and Acquisitions; Post-Merger Integration; Post-Acquisition Integration; Leadership; Change

## **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.

Signed:

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TP Maepa

Date: 07 November 2014

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## **1 CHAPTER 1: INTRODUCTION TO RESEARCH PROBLEM**

Businesses operate in dynamic evolving environment where change is a constant reality. Within this environment, organisations have to survive and adapt to environments, threats from competition as well as new technological changes while maintaining their competitiveness. That organisations must grow is as given as growth implies new markets, new market shares or improved share of customer wallets. However, there is a limit to the extent that organisations can grow organically in the face of competition. An alternative method for organisational growth is through acquisitions or mergers.

As social constructs, businesses and organisations go into a life circle: they are formed, grow, reach maturity, go into decline and eventually die. During their life circles, they have to compete with other business organisations similar to them within the environment in which they operate. To be able to compete successfully, they have to have competencies which are at least similar to others or superior. The role of business leaders is to develop strategies that would develop competencies to grow. Where this is no longer possible, their role would be to wind down the business or enter into relationships that would be in the best interests of its shareholders. Mergers and acquisition are some of the strategic decisions leaders of organisations could undertake to protect the interest of shareholders.

A company looking to grow can do so by acquiring or merging with another company and benefitting from the resulting synergies that will accelerate revenue growth and / or save costs or increase the competencies of the combined entity. A case in point would be a company whose technology is outdated. The options open to the company would either be to develop its own technologies in-house or either merge or acquire another company with such competencies.

Though there would be risks involved, choosing the latter could yield quick results, whereas choosing the former is likely to result in delays in achieving the

objectives. The delays result from the need to acquire new skills and develop business infrastructures in line with the new technology, whereas in a merger or acquisition transaction both are already present.

Theyser (2014) found that there are six reasons for preferring a merger or acquisition over organic growth or in-house developed adaptation strategies. The first and the most important among these is the need for speed. Within the context of the technology driven rapid changes in business, organic growth strategies may be too slow to enable organisations to adapt fast enough to be able to take advantage of opportunities or develop adaptive competencies to survive. Mergers and acquisitions provide organisations with the necessary speed to acquire competencies and resources available to them.

Theyser (2014) points to Cisco, an IT company based in the United States as an example of a company that has adopted the use of mergers and acquisitions as a strategy for growth very successfully. Not only did this strategy assist them to increase their research capacity which was no longer able to keep pace with developments in the environment the company was operating in, it also gave Cisco access to skills and established structures and business processes which it did not have. This enabled Cisco to grow and remain competitive in the dynamic IT environment in which it operated in, at a faster pace than was possible if they had focused on in-house technology development.

In addition to this, mergers and acquisitions are adopted by organisations to improve access to markets as well as to improve efficiencies. The recent merger of Xstrata and Glencore is a case in point (Marais, 2014). It is partly due to this that merger and acquisition transactions have grown both in South Africa and throughout the world in recent years. In 2012, for instance, US\$33 billion was spent on mergers and acquisitions transactions in Africa (Holmes, 2013). In South Africa, 206 mergers and acquisitions deals were completed at an estimated value of R121 billion in the first six months of 2013 (Anderson, 2013).

With new technologies being developed rapidly these days as well as the need to access new markets and skills, it is not surprising that many companies turn to mergers and acquisitions for growth. As a consequence, growth through consolidation per industry has become more common today than organic business growth. While mergers and acquisitions seem to be the preferred growth strategy, more than half of these transactions fail to achieve their intended goals (Stahl, 2004; Bijlsma-Frankema, 2004; Deutch & West, 2010; Sher, 2012) despite the large investments in the transactions.

Despite the interest in mergers and acquisitions, both as a competitive and growth strategy, more than half of these transactions fail to achieve their intended goals (Stahl, 2004; Bijlsma-Frankema, 2004; Deutch & West, 2010; Sher, 2012).

The purpose of this research is to study factors affecting the success or failure of a merger or acquisition during the integration phase after the transaction has been completed.

In this context, success or failure will be judged by the extent to which the objectives of the integrated entity were achieved or not achieved. Internal financial measurements such as return on equity, profit margins, or any other accounting matrix will not be used as such information does not reside in the public domain and is confidential for some private companies and might therefore not be available. The second reason for not using accounting measures is because the success or failure of some mergers and acquisitions are more a function of integration issues rather than the financial performance of an organisation. Therefore, while they do affect the financial performance, such issues are not strictly financial matters.

About 43% of merged firms over a fifteen year period worldwide reported lower profits compared to non-merged firms (Banal-Estanol & Seldeslachts, 2005).

This suggests that architects of mergers and acquisition transactions have as yet to identify factors leading to successful integration of such entities and to use the lessons learned to improve integration competencies in order to adequately procure the rewards they had hoped for. DaimlerChrysler, the result of one of the largest industrial mergers of its era, has been cited as an example of one of the merged entities which had posted low to negative earnings since its inception in 1998 (Banal-Estanol & Seldeslachts, 2005).

In understanding the failure and success factors, we divide the merger and acquisition process into two phases, pre-merger and post-merger. Pre-merger activities refers to all merger activities which took place prior to the start of integration of the combined organisations while post-merger activities start from the conclusion of merger / acquisition transactions.

The focus of this research is to identify the factors leading to success or failures of acquisitions and mergers at the post-integration phase. Integration is the most important component of capturing the merger or acquisition benefits (Zollo & Singh, 2004) as it establishes the structure of the merged entity and acts as the foundational platform for the establishment of the entity's identity as well as culture. The role of leadership in the process will also be addressed as leadership plays a critical role in integrating the two entities and establishing alignment activities to support the sustainability of the merged entity (Merrell, 2012).

It is worth noting that the strategic conceptualisation of an acquisition or a merger is undertaken by organisations' top management teams and are executed as separate activities from the normal activities of the focal organisations with the intention of meeting the stated objectives of the acquisition or a merger. On the other hand, post-merger activities entail the operationalisation of the intentions of the merger as stated and conceptualised by the top management teams to be executed by other organisational members. A misalignment of the stated objectives of the acquisition or merger and the post-merger activities imply that

such merger or acquisition will not achieve what the executive team set out to achieve.

Mergers and acquisitions that look good on paper (that is, on financial models and operational efficiency simulations) will not necessarily look good in real life, if the human resources in the organisation fail to make real the assumptions made in these models.

The post-merger integration process involve a number of activities that impact on the success or failure of the merger or acquisition transaction. Leadership is one of the main crucial elements of a post-merger integration success (Hahm, Jung, & Moon, 2013). It is the defining factor between success and failure. So in this study the researcher also examines the role of leadership in the success or failure of the post-merger integration.

Mergers and acquisitions are a form of change initiative in organisations (Hahm, Jung, & Moon, 2013). Therefore this study will also examine leadership in the context of change management to understand how leaders navigate their followers in a change process and apply that earning to a merger or acquisition integration. Because leaders cannot lead in isolation, this study will also focus on the human factors of the integration process, more so than on financial and operational factors.

In the context of this research, the researcher uses the words “acquisition” and “merger” interchangeably because the integration activities in both a merger and an acquisition, are similar. A merger generally refers to two companies amalgamating to form one company. Whereas acquisition refers to one company buying another company.

## **2 CHAPTER 2: THEORY AND LITERATURE REVIEW**

### **2.1 INTRODUCTION**

Mergers and acquisitions, as a broad topic, have been well researched (Siehl et al, 1990; Swanepoel, 2004; Mari, 2008; Deutch & West, 2010; Sher, 2012). Previous academic scholars and business analysts have looked at mergers and acquisitions from financial and operational perspectives, and ignored the human element (Stahl, 2004). Other researchers focused on systems and processes that make a merger or acquisition integration succeed (Swanepoel, 2004). This research project focuses specifically on post-merger integration looking into the factors leading to success or failures of merged entities.

The organisational changes resulting from a merger or acquisition transaction have similar impacts / effects to those of other organisational change initiatives. Because of this similarity, to supplement post-merger integration literature, some literature was borrowed from organisational development and transformation process.

This view is supported by some scholars who believed that reform initiatives include mergers and acquisitions (Able, 2007; Hahm, Jung, & Moon, 2013). Mergers and acquisitions almost always involve some level of transformational change and disruption.

### **2.2 MERGER SUCCESS AND FAILURE FACTORS**

Some research has been done around why mergers and acquisitions fail to achieve their intended goals. Literature on mergers and acquisitions indicates that failure rates range between 50 percent and 70 percent and in some cases has even gone higher (Stahl, 2004; Bijlsma-Frankema, 2004).

Different research findings have suggested many reasons why mergers fail. The reasons suggested relate to activities performed prior to the start of the merger

or acquisition process, during the process as well as during the integration phase. In this study focus is only on failure and success factors during the merger execution or what is commonly known as post-merger integration.

Previous academic scholars and business analysts have looked at mergers and acquisitions from financial and operational perspectives and ignored the human element (Stahl, 2004). Mergers and acquisitions models that make sense on paper (that is, on financial models and operational efficiency simulations) will not necessarily translate into the intended objectives if the human resources in the organisation fail to make real the assumptions made in those models.

Others have focused on systems and processes that make a merger or acquisition integration succeed (Swanepoel, 2004). Bert, MacDonald & Herd (2003) believe that the answer to success in a merger execution lies in the urgency of execution. They assert that the window of opportunity is open only for the first two years and dissipates after that. Suggesting that leaders must act quickly in their integration efforts. Appelbaum, Lefrancois, Tonna & Shapiro (2007) associated merger integration success or failure to other variables such as; communication, leadership, culture and stress.

While the research findings make sense with regard to factors that impact on the success or failure of mergers and acquisitions, it is not clear which factors have more impact and under which circumstance, or which factors are more effective / important than others.

Poor strategic fit, or lack of, is one of the factors that have been referred to as contributing to the failure of acquisitions and mergers. However, Stahl (2004) and Paul and Berry (2013) dispute this and suggest that it is not poor strategic fit that most often cause mergers and acquisitions to fail but poor execution. Paul and Berry (2013) go further and suggest that after the pre-merger activities are completed, it is up to the human capital of the organisation to make the merger a success (Paul & Berry, 2013). This seems to support Bert, MacDonald & Herd's

(2003) assertion that speed of integration of the entities involved in an acquisition or merger is critical to the success of the merger. This urgency of execution is driven by the human resources of the organisation.

The position taken by Stahl (2004) and Paul and Berry (2013) that poor execution is most often the cause of the failure of mergers and acquisitions has been supported by Bijsma-Frankema (2004), Appelbaum, Lefrancois, Tonna & Shapiro (2007), Mari (2008), and Hahm, Jung, & Moon (2013) who attribute post-merger integration failure to human factors rather than financial or operational factors.

This does not, however, suggest that non-human factors are irrelevant or unimportant in the success or failure of mergers and acquisitions. If these non-human elements are not performed properly, they can still lead to failure in a merger or acquisition transaction. The implication is that financial, operational and human factors should be looked at in their totality for a merger or acquisition transaction to succeed. Placing emphasis on one factor with no consideration for the others, could lead to the kind of short-sightedness that has led to the failure of many mergers and acquisitions.

It would seem that the short-sightedness that ignores the human factors contributes to the failure of mergers and acquisitions. Leadership, as one of the human factors, is important because of its ability to direct human actions and efforts towards a specific objective.

This is part of the reason why the study of integration factors together with leadership in mergers and acquisitions is very important. This study seeks to develop insights into the execution or integration of mergers and acquisitions transactions in order to harvest the benefits anticipated when the merger or acquisition was initiated. The study is mostly skewed towards human factors of the integration process rather than financial and operational factors.

### **2.3 PEOPLE MANAGEMENT ISSUES**

Like all change initiatives, mergers and acquisitions integrations create a lot of anxiety among the members of the two merging organisations. Personnel at all levels of the organisation face possible job losses, financial insecurity, and changes in status, rules and corporate culture (Siehl, Smith, & Amura, 1990). In the case of an acquisition, much of the anxiety tends to be endured by members of the acquired company. This tends to put the onus on the acquired company to exert more effort to fit in within the integrated organisation. Able (2007) found that in most acquisitions, the acquired organisation had to overcome any anxiety about being absorbed and learn to integrate itself into the new corporate procedures and values.

The expectation and acquiescence of members of the acquired company to be absorbed and integrated into the culture of the acquirer seems to be an automatic one. Most managers automatically act in this fashion without much thought given to which culture is the best for the combined organisation. Logically, one would argue that during integration, the best way of doing business must be adopted irrespective of whether it came from the acquirer camp or the acquired camp. The tendency to bulldoze members of the acquired organisation, without consideration of which way is the best, adds to the anxiety of members from the acquired company.

This anxiety in many instances has led to staff turnover as members of the acquired organisation felt out of place. Whereas others were forced to leave due to redundancies and other reasons, others left of their own will. Many left their organisation in the first six months. More in months six to twelve and a few more in months thirteen to eighteen (Mari, 2008). Whatever the cause may be, employee turnover results in skills forfeiture and therefore the company has to employ additional resources to re-learn the lost skills before it could be efficient again.

So it is not desirable that a company lose skills post a merger or an acquisition transaction, unless a strategic decision was taken that such skill will not be useful in pursuit of the objectives of the newly merged organisation. Krug (2009) is of the opinion that the executives of the acquired company are critical for the success of the newly merged organisation for two reasons: firstly, they have firm-specific knowledge, industry experience and long-term relationships with the firm's stakeholders; and secondly they could act as an important buffer between target company employees and the new management (Krug, 2009). Krug (2009), therefore argued against staff turnover. For the reasons above, he believed that staff turnover, especially at executive level, is bad for integration.

In addition to their buffering role, executives of the acquired company can also quell the anxiety of employees from the acquired company and therefore improve employee engagement. Able (2007) has found that leadership is very crucial for employee engagement and as such leadership can play a role in reducing harmful employee behaviours and reducing turnover of critical staff.

On this premise, one can argue in favour of Krug's point that executive turnover is bad for employee engagement and skills retention. Hence, executive turnover is bad for post-merger integration. However, for that same reason, this view can be extended to each employee in the target organisation and not just the executive team. Although, the impact might be somewhat reduced, the effect of staff turnover for employees, like executives, is bad for post-merger integration.

Turnover, as seen above, harms the organisation because whoever the new leader or employee would be, they need to first learn certain things about the organisation and develop certain relationships before they start adding value. Learning and establishing relationships require time and resources. It also costs money. So in a perfect situation, logically, an organisation would like to leave the target company's current senior management structure in tact at least until the post-merger integration process is complete.

Where the merger or acquisition transaction will result in a culture change, it makes sense for the acquirer or the leadership of the merged organisation to get rid of employees who do not embrace the desired culture. This is especially true for leaders / management. Employees in the organisation look up to the leadership in the organisation for guidance on what to do at times of uncertainty. If the leadership doesn't embrace the desired culture, similarly, the employees will not embrace it.

In this circumstance, it makes sense that the acquirer or the leaders of a merged organisation would see fit to get rid of the senior management team members who do not embrace the desired culture. Turnover of this sort, unlike the turnover described above, cannot be seen as being bad for the post-merger integration. It is actually very good because it would be performed in pursuit of a deliberate strategic objective.

Sometimes a leader is given a choice by the acquirer to stay or leave. Some researchers sought to perform an analysis of whether or not a leader should leave his employment after a merger, given that choice (Siehl, Smith, & Amura, 1990). They found that this depends on a number of elements including job fit, culture fit, need for ego massage and potential opportunities.

In certain cases top managers are forced to leave the organisation for other reasons. Some reasons relate to stress and anxiety. The CEO of the acquirer is normally removed in the first year to eighteen months of a poorly integrated acquisition (Mari, 2008). This is a forced removal of a leader due to non-performance. When a leader doesn't make good progress on the objectives of the merger or acquisition in the first twelve months, anxiety starts creeping in. This anxiety might cause the leader to start looking for greener pastures before the "inevitable" happens. That is, before he / she is removed for non-performance, seeing that more than half of all mergers and acquisitions fail (Stahl, 2004; Bijlsma-Frankema, 2004).

This sort of anxiety led turnover is also bad for post-merger integration. From the time that the anxiety of job loss besets the leader, focus is lost and strategic objectives are overlooked. The leader becomes pre-occupied with worry and self-preservation, and forgets to pursue the strategic objectives for which the merger or acquisition transaction was carried out in the first place. This, in turn, reduces the chances of success in the merger or acquisition transaction.

## **2.4 THE ROLE OF LEADERSHIP**

While there is very limited literature about post-merger integration leadership, some researchers have recognised the importance of leadership in the post-merger integration process. Schweizer (2002) recognised that central factors that foster a successful post-merger integration, irrespective of the chosen strategy, is the existence of a powerful integration manager, personal communication and cultural fit.

A post-merger integration manager in this case refers to the formal leader in the integration process. It is not always easy to point out who the leader is in a post-merger integration. This is because some organisations do not have formal integration teams with a post-merger integration champion. In the latter case, the leader becomes whoever is charged with the responsibility of integrating the two organisations, irrespective of the title given to them.

In many organisational decisions you can see an imprint of personal characteristics of certain leaders. An example is the famous Steve Jobs and his innovation personality imprinted on Apple Inc. Adrian Gore's entrepreneurial spirit imprint on Discovery. The list goes on. These leaders breathe their personalities into these organisations. It is therefore a reasonable conclusion that a good leader would lead a good organisation and a bad leader would lead a bad organisation. Similarly, a good post-merger integration leader will lead a successful post-merger integration and a bad post-merger integration leader will lead a failure post-merger integration.

This is how important leadership is for an organisation and even more so during a time of change, like a merger or acquisition integration (Able, 2007). Hahm, Jung & Moon (2013) agree that the role of a leader is even more important in times of turbulence, which are often caused by reform initiatives such as mergers and acquisitions.

These researchers do recognise the importance of leadership in a post-merger integration and other similar change initiatives. It is hard to argue with the notion that company leaders play a vital role in successful mergers and acquisitions (Able, 2007). The acknowledgement of the importance is present. However, guidance into what leaders should conceivably do or not do in a post-merger integration setting is lacking.

Employee stress and turnover ensue, post a merger or acquisition transaction. Stress is bad for integration. And, as established in the previous section above, staff turnover can also be bad for a post-merger integration. In pursuit of an antidote, one can turn to leadership. Leadership has a role to play in alleviating the stress levels of employees and thereby preventing unwanted turnover. Leadership style influences employee satisfaction in a post-merger integration process (Appelbaum, Lefrancois, Tonna, & Shapiro, 2007). Furthermore, employees need clear direction so as to avoid misunderstanding. These things, only a good leader can provide.

The importance of leadership in a post-merger integration process is acknowledged, but research probing further than acknowledgement is limited.

This leaves questions on what kind of leaders succeed in a post-merger integration process? That is, the personal qualities of leaders who succeed. Second, what do these leaders do to thrive in the post-merger integration process when more than half of their counterparts succumb to mergers and acquisitions failure statistics?

Able (2007) contributed towards closing this gap by focusing on three aspects of a leader's characteristics that help foster a successful post-merger integration. He believes that leaders that can foster a successful post-merger integration are leaders who can;

- Set the right priorities and create a positive business momentum and discipline,
- Imbue employees with the necessary level of commitment, engagement, confidence and comfort to work through difficult transition, and
- Inspire a sense of purpose, coherence, community and trust that allows employees to remain focused and highly engaged on the job.

De Alwis (2013), also put forth her contribution by studying a select set of leader competencies and the influence they have on merger success. Her suggested future research to close the gap includes an analysis of successful mergers or acquisitions which also had a PMI (post-merger integration) leader with a specific focus on evaluating the entire integration process (De Alwis, 2013).

The literature here mostly seek to cover the first part of the question above, relating to the kind of a leader. The second part of the literature gap, for the most part, is fragmented and leaves a huge vacuum in understanding the topic, when not studied together with the first part.

The discussion above influenced the researcher towards making leadership a specific issue to cover in more detail in this study. It would appear that almost all failure or success factors in a post-merger integration process have a linkage to leadership. If there be even a smallest percentage of truth in this statement it would be short-sighted of the researcher to ignore leadership in trying to understand what causes failure or success in a post-merger integration process.

## **2.5 LEADERSHIP ACTIONS**

Human beings succeed or fail as a consequence of their decisions and actions. Focused commitment, for instance, is one such action that leaders engage in that add to a success possibility (Bennis, 1989). In a similar fashion, leaders in a post-merger integration process fail or succeed because of the decisions and actions they undertake. Therefore, to study the role and qualities of leaders in a post-merger integration process without studying the actions they undertake will be unrewarding.

Some researchers have attempted to prescribe what strategic actions leaders must take in a post-merger integration process.

Most of these researchers, as has been a trend in recent studies, place emphasis on human elements rather than mechanical issues as it was the case in the past. Bert, MacDonald & Herd (2003) suggest seven actions a leader should take in the first 24 months of a post-merger integration. The top three of these actions involve appointing a PMI leader, establishing clear integration goals and building an integration structure. Like Stahl (2004) and Mari (2008), these researchers also believe that leaders must act quickly or the window of opportunity disappears.

Post-merger integration, as a form of organisational change, requires that leadership provides direction to the members of the organisation as to what the new organisation is to become. Actions relating to post-merger integration create instability in the members' ways of understanding the organisation, and demand that they make some new sense of it. This process is regarded as Sensemaking (Gioia & Chittipeddi, 1991).

The successful execution of this process requires that the leader/s engage with all stakeholders concerned. Hahm, Jung and Moon (2013) found that dialogue with all affected stakeholders helped understand issues and obstacles present. Gioia and Chittipeddi (1991) agree and they further found that as a result of the

engagement with stakeholders, the initial vision is likely to undergo modifications. This increases the vision buy-in from stakeholders and ultimately contributes positively to its successful implementation.

Warren Bennis (1989) prescribe four actions that effective leaders engage in. These actions are generic in application. However, their applicability in an organisational change process is remarkable. He argues that leaders must manage meaning, attention, trust and themselves (Bennis, 1989).

Managing meaning implies that leaders must be able to articulate their goals and ensure that everyone in the organisation is on the same page regarding the goals of the organisation. This ensures that each member of the organisation sees reality through the same lens. Managing attention ensures that followers are continuously focused on the goal. The leader achieves this by re-enforcing the message and ensuring that focus is not lost. This management of meaning is even more important during change implementation period because it helps rid the organisation of the anxiety caused by uncertainty.

People will unquestionably follow a leader they trust. Especially during time of change that involves a lot of uncertainty. It is therefore very important that the leaders manage trust. Warren Bennis argues that leaders can improve their trust by being consistent. People like to know where their leaders stand, especially during uncertain time such as mergers and acquisition transactions. Lastly, leaders must manage themselves. It is hard to imagine an effective leader who can manage others while failing to manage themselves. From a trust point of view, followers will have difficulty trusting a leader who can't even manage himself. Self-management attest the leader's ability to lead and will build confidence in the followers. This confidence will allow followers to willingly follow the leader.

Other researchers put emphasis on actions with the customer in mind all the time, and training of managers involved in the post-merger integration process to

model the required change (Whipple, 2013). Whipple's view is that followers trust a leader who models the qualities desired by the new organisation. Because followers' actions are influenced by the leader, this modelling of behaviour will cause members of the organisation to change their current behaviour to the desired behaviour.

Nelson Mandela is a perfect example of Whipple's theory. After twenty seven years in prison he had a task of leading a united country amidst anger and eagerness by black people to take revenge now that they have the power to. To achieve unity, Nelson Mandela had to use forgiveness and he himself had to model this virtue. Because he did it so perfectly, the nation was also willing to forgive and unite. People follow what the leader does and this is why leadership, especially during time of change, will do well to model the desired behaviour.

## **2.6 LEADERSHIP AND CHANGE MANAGEMENT**

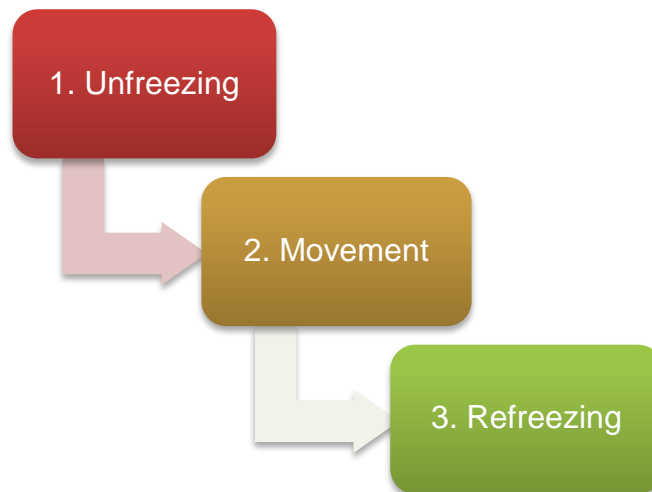
Above we established the link between organisational change and mergers and acquisition transactions. The vital role that leadership plays in an organisational development and change process is also widely accepted (Hahm, Jung, & Moon, 2013). On that note, it is important to study literature on change management and leadership.

Unlike post-merger integration process, change management has been widely studied by researchers and scholars. The many established change management models attest to this phenomenon. These models are vital in guiding leaders on their decisions and actions during a change process caused by a merger or acquisition transaction. One such model is widely accepted and used by practitioners and scholars alike. This is Kurt Lewin's change model.

In any organisational change there are two main forces working against each other. There are those forces that seek to maintain the status quo, while other forces desire to manifest change that will bring the organisation into a new desired state. Kurt Lewin suggests that decreasing the forces that seek to

maintain the status quo produces less tension and resistance than increasing the forces for change and as a result it is more effective for change management (Cummings & Worley, 2009).

Lewin's view is that a change process consists of three steps. These steps are outlined on the figure 1 diagram below.

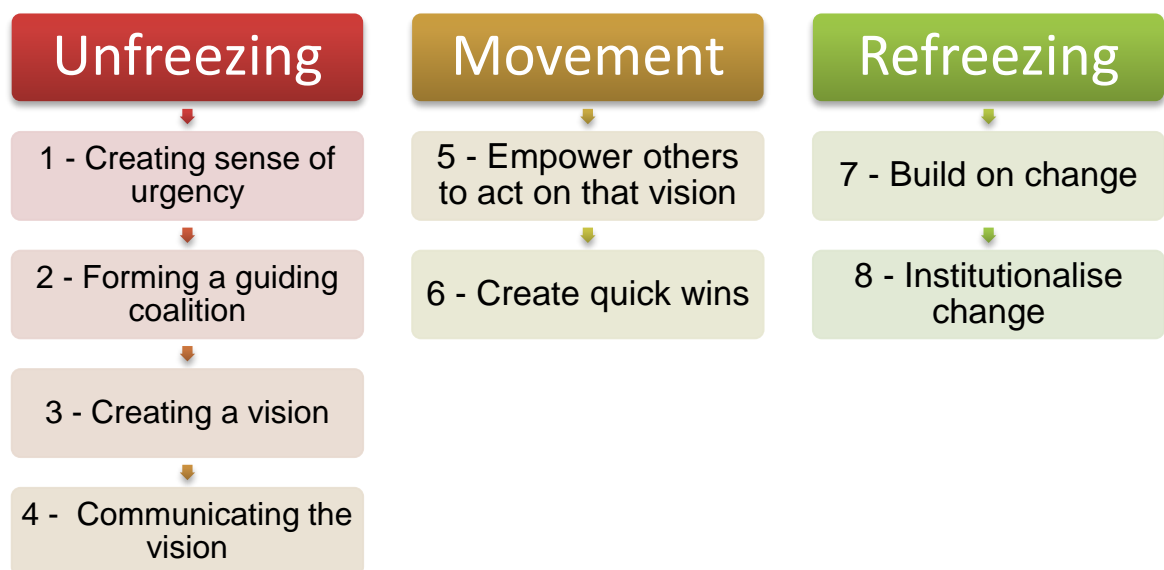


**Figure 1: Kurt Lewin change model**  
Source: Cummings & Worley (2009)

- Unfreezing actions reduce those forces that seek to keep the organisational behaviour at its current state. These forces are reduced, to decrease resistance to change. They prepare the organisation for the upcoming change.
- The movement step develops new behaviours, values and attitudes in the organisation through changes structures and processes.
- The last step called refreezing endures the change created in the organisation. This is sometimes referred to as 'institutionalising change'.

Lewin's model is widely accepted and used because it is logical and practical. The one step logically leads to the next. You cannot move on your change initiative unless you have first prepared the employees for the change and reduced change resistance in the organisation. This model, however, is usually criticised for being too broad. It provides a general framework for understanding the approach to change. But it is too broad and might leave its student still unsure of how to go about effecting change in an organisation.

Kotter's eight stage process offers a practical solution to this gap and perfectly fits in with Lewin's framework to change management process. Kotter's model can be interpreted by saying that, building on change and institutionalising it will achieve the goal of refreezing that change. The model in figure 2 below marries Lewin and Kotter's models so logically that it is easy for a leader involved in a change initiative such as a merger or acquisition to take practical counsel on how to implement the change.



**Figure 2: Kotter's change model**  
Source: Douglas & Sutherland (2009)

Some researchers found only one loophole with Kotter's change implementation model (Douglas & Sutherland, 2009). Nowhere in his model does Kotter suggest

a step on feedback and corrective action. Measuring and monitoring is very important because it provides information about whether the change effort is on-course or off-course (Merrell, 2012). Without this information, a leader would not know whether to change the approach or keep doing what he / she has been doing.

Merrell (2012) concluded that six factors are what counts in a change process. He believes that leadership, communication, learning, measuring progress, involving others and sustaining the change are what matters in a change implementation. First and foremost, he discovered that it is definitely about leadership and what it does. Communication is also a very important element in implementing change. Companies that are great at communicating during the change process are 2.5 times more likely to succeed than companies that are not (Merrell, 2012).

## **2.7 PRE-INTEGRATION SUCCESS AND FAILURE FACTORS**

The main focus in this research is those failure and success factors experienced during the merger or acquisition integration phase. However, the researcher is not blind to the fact that other factors that affect the success or failure of the merger or acquisition can be found in the pre-integration phase.

Research has been done on factors affecting the success or failure in the pre-integration phase. Some researchers found that the strategic intent of the deal is a very important contributor to the success or failure of the merger or acquisition deal. Irrational exuberance about the strategic importance of mergers and acquisitions or lack of clarity about the basic objectives driving the transaction contributed to failure in these transactions (Eccles, Lanes, & Wilson, 1999). Goedhart, Koller & Wessels (2010) found that most successful deals have specific, well-articulated value creation strategies about the deal. Whereas, failure deals' strategies tend to be general and vague.

Some reasons for failure in mergers and acquisition deals relate to the personal behaviour of the executives involved. This is sometimes referred to as 'leader hubris'. It denotes the presence of emotions rather than logic in supporting a decision to do or not do a merger or acquisition deal. Enthusiasm built up during the excitement of negotiations (Eccles, Lanes, & Wilson, 1999). At this point, it is difficult for executives to walk away from the deal when it no longer makes economic sense.

Some executives cite the fact that they have invested so much time and effort into the deal so far and their investment cannot go to waste. Lovallo, Viguerie, Yhlaner & Horn (2007) call this phenomenon 'the sunk costs fallacy'. Because they have invested a lot of time and resources into the transaction to that point, most executives are inclined to conclude a deal, even when it doesn't make economic sense. This approach unfortunately lead to failure in most cases because the deal decision making process is no longer supported by fundamentals, but rather emotions. I.e. inability to accept loss.

Many other failures occur simply because the acquiring company paid too much for the acquisition (Eccles, Lanes, & Wilson, 1999). Confirmation bias, overconfidence and the winners' curse are some of the reasons executives overpay for acquisitions (Lovallo, Viguerie, Uhlener, & Horn, 2007). Whether an investor gets a desired return on an investment depends on how much they have paid for the investment. Paying too much for an investment will reduce the investor's rate of return and vice versa. In most mergers and acquisition transactions the bulk of the value often accrues to the shareholders or the seller than the buyer (Goedhart, Koller, & Wessels, 2010).

The phenomenon above is caused by the tendency by the acquiring company, often driven by emotions, to overpay for an acquisition. Most acquisitions have value in them. Otherwise it would be pointless to even consider a deal. That value is then divided between the buyer and the seller. Who gets the bigger piece of the value is determined by how much price is paid for the deal. Looking at history,

the bigger piece mostly go to the seller, due to the buyer overpaying for the deal (Goedhart, Koller, & Wessels, 2010).

Marks (2011) offers his advice in this regard. It's not enough to buy a share in a good idea, or even a good business. You must buy it at a reasonable (or, hopefully a bargain price) price (Marks, 2011). Marks argues further, that paying too much for a business increases the risk. Risk in this case being the possibility of losing money. This view is supported by Eccles, et al, that paying too much for an acquisition increases the possibility of failure for that transaction. Price, therefore is one of the main success or failure factor in mergers and acquisitions.

## **2.8 CONCLUSION**

Literature investigating success and failure factors in mergers and acquisitions is varied. Post-merger integration is responsible for harvesting merger and acquisition benefits. Leadership is acknowledged as a crucial input into the post-merger integration process. However, unfortunately, there is limited research combining these two important features of success in mergers and acquisition transactions.

Leadership is very important in a change process brought about by a merger or acquisition because it directs the activities of the change process. In this research project, the researcher brings the two important elements of mergers and acquisitions together. Namely leadership and the post-integration process.

### **3 CHAPTER 3: RESEARCH QUESTIONS**

#### **3.1 PROBLEM DEFINITION**

Companies across the globe spent trillions of Rands on mergers and acquisitions transactions. Mail and guardian in December 2013 reported that \$33 billion was spent on mergers and acquisitions transactions in Africa alone in 2012 (Holmes, 2013). The spent was \$26.6 billion in the first three quarters of 2013.

In South Africa the Business Day reported that 206 mergers and acquisitions deals were reported only in the first six months of 2013 (Anderson, 2013). The estimated value of these deals was R121 billion amidst the slowdown in South African GDP growth. The magnitude of the money spent on these transactions reflects the importance of these transactions for business growth and shareholder return.

The problem with these transactions so far is that more than half of them never achieve their intended objectives. But the fact that others do achieve their stated objectives warrant a study into factors that make those succeed. Mergers and acquisitions can fail during the transaction stage or after the transaction has been concluded. Researchers so far have one consensus on mergers and acquisitions success. That is; post-merger integration management is very important in the success or failure of these transactions. (Bijlsma-Frankema, 2004; Mari, 2008; De Alwis, 2013)

The main problem faced by the business community with mergers and acquisitions is that more than half of merger transactions they conclude end up in failure. Bringing it home; this implies that more than R61 billion worth of investment done on mergers and acquisitions in the first half of 2013 in South Africa is unlikely to achieve the objectives set when these transactions were undertaken.

As proven through research, post-merger integration is the most important aspect of failure or success for these transactions (Zollo & Singh, 2004), particularly after transactions have been concluded often at great cost. Therefore, a study focusing on post-merger activities is bound to yield fruitful results for the business world.

### **3.2 PURPOSE OF RESEARCH**

The overall purpose of this study is to explore, in the South African context, those factors that are important in a post-merger integration process. Added to that is the study of the approach companies took on these factors and whether the chosen approach was likely to yield positive or negative results to the integration process.

Leadership, as a very important ingredient of success or failure in business, is also studied. The purpose is to gain an understanding of the role leadership plays in directing the activities of mergers and acquisitions integration process. This approach is taken in order to understand what could be done to improve success rates in mergers and acquisitions.

### **3.3 RESEARCH QUESTIONS**

To gain the understanding above, the researcher undertook an examination on the questions below;

#### Question 1:

What are the five most important factors perceived to affect the success or failure of mergers and acquisitions during the post-merger integration process?

This question seeks to establish, out of the many factors cited for as important in a post-merger integration, what the five perceived factors that are, above all others, the most important. This helps establish the few factors that are responsible for the biggest impact in these transactions. .

Question 2:

What were the factors causing employee turnover following a merger and how did these factors impact on the post-merger integration process?

Having established in chapter two above that employee turnover is bad for integration, the researcher seeks to understand, through this question, the causes of employee turnover in the sampled transactions.

Because leaders provide direction, and influence actions in any organisational development or transformation process, it is important to study the role of leadership in these post-merger integrations. Most researchers agree with the significance of leadership in post-merger integrations (Able, 2007; Hahm, Jung, & Moon, 2013).

This then leads us to the following additional questions in the study;

Question 3:

What leadership structures were applied and how did they impact on the post-merger integration process?

This question helps us understand how leadership structures were organised in successful integrations and whether there was any apparent difference between how successful and failed integrations organised their leadership structures.

Question 4:

What were the top five personal qualities of the post-integration leader and how did they impact on the post-merger integration process?

Here, the researcher intended establishing whether there is a systematic link between a leader's qualities and the success and failure of an integration. This helps us forecast the kind of leaders who are most likely to succeed in a post-merger integration. This question also helps measure the impact that these

personal qualities have on the post-merger integration process in comparison to each other.

Question 5:

What were the key actions taken by the post-integration leader and how did they impact on the post-merger integration process?

Question five helps the researcher to come up with 'do's' and 'don't do's' in a post-merger integration setting. By learning from what the leaders did in the sampled mergers and acquisitions and what the impact of those actions were on the integration, we will know what to avoid and what to continue doing in future transactions.

## **4 CHAPTER 4: RESEARCH METHODOLOGY**

### **4.1 INTRODUCTION**

Krug (2009) describes four methods used to evaluate the success or failure of mergers and acquisitions. In his view, these are the only true approaches researchers can use in gaining insight into the success or failure of mergers and acquisitions. These are;

- a. Analysis of stock market returns to shareholders of both target and acquiring company following the merger announcement. This is sometimes called “event study”.
- b. Analysis of target company performance after the merger using accounting measures like return on assets.
- c. Surveys of executives involved in mergers and acquisition transactions.
- d. Case studies of individual acquisitions

The researcher applied the surveys method described in “c” above. This is the only method that will yield appropriate results for the purpose of the research objectives outlined in chapter three above.

### **4.2 RESEARCH DESIGN**

The design of this study was an exploratory qualitative design. The broad topic of mergers and acquisitions has been extensively studied in the past. However only recently researchers have started studying success and failure factors in a post-merger or post-acquisition integration process. At this point there is no universally accepted success factors in a post-merger integration.

So, due to limited understanding on this topic, it is relevant that the design be exploratory. Saunders and Lewis (2012) agree that exploratory research design

is about discovering general information about a topic that is not clearly understood by the researcher.

Here the researcher used a combination of qualitative and quantitative methods. The qualitative method helped uncover patterns in factors affecting post-merger integration. The quantitative method on the other hand helped determine the extent of the importance of these factors. That is, the mode of these factors. Some scholars believe in the importance of mixed methods (Saunders & Lewis, 2012). These methods work at different stages of analysis in this research as explained below.

This study was conducted through two ways of data gathering. These are academic literature searches and survey questionnaires on sampled organisations and individuals. In each organisation sampled, semi-structured survey questionnaires were sent to members of line, middle as well as senior management in the organisation to get their view of the post-merger integration process.

For the purpose of triangulation, survey questionnaires were also sent to individuals who have been involved in a merger or acquisition integrations outside the sampled organisations, which fit the sample definition.

The survey questionnaire used contained mostly close-ended questions. This design was used in order to help provide insight into and fuller understanding of the issue of post-merger integration success or failure.

### **4.3 POPULATION AND SAMPLING**

#### Population:

The population in this study included individuals in all organisations that have been involved in a post-merger integration process. For practical reasons, this population was limited to South African mergers and acquisitions. The post-

merger process in the population were started at least one and half years before the time of data collection.

The one and half years threshold was used by the researcher here as a qualifying criteria to form part of the research universe. This is because the researcher is of the view that a period of one and half years offers enough time for integration effort results to be apparent. That is, where an integration process has been underway for more than one and half years, the results of the integration effort should be visible in the organisation.

The researcher's assessment position, as stated above, is supported by Bert, MacDonald & Herd (2003), Stahl (2004) and Mari (2008). If there is no positive valuation after the first eighteen months, this is when the transaction has failed (Stahl, 2004; Mari, 2008). Hence the one and half year period provides enough time for completeness of the analysis. The visibility of post-merger integration effort results help measure the success or failure of the post-merger integration process.

Research studying successful post-merger integration found that 85% of the value of the merger transaction was captured in the first eighteen months (Bert, MacDonald, & Herd, 2003).

#### Sampling Technique:

The research was performed using a non-probability sampling technique called snowball. Snowball sampling is a type of non-probability sampling in which, after the first sample member, subsequent members are identified by earlier sample members. The sample size in this study was forty two individuals in eight organisations. There are two reasons for use of this technique. First, the researcher did not intend drawing any inferences. Hence, the use of a non-probability sampling technique. The intention of the researcher was to gain a deeper insight into the topic rather than draw generalised conclusions. In this

case it was not necessary that the sample be a representative sample of the universe.

Second, post-merger integration survey data results in South Africa are not publicly or easily accessible. Hence, the use of snowball sampling technique. A snowball sampling technique is very useful when it is difficult to identify your sample (Saunders & Lewis, 2012). The researcher therefore got his sample through referrals from people in his network.

The researcher was aware of the danger of using a snowball sampling. That is, those selected for a snowball sampling are likely to identify other members similar to themselves which might lead to a homogeneous sample. To control for this, the researcher approached sample members from different professional backgrounds and experiences for referrals.

The researcher sampled members only in a few organisations. The researcher's intention was an in-depth analysis of the data in trying to understand the causes of failure and success in post-merger integration process. Selecting only a few companies made it practical for the researcher to perform an in-depth study of the results of the survey.

Sampling many organisations would have taken more time to complete the surveys and do the data analysis. This would have removed the luxury of in-depth analysis in understanding the causes of failure and success in the post-merger integration process.

#### **4.4 DATA COLLECTION AND ANALYSIS APPROACH**

##### Research Instrument Pre-Testing

Prior to data collection, the survey questionnaire was tested with an executive who was involved in two post-merger integrations. Subsequent to the pre-testing changes were done to sections 5, 6 and 7 of the questionnaire. These changes related to the ordering of the responses. Instead of 'yes' or 'no' responses, these

were changed to an order responses ranging from 'strongly disagree' to 'strongly agree'.

#### Data Collection:

Data was collected using one method. That is, survey questionnaires. These questionnaires were sent to line, middle and senior managers in the sampled organisations. The surveys were also done on individuals who have had experience in post-merger integration outside the organisations above. To improve on response rate, these questionnaires contained mostly close-ended questions.

However, questions contained in the survey questionnaires were of such a nature that they allowed respondents to add factors that might have been omitted, which they considered important for the post-merger integration process.

#### Analysis Approach:

The results of the survey questionnaires were then captured into a spreadsheet. Three sets of analyses were done.

The first analysis was a comparison of the results of the questionnaires from line, middle and senior management in that same organisation, for sample members belonging to same organisations. This test was done for each of the organisations in the sample. The purpose of this analysis was to determine the patterns emerging out of each company.

The second analysis was done, comparing the major patterns among the entire population. This analysis was done on the trends identified in the first analysis above as well as those patterns emerging out of individual sample members. A third analysis was a quantitative analysis to determine relationships and the magnitude of the patterns identified in the two analyses above. Services of a professional research analyst were employed to this end. Details of all statistical tests performed are stated in the following section in chapter 5.

Out of these three analyses, the researcher was able to summarise the learnings emanating from the study.

#### **4.5 LIMITATIONS OF THE RESEARCH**

Limitations of this study are outlined as follows

- a. Because of the use of non-probability sampling technique, the researcher cannot infer the results of the sample back to the population and draw generalised conclusions. This limitation did not pose a problem for the researcher because he did not intend drawing generalised conclusions on the research results.
- b. The use of snowball sampling technique poses a limitation of sample homogeneity. To control for this, sample members were drawn from different professional backgrounds and unrelated experiences.
- c. Success in post-merger integration is always very contextual and therefore depends on a number of activities and variables. The research questionnaire looked at key five variables affecting post-merger integration. The limitation of looking at only five key variables that affect post-merger integration success is that it ignores other variables which have a bearing. That is, the five key variables by themselves cannot make a post-merger integration a success.

On the other side, looking at many variables at once would have caused the researcher to lose the richness of in-depth analysis and the focus on high impact factors.

- d. The senior personnel who were surveyed were personally involved in the post-merger integration process. They may have a biased view about the post-merger activities. To control for this limitation, the researcher

performed a survey on middle and line management in the organisations to capture their view as well.

- e. Due to the fact that some data in the surveys questionnaire were unordered, no statistical tests were performed on questions three and five of the research. Instead, descriptive statistics were used to deduce the learnings. This leads to inconsistency in data analysis.

## **5 CHAPTER 5: RESEARCH RESULTS**

### **5.1 INTRODUCTION**

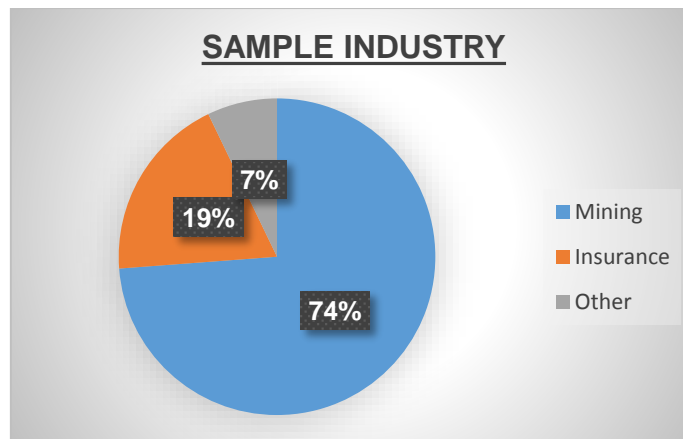
In this chapter the researcher presents the results of the surveys conducted on post-merger / post-acquisition integration processes. These surveys were conducted mainly across two industries, in companies that went through a merger or acquisition integration at least 18 months ago. The Cronbach alpha coefficient was used to assess the internal consistency reliability of the measuring instrument. Descriptive statistics were then used to generate the profiles of respondents and a frequency analysis technique to analyse the demographical information was used. In addition, the relationship among the study variables were calculated to confirm interrelations between the study variables.

To add academic rigor to the analysis, the services of a professional research analyst were employed by the researcher to conduct an analysis of the data collected. A research brief as well as completed survey questionnaires were provided to the research analyst for this purpose.

### **5.2 REVIEW OF SAMPLE AND RESPONSE RATE**

A total of 80 surveys were sent out to respondents involved in eight mergers and acquisitions integrations. The response rate was 52.5% of the target sample. The response rate obtained was within the range of online academic research, which was found to be between 33% and 56% (Nulty, 2008).

A total of 42 surveys were collected in eight mergers and acquisitions transactions. The survey candidates range from executives, senior managers, middle and line managers. The transactions were sampled from various industries. Off the sample total, 31 came from the mining industry, eight from insurance industry and three from other industries. Figure 3 pie chart shows the percentage split of the industries represented in the sample.



**Figure 3: Sample industries**

Four out of the eight mergers and acquisitions appeared to be successful, judging from the level of merger objective achievement, and the remainder appeared unsuccessful judging on the same basis as successful mergers and acquisitions above. Off the total sample members of 42, 19 came from integrated transactions appearing successful whereas 23 came from mergers and acquisitions integrations appearing to be failed transactions.

### **5.3 TEST FOR INTERNAL RELIABILITY AND CONSISTENCY**

The researcher tested the data collection instrument for reliability and consistency. The Cronbach alpha was used to determine the internal consistency or average correlation of items in the instrument to gauge its reliability. It was therefore used to assess the internal consistency of the instrument.

Cronbach alpha coefficient was used to test that the respondents to the survey questionnaire understood the questions and in a similar fashion. A "high" value of alpha is often used (along with substantive arguments and possibly other statistical measures) as evidence that the items measure an underlying (or latent) construct. A rule of thumb guidelines as given in Table 1 with regards to Cronbach alpha are provided (George & Mallery, 2003).

**Table 1: Guidelines for internal consistency**

Cronbach's alpha	Internal consistency
$\alpha \geq 0.9$	Excellent
$0.7 \leq \alpha \leq 0.9$	Good
$0.6 \leq \alpha \leq 0.7$	Acceptable
$0.5 \leq \alpha \leq 0.6$	Poor
$\alpha \leq 0.5$	Unacceptable

Source: George & Mallery (2003)

Reliability was measured on the items which are ordered. This coefficient is used only when the individual scale items are not scaled the same (Gliem & Gliem, 2014). In a data that is unordered and conditional the Cronbach's alpha cannot be utilised to check the data reliability (Sijtsima, 2009). This means that the data tested for internal consistency is in the sections 3, 5, 6, 7 and part of section 8 of the survey questionnaire as given in Table 2.

**Table 2: Reliability test for test variables**

<b>Aspect</b>	<b>Cronbach's alpha reliability coefficient</b>	<b>Acceptable level</b>
Factors (6 items)	0.849	Good
Employee turnover ( 7 items)	0.642	Acceptable (Hair, Black, Babin, & Anderson, 2010)
Leadership (5 items)	0.653	Acceptable (Hair, Black, Babin, & Anderson, 2010)
Leadership qualities (7 items)	0.738	Good
Leadership actions (3 items)	0.898	Good
Overall reliability (30 items)	0.769	Good

The factors in section 3 of the survey questionnaire had the highest reliability at 0.849, with the employee turnover scoring the lowest at 0.642. Although, the generally agreed lower limit for Cronbach's alpha is 0.7, later researchers found that a score of 0.6 is acceptable in exploratory research (Hair, Black, Babin, & Anderson, 2010). In this study 0.6 was used as the acceptable level as proposed by Hair et.al., 2010. The overall reliability of the study from 30 items is 0.769, which indicates that it is acceptable from the guidelines given in Table 1 above.

#### 5.4 TEST FOR NORMALITY OF THE RELATIONSHIP DATA

As most statistical tests rest upon the assumption of normality, deviations from normality render those statistical tests inaccurate. It is because of this main assumption that a data is tested to establish whether it is normal or non-normal. Table 3 below depicts the tests for normality for the data. A Kolmogorov-Smirnov test is very useful where the sample size is more than 2 000 and the Shapiro-Wilk test is relevant for data with a sample of less than 2 000.

**Table 3: Test of normality of the relationship data**

	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Staff turnover was bad for integration	.271	42	.000	.856	42	.000
Stress and anxiety causes staff turnover	.248	42	.000	.861	42	.000
Replaced by acquiring company causes turnover	.215	42	.000	.872	42	.000
Job redundancy causes turnover	.281	42	.000	.857	42	.000
Conflicting value: personal vs. organisation causes turnover	.277	42	.000	.863	42	.000

Staff turnover was one of the major contributors to success or failure	.214	42	.000	.849	42	.000
Discipline towards objectives	.326	42	.000	.817	42	.000
Direction giving	.219	42	.000	.864	42	.000
Self-management / discipline	.321	42	.000	.814	42	.000
Relationship management	.261	42	.000	.862	42	.000
Trustworthy	.337	42	.000	.575	42	.000
Bringing people along	.284	42	.000	.840	42	.000
Inspirational leader	.273	42	.000	.863	42	.000
<i>a. Lilliefors Significance Correction</i>						

As can be seen above, both the Kolmogorov-Smirnov and the Shapiro-Wilk tests return a lesser significance ( $p < 0.05$ ). This implies that the data is not normally distributed. The emphasis in this case is on the Shapiro-Wilk test as the data has less than 2 000 sample members. Because parametric tests can only be performed on a normally distributed data, non-parametric tests were employed in this case. The Kendall's correlation test was employed for this purpose.

## 5.5 DESCRIPTIVE STATISTICS AND THE RESULTS OF THE STUDY

### 5.5.1 Research Question 1

**What are the five most important factors that affect the success or failure of mergers and acquisitions during the post-merger integration process?**

Table 4 below shows the frequency of factors that affect the success or failure of post-merger / post-acquisition integration. The frequency on the factor

'communication' is high at 22.5% implying that off all other factors stated below, the respondents considered communication to be the most important factor in a post-merger integration. Culture, as reflected by a lower frequency, was considered least important among the factors listed below. The respondents do not believe that culture has a very important role to play in the success of a post-merger integration, compared to the other factors listed below.

**Table 4: Factors affecting success / failures of post-merger integration**

	Percent	Cumulative Percent
Communication	22,5%	22,5%
Employee retention	17,8%	40,3%
Leadership	17,1%	57,4%
Stakeholder involvement	17,1%	74,4%
Urgency of execution	17,1%	91,5%
Culture	7,8%	99,3%

### **5.5.2 Research Question 2**

**What were the factors causing employee turnover and how did these factors impact on the post-merger integration process?**

Table 5 below shows a list of factors that could possibly cause employee turnover in a post-merger integration process. The range of the mean is between 2.40 and 2.79, with standard deviations of the factors within the same range of about 0.80. The close range of these standard deviations means that the mean scores of these variables are comparable.

The fact that the mean scores were above 2.0 in a four point Likert scale, means that the respondents had a bias towards agreeing with the statement asked on the factors causing employee turnover (Table 5). Based on the individual results, the variable stress and anxiety was found to have the highest cause of staff turnover. It also shows that conflicting values between the organisation and the individual employee is the least likely factor to cause staff turnover.

**Table 5: Factors causing employee turnover**

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Stress and anxiety causes staff turnover	42	1	4	2,74	0,798	-0,087	0,365	-0,432	0,717
Replaced by acquiring company causes turnover	42	1	4	2,69	0,869	-0,039	0,365	-0,681	0,717
Job redundancy causes turnover	42	1	4	2,48	0,862	0,317	0,365	-0,510	0,717
Conflicting value: personal vs. organisation causes turnover	42	1	4	2,40	0,857	0,311	0,365	-0,413	0,717
Valid N (listwise)	42								

Further to this question the researcher examined the impact that these factors have on a post-merger integration process. To understand the impact, the researcher computed a correlation coefficient as well as a p-value (Sig. (2-tailed)). Table 6 shows the results of these computations. Based on this statistics, stress and anxiety's impact is significant at a p-value of less than 0.05. This means that all other factors are important, but do not have a significant impact on staff turnover.

**Table 6: Factors' impact on staff turnover**

		Staff turnover was bad for integration	Stress and anxiety causes staff turnover	Replaced by acquiring company causes turnover	Job redundancy causes turnover	Conflicting value: personal vs. organisation causes turnover
Staff turnover was bad for integration	Correlation Coefficient	1,000	.342	0,013	0,106	0,065
	Sig. (2-tailed)		0,013	0,921	0,437	0,634
	N	42	42	42	42	42

Table 6 above reflects that off all factors, only stress and anxiety has a significant impact on staff turnover. To understand the extend of the significance that this factor has, the researcher computed an R Square. Table 7 below shows a result of an R Square of 0.109. This means that 10.9% of staff turnover can be explained by stress and anxiety.

Although stress and anxiety is significant, it only explains 10.9% of staff turnover in these transactions. This means, therefore, that there are other factors that explain the other 89.1% of staff turnover.

**Table 7: The regression results**

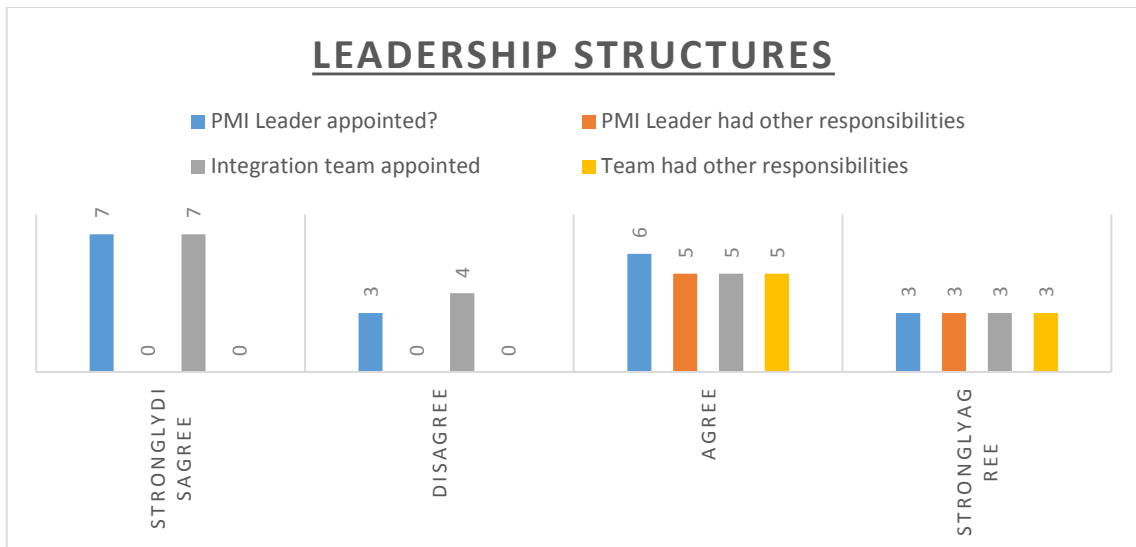
<b>Model Summary</b>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.330 <sup>a</sup>	.109	.087	.821
a. Predictors: (Constant), Stress and anxiety causes staff turnover				

### **5.5.3 Research Question 3**

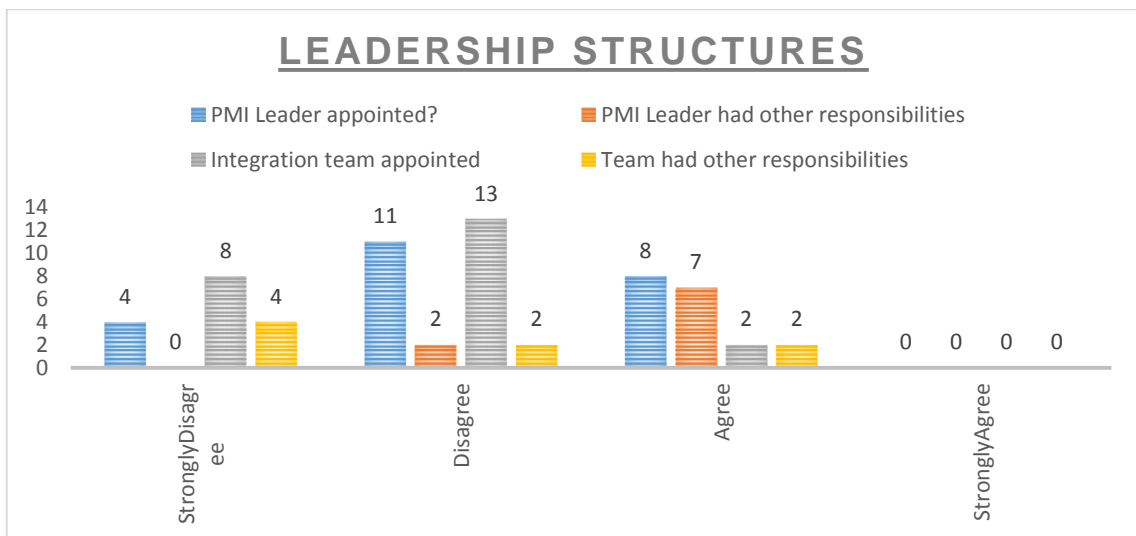
**What leadership structures were applied and how did they impact on the post-merger integration process?**

This section seeks to understand whether there is a difference in leadership structure approach between successful and unsuccessful integrations. This refers to whether an integration manager or team was put together to look after the integration. Figure 4 below shows the general approach taken in the successful post-merger integrations.

Figure 5 reflects the results of the general approach taken by unsuccessful post-merger integrations. The results of the study here seem to suggest that post-merger integrations that achieved their objectives had leadership structures in place more often than post-merger integrations that did not achieve their objectives.



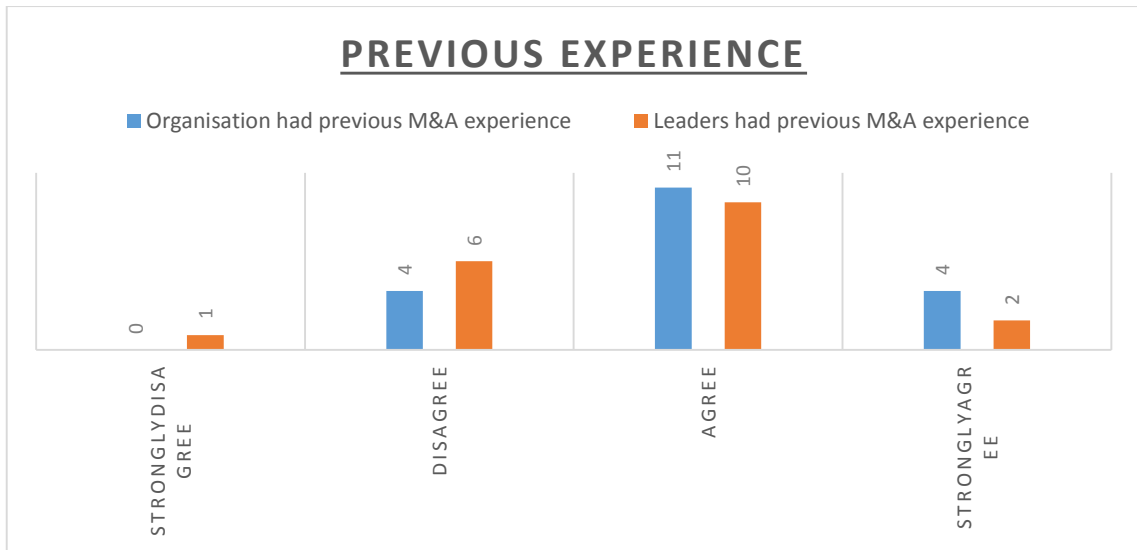
**Figure 4: Leadership structures - Successful integrations**



**Figure 5: Leadership structures - Unsuccessful integrations**

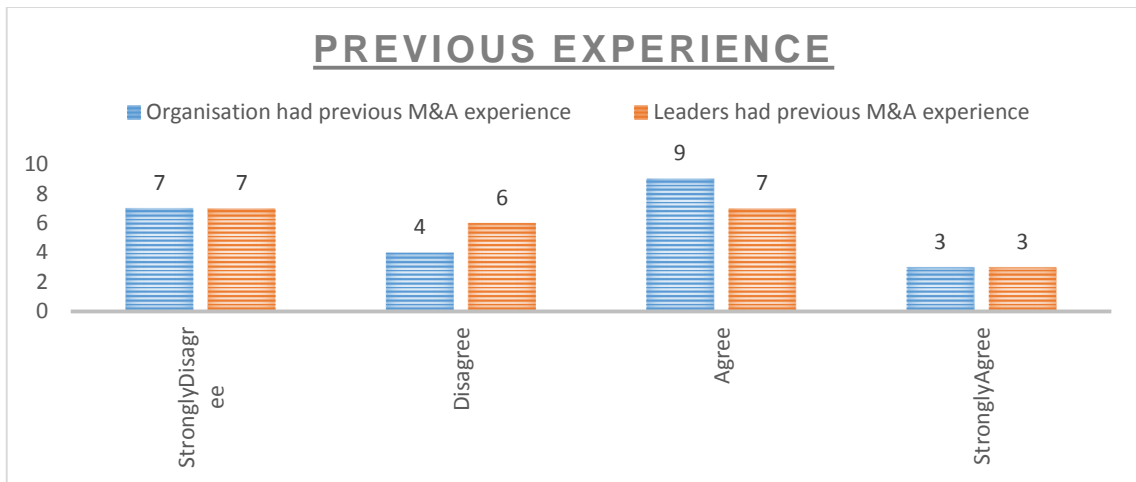
In this section the researcher also looks at the previous experience of the leaders, the team and the organisation involved in the post-merger integration process. Figure 6 shows the results of the level of experience of the leaders as well as organisations involved in the successful post-merger integrations. Here, we see that the general level of experience outweighs the level of inexperience in the successful post-merger integrations.

The level of experience here is agreed to by 27/38 respondents in the successful post-merger integrations.



**Figure 6: Previous experience - Successful integrations**

Figure 7 below shows the results of the level of experience of the leaders as well as organisations involved in the unsuccessful post-merger integrations. Here, we see that the general level of inexperience slightly outweighs the level of experience in the unsuccessful post-merger integrations. The level of inexperience in this case is supported by 24/46 respondents involved in these unsuccessful post-merger integrations.



**Figure 7: Previous experience - Unsuccessful integrations**

#### **5.5.4 Research Question 4**

**What were the top five personal qualities of the post-integration leader and how did they impact on the post-merger integration process?**

Table 8 below shows a list of personal qualities of leaders in these post-merger / post-acquisition transactions. With exception of 'Trustworthiness', standard deviations of all other qualities are in the same range. This attest to the fact that these qualities are comparable.

The results on table 8 below shows that many respondents are of the opinion that the top five personal qualities of leaders in these transactions were;

- Discipline towards objectives
- Self-management / discipline
- Trustworthiness
- Direction giving
- Bringing people along

**Table 8: Leadership personal qualities**

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Discipline towards objectives	42	1	4	2,88	0,739	-0,566	0,365	0,629	0,717
Direction giving	42	1	4	2,79	0,842	-0,081	0,365	-0,690	0,717
Self management/ discipline	42	1	4	2,86	0,683	-0,295	0,365	-0,334	0,717
Relationship management	42	1	4	2,45	0,803	0,162	0,365	-0,313	0,717
Trustworthy	42	1	12	2,81	1,714	3,727	0,365	20,412	0,717
Bringing people along	42	1	4	2,64	0,727	-0,127	0,365	-0,087	0,717
Inspirational leader	42	1	4	2,38	0,825	0,264	0,365	-0,307	0,717
Valid N (listwise)	42								

Further to this question the researcher examines the impact that these personal qualities have on a post-merger integration process. To understand the impact, the researcher computed a correlation coefficient as well as a p-value (Sig. (2-tailed)). Table 9 below shows the results of these computations. Based on these statistics, none of the personal qualities above have a significant impact on the success or failure of the post-merger / post-acquisition integration process.

This doesn't mean that these personal qualities are not important. Their mean values of more than 2.5 attest to their importance. However, that importance is not significant according to the p-value computation on table 9 below.

**Table 9: Qualities' impact on success or failures**

		Leadership was one of the major contributors to success or failure	Discipline towards objectives	Direction giving	Self management/ discipline	Relationship management	Trustworthy	Bringing people along	Inspirational leader
Leadership was one of the major contributors to success or failure	Correlation Coefficient	1,000	-,008	-,083	,033	,076	-,017	,131	,045
	Sig. (2-tailed)		,956	,546	,815	,584	,903	,352	,744
	N	42	42	42	42	42	42	42	42

### 5.5.5 Research Question 5

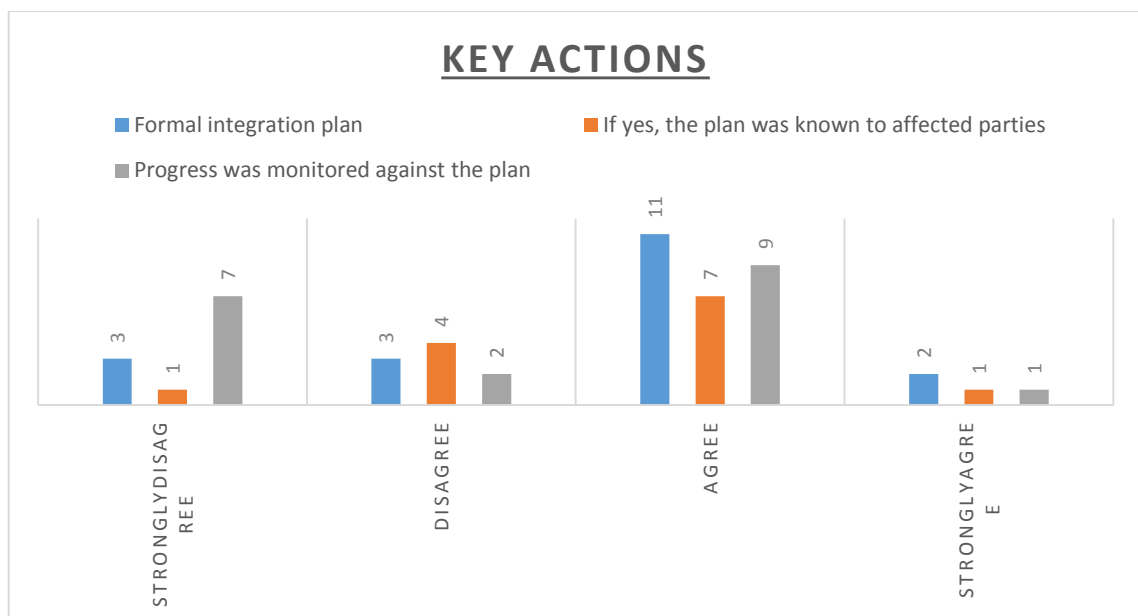
**What were the key actions taken by the post-integration leader and how did they impact on the post-merger integration process?**

This question looks at key actions by the leadership that had a bearing on the post-merger success or failure. Here, the respondents were lead with two key

actions. Integration planning and monitoring of that plan. They were then left to suggest any other actions which they believed were important for the post-merger integration to achieve what it had achieved.

The results of the study in figure 8 suggests that majority of the successful post-merger integrations had a formal integration plan in place than not. This is reflected by a score of 13/19 respondents. It also reflects that the integration plan was widely known by the stakeholders to the post-merger integration process. 8 out of the 13 that agreed that a formal plan was in place also agreed that the plan was known by parties affected.

10 out of 19 respondents agree that post-merger integration progress was monitored against some plan.

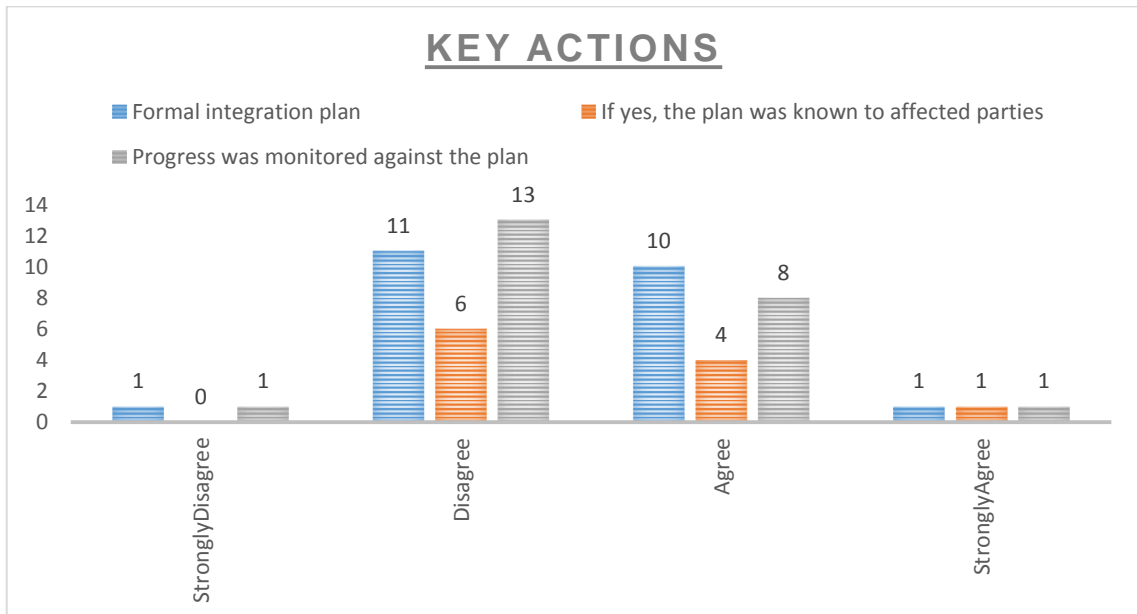


**Figure 8: Key actions - Successful integrations**

Results reflected in figure 9 below suggests that a slight majority of the unsuccessful post-merger integrations did not have a formal integration plan in place. This is reflected by a score of 12/23 respondents. It also reflects that, where the integration plan existed, it was not necessarily widely known by the

stakeholders to the post-merger integration process. 6 out of the 11 that agreed that a formal plan was in place did not agree that the plan was known by parties affected.

14 out of 22 respondents do not agree that post-merger integration progress was monitored against some plan.



**Figure 9: Key actions - Unsuccessful integrations**

## **6 CHAPTER 6: DISCUSSION OF RESULTS**

### **6.1 INTRODUCTION**

Post-merger integration as a catalyst to harvesting value in mergers and acquisitions has been studied before (Bijsma-Frankema, 2004; Appelbaum, Lefrancois, Tonna & Shapiro, 2007; Mari, 2008; Hahm, Jung, & Moon, 2013; Paul, & Berry, 2013). However, there are a few pointers or practical advice to management in future post-merger integrations.

In this chapter the researcher focuses on the five questions raised in chapter three and discusses the results of the surveys outlined in chapter five in relation to the theory established in chapter two. Through the learnings from the study and the emerging themes, the researcher suggests a model as discussed in research heading 6.7 below that can be used by management in future post-merger integration processes. The chapter sections were organised into the five questions raised in chapter three of the study for ease of analysis. Under each section of the chapter, the results of the study are discussed together with literature relevant to the specific section.

### **6.2 IMPORTANT FACTORS**

With the first research question the researcher wanted to understand those elements that needed to be considered when a post-merger integration is being executed. These are the factors that would have a bearing on the success or failure of the post-merger integration process. So the respondents were asked to identify factors that were important in driving the success or failure of a post-merger integration process. The top five actors are discussed below.

The results of the study revealed the five important factors, in order of their importance, as: (1) communication, (2) employee retention, (3) leadership, (4) stakeholder involvement, and (5) urgency of execution. However, leadership,

stakeholder involvement and urgency of execution were considered to be equally important in a post-merger integration process.

The factor of communication came across as the most important in a post-merger integration process, appearing more than 22.5 times out of a 100. Because a post-merger integration process is a form of change initiative, uncertainty is high among members of the organisation. To eliminate uncertainty and refocus the energy of employees towards achieving the merger objectives, it is important that leaders use communication as a tool to engage people. This is in line with Tonna & Shapiro (2007)'s finding that communication, amongst other factors, was an important factor in change management implementations. Tonna & Shapiro's study did not indicate how important communication is in relation to those other factors. But in this study it appears that out of the five factors indicated above, communication is the most important of them all in a post-merger integration process.

Employee retention was amongst the top five important factors. Krug (2009) found that employee turnover was one of the factors that had a negative impact in a post-merger integration process. Employees are arguably the most important assets an organisation can have. Sometimes even more important than the fixed assets of the company. Losing employees will therefore cause a great harm to the organisation. It is therefore not surprising in this study that the respondents were of the opinion that staff retention was the second most important factor. If employee turnover is bad for integration (Krug, 2009), it would be important that employee retention, as an antidote for employee turnover, be considered very seriously.

Leadership was also found to be an important factor affecting the success or failure of a post-merger integration. Many researchers agree to the importance of leadership during change initiatives. Leadership is therefore an important factor

in a merger or acquisition, as a form of a change initiative (Able, 2007; Hahm..et al, 2013). It was therefore not a surprise to the researcher for leadership to be one of the five most important factors responsible for success or failure of these post-merger / post-acquisition integration processes.

Urgency of execution was found to be another important factor in post-merger integrations by other researchers (Bert, MacDonald, & Herd, 2003). This is also not a surprise in this study. Bert..et al argued that for an acquisition to succeed the acquirer need not only select the right target, but that the integration of the target need to start and finish as quickly as possible. The highlighted phrase here is 'as quickly as possible'. This supports the importance of the factor above on urgency of execution of the integration process.

The factor of stakeholder involvement can be associated with communication, which was found to be the most important factor in this study. A surprise to the researcher on the results of the study was 'culture'. Contrary to common belief, culture was downplayed in favour of the five other factors above, as one of the top five factors important in a post-merger integration process. One would suspect that this phenomenon is influenced by the fact that culture is not easily visible or defined. Because of its subtleness, respondents may have downplayed its importance.

The findings of the research on this factor go against the research findings of some researchers who found that the majority of their respondent argued that it was not possible to achieve merger objectives without culture integration (Barker, 2012).

### **6.3 EMPLOYEE TURNOVER**

This section of the study was intended to establish causes of staff turnover during the post-merger integrations phase. The researcher also studied the extent of the impact these factors had on the post-merger integration processes. Researchers suggested that employee turnover was bad for a post-merger integration (Krug, 2009). Given the negative impact of employee turnover, the causes of employee turnover were studied.

Factors causing staff turnover in these mergers and acquisitions, in order of their importance, were found to be stress and anxiety caused by the change, and replacement of employees by the acquiring company. These factors are the only ones with a mean score above the 2.50 midpoint. These factors caused staff turnover more often than not in these post-merger integrations. Siehl, Smith & Amara (1990) have also found that anxiety is a significant cause of staff turnover in mergers and acquisitions. They have taken their study further to understand what causes anxiety. They found that anxiety among employees in a merger or acquisition transaction is caused by possible job losses, financial insecurity and possible change in status.

Job redundancies and conflicting values had mean scores below 2.50. They therefore cannot be considered as causing staff turnover most of the time in these transactions. Staff turnover was caused by other factors more often than job redundancy and conflicting values.

Further investigation was done to determine the impact of these factors on staff turnover. The result of this investigation was that only stress and anxiety had a statistically significant impact on staff turnover in these post-merger integrations.

The other factors, although important, were not statistically significant in causing staff turnover. Job redundancy doesn't come across as a very important cause of staff turnover, with a mean score of 2.48. Job redundancy, although not significant, was also found to be a cause of employee turnover by other researchers (Mari, 2008).

A regression analysis was conducted on the significance of the stress and anxiety factor. The results of the analysis revealed that the stress and anxiety factor explain only 10.9% of staff turnover in these post-merger integrations. This means that there are other factors that explain the other 89.1% of staff turnover. This points to the fact that, although statistically significant, stress and anxiety by itself doesn't appear to cause all staff turnover.

#### **6.4 LEADERSHIP STRUCTURES**

In this section the researcher studied the structure of the leadership arrangement in post-merger integrations that were considered to have achieved their goals by the respondents and compared the results to those post-merger integrations that were considered not to have achieved their objectives. To achieve this, respondents in each category (i.e. achieved objectives and not achieved objectives) were asked a question on whether a post-integration manager or team was appointed.

For those post-merger integrations that achieved their objectives 44.7% of the respondents agreed that either a team or a manager was appointed and given responsibility over the integration. On the other hand only 21.7% of the respondents in post-merger acquisitions that did not achieve their objectives agreed that a post-integration manager or team was appointed. What this points to is the suggestion that, although appearing in percentages below 50% here, mergers and acquisitions that achieved their objectives had dedicated post-

merger leadership in place more often than those that did not achieve their objective.

The findings of this study are in line with those of other researchers who found that the presence of a powerful integration manager has a positive impact to success in a post-merger integration process (Schweizer, 2002). In any organisation leadership is responsible for the strategic direction of the organisation. Leaders decide what the focus of the organisation will be, what the organisation will do and what it will not do. This way they dictate the actions of all employees below them. Because actions are responsible for results in any situation, including post-merger integration, leadership therefore has a great deal of impact in the success of post-merger integrations. It is not surprising therefore that appointing a dedicated post-merger leader or team had a positive impact on the post-merger integrations that achieved their objectives above.

Jung & Moon (2013) agree to the importance of leadership during times of change. Although their study does not necessarily point to the appointment of a post-merger integration leader, the importance of leadership during times of change is highlighted. This phenomenon supports the results of this study. One can suggest that the appointment of a manager or a team to look after a post-merger integration will have a positive effect on the results of that post-merger or post-acquisition integration.

To expand his understanding on how leadership arrangements were approached in these transactions, the researcher asked a question to the respondents relating to the experience of the team, leader and the organisation in previous post-mergers and post-acquisitions integrations. What the researcher found was that 71.1% of respondents in post-merger integrations that achieved their objectives agreed to the presence of previous experience in post-merger integrations. On the other hand only 47.8% of respondents in those integrations that failed to

achieve their objectives agreed to the presence of previous experience in post-merger integrations.

Lack of experience in mergers and acquisition has contributed to the downfall of many mergers and acquisitions (Paul & Berry, 2013). It is not surprising therefore, in line with literature, that previous experience in post-merger or post-acquisition integrations has a bearing on whether a merger or acquisition is successfully integrated / executed.

This phenomenon does not at all suggest that lack of experience in similar transactions will cause a failure in a post-merger integration. The fact that not 100% agreed to existence of experience in those post-merger integrations that achieved their objectives suggests that there is a degree of leadership or organisations that were doing it for the first time and did achieve their objectives. The results simply suggest that experience in previous mergers and acquisition gives a leader an advantage of success in future transactions.

Similarly, the presence of experience does not guarantee success. Some of the leaders in the post-merger integrations in this study, that failed to achieve their objectives, had previous experience in post-merger integrations. Their possession of that experience did not help them achieve the objectives of these mergers and acquisitions. The suggestion put forward by the results of the study here is that lack of experience often has a negative impact on post-merger integration than not.

## **6.5 LEADERSHIP PERSONAL QUALITIES**

Here the researcher wanted to understand those personal leadership qualities that are important in post-merger integration processes. The results of the study pointed out the top five important personal qualities as discipline towards

objectives, self-management / discipline, trustworthiness, direction giving, and bringing people along. The respondents scored these qualities very high with mean scores ranging between 2.64 and 2.88 out of a maximum score of 5.00.

All these five qualities were found to be important in various other studies on mergers and acquisitions as well as change management processes. Setting right priorities and fostering a spirit of discipline towards the organisation's vision was found to be key in leaders navigating through a change posed by a merger or acquisition transaction (Able, 2007). The absence of this discipline can cause the organisation to lose focus and forget about its objectives for doing the merger or acquisition transaction. Discipline towards objectives help the organisation to keep its eye on the ball and not forget what the merger or acquisition was intended to achieve in the first place.

Warren Bennis (1989) found that effective leaders, among other attributes, have the quality of self-management. It is hard for a leader to manage others if s/he cannot manage him / herself. Where a leader cannot manage him / herself it would be difficult for followers to respect and follow that leader.

The phenomenon above, regarding the willingness of followers to follow a leader, links to the third important quality in a post-merger integration that the respondents pointed to. That is trustworthiness. Followers must trust a leader before they can follow him. Leaders can improve on this quality by being honest and consistent (Bennis, 1989).

The fourth quality pointed out by the results of the study is widely supported by researchers both in mergers and acquisition integrations as well as change management literature. After a change process, presented by change initiatives such as a merger or acquisition, uncertainty permeates in an organisation.

Leaders in organisations therefore need to provide direction to members of the organisation to help them navigate through the new environment. This process is sometimes referred to as sense giving (Gioia & Chittipeddi, 1991). In his change model, Kotter has two steps that support this study finding. These are, creating a vision and communication it (Douglas & Sutherland, 2009).

The last quality pointed out by the results of the study above is the ability of a leader to bring people along. It does not help the leader to have a vision without it manifesting in the entire organisation. Kotter refers to this phenomenon as empowering others to act on the vision (Douglas & Sutherland, 2009). Able (2007) found that inspiring a sense of purpose, coherence, community and trust that allows employees to remain focused and highly engaged had a positive effect on post-merger integration efforts.

## **6.6 KEY ACTIONS**

In this section the researcher needed to understand if there were specific actions that were taken in post-merger integrations that achieved their objectives and what the comparison was to those post-merger integrations that did not achieve their objectives. The results of the study suggest three key actions relating to the planning function of management. These actions relate to (1) the existence of a plan, (2) whether the plan was known by all affected parties and the last action relates to (3) the monitoring of that plan.

68.4% of the respondents in post-merger integrations that achieved their objectives agreed that an integration plan was in place. On the other side only 52.2% of respondents in post-merger integrations that did not achieve their objectives had an integration plan in place. Establishment of a post-merger integration plan forces the executive team to think about, anticipate and hopefully come up with suggestive solutions to integration problems (Bijlsma-Frankema,

2004). This helps improve the chances of success in a post-merger integration as supported by the results of the study above.

The second phase of this enquiry sought to understand how widely the plan was known by affected parties in the organisation. As part of bringing people along, which was pointed out as one of important leadership qualities in 6.4 above, people in the organisation need to know about the plan if they are to action it (Able, 2007). Kotter also discovered in a change management process that it is important that the vision / plan be communicated to all affected parties (Douglas & Sutherland, 2009).

61.5% of respondents who agreed to the existence of a plan in the post-merger integrations that achieved their objectives also agreed that the plan was known by all parties affected by the change. In contrast only 45.5% of respondents in post-merger integrations that did not achieve their objectives agreed to the plan being known by affected parties. The result of this study seems to be in line with literature suggesting that where the plan is widely known, the chances of success are improved (Able, 2007).

In instances where an integration plan was in place, the researcher sought to understand whether progress in these post-merger integration implementations was monitored against plan. Douglas & Southerland (2009) found that in a change process steps suggested by Kotter, the only missing ingredient was monitoring of progress against plan. It was therefore important for the researcher in this study to understand how progress monitoring was approached in these transactions as part of a change management process.

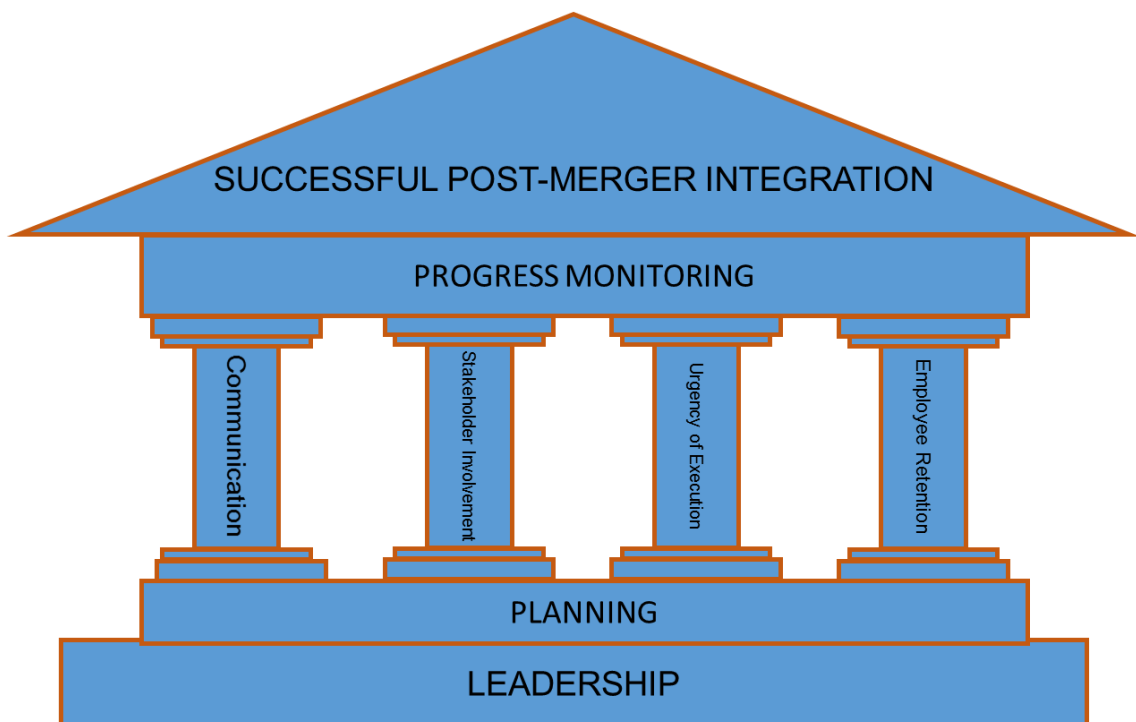
In post-merger integrations that achieved their objectives 52.6% of the respondents agreed that progress was monitored against the integration plan. With post-merger integrations that did not achieve their objectives the respondents that agreed to plan monitoring were only 36.4% of those that agreed that a plan was in place. The result of the study in this case suggest the

importance of monitoring progress against plan in change initiative implementation (Douglas & Sutherland, 2009) to improve the chances of success.

## 6.7 POST-MERGER INTEGRATION MODEL

### 6.7.1 The Model

The discussion above, guided by the research questions, seem to suggest an emergence of a pattern. This pattern can be useful in future post-merger integrations. The researcher summarised the pattern into a model in Figure 10 below.



**Figure 10: Post-merger integration model**

The model above summarises the results of the study and draws insight into the emerging theme. The model represents the process of laying a foundation and building up to a successful post-merger integration.

### **6.7.2 Model Interpretation**

It is crucial for the researcher that the interpretation of the model is discussed in this section. The essence of this post-merger integration model is to achieve a single objective of successfully integrating the two organisations after a merger or acquisition has taken place. Emphasis here is on leaders and what they can do to improve the chances of success in a post-merger / post-acquisition integration process. Hence the foundation of the model being leadership.

The study seems to suggest that a post-merger leader, or leadership team, should be appointed to coordinate the integration efforts. All other factors or actions that follow in the model are directly linked to the foundation, leadership. The leadership must then plan the integration process. Hence, planning being the second factor after leadership on the model. The plan will then guide all efforts that follow. It ensures that all actions are organised and directed towards the objectives of the merger or acquisition. Without the post-merger integration plan employees lose sight of the objectives of the merger or acquisition and this reduces the possibility of their attainment.

The four pillars that connect the foundation and roof of the post-merger integration model are communication, stakeholder involvement, urgency of execution and employee retention. Communication, as the first pillar, is vital in this model because it is crucial that the post-merger integration plan is known and actioned by all parties involved. This knowledge of the post-merger integration plan is facilitated through communication. The leaders, therefore need to ensure that they communicate the plan efficiently. The view of communicating the plan / vision was also found as crucial by Kotter as discussed in Figure 2 above (Douglas & Sutherland, 2009).

The results of the study also suggest the importance of involving all stakeholders throughout the process of post-merger integration. Gioia & Chittipeddi (1991) found that stakeholder involvement increases buy-in and commitment to the plan and the change efforts. This in turn increases the possibility of success. The results of the study echoes the same sentiment even in post-merger integration change process. The second pillar of the model signifies this view. Leaders must therefore involve all stakeholders and ensure that communication is used effectively. This can be achieved through the use of the first pillar of the model as well as the upper stack on progress monitoring.

Pillar three of the model represents the urgency with which leaders must action their integration plan. The results of the study seem to suggest that any delay in the post-merger integration effort would have negative consequences for the post-merger integration process. The fourth pillar of the model (employee retention) suggests that, unless it is a deliberate strategic decision, leaders need to focus and try to avoid staff turnover during the post-merger integration process. Staff turnover drains the organisation of critical skills. For the organisation to re-learn the lost skills it will take time and delays in the integration process. As reflected by the third pillar above, delays will put the success of the integration process at risk.

In executing all these actions, it is important for leaders to understand where they stand and how they are doing against the plan. This is represented by the upper stack of the model 'progress monitoring'. This part of the model provides leaders with the much needed feedback whether their actions to that point have been in harmony with the stated objectives and plan or whether they need to review their actions and change course. Without this feedback, leaders are driving a car blindfolded. Without progress monitoring, leaders can therefore not be expected to achieve the objectives of the merger or acquisition.

The roof of the model, “Successful integration”, represents the achievement of the merger or acquisition objectives. The view in this model is that a proper coordination of all factors below the roof would probably result in achievement of the merger or acquisition goals.

## **7 CHAPTER 7: CONCLUSION**

### **7.1 INTRODUCTION**

The study aimed at identifying factors that impacted on the success or failure of mergers and acquisitions during the integration phase. A special association to leadership and its role in these factors was also part of the purpose of the study. The study developed valuable insights into these factors and their interaction with leadership. The researcher then recommended a practical post-merger integration model out of the insights gained in the study to contribute to the improvement of mergers and acquisitions success in the future.

### **7.2 FINDINGS**

The researcher captured the theme of the study findings in the model reflected in figure 10 above. Below is the summation of what the study has found.

#### **7.2.1 Leadership**

The study has established a critical relationship between leadership and the factors that affect the success or failure of mergers and acquisitions. Leaders are responsible for setting direction in organisations. Similarly, leaders are responsible for navigating their followers during times of uncertainty posed by change initiatives such as mergers and acquisitions.

What the researcher discovered in the study is that the way that the leadership structure is organised during a post-merger integration process has a great deal of impact on the success or the failure of the integration efforts. The results of the research seem to suggest that organisations need to appoint a dedicated post-merger integration leader (PMI leader) to be responsible for the integration process. Where the merger or acquisition size is bigger, the organisation would do well to appoint a post-merger integration team to support the PMI leader.

The leader's previous experience with mergers and acquisitions was found to improve the chances of success in post-merger integration processes. This reflects the power of learning from mistakes. It is important to note, however, that experience did not guarantee success. It simply suggested a better chance of success.

The findings of the study pointed out to the importance of leadership and suggest that to improve on this point, organisations would do well to appoint dedicated leaders responsible for the post-merger integration process. Appointing leaders with previous experience with post-merger integrations appears to improve the chances of success in achieving the integration objectives.

### **7.2.2 Planning**

The results of the study also seem to suggest a positive impact of having a formal plan in place for the post-merger integration. Most organisations that succeed in implementing mergers and acquisitions need to have a clear idea of what they intend to accomplish. As a starting point in their integration efforts, leaders in a post-merger integration setting need to establish a formal integration plan. The second issue after establishing a formal plan would be to communicate the plan to all relevant stakeholders. This process is supported by previous researchers, especially in a change process setting such as mergers and acquisitions (Gioia & Chittipeddi, 1991).

The results of the study found that the issue of planning links to both leadership as discussed above as well as communication as discussed below.

### **7.2.3 Communication**

Leaders are called thus because there should be people following them. Unless people know what the plan is or where the bus is going, it will be difficult to follow.

Communication is a tool a leader uses to inspire commitment and provide direction to followers. This issue came across as the most important factor affecting the success or failure of post-merger integration processes in this study. The researcher suspects that the importance of communication is elevated in this study due to the nature of uncertainty inherent in change processes such as mergers and acquisitions.

Followers need constant communication and direction from their leaders to reduce the uncertainty. It was therefore not surprising that this factor came across as the most important factor affecting success or failure of post-merger integration processes in this study.

#### **7.2.4 Stakeholder Involvement**

The point of involving all stakeholders and its effect on inspiring commitment has been cited in the past by other researchers (Gioia & Chittipeddi, 1991). This study found the same effect in a post-merger integration setting. Most respondents from mergers and acquisitions that failed to achieve their objectives felt that they were not involved in the post-merger integration process. They did not understand what was happening and how they should respond. The result of their not being involved was withdrawal from the change process.

Less involvement meant less commitment and as a result it became difficult to impossible to achieve the objectives of the merger or acquisition. Leaders would do well by involving their followers in the post-merger integration process as this seems to improve the chances of success.

#### **7.2.5 Urgency of Execution**

One would logically think that the more leaders take their time in executing the merger or acquisition, the more thinking time they have and the better the

resulting decisions. In line with this view slower integrations would therefore yield better results than quicker integrations.

However, the researcher found the exact opposite in this study. Post-merger integrations that started sooner and were completed quickly in this study appeared to achieve their objectives much more than those post-merger integrations that started late and took a long time to conclude. It must be emphasised that quick integration here did not denote mindless action. Rather a planned and well-coordinated set of integration actions executed quickly.

#### **7.2.6 Employee Retention**

The study also found that it is important for the organisation not to lose skills during the post-merger integration process. Literature suggests that staff turnover is bad for integration efforts (Krug, 2009). This is because when organisations lose skills due to staff turnover, it takes time to replace those skills. This extra time needed to replace the skills goes against the point of urgency of execution above and creates obstacles in achieving the objectives of the merger or acquisition.

The study found that stress and anxiety was the biggest cause of staff turnover during the post-merger integration process. Leaders would therefore need to pay attention and do what is necessary to reduce stress levels in organisations during the post-merger integration process.

### **7.3 IMPLICATION TO LEADERS**

Mergers and acquisitions are not just a game of numbers and simulation models. The human capital of the organisation is ultimately responsible for achieving the objectives of the merger or acquisition. The results of this study appear to point

to a couple of issues that have an impact on leaders and how they should operate in future post-merger integrations.

The first implication is that leaders need to pay a little bit more attention to the post-merger process. The pre-merger process is important because it determines whether you have a potentially great deal or not. However, it is the post-merger process that is responsible for delivering a great deal to the shareholders. The results of the study also imply that leaders need to take a more formalised approach to post-merger integrations. This means taking time to formally plan the integration activities and allocate responsibilities. The planning process will force the leaders to anticipate problems and start contemplating counter measures.

On the human element side, the biggest takeaway for leaders is to understand that the entire post-merger integration process is more a human issue than a mechanical one. The emergence in this study of a theme centered around factors such as communication, stakeholder involvement and employee retention attests to the human nature of post-merger integration activities. What this means for leaders is that the mechanical approach that clouded previous mergers and acquisitions as well as the pre-merger process must be changed. If the success rate of mergers and acquisitions is to be improved, leaders need to be more human oriented than before.

Leaders would need to change their approach to approximate what the model in figure 10 above suggests in terms of which factors to pay attention to and how these should be approached.

#### **7.4 RECOMMENDATION FOR FUTURE RESEARCH**

One of the limitations of this study was the fact that the results could not be applied to the whole population. Scholars interested in studying factors that can

result in improvement of the success rate in mergers and acquisitions might want to investigate the factors emerging in this study in a bigger and a more representative sample to establish their statistical significance.

Secondly, future researchers might be interested in studying different leadership styles and how they perform in post-merger integrations. This will help understand the link between success or failure in these transactions and the different leadership styles. The main aim would be to identify the types of leadership styles that are most likely to succeed in a post-merger integration process.

## **7.5 CONCLUSION**

The researcher's objective with the research was to study the factors that have an impact on the success or failure of post-merger integration process. The learning could then be applied in improving the success rate in future post-merger integration processes. The results of the study and the recommended post-merger integration model in figure 10 above provide great insight and would add value to the expanding body of knowledge in the area of mergers and acquisitions.

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## 9 CONSISTENCY MATRIX

QUESTIONS	LITERATURE REVIEW	DATA COLLECTION TOOL	ANALYSIS
<b>Q1:</b> What are the five most important factors that affect the success or failure of mergers and acquisitions during the post-merger integration process?	Bijsma-Frankema, 2004 Appelbaum, et al 2007 Oaul & Berry, 2013	Sections three & four of the survey questionnaire	Descriptive statistics
<b>Q2:</b> What were the factors affecting employee turnover and how did these factors impact on the post-merger integration process?	Able, 2007 Mari, 2008	Section five of the survey questionnaire	Descriptive statistics
<b>Q3:</b> What leadership structures were applied and how did they impact on the post-merger integration process?	Bert, MacDonald & Herd, 2003	Section six of the survey questionnaire	Descriptive statistics
<b>Q4:</b> What were the top five personal qualities of the post-integration leaders and what impact did they have on the post-merger integration process?	Schweizer, 2002 Able, 2007 De Alwis, 2013	Section seven of the survey questionnaire	Descriptive statistics
<b>Q5:</b> What were the top five key actions taken by the post-integration leader and how did they impact on the post-merger integration process?	Bert, MacDonald & Herd, 2003	Section eight of the survey questionnaire	Descriptive statistics