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Abstract: The study examines the influence of merger communication on the subjective experience of employees and management involved in the merger process, which is a crucial factor of success for mergers in general. In comparison with employees without any managerial responsibility leaders consider a timely integration, the involvement of the management and the level of information throughout the merger process as more important. The evaluation of communication predicts uncertainty as a part of the subjective experience of the employees. The findings overall emphasize the important role of the middle management to honestly and target-oriented communicate all important information that affect their employees, to enable feedback and to represent their interests when acting. They have a clear subjective information lead over their employees and are rather directly and timely involved by the top management. For practice, this overall means that all described aspects of communication should be considered during the merger process and that it should be thought of the key role of the middle management.

Keywords: Merger & Acquisition, hierarchy, communication culture, commitment.
JEL CODES: M14, M21, F23, Z13

1. Theoretical background

Mergers and Acquisitions (M&A) with their advantages and disadvantages, as well as its success factors received much attention since the end of the 20th century in economy and science (Filipovic et al. 2011; Weber & Tarba 2010). The central themes are mostly economic aims, like e.g. expected synergetic advantages, higher market power or expected risk advantages (Gut-
Villa 1997). Instead of achieving the expected aims, nearly the half of all mergers becomes a disaster (Salecker & Müller-Stewens 1991; Weber & Tarba 2010). The reason for this is, accordant to experts, often not the bad choice of the partner company or the basically wrong strategically specification (Salecker & Müller-Stewens 1991). Practitioners and researchers instead share the opinion that a great number of failed mergers occur because of the reaction of employees to the change (e.g. Galpin 2008; Creasy et al. 2009). Davy, Kinicki, Kilroy and Scheck (1988) even trace up to 50% of all failed mergers back to employee-related problems.

An overview over the existing literature shows that for the success of a merger, the so called ‘soft’ factors are of great importance. Although merger communication (process of the transfer of information about the merger process) is such a soft factor, empirical studies about this topic are still rare (Cornett-DeVito & Friedman 1995). Also actual empirical studies about the factors of the impact of success in the context of the post-merger-integration do not directly focus on merger communication (Kaltenbacher 2011).

Because mergers can also entail positive and negative implications for employees regarding their subjective sensation, it is obvious that their accordant emotions can be ambivalent and thus can be characterized by positive and also negative reactions (Schott 2007). During the process of a merger, multifaceted actions and changes successively or simultaneously take place on different levels. These are severally evaluated by the employee, so that positive and negative emotions alternately occur or are coevally experienced (Kiefer & Eicken 2002).

Indeed, stress and its emotional consequences occur in every organization and its members many times, but a merger and the associated uncertainty potentially cumulative intensify stress (Buono & Bowditch 1989). This could be due to employees were not able to develop appropriate coping strategies for this extraordinary situation yet (Schott 2007). Also in the case of a merger, the intensity of stress is less depended on the objective extent of the change but rather on the subjective experience (Marks & Mirvis 1986). The merger is often experienced in a stressful way by the involved employees and can therefore be accompanied by emotions such as shock, repression and a feeling of defense up to resistance and mental dismissal as a consequence (Buono & Bowditch 1989). Uncertainty is accordant to Marks (1982) the most with mergers associated stress-related variable. According to Schweiger and DeNisi (1991), uncertainty is even more stress producing than the change itself. This is a notice that provides a valuable hint for the design of merger communication. In the context of the through uncertainty induced stress a further emotion often occurs- the feeling of a loss of control (Marks 1982).

The mostly stress-related negative reactions can, accordant to Schott’s (2007) frame concept for fusion from the point of view of employees, affect satisfaction and further attitudes. The trust of employees in the management can accordant to Kiefer and Eicken (2002) easily be disturbed. A reason for a disturbed mutual trust can be due to the fact that employees in the uncertain situation feel to be left alone by their management (Schweiger & DeNisi 1991). It can generally be assumed that the above mentioned three phases of a merger process particularly
have different consequences for emotions, experience of stress and communication requirements. These are however not appropriately researched and anchored in accordant models yet. All those disturbances (for an holistic overview compare Schott 2007) can lead to a loss of trust towards the organization (Buono & Bowditch 1989). Employees increasingly show egoistic behavior instead of pursue the organization’s aims (Buono & Bowditch 1989). Especially in the uncertain and challenging times of a merger this attitude is however counterproductive for the success of the merger process, that affects the company by means of immense costs (Schott 2007) and thus is opposed to the monetary aim of the merger. Such negative reactions and behaviors are considered to be the reason for one third up to the half of all failed mergers (Davy et al. 1989).

From the point of view of the social-psychological justness research, particularly the summarizing insights of van den Bos and Lind (2002) have to be emphasized. For the merger communication, their findings mean important implications, because the content of this communication thus should always also relate to information about the trustworthiness of the for the merger process liable authorities and aspects of the fairness of the process itself. Thereby, the fairness of a process is evaluated, accordant to Balder and Tyler (2003), with the help of the following aspects: formal rules and standards regarding questions of decision making and the treatment of involved persons, as well as the way how authorities really make decisions and how they really treat the involved persons. For the merger communication, these aspects should be excellent starting points for the reduction of the uncertainty of the involved employees, which thus should have a clear influence on the subjective evaluation of the results of the merger process.

This effect, to influence the communication, patterns of attitude and behavior in the way that negative consequences for the organization are attenuated and optimal conditions for the successful integration are created, is called the persuasive function of communication by Salecker and Müller-Stewens (1991). The positive effect of the merger communication on the employees is mainly caused by three aspects of communication. Firstly, merger communication can contribute to the reduction of the with the merger associated overall uncertainty and fear (Schweiger & DeNisi 1991). The second important task of merger communication is the expectation management (Gerpott 1995) towards the employees involved in the merger process. Third, communication can express the readiness of the organization to seriously consider their employee’s interests during the merger process (Gerpott 1995). The occurrence of negative employee reactions and behavior can’t be completely eliminated in the case of a merger. All three described functions of merger communication can however contribute to absorb their increase in favor of the organization and lower them to the level before the merger in the best case (Schweiger & DeNisi 1991), whereupon it has to be considered that the success of merger processes in general depends on further variables than communication alone (Welte 2003), as already mentioned above. If communication is successful, it also can induce positive emotions like acceptance, joy over the change or even engagement for the merger and thus active participation in the integration (Mohr & Fritsch 1998). The absorbing effect of communication for employee reactions and behavior can be seen as evident. However, it is has to be considered that ‘wrong’ communication can intensify the described negative employee
reactions and behavior and thus worsen the consequences for the organization. In the opinion of Bastien (1987), this effect even exceeds the change itself. Hence, it becomes obvious that the concentration on 'good' merger communication should be the case only regarding economic reasons. However it has been rarely researched and thus identified what 'good', 'right' or 'wrong' organizational communication during M&A processes is. However, regarding the findings of communication research, some basic aspects for effective merger communication can be mentioned: It should be understandable (Davy et al. 1989), dialogue-oriented (Doppler 1992), appropriate for the target group (Napier et al. 1989), congruent (Marks & Mirvis 1985) and genuine (Salecker & Müller-Stewens 1991), what from accordant conclusions concerning communicational contents, their amount, channels and the right points in time can be deviated from: Amongst other things, process information about the merger (e.g. Napier et a. 1989) and the extend of concern of the involved employees (e.g. Marks 1982) in a relatively big scope (Schott 2007) are important, that should have to be provided through several, complement channels (Gerpott 1993) before the beginning of the process (e.g. Ivancevich et al. 1987). Finally, the right design should however depend on the subjective sensation of the involved persons.

The personal involvement of the top management into the communication measures signals the commitment of the organization for employee communication and an appreciation or caring towards the employees with all its positive consequences. Hence, Napier et al. (1989) make the conclusion that the channels, for whom the top management personally appears as the sender, are of great importance for the merger case. These channels however show two disadvantages in the first sight: On the one hand, due to the spontaneous verbal reaction of the top management on the employee’s needs, the congruence of the messages is not guaranteed at any time. On the other hand, the top management, depending on the extent of the event, will not always be able to answer all employee’s questions when regarding time (Welte 2003). However, Schweiger and DeNisi (1991) made the conclusion that the symbolic value of the personal effort of the top management is at least as important as the exact content of the messages. The visibility and approachability of the top management should thus be guaranteed for all affected locations, in spite of the higher amount of time and reduced congruence.

In contrast to the many other influence factors that are said to also play an important role for the success of a merger, communication has a crucial advantage: It is a directly influenceable instrument of the management (Schott 2007) and thus an ideal starting point for a targeted steerage. In order that communication can unfold its positive effect on employees and the associated merger success to the fullest, its target-oriented and effective design has to be considered. For the article at hand, the following definition is taken as a basis: communication is the 'process of the transfer of information' (Salecker 1995). Psychology with regards to communication processes emphasizes that communication can be divided into two levels, a factual and a relationship level (Watzlawick, Beavin & Jackson 1969).

These levels are also connected to elaboration models that regard information processing in dependence of involvement and information content (Petty & Cacioppo 1986). Gerpott (1995) identified four often mentioned and supposed problems that can affect as barriers against effective merger communication: Missing knowledge of the senders about
changes, communication of negative messages, deficit of flexibility through early information and situational differences.

With the help of the so far described effect of mergers on employees, the special role of leaders of the middle management in the merger process becomes obvious. In general, certainty and trust should be communicated to employees affected by a merger process to attenuate the described reactions as much as possible. These trust-stimulating and uncertainty-reducing measures have on the one hand to be executed by the top management as deciders of the merger process. Additionally, they are also demanded from the middle management in their function as opinion formers of the organization (Marks & Mirvis 1998). A further expectation of the top management towards the middle management for the merger process is that it fast communicates the by the top management made and often negative decisions to their employees and integrates these decisions (Cartwright & Cooper 1996).

However, leaders from the middle management see themselves exposed to the same processes as their employees. They are also confronted with uncertainty and all its consequences, experience increased pressure to succeed and from competition and thus also suffer from the so called ´Merger-Syndrom´ (Marks 1991). Especially during a time, where they should guide the organization and be role models, they have thoughts about the way the merger will influence their career (ibid.). Being in such a situation, leaders are often overstrained and make chaotic decision for isolated cases (Marks 1991). These however increase the uncertainty of the employees due to the approach of the direct supervisor is no more predictable. Other reactions that often occur due to the own uncertainty is the renunciation from a participative to an authoritarian leadership style with centralized decisions (Jöns 2002), as well as a compartmentalization towards own employees and a strongly reduced information flow (Marks & Mirvis 1982). All these potential reactions and changes in behavior can lead to the fact that employees have a feeling of being left alone from their supervisor, thus perceiving less care. Furthermore, they could begin to doubt whether their supervisor still considers their interests. The reactions and patterns of behavior of the middle management during the merger process thus can increase the employees´ uncertainty. The middle management shall on the one hand act in a trust-stimulating and uncertainty-reducing way, but on the other hand, causes the opposite due to suffering from the Merger-Syndrom. Especially this dilemma is the reason for the important role of leaders during the integrational process.

Thus, the study at hand shall pursue the question whether communication is indeed an appropriate instrument to affect employees in a positive way and contribute to the success of the merger. It has to be considered that due to the uniqueness of every merger, no detailed action plan by means of an effective communication concept can be provided. Instead, crucial design criteria shall be identified (e.g. Wittwer 1995).
2. Question, methods and sample description

The question shall be answered, whether the stated relationship between communication and the both employee reactions of uncertainty and commitment can be proven for the investigated organization. Hence, it shall be tested, if effective communication during the merger process reduces the experience of uncertainty of employees and increases their commitment to the new organization. A negative relationship between communication and the experience of uncertainty and a positive relationship between communication and commitment is assumed. Thus, the following hypotheses are generated:

Hypothesis 1: There are significant differences in the evaluation of communication in dependence of the hierarchical level. Leaders evaluate a) the communication culture in its three dimensions significantly more positive, b) communication and involvement by the top management significantly higher and c) their status of information significantly higher than employees not in leading functions.

Hypothesis 2: The evaluation of communication predicts uncertainty: A positive perception of the communication culture in its three dimensions, a positive perceived involvement by the top management and a subjective estimated information status reduce uncertainty.

The basis for the in the investigation at hand used questionnaire was the questionnaire constructed by Welte (2003) for the measurement of merger communication in the following aspects: Communication culture and its dimensions of honesty, common language and involvement, communication structure and subjective information status. Welte’s (2003) instruments for communication and information have been adopted as far as possible. The particular communication channels have been summarized in three groups (management, internal media and office grapevine) by Welte (2003) with the help of a factor analysis, from whom the employees received important information. The information channels have been adapted to the merger sources of subsidiary 1 and 2 and also the grouping of the particular channels was modified. For the area of communication and information two scales of Bachman (1993) were added besides the questionnaire of Welte (2003). These are the scales of involvement by the top management and communication through the top management, because these were expected to provide further interesting findings due to the already described important role of the top management for merger communication.

For the question of the measurement of commitment as exemplary chosen employee reaction, the accordant constructed instrument by Welte was not used, because the author itself already describes its limits (Welte 2003). Instead, the well-established scale of Mowday et al. (1979) was used, that both measures commitment to the original organization and the commitment to the new organization and thus would enable a certain before and after comparison. The questionnaire was completed with the help of a scale by Schweiger and DeNisi (1991) for the
measurement of uncertainty in the context of mergers and acquisitions as the secondly chosen employee reaction.

For the population, the following criteria were defined: To the population, only employees of the parent organization were admitted that experienced the questioned fusion in its full length and at least theoretically would have had access to the same information sources. Every employee of the subsidiaries of the two merging organizations could not have been considered due to these employees had not extensive access to all communication channels of the parent organization. 489 persons satisfied these criteria and were admitted to the population. During the selection of the participants, a division in subsidiary 1 and 2 has taken place. From both groups, employees were randomly chosen and invited to participate. The return rate was 62.1%. Of the 149 persons admitted to analysis, 73 persons could be related to subsidiary 1 and 76 persons to subsidiary 2. Four persons failed to indicate their original organization. Of 145 persons, that indicated their group, 23 stated to have a leading function. Of the 122 employees not in leading functions, 81 were white-collar worker and 41 blue-collar worker.

3. Findings and discussion

With the help of the first hypothesis, it was intended to analyze whether significant differences for the evaluation of communication between leaders and employees without leading functions can be proven. When comparing these two hierarchical levels, there is the following measurement problem: The groups of employees without leading functions (N=122) is significantly bigger than the group of the leaders (N=23). This group consisting of only 23 persons is actually too small to receive well-grounded and statistical generalizable results. Because the study at hand pursues a practice-oriented approach, an analysis however is done. It has to be considered though that the following statements are not generalizable but rather can only indicate a tendency.

Only a part of the assumed differences between the both hierarchical levels can be confirmed. Already for the partial hypothesis 1, mixed results become obvious. The dimension of involvement is significantly \( T_{(142)} = 2.207, p < .05 \) more positively perceived by leaders due to a mean value of MW = 3.42 (SD = .982) than by employees without leading functions (MW = 2.94, SD = .951).

Relating to the aspect of a common language and honesty both hierarchical levels did not differ from each other. Hypothesis 1a could only partially be confirmed. Leaders evaluate their timely involvement in the process significantly better than employees without leading functions. Also partial hypothesis 1b that assumes a significant higher evaluation of communication and involvement by the top management by the leaders, cannot broadly be confirmed. Regarding the involvement by the top management, the assumed difference in mean values proves with \( p = < .05 \) \( T_{(140)} = 2.542 \) to be highly significant (leaders: MW = 3.57, SD = .926 // employees: MW = 2.95, SD = 1.058). The communication through the top management however is not significantly differently perceived. Thus it can be concluded that for this investigation, leaders
significantly more positively perceive the involvement by the top management- but not its communication- than employees without leading functions. The question of a significantly different evaluation of the information status in the hierarchical levels can be affirmed in contrast. Leaders perceive their information status, as expected, with a mean value of 3.76 (SD = .950) as significantly higher \((T_{(139)} = 2.209, p = < .05)\) than employees without leading functions (MW = 3.27, SD = .953). This partial hypothesis (1c) thus could be confirmed.

Overall, it can be summarized that Hypothesis 1 could only be confirmed in certain partial aspects: Leaders evaluate their timely involvement, the active involvement by the top management and their information status to be significantly higher than employees without leading functions. The common language is evaluated more positive by trend. For all other aspects, no significant difference could be proven. The intimacy with the top management thus-at least for the surveyed organizations- seems not to affect the perception of communication as it was expected.

Hypothesis 2 assumed a negative relationship between the perception of single communication dimensions and the perception of uncertainty as an exemplary employee reaction. As it was expected, throughout negative linear relationships are calculated, that all prove to be highly significant. Also for the population, it applies that an employee feels the less uncertain the better he or she perceives e.g. the communication culture. In the sample, the differences prove to be differently strong. All three dimensions of communication culture predict uncertainty (honesty: \(\beta = -.403**\), common language: \(\beta = -.457**\), involvement: \(\beta = -.424**\)). Also a medium strong relationship is set out for the information status and uncertainty (\(\beta = -.462**\), \(R^2= .325\)). Communication through the top management and the involvement by the top management only weakly predict uncertainty. Thus, Hypothesis 2 can be seen as being confirmed.

Figure 1: Results of hypothesis 2

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Thus it can be concluded that the difference hypothesis could only be partially confirmed. Relating to the correlation hypothesis, the expected relationship between the perception of communication or involvement by the top management and communication culture could be affirmed for the study at hand. Also, a relationship of different communication dimensions and the subjective information status could be proven for the regarded population. Furthermore, the expected relationships between communication and employee reactions proved to be significant for the study at hand with the help of the variables of uncertainty and commitment.

The explanatory power of the results at hand is strongly limited due to several aspects. Besides the already mentioned difficulties of the empirical investigation of the merger communication, this written survey, as every written survey, instead of objective data strongly depended on the perception and motivation of the participants (Welte 2003). This perception however can be influenced and biased in numerous ways (Napier, Simmons, & Stratton 1989). Besides the emotional state of the participants at the point of time of the survey, such a biased perception can also be caused by the used method itself (Welte 2003).

For the study at hand, this could have led to the case that the perception of the communication was positively biased, to justify the continuance in the organization.

Merger communication was theoretically identified and suggested to be an appropriate and directly controllable instrument, to influence the described employee reactions and behaviors in favor of the organization. Additionally, basic implications for action have been derived that can increase the effectivity of communication in the case of a merger. The findings for merger communication as well as the identified relationship between communication and employee reactions were afterwards tested in extracts. Especially the postulated relationship between merger communication and employee reactions could be affirmed for the regarded population with the help of the examples of uncertainty and commitment. The findings overall emphasize the important role of the middle management to honestly and target-oriented communicate all important information that affect their employees, to enable feedback and to represent their interests when acting. As the findings show, they have a clear subjective information lead over their employees and are rather directly and timely involved by the top management. Only when this role and the thereby connected expectations during the merger process are taken seriously, an important contribution for the uncertainty-reduction and trust-stimulation as an important part of the subjective perception and thus the evaluation of the process’ success on the side of the employees is made. Therefor it is crucial that members of the middle management do not suffer from the so called Merger Syndrome to be able to fulfill their role. This implies high demands for the Change Management competences of the middle management, being an interesting starting point for further studies. For practice, this overall means that all described aspects of communication should be considered during the merger process and that it should be thought of the key role of the middle management.
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