MAJOR FACTORS THAT AFFECT STAFF DURING A COMPANY ACQUISITION AND MERGER

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Abstract- Acquisitions, mergers and the eventual rebranding of companies have become common practices in the business world today. The motivation for these practices ranges from business diversification, to strategic growth, directed at the elimination of competitors. The reasons for the process vary, but the effect on the workforce is largely the same. Pre, during and post-mergers, employees tend to experience high levels of anxiety, stress, distrust and alienation. These negative effects on the workforce result in substantial losses in employee productivity, company output and the loss of key personnel.This research study focused on a recent acquisition, merger and rebranding that occurred at a manufacturing plant in KwaZulu-Natal, South Africa. The study was conductedquantitatively. A probability sampling technique was employed in the study, using simple random sampling. Staff at the plant were surveyed using a structured questionnaire. The study findings revealed that the factor that caused the greatest motivation and excitement among staff was the possibility of increased job security after the merger.

Key Words- Acquisition, Job-security, Mergers, Motivation, morale

I. INTRODUCTION

As frequent as mergers are, a large number of mergersusually fail, even ones that have been thoroughly planned. Apart from strategic and financial considerations, the largest aspect of an acquisition is the transformation of two different workforces into a single, functioning entity. Employees could be of different nationalities, cultures or beliefs – or could be former competitors within the same industry.This research study was not about the transformation and consolidation of different workforces.This study was unique in that, in the circumstance under investigation, no change occurred to the workforce: no other organisation's workforce was added, no job losses were experienced, nobody's job description hadchanged, and nobody was retrenched. The effect on the workforce however, was still profound and the effects on employee performance were significant – this is largely due to inherent human uncertainties when it comes to change.

II. RESEARCH OBJECTIVES

- To determine what factors lead to employee motivation during/after a merger/ acquisition and rebranding of the company.
- To determine what factors lead to employee demotivation and resistance during/ aftermerger/ acquisition and rebranding of the company.

III. LITERATURE REVIEW

The literature explored various theorists' debates and discussions on the impact of company acquisition and rebranding on staff.

- Defining company acquisition and rebranding

Acquisition, mergers and rebranding is a strategic tool in today's harsh economic climate for companies to grow, gain competitive advantage and overcome competitors. At some point during employment, every employee may experience this process. (Finkle, 2014: 1) describes being employed by a company that is being acquired and rebranded as a stressful affair due to inherent uncertainties in the process. These uncertainties vary greatly from the threat of job loss/retrenchment to one's department geographically relocating to another part of the world. (Wong, 2011: 46) describes the main reasons for acquisitions as the achievement of vertical or horizontal integration and synergies. Other reasons behind business acquisitions are: to achieve rapid growth, to gain a larger piece of market share, to acquire competitor technology/competencies or to purchase a competitor to eliminate a business threat.Cartwright and Cooper (2012: 44) explain that "mergers and acquisitions create an expectation of change. In that the change is spontaneously associated with conflict". We as people tend to avoid conflict therefore the process of one's employer being acquired, merged and rebranded creates feelings of distrust, hostility and uncertainty. Van den Heuvel, Schalk and Malma(2015: 402) support this as they state that it is known that numerous acquisitions, rebranding exercises and organisational transformations fail and argue that it is due to varying uncertainties and lack of communication during the process.

Both acquisition and rebranding require a delicate balance and focused management if it is to be successful. Several critical dynamics need to be considered such as the management of the organisational culture, business processes and the human resources aspects of the change.

- Intrinsic emotions associated with the acquisition and rebranding process

The experience of being employed by a company that is being acquired and rebranded is an emotive one. The experience has been likened to intimate relationships such as marriage or parenting by (Jick, 1979: 12) while (Schweiger, Ivancevich and Power, 1987: 34) later compared it to the loss of a close relative or the distress of a child when separated from their mother. Both are particularly difficult, emotional experiences that could be catastrophic if not managed correctly. Examples of emotions are:

- Ambiguity and uncertainty in the new work environment
- Employees feeling anxious or alienated from the organisation
- Employees feeling threatened by new colleagues and culture
- Disapproval and resentment of the decision to merge and be rebranded
- Distress associated with changes in physical environment

In the discussion below the research methodology employed in the study will be highlighted.

IV. RESEARCH METHODOLOGY

This was a quantitative study.A questionnaire was developed using A 5Point LIKERT scale. Closed-ended questions were used to collect data from respondents about their perceptions about mergers, acquisitions and rebranding that they underwent within their company.The location and site for the study was at Cash Connect: Development and Manufacturing, which was formerly known as Deposit Manager prior to being acquired, merged and rebranded. The population is of a varied demographic, namely African, Indian and White. The population composition, made up of both males and females.Census method of samplingwas used and the sample size was 37 respondents.Thirty six respondents completed the questionnaires in the survey, therefore a response rate of 97% was achieved.The Cronbach Alpha score calculated in this study was 85.2% which is a strong indication that the data was reliable and worthy of confidence.

V. DISCUSSION OF RESULTS

The findings and discussion on the study are presented and discussed in detail below.

Results for the factors affecting staff motivation during the merger and acquisition indicated that the greatest motivating factor wasincreased job security(94%)followed by receiving awards (88%). Other motivating factors are increased job satisfaction (88%); increased financial rewards (85%); better company benefits (82%) and finally the possibility of promotions (74%). Job security was shown as the strongest motivating factor because of the turbulent economic situation in South Africa. StatsSA(2016: 72) reports a 24.5% unemployment rate as at quarter 4, 2015 and an average inflation rate of 4.3%. The inflation rate for February 2016 was at 7%. Eighty-eight companies shed 58549 jobs between January 2015 and April 2016. Twenty-four companies in the Metal and Engineering sector alone accounted for 7918 lost jobs. This directly correlates with findings from the study conducted by Ngo, Loi, Foley, Zheng and Zhang (2013: 5) that indicated that job security ranked among the top three. Receiving awards or recognition for service ranked second in the motivation factors.

The study results indicated that the Factors of Demotivation during mergers and acquisitions for employees were as follows:

The potential lack of company benefits (pension, provident fund, medical aid) created the most worry for respondents (37%). This was followed by reduced job security (the threat of losing their jobs) as the second highest cause for concern from respondents (33%). The findings are in line with (Naveed, Hanif and Ali, 2011: 2) who found that employees who worked at a company before, during and after it was merged felt that their job security the factor that was most threatened. The threat resulted in massive reductions in output, morale and performance.

VI. RECOMMENDATIONS

- Optimising motivation and excitement levels: Management and key decision makers should take every step to ensure that they communicate to staff and involve them in the process of the acquisition from the initial stages.
- Minimising demotivation and concern/worry levels: Changes to the workforce should be communicated early on to staff and they should be provided withopportunities to recommend solutions to the problem. Involving and including employees in the decision-making process will serve to empower them and will alleviate any sense of helplessness.
- Improving the overall experience of staff: Management should tailor-make the benefit scheme to give employees a measure of control and personal satisfaction. The result would be a more positive workforce with higher morale. This would improve the merger process for staff and would ensure a minimal drop-off in output.

VII. CONLUDING REMARKS

The purpose of this research study was to determine the attitudes of staff toward acquisition, merger and rebranding at their place of work. The research was conducted at a manufacturing plant in KwaZulu-Natal. The aim was to determine what factors motivate and demotivate staff during their encounter with merger/ acquisition and rebranding of their company. Approaches to improve the experience

were also investigated. The research has found that a structured communication plan would make staff more motivated and excited about the process as they would have information. This would lower anxiety and stress levels and see that staff morale and output is maintained. In order to manage the issue of job losses, it was explains that staff should be involved in the process. Collaborations by management with employees empowers employees and this may yield solutions to the problem that may be more amicable. In terms of benefits, rather than increasing benefits, the newly merged company could rearrange the current benefit scheme to be individualised.Being part of a company that is being acquired, merged and rebranded is a possibility for everyone in the workforce. This research study aimed to provide insight into the minds of staff. It explored and found factors that could be used to improve the process so that it can be a more positive experience for the company and for all employees involved.

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