The Effect of Information on the Employees during an Acquisition

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Abstract: This study investigated the effects of the information provided by management on the employees during an acquisition, highlighting the type of information and the related management arrangements necessary to be provided to employees for the successful management of the acquisition.

Key words: acquisition management; information provision and appreciation; communication process

JEL code: M1

1. Introduction–Problem Statement–Objectives

The purpose of this paper is to increase our understanding of the effects of the provision of information to employees during an acquisition by closing a gap in the current literature. Specifically, we believe that scholars have failed to adequately study how managers view the effect of the provision of information on employees on a personal level. This lacuna is noteworthy given an apparent consensus about its value on the successful management of an acquisition.

Despite Lewin's (1943) pronouncement about the practicality of a good theory, if managers and academics think about the impact of the information provided on individuals differently, even if an underlying theory is correct, then managers might not use it. To see how wide the gap might be, we begin with a brief overview of significant portions of the academic work on the provision of information during an acquisition and its impact on the individual employee. Then, we present the results of an empirical study designed to learn how at least some managers think about this impact.

2. Research Question

How wide is the gap between what managers and academics think in relation to the effect of the provision of information to the employees during an acquisition?

3. Literature Review

3.1 Background to Acquisitions

Acquisitions could be considered as types of organisational change with the purpose of combining two or more separate organisations into one. An acquisition occurs where one system fully took over or integrated

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another, that is when one company purchased another company from its shareholders, and control of the enlarged company lay with the acquiring company (Badrtalei & Bates, 2007)

The relevant literature on acquisitions contained substantial theoretical assumptions but little empirical research (Cartwright & Cooper, 1990). That still seems correct.

3.2 Management's Role in Acquisition

The lack of post-acquisition success was increasingly being put down to human factors. The fact that acquisitions did not always reach potential had been attributed not only to managerial motives but also to a lack of concern about organisational and personal matters (Cartwright & Cooper, 1993).

Management has a great deal of responsibility during an acquisition, the way an acquisition is handled has a major impact on the newly formed organisational way of working. Experts on organisations feel that how an acquisition is managed adds critically to the acquisition's success or failure (Marks & Mirvis, 1992). Ashford (1988) concluded that high levels of uncertainty about procedures, social norms, and changes in careers and daily activities dramatically increased employee stress.

Managing change should include focusing on cultural matters. They offered a few ideas for dealing with change like, give emphasis on two-way trust in all matters related to change, allow enough time for the change to begin, perceive change as skill building and focus on training as part of the change process and encourage employees to get used to the idea so that this change will become part of their lives (Deal & Kennedy, 1992; Chen & Young, 2010).

3.3 Managerial Challenges

Cartwright and Cooper examined the exceptional challenges acquisitions present to managers. Their empirical research presented certain challenges like, acquisitions cause stress to the employee involved, often acquisition management teams do not estimate correctly the speed and ease with which they can achieve integration and results in unplanned personnel losses which also have a disruptive and de-motivating effect on those who remain (Cartwright & Cooper, 1994; 1996).

The managers may become overwhelmed with the amount of change during an acquisition, however, managers need to guide the organisation through the many changes taking place. It has been indicated that acquisitions need a transformational leader to direct employees through the process (Buono & Bowditch, 1989; Galosy, 1990).

Previous relevant research indicated employees were inclined to resist change, even though it might appear to outside observers that working conditions would be improved (Napier, 1989). The general reasons for resistance to change were found to be the fact that the employee's personal life might change or they might feel inadequate when it came to learning how to use the new systems and ways of working. Finally, employees might resent the lack of consultation about the changes (Graham & Bennett, 1998; Hambrick & Camella, 1993).

Although it would not be realistic to expect fear of stress-related illness to slow the pace of acquisitions, employers would do well to consider the people matters involved and to do what they could to minimize the stress involved (Bratton & Gold, 1994).

Failure to consider the impact of an acquisition on employees not only had the potential to increase stress-related claims; it could also mean the difference between an acquisition that succeeded and one that failed (Fox, 1998). In addition, lower levels of job satisfaction and job security and less favourable attitudes toward management could be the result of negative reactions coming from employees (Buono & Bowditch, 1989; Haleblian, Kim & Rajapogalan, 2006).

3.4 Employee Communication Program

The success of an acquisition clearly depended heavily on careful planning. Ramsay (1992) noted that in successful acquisitions there was: an effective and accurate employee communications program conducted both during and after the acquisition.

3.5 Communication to Manage Uncertainty

Employees were likely to find the uncertainty of the situation as stressful, perhaps even more stressful than any actual changes. Uncertainty might be reduced by introduction of frequent and consistent communication of acquisition related information (Schweiger, Ivancevich & Power, 1987)

Managers could describe as fully as possible how the new structure would function, why it would succeed, and how employees would be successful under the new guidelines and rules, managers went a long way in reducing the fear of change and the time it took for employees to make the necessary transition. Employees needed to know the roles, focus, and scope of their responsibilities in the new organization. Some would need to learn new skills; and would need to be shown how that can happen (Arino & Smith, 2010; Balogun & Johnson, 2004).

Additionally, lack of information/poor or inconsistent interaction, changes in rules and regulations, career paths disrupted, redundancy and devaluation of old skills and expertise and finally change in already established working relationships (Cartwright & Cooper, 1994; Lin, Peng, Yang & Sun, 2009).

Formal communication was always associated with positive or stabilizing outcomes. Furthermore, personal uncertainty was at its highest during "communication shortages" in all cases examined. He suggested that to minimize environmental sources of stress, management should incorporate a comprehensive formal communication system as a part of its human resource strategy (Bastien, 1988; Ahuja, Polidoro & Mitchell, 2009).

Bastien found that communication and the way of working were certainly aspects of the same ultimate social rules of an organization (or other social system). Under circumstances of stress to the organization, such as in an acquisition, communication was the key to managing uncertainty in the acquired organization. If communication was inadequate in quantity, quality (formal or collegial), or congruence for the acquired organization, rumour mills, a decrease in productivity, and an increase in employee turnover could result (Bastien, 1987; Mitsuhashi & Greeve, 2009).

3.6 Open and Honest Communication

It was not always possible to anticipate what an acquisition would mean to individual employees, but the more open the employer was, the more employees would feel that they were in control of their lives. They would be better able to focus on the tasks at hand and would be less likely to be affected by stress-related disorders (Mann, 1996).

Honest communication was vital. Management should not tell employees their jobs were secure if they were not. Being less than honest, management destroyed any reliability that might exist at the wrong times. In trying to communicate fully, they might give out information before fully thinking out the consequences. Employers should communicate as quickly and openly as possible, but they also should determine exactly what they were going to do before telling employees (Cartwright & Cooper, 1996; Vaara, 2003).

It was imperative to communicate with key people who were vital to the acquisition's success, therefore they were told immediately that they would be needed. Mann found that the people who left were the ones needed the most (Mann, 1996). Communications were made of all the processes by which information was transmitted and received (Graham & Bennett, 1998).

3.7 Use of Information to Promote Involvement

There should exist some kinds of control system to make sure that these decisions were acted on. The decisions themselves should rely on a stream of information that reached management from all parts of the organization (Graham & Bennett, 1998).

Whymark in her empirical study, found positive results due to the fact that managers felt that communications were generally good, and, team briefings attended by senior managers built trust and greater understanding (Whymark, 1997).

The objectives of communications policies would differ and contained characteristics of personnel policy. The policy might be to give information to create awareness, to produce a spirit of community and to promote involvement. It might ease the acceptance of change and/or draw forth ideas from employees. Successful communications would need to mirror the personnel policy (Ramsay, 1992; Yang, Sun, Lin & Peng, 2011).

Acquisitions could be thought of as an extreme test of management's skill in dealing with organizational change. Employees longed for information during acquisitions and anticipated management to communicate information and involve them in the process (Larsson & Finkelstein, 1999).

4. Research Methods

4.1 Setting and the Acquisition

The research site was a Greek-speaking company that carried through an acquisition one and a half years before we had gone in to talk to people. The eight managers came from different departments and originated from both the acquiring and acquired companies, something that made the study rich in material.

The setting for this study was an Insurance Company, the subsidiary of a large financial organisation. The acquired company was denoted with the acronym IA and the acquiring company with the acronym CL. The top management of CL company decided to make the acquisition because CL company wanted to increase its portfolio, become a bigger company and increase its cross selling. After the acquisition was carried out, CL company's life contracts increased from 20,000 to 80,000.

The departments used in the main case study were the Insurance (No. 1), Actuarial (No. 2), the Information Technology (No. 3) and the New Business and Alterations department (No. 4). The managers that originated from the acquired company were: Departmental Manager 1, Departmental Manager 2, Lower Manager 1, and Lower Manager 4. The managers that originated from the Acquiring Company were: Departmental Manager 3, Departmental Manager 4, Lower Manager 2, and Lower Manager 3.

The parent company's Human Resources Department conducted interviews with staff from both companies to determine the employees who were going to keep their jobs and those who were going to be made redundant. This process lasted for about two months. During that period the personnel did not know what was going to happen to them. Each employee went through an interview and based on that they would either keep their jobs or be made redundant.

During the first year after the acquisition, the two companies functioned as two different entities in relation to their accounts and profits. They also used different working systems. It took nearly a year and a half for the two companies to become one entity working on a common system.

The organisational environments within the two companies were different. CL company had very defined targets, rules and regulations on the way the personnel should carry out their work and on the degree of interaction between management and employees. On the contrary, within IA company there was a lot of interaction between management and employees, and therefore a friendly working environment.

4.2 Research Design

Following Yin (2003), we employed a multiple-case design. The design permitted within study replication by treating a series of cases (interviews) as a series of experiments with each case serving to confirm or disconfirm the inferences drawn from the others. Data were collected primarily through 24 in-depth interviews conducted over a period of 6 months with 4 managers of the acquired company and 4 of the acquiring company.

Three sets of interviews were conducted: (1) an initial interview, and (2) semi-structured interviews with the 8 managers. Immediately after the interview, facts and impressions were cross-checked. Several rules were followed. First, the 24-hour rule required that detailed interview notes be completed within one day of the interview. Second, at the time of the interview, all data, regardless of apparent importance were included.

Initial interviews centered on the acquisition and the second and third set of interviews were concerned with specific effects on the employees of the acquired company. 14 matters were discussed in total (See Appendix).

4.3 Data Analysis

The data were analyzed as follows. The qualitative responses were combined using the descriptions each manager had given. Once preliminary analyses had been developed from the respective data sets, the analyses and resulting relationships were combined using methods for building theory from case studies (Eisenhardt, 1989).

Managers' thoughts about the change were classified under 3 general headings concerned with the impact of the acquisitions on the employees of the acquired company: (1) Managers' views concerning the information provided by management to employees about the acquisition and the employees' work tasks, (2) Managers' views concerning the appreciation of the information by employees

5. Results

5.1 Managers' Views Concerning the Information Provided by Management to Employees about the Acquisition and the Employees' Work Tasks

5.1.1 Management Style Regarding the Provision of Information

The managers noted that they followed a consultative management style. They encouraged employee involvement in the department. They liked to interact with employees when it came to departmental decisions. They provided them with information and gave them the opportunity to exercise influence. Management made decisions about information provision to employees, and also determined the structures in which and through which they provided information.

Departmental Manager 1 noted, "When I used to work for IA company, the structures through which information were provided varied. If the information was general, then top management would gather us all together and let us know. If the information had to do with departmental decisions I would be responsible to decide how to go about it. Usually I would send everyone an email. In case they had any queries then they knew they were welcome to get in contact and ask. Even though in the new company we have to follow more formal procedures, I still go about things more or less the same way."

5.1.2 Provision of Information to Control Employees

In the acquisition, management decided which information it wanted to provide employees with in order to sustain power over them.

Departmental Manager 1 noted, "We all felt that top management was choosing carefully what kind of information to provide employees with during the acquisition because they did not want to give out too much and lose control. We did appreciate that the acquisition was a sensitive situation but we still wished everybody was kept informed about it. Top management made sure they provided employees with the information they thought appropriate for them."

5.1.3 Information Relating to the Employee Work Tasks

All four Lower Managers provided employees with information concerning their work tasks and what was expected from them. They believed in team work and interacting as a group.

The provision of any amount of information to employees was unlikely to be of use unless it related to something in the world of that employee.

Departmental Manager 2 noted, "I make sure that the information I provide my employees with are the ones that they can understand and use for the benefit of the Department. I tried to make sure that employees could understand the systems they had to make as one and that the outcome would be a successful one. All the products had to be built according to the acquiring company's system of working. The cooperation of the employees was very essential."

Employees who tended to use information in their work were the ones who understood the relevance of the information and how important it was.

5.1.4 Ability to Handle the Information

Additionally, the ability of employees to understand information provided to them affected their ability to handle the information. An employee who was involved but unable to handle the data was unlikely to use it, irrespective of other reasons. This ability changed either by learning on the job or by training. Moreover, employees who used information in their work were the ones who understood it and its importance. Employees who were unable to handle the data were unlikely to use it.

Lower Manager 1 noted, "There were times when the departmental manager would provide me with information I could not understand and in some ways was not relevant to my work so I was not able to appreciate it or utilize it. Therefore, I like to make sure that the information I pass on to employees is relevant and that they understand it, so that they can appreciate and use it."

Departmental Manager 1 noted, "Employees did not find it easy to learn the new system due to the fact that there was a very poor training provided to them by the acquiring company people. The information was there but no good training."

5.1.5 Information Provision to Assist Employee Relationships

The personal consideration for employees in the acquired company was one of the main differences between the acquired and the acquiring company. Additionally, the role that departmental management took following the acquisition was vital to the assistance towards good relations between the employees of the acquired and acquiring organizations. Contentment with information and consistency in work came with employees who generally appreciated information and used it in their work.

5.1.6 Information Relating to Employee Work Tasks

Management provided information to employees and then wanted the employees to utilize it in some way. Information during the acquisition needed to be appropriate to their work tasks and to take into consideration what the employees thought about it.

Departmental Manager 1 noted, "When I provide the lower manager or employees with information then I expect them to make use of that information in a beneficial way to the department. That gives them responsibilities and it makes them feel very pleased that they can help in their own way, contribute to a common task."

5.2 Managers' Views Concerning the Appreciation of the Information by the Employees

5.2.1 Availability of Information

It was indicated by the manager that the more information employees received the more able they were to appreciate it and use it in their work. There was evidence supporting links between appreciation factors and manager style in handling data.

Departmental Manager 1 noted, "When increasing the availability of information to employees, they seem to appreciate it more and get to use it in their work. I am very keen on gathering employees once every month or two and talk about the information given to them and see how pleased they are with it and whether there is room for increase or improvement. This is a policy I always followed in the department. Although things are now different in the new company, I try to pursue my own way of working."

5.2.2 Effect of Employee Involvement

It appeared that there was willingness for employees to become more involved in various aspects of company activity and areas close to personal or work interests and even to be involved in planning.

Departmental Manager 3 noted, "If employees are willing to become involved during the acquisition process then it is only wiser to provide them with management organizational information that would help them understand their tasks better and what they need to do so as to make the whole thing successful."

The managers indicated that employees who generally appreciated information and used it in their work, were employees who were involved with the planning and as a result felt happy with that piece of information provided to them and who were consistent in their work

6. Contribution

A major purpose of this paper was to learn how closely the ways managers seeking to introduce change think about the effects of the provision of information to employees during an acquisition and compare them to the academic theories mentioned earlier on.

When the various comments are viewed together, an interesting pattern can be seen.

First, the managers shared the academic literature's emphasis on the importance of the provision of specific type of information to manage the acquisition successfully (Lin, Peng, Yang & Sun, 2009). Interestingly, one of these objectives was to give employees the opportunity to exercise influence (Mitsuhashi & Greeve, 2009). The managers thought that by ensuring the provision of information to employees, management encourages and enables them to get involved in the acquisition process.

Importantly, adoption of the managers' perspective helped us to see some interesting nuances in how managers thought about how to gain this involvement. Two things were noteworthy. First, their idea of

involvement placed much more emphasis on convincing and controlling than is evident in typical academic treatments where a tone of mutual influence seems to be more evident (Arino & Smith, 2010). Second, it was the proactive stance they felt they needed to take. In particular, they saw working with employees as highly important.

In addition, there were a number of things they believed they needed to do. Consistent with much of the academic literature, many of these were quite pragmatic. Communication was clearly the most salient (Yanh, Sun, Lin & Peng, 2011). Other pragmatic-centered matters included: providing training in relation to the information provided, motivating involvement in the newly formed company's procedures, providing information about the acquisition process and results, and the importance of immediately attending to problems (Chen & Young, 2010). It is notable that much, but not all, the concern with communication called for explaining. Whereas much of the academic literature also stresses communication, our results point to the need to recognize the somewhat obvious idea that not all calls for communication are necessarily calls for the same thing. Communication focused on explaining and convincing is not likely to be a call for the dialogue many academics seem to have in mind.

Of course, these calls for convincing may well be idiosyncratic to this particular setting and thus cannot be generalized, at least at this point.

On the other hand, what may be generalized and serve as a stimulus for future research is the finding that these managers thought of rather specific information they needed to provide employees with, at least in this context, to manage the acquisition successfully. Thus, the results are a first step in addressing the lacuna in the academic literature we pointed to at the start.

While transmitting information seemed to be the major issue, the type of information could lead towards employee control, team work, employee responsibility and accountability (Ahuja, Polidoro & Mitchell, 2009).

Some managers believed that by determining the type and amount of information management did not lose control of a sensitive situation caused by the acquisition. Further, they believed that management must provide employees with information concerning their new work tasks and do so on a personal level to achieve team work.

In addition to these pragmatic interests, when the data were considered through an empowerment lens, some limited themes consistent with the emancipatory spirit appeared. For example, managers emphasized employee appreciation of the information provided leading toward cooperation, appreciation of the new system at work and subsequent usage of the information for the benefit of the newly formed organization (Haleblian, Kim & Rajagopalan, 2006).

This study also adds insights relating to the use of empowerment practices by management towards employees like the provision of employee development and operational freedom (Vaara, 2003).

The managers saw the provision of employee training in relation to the information provided as especially important because employees had to understand the relevance and importance of the information to utilize in their new work tasks. This way they improve their individual level of competence and feel that they operate in a context in which they are supported to contribute toward the success of the acquisition.

The data also produced insights concerning the provision of information that is close to the employees' personal or work tasks and interests.

The managers believed that management can motivate employees by ensuring that the information provided relates something to their world. This according to the managers can be done by providing them with information relevant to their work and even involve them with the dissemination of information planning process. This according to the managers can be assisted by increasing the availability of information to employees and ensuring

they gather regularly as a group to discuss and contemplate any problems, leading toward improvements. Those who used the information could act as examples of others to follow, providing personal guidance and assistance.

7. Limitations

It is important to recognize some limitations of this study. In interpreting these results, it must be recognized that the study dealt with one particular type of change in one setting and enclosed included only a few managers. Thus while the finding suggest the need for future research, they must be interpreted cautiously.

8. Conclusion

This paper addressed managers' conceptions of the effects of the provision of information to employees aiming for a successful acquisition management. The results are derived from a single case and thus are, at best, suggestive. The study arose from concern that little was known about how managers view the impact of the information provision on employees. Although a case study of this sort cannot provide generalized results, it did yield some important insights into an underdeveloped topic. Specifically, the study of the type of information and resulting effects on employees can be advanced by study of how managers view it. Among other things, as might be expected, pragmatic matters are apt to be salient. Matters of specific type of information transmission and timely responses are likely to be central. Interestingly, whereas the academic literature frequently suggests that the increase in the provision of information slows down the process, the managers in this study viewed this increase as a means of prompt response.

Of special note is that while both managers and academics emphasize the same word—communication—as a way to manage the acquisition successfully, they are not necessarily discussing the same thing. Study of how managers think about communication revealed what may be an important difference. Managers may be focusing on communicating to achieve employee control over a sensitive issue like an acquisition. Academics may be more apt to concentrate on dialogue.

Future research could focus on how the degree of the information provision to employees in the planning, execution, and managing of the acquisition can have an impact and soothe the loss and uncertainty inherent in the acquisition. It will be valuable not only to find out under what conditions the specific type of information might influence the acquisition impact and response but also to learn the relative contributions of each and to explore potential interaction effects.

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Appendix   Inteview Guidelines

General Information

(1) What is your job? Main duties? How many people report to you?

(2) How long have you been in the current job?

Information on the Acquisitions

(1) How did you first hear about the acquisition? From whom? What were your first reactions?

(2) Did you tell anybody? In company? Employees? Family? Was there an attempt to maintain secrecy? Did you agree with this?

(3) Were any meeting called to discuss this? Did you attend? Who did or who else? What were people like at the meeting, rational or emotional? Did you pull together or go separate ways?

(4) Were you provided with any information about the acquisition from top management? How did top management handle the whole thing? What did you think of it? And if yes, how well was information provided to employees during and after the acquisition relating to their work tasks?

(5) When did you first meet people from the acquiring company? What experiences had you had with them before that time? How about your first impressions? Did others have the same impression?

(6) Any formal contacts with people from the acquiring company?

(7) Differences in provision of information?

(8) Have you faced many changes during and after the acquisition? What kinds?

(9) Contrast your job before, during and after the acquisition.

(10) What changes have employees faced with respect to information provision? How did they feel about them?

(11) What changes have you noticed in other managers with respect to information povision? In the organizational environment?

(12) What changes have you noticed in your own management style, work attitudes, and so forth in relation to the information provided?

(13) If you were ever to experience another acquisition, what steps regarding the information provision would you like to see top management take to make the acquisition process easier?