Influence of employees’ participation and transparent information on uncertainty, anxiety and rumors during the first phase of pre-merger activity

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‘It is not the strongest of the species that survives but the most adaptable’

Charles Darwin

‘Faced with the choice between changing one's mind and proving that there is no need to do so, almost everyone gets busy on the proof’

John Kenneth Galbraith

‘Change has no constituency; the leader has to be prepared for resistance’

Jack Welch

... and the author adds to these comments: “You have to understand this natural resistance psychodynamically and support the involved individuals on their way to a new territory.”
Abstract

For the employees involved, a merger announcement very often means dramatic change, uncertainty, rumors, and in-house gossiping. Furthermore, focus on customers, and on the business, is reduced. Bos and Wilke (1997) argue that the early participation of all stakeholders in the change management process and an open information policy contribute to better security and understanding during this difficult period. This, they contend, helps to minimize non-productive costs and increase the probability that the merger will be successful. Further, Bizman Ahron (2001) emphasises the importance of implementing the right measures, for example providing transparent and continuous communication during the merger to reduce uncertainty and anxiety as well as prevent gossiping, and to mitigate productivity losses, avoid losing key talent and ensure employees identify with the new, merged organization. Hence, in this thesis it will be proposed that during mergers it is important to win employees’ hearts and minds by showing them a participative approach and a fair treatment set up. An employee survey was conducted at a leading bank shortly after the announcement of a friendly merger in the hope that both the research process and the results would help give employees a voice and make them feel included. Propensity to rumors, uncertainty and anxiety amongst employees were analyzed, as well as willingness to participate in the process. Overall improvement of understanding regarding the reasons and necessity for a merger appeared to generate a positive mood amongst employees and support their emotions. Some differences in opinion emerged between specific sub-groups of participants. Based on the method employed and the findings from this study, suggestions regarding change management support during the pre-merger phase are put forward, and measures relating to the successful completion of mergers are identified. These recommendations will hold value for practitioners and businesses alike.

Keywords

Employee participation, open information flow, uncertainty, anxiety, rumors, pre-merger phase
Introduction

More than 70% of mergers and acquisitions fail to produce any benefit for shareholders (KPMG, 2011). The main reason identified for this is that the ‘human factor’ has been neglected for a long time (Cartwright & Cooper, 1992). Mergers always go hand in hand with change for employees and this means uncertainty which in turn causes anxiety. During a merger, employees undergo certain emotional phases (Bridges, 1991; Schmidt-Tanger, 2012) and these phases have to be taken into account in the change management strategy. A successfully steered change management strategy which addresses the fears of employees is essential. A badly managed change process could result in productivity losses and employees not identifying with the new organization in the long run.

Giving employees the opportunity to ask questions, to raise issues and to receive information should reduce uncertainty and anxiety. This might also prevent rumors and gossiping, which heighten uncertainty and anxiety, and are very often part of the beginning of a change management process. It would therefore seem logical to involve employees from the beginning of the merger process onwards in order to help to reduce disturbances and negative attitudes. This thesis describes the first phase of a program of research aimed at exploring this possibility. Focusing on the early stages of the merger process at a banking group, it addresses the following research question: How do employee participation and transparent information influence uncertainty, anxiety and rumors among employees during the first phase of pre-merger activity?

Thus, the main aim of this thesis is to explain employees’ expectations regarding their participation in the merger and provide transparent information on their uncertainty, anxiety and rumors during the first phase of pre-merger activity. A survey was used to explore the areas of: prevailing atmosphere; corporate climate and culture; readiness to actively participate in the merger; employees’ feedback on the survey. Differences in sentiments between specific sub-groups of employees were compared. A second aim involved me, as responsible manager and author of this paper, conducting a self-analysis, taking into consideration the overall picture of the
merger for all parties involved. This is presented after the main findings and discussion.

A description of the banking group within which the study was conducted and a background to the merger situation will now be provided. After this, a review of relevant literature will be presented. Next, the methodology adopted will be outlined. The findings will then be presented, interpreted and discussed. Finally, limitations of the study and suggestions for future research will be put forward and overall conclusions will be drawn.
Research Setting

The regional bank which is subject to the ongoing processes described and analyzed in this thesis was founded in 1888 and has had continuous public ownership. In 2007 it was split up into a ‘mother bank’, the forefront of the financial group, and retail subsidiary. While the retail bank continued to focus on a regional, traditional banking business, the mother bank concentrated high-volume business lines and international activities.

At the beginning, the staff of the mother bank comprised of about 70 employees only, however, after some years the number of employees increased to more than 300, most of them being qualified academics with international experience. In addition, the subsidiary’s business results tend to be worse than that from the mother company which can be attributed to external circumstances and to the business model. In a broader sense, the business model, employee qualification and international orientation of the staff could be identified as a reason why employees of the retail bank perceive themselves as lower status employees. There still exists the rumor that employees at the mother bank are paid much better than their counterparts at the retail bank. These circumstances already lay down a pre-requisite for the existence of a so-called ‘two-class society’. The literature shows that, based on perceived unfairness, rivalry problems can arise during a merger (Amiot, Terry & Callan, 2007). To address these potential rivalries, all management jobs will be tendered during the merger process using a fair selection approach to ensure that employees of the two banks have equal chances to qualify for the positions.

The author of this paper is aware that there exists a rumor that about one third of employees who have worked for the bank for more than nine years do not understand the necessity of the separation which took place and the value added for the customers by the split. Additionally, this merger is a friendly takeover. Plus, for the last two years, many functions have already been synchronized and the bank is working as two legal entities with one coordination process.

The headquarters of the financial group are located in a regional capital, referred to as ‘S’ in this thesis, although the main activities of the mother company are located in another city, ‘V’. This year, before the forthcoming merger was announced, about 50
employees had to move their place of work from V to S as one of the measures provided with the cost efficiency program. This step was highly emotional, since a big percentage of the employees moved now need to commute between their hometown, V, and S.

The organizational chart of the merged bank cannot be announced yet due to a change in the staffing of the board of directors (consisting of three members) at the beginning of next year. The structure of the reporting line belonging to the incoming board member, therefore, is still undergoing finalization. In particular, detailed information on envisaged reductions in the number of staff in different areas is yet to be compiled and announced. Another issue for the employees is whether special jobs will be created for the outgoing management of the retail bank while low level employees will be fired.

It is worth noting that those employees whose functions become obsolete due to the restructuring of business activities within the merger process will be offered the opportunity to develop skills deemed important to the future set up. Employees were repeatedly informed from the board of directors and the works council facing up to their concerns about job security. It was further pointed out that the number of jobs to be reduced because of the merger’s saving potential is less than the actual fluctuation rate of the bank. It could even be the case that new employees have to be recruited.

The banking crisis and the consolidation of the sector, as well as constant media reports about social compensation plans for employees offered by other banks following job cutting programs, cause additional emotional stress for all employees in the sector. In the country in which the bank is located, the image of financial institutions, owned fully or at least partially by the public sector, suffered due to the problems of one particular bank. Bad media reports cause not only emotional stress, but also weigh down the image-related identification of employees with the company. In addition, it is anticipated that ongoing cost reduction and efficiency increasing programs will endanger 25,000 jobs in the national industry (Die Presse, 2015), amplifying the bad atmosphere and cultural climate within it. It is important to
recognize that these external circumstances represent an additional challenge for the change management of this merger.

**Literature Review**

**The human factor**

According to a survey conducted by KPMG (KPMG, 2016) about the US mergers and acquisitions (M&A) market, 2015 was the strongest year ever in M&A transactions, worth $4.7 trillion. The survey also expects 2016 to become an excellent year for M&A activities. As key drivers of M&A in the financial services, KPMG identified the “the need for customer growth” and the “consolidation of core businesses and competition.”

For some 40 years, organizational mergers have been implemented around the world, however, more than 70% percent of all mergers and acquisitions fail to produce any benefit for the shareholders (Cartwright & Cooper, 1992; KPMG, 2011). But why do mergers fail that often? While strategic and economic factors are mostly well managed during the merger process, the human factor seems to have been underestimated for a long time. Disregarding the human factor during a merger can result in a lack of shared vision or management commitment, a loss of key talent and productivity losses. Hence communication and change management are keystones of a successful merger (KPMG, 2011).

**Social Identity Theory**

The social identification approach (Giessner, Ullrich, & von Dick, 2011) tells us that human beings identify themselves with groups they belong to, like their family, their working group or their country. If endangered, for example by a divorce, a merger or a political change, this social identity has to be defended or at least the forthcoming change needs to be defended against. In this context, it is important to be aware that the higher the identification with the pre-merger organization, the more threatening a change is experienced. As described below, the level of identification and fear of change strongly correlates with status or perceived status (Amiot, 2007; Bartels, 2006).
Phase Models of Change

Bridges’ 3-Phase Model of Change Management

According to Bridges (1991), “Situational change hinges on the new thing, but psychological transition depends on letting go of the old reality and the old identity you had before the change took place.” Therefore, Bridges identified the phases involved in organizational change and clustered them into ‘Ending’, ‘Neutral Zone’ and ‘The New Beginning’. How individuals go through these stages depends on how they accept and appreciate the change. The phases are represented in Figure 1 below.

![Figure 1: Bridget 3-Phase Model](image)

In the first phase, ‘Ending, Losing and Letting Go’, individuals’ emotions are dominated by: fear, denial, anger, sadness, disorientation, frustration, uncertainty and a sense of loss. Bridges advises change managers to give employees a space to understand and talk about their feelings. Emphatic listening and open communication are the right tools for management during this phase.

The second phase, ‘Neutral Zone’, is often dominated by low productivity, skepticism about the change, and fear of losing status. Bridges advises change managers to
offer clear guidance through the merger, open communication, and provide (in the case of a merger) a clear aim of what the merged company will look like. If the transition process is successful, employees should enter the last phase, ‘The New Beginning’, which correlates with openness to learning and integration in the new organization.

6-Phase Model of Schmidt-Tanger

Schmidt-Tanger (2012) investigated the phases people are confronted with during any change process rather than just business mergers. According to Schmidt-Tanger’s 6-Phase Model, based on Bridges’ (2011) 3-Phase Model discussed above, ‘perceived competence’ changes over time. Perceived competence is defined as the feeling or the belief one can influence the situation.

The first phase, the ‘stuck-state’, describes the feeling of shock that goes with an unexpected change, like the announcement of a merger or the restructuring of a company. This phase is also often dominated by an atmosphere of distrust. In this phase, Schmidt-Tanger advises that companies should not focus on explaining why the change has to be implemented, rather, they should behave emphatically and listen carefully and try to understand employees’ fears. In the stuck state, perceived own competence falls to a low. The first phase is followed by the phase of ‘negation’; employees tend to accept the change and are confident that they will not be affected, but probably others will. In this phase, employees still do not accept the forthcoming change, so perceived competence rises. The third phase is dominated by rational insight – the forthcoming change is realized – but not yet emotionally. Perceived competence falls again.

Phase 4 is described as the phase of emotional acceptance or realization. Perceived competence falls to a low. This phase is followed by Phase 5: ‘Modelling’, where employees try to capture new room for maneuver; they try out ideas and look for identification. Managers are advised to leave enough room for ideas from employees. The last phase is the phase of ‘integration’. This phase is also described as feedback on a successful Phase 5. Perceived competence starts to improve in Phase 5 and reaches its peak in Phase 6.
Identification and status

Bartels (2006) investigated organizational identification during a merger involving three regional criminal investigation organizations (CIOs). Data was collected six months prior to the merger via questionnaires given to over 700 employees. The findings showed that, on a superordinate level, a strong pre-merger identification was positively related to the expectation of a post-merger identification in the new organization. These findings could not be confirmed on a working group level. Also, no evidence could be found that there is a negative correlation of pre- and expected post-merger identification. These findings appear to contradict expectations based on Social Identity Theory, which would predict that a strong identification expectations with the current working group would be threatened by the merger and therefore, result in a negative correlation.

Identification, in-group bias and status

In a longitudinal study, Amiot (2007) investigated the merger of two airlines on status, equity and social identification during an inter-group merger. The survey was started three months after the merger was implemented, and two years later another survey was conducted. The results indicated that employees with a lower status perceived
the merger as less fair than employees with a higher status. These findings were also confirmed over the longer term. In summary, the results can be interpreted as follows: the higher the status, the lesser the in-group bias (Amiot, 2007), which is in line with Social Identity Theory. If the status is high and the threatening of a potential or perceived loss of the status is low, the inter-group bias is also lower.

**Identification, perceived fairness and rivalry**

Similar findings to those detailed above were found by Amiot (2007) with respect to the merger of two hospitals – where one was a high status metropolitan training hospital and the other a relatively low status local area hospital. In-group bias defines the identification level of one’s ‘own’ group – the so-called ‘in-group’. The in-group and the out-group can also be explained as ‘us’ and ‘them’. In line with Social Identity Theory, there was clear evidence of in-group bias, particularly among the lower-status group. Managers should therefore be aware of inter-group rivalry.

**Perceived fairness and heuristic theory**

Perception of fairness among employees is fundamental to the success of a merger. Bos and Wilke (1997) conducted a study focusing on the psychology of the fair process effect by using fairness heuristic theory. This theory gives insight into how people evaluate whether an outcome is fair or not. The question that arises in this context is how employees judge fairness, especially if the relevant information is not available. As an emergency solution to judge what is fair for them and react correspondingly, employees may take less relevant or reliable information as a substitute for missing crucial information. If there is no relevant information and no chance to exchange helpful information with others, it is quite impossible for people to assess if an outcome is fair and satisfying for them or not.

**Shifting identification to the post-merger organization**

A key element in a merger is upholding employees’ motivation by shifting identification from the pre-merger organization to the post-merger organization (Lensges, Hollensbe, & Masterson, 2016). In their study, Lensges et al. (2016) described this process as being linked to three parts, namely: de-identification, leading to; dis-identification of employees to the former structure, and; an identifying
process to the new organizational structure. If employees still identify themselves with the pre-merger organization and are not willing to accept the new organization, this could endanger the merger process. Therefore, various measures can be taken to support this process, such as pointing out to employees the advantages of the new organizational structure by showing a brighter future picture with, for example, increased resources, anticipatory justice and smarter structures.

**Shifting identification to the post-merger organization**

By analyzing data from about 160 students that were questioned at different points during a merger process, Gleibs (2008) found that one of the most critical things during mergers is to preserve pre-merger identification and transform it into a kind of post-merger identification. For a successful transformation, a differentiation of dominant and subordinate organizations has to be taken into account. Independent, if subordinate, or dominant, members of the merged groups need interventions during the merger process. Managers need to be aware that the perceived outcome of the merger also becomes reality in order to avoid a drastic drop of identification. The perceived in-group or sense of continuity turns out to be crucial for a successful pre-but also for post-merger identification. As indicated by the studies above, it seems that fairness is one of the key drivers for a successful merger, but what has not been mentioned until now is that the positive effect of perceived fairness amplifies over time.

**Participation**

Thanks to a policy of the Flemish Government, several studies have investigated mergers of schools, colleges and universities. School mergers seem to have a negative effect on the organizational identification of teachers, which in turn affects the performance of the teachers (Boen, Vanbeselaere, Hollants & Feys, 2005). Boen et al. (2005) attempted to identify the major social psychological predictors of pupils’ identification with a merged school. The study had one major finding, namely that participation in the merger process was crucial for their increasing identification with the new school. Providing information was not that important for a positive identification process. Given the group studied, however, this finding may not translate to the current study.
**Communication and information**

Bizamn Ahron (2001) provided an extension of self-discrepancy theory and found that a high pre-merger identification is an important factor in pre-merger identification. How might this finding be utilized by managers? If there is a merger, possible managers should work on heightening identification among their employees because this can help as a buffer in a future merger. Another important factor for a successful merger is to monitor and positively influence the expectations employees have of the merger. The most important tool for anticipating the expectations of the employees is communication. In this context, it is essential that employees are satisfied with the amount and quality of information that the management offers them, at the same time listening to their ideas.

In the present study, the employees had recently been informed about the merger. They were likely starting to consider their situation after the merger and, respectively, the consequences that go in line with the merger. This phase is important as it sets the basis for a long-term commitment.

**Communication**

Gliebs (2013) focused on discrepancy theory, which says that the support of a merger suffers when the desired and the actual situation do not match. He mentions the merger of Daimler-Benz and Chrysler as negative examples, as the two companies ‘divorced’ 10 years after the merger. During the implementation of a merger, managers are advised to carefully monitor that no perceived discrepancy arises between the desired and the implemented merger pattern. And in line with the other findings above, the different status of groups must be taken into account, so that no inter-group misunderstanding arises. In more detail, results show that members of the low-status group favored an outcome in which both groups are equally represented, while members of the high-status group preferred integration proportionality and assimilation. Behind this, there is certainly an attempt to gain more influence on the side of the low-status group while the high-status group tries to preserve supremacy on their side. On both sides, there was decreased support in cases where there was a mismatch that indicated a negative outcome. Thus,
managers should use an open, fair and constant communication strategies during merger processes.

**Measuring Rumors**

Yuan, Tian, Chou and Yin (2015) analyzed historical Cumulative Abnormal Returns (CARs). The study shows that investors are able to distinguish between M&A rumors that will materialize and those which turn out to be false. This can be explained by the fact that investors not only follow rumors, but also analyze fundamentals of the targeted companies. Another finding is that it is possible to gain abnormal profits (Average Daily Abnormal Return - ADAR) using rumor-based trade strategies. However, referring to the ADAR, the two groups (rumor materializes or not) cannot be statistically differentiated. Assuming these two findings are correct, an investor can trade on rumors and gain profits by using historical CARs respectively by analyzing additional information. The mere existence of a M&A rumor can have a material effect on the premium for the bidder and therefore on the realization of the takeover premium. Due to the overreaction to M&A rumors within markets and being able to gain profits on rumors alone (independently if they materialize to be true), as well as the invalidity of the mark-up pricing thesis (possibility of market manipulation), it can be assumed that markets are inefficient.

**Predictability of Rumors**

Ahern (2015) tried to find out if, by using journalists’ articles, it is possible to draw conclusions on the veracity of a rumor. Ahern also asked whether investors take this into consideration in their investment decisions. Of course, companies with well-known names were more frequently the focus of merger rumors; the author found that nearly 90% of the 501 analyzed articles were related to well-known companies. The accuracy of an article was defined in terms of whether the rumor it described materialized within one year of it. Thirty-three percent of the articles were ‘true’ according to this criterion. Supporting the findings above, the accurate articles showed a stock ADAR by 6.9% at the day when the rumor was published; the others only 3%. This dichotomy shows that information about returns allows conclusions about the accuracy of a rumor-article. But on average, firms realized a significant reversal of -1.4% during the following 10 days after the rumor publication – this
finding suggests that investors overestimate the accuracy of rumors. The study also found that newsworthy targets are less likely to come true. In this context, it is also worth mentioning the rumor validity test, which works on the assumption that if insiders have bought or sold any of their firm’s securities during a rumor period, the rumor tends not to materialize.

**Mitigating rumors**

According to Kempner (2005), when rumors thrive, mergers often take place in times of turbulence for at least one of the merging corporations. In this very sensitive environment, strategic communication needs to be taken seriously. This principle is valid for external stakeholders, the media, internal stakeholders, and employees. While the first two often seem covered, many executive managers seem to overlook the second two.

Satisfied employees and good reputation represent the real value of a company. Referring to Kempner (2005), there are key factors stakeholders observe very attentively concerning corporate reputation:

- vision and values, like strategy, integrity, innovation and consistency;
- culture, character and commodities, as the totality of products and services, workplace, financials, management team, and partners;
- community and thought leadership, therefore a combination of philanthropy and social responsibility;
- constant strength in these fields of work proves management skills and economic power and therefore is able to create a positive influence on rumors both on media and to employees.

The author quotes McKinsey & Co., saying “managing the human side of change is the real key to maximizing the value of the deal.”

Like employees, the media and other players distribute different kinds of ‘information’. It is therefore of highest importance to canalize and control information in a steady way on order to navigate the merger through stormy waters. In his study, Kempner found out that ‘high-frequency communication’ is the most effective weapon against a destructive employee rumor mill. In conclusion, the timing is critical; sharing
important information as soon as possible and as clearly as possible is vital to keeping rumors controlled. The better informed your employees are, the less rumors will affect common merger efforts. Of course, if the information from the management turns out to be incorrect or non-authentic information was provided, this would do more harm than good.

Kempner provides an example to illustrate how negative consequences could easily strike down a business that had until that point been performing well. At the beginning, lack of information and felt insecurity creates rumors. Productivity diminishes because top experts and well-educated employees speculate about leaving (or are already leaving) the corporation. Low morale and deadbeat enthusiasm ensues. Secondary rumors grow, accompanied by negative media and public criticism. In this downward spiral, employees no longer concentrate on their daily business and their responsibility to customers; service levels drop, as do revenues. As a consequence, brand loyalty is distressed, selling setbacks follow and there is a crucial reduction in value concerning the company’s shares. At this point, a miracle is needed to achieve a turn-around. To stay away from this ‘valley of death’, a plan of internal and external communication is crucial. This strategy has to be transparent and agreed long before technical start of the merger.

**Transmission of rumors**

Back Kurt (1950) describes two methods to find out more about the transmission of rumors. The two methods described are ‘pots rumor interviews’ and ‘participant observation’. The first method appears to give very limited information on the beginning of a rumor, as people tend to forget when and from whom they first heard it. For people, the rumor itself is more interesting than the source of it. The second method involves participant observation. Rumors are planted and co-operators, employees of the company, record when and from whom they heard these planted rumors. This method raises ethical questions around whether it is right to plant rumors. Also, it is limited in scope: according to a study of a company with 55 employees, only 20% of communication that took place was recorded.

**Different business styles**
According to Davis (1968), compatibility in corporate marriages is often ignored. Typically, the focus is on technical and procedural topics, while a mismatch of business styles is simply overlooked. Davis identified five core topics that should be considered when planning a merger:

- management’s position on risk taking;
- the period of time it will tolerate, waiting for a return;
- how profits are shared between management and stockholders;
- the delegation of authority and responsibilities in the merged company’s operation;
- the relative importance of functional areas of the business.

The greater the expected additional benefit, the greater the likelihood of conflict. Therefore, management should be concerned not only with procedural standardization but also with the compatibility of fundamental management styles (Buono, 1990; Davis, 1968).

**Ethical integrity**

From a human resource perspective, ethical considerations in M&A management include on the one hand, balancing the greatest good for the greatest number of stakeholders, and on the other, the greatest good for the greatest number of employees (Buono, 1990). Finding the golden way in the middle implies acting fairly and justly considering both parties. The peculiarity of mergers is that levels of escalation and pressure are drastically increased as employees are frightened of losing their jobs or social structure and may easily feel stressed, angry, disoriented, frustrated or confused, leading to significantly reduced job efficiency.

As Buono (1990) states, “if large scale transformations are to succeed – operationally and financially as well as socially and ethically – both the goals of the change effort and the implementation process must be characterized by a high degree of ethical integrity.”
Method

Methodology

The methodology can be described as a mixed method approach, combining descriptive statistics, qualitative content analysis and action research. First, shortly after the merger was announced, an employee survey was conducted, comprising of 27 closed questions with the possibility of prioritization, and four open questions. Six weeks later, six of those 27 closed questions were asked again to get initial feedback (the action research phase).

The survey was used to get a first general proposition about the atmosphere, the cultural climate, the willingness to cooperate and whether the survey is a tool that employees appreciate. Questions were meant to get a broader picture of the uncertainty, perceived transparency of communication and the expected future of the post-merger company on individual and organizational levels.

Hypotheses were formulated based on the assumptions acknowledged in the literature review and on the author’s insight and knowledge of the company and its employees.

Employee Survey

Data gathering

In order to ensure participant anonymity, the survey was conducted by an external consultancy. This was very important to all employees and for the representatives of the works council.

It is important to note that a few months previously, employees were given an opportunity to anonymously ask their managers questions via the company intranet or a letter box situated within the bank’s premises. Therefore, raising their concerns on an anonymous basis was a process they were accustomed to.

Six-hundred-and-forty employees were asked to complete the questionnaire, excluded were employees who had already handed in their notice or who were at least partially retired. The survey questions covered the following topics:
- Prevailing atmosphere
- Corporate climate and culture
- Readiness to actively participate in the merger
- Willingness to cooperate
- Feedback on Employee Survey

The full list of questions is presented in Appendix A. Additionally, the following open questions were asked:

1. What should be positively changed in the company on the occasion of the merger?
2. What are your fears? What anxieties do you see in your environment?
3. What ideas, suggestions, tips and information do you want to give the board?
4. To which rumors and statements do you expect a clear answer?

Demographic information was collected and the data were classified in sub-groups to differentiate between:

- Employees of the retail bank and the mother bank
- Employees having their place of work in S, V, or in a branch
- Employees employed longer than nine years, between two and nine years, and below two years
- Managers and non-managers

The differentiation of these sub-groups was aimed at finding whether if there were notable differences between them compared to the overall average. The demographic breakdown of the sample is presented in Figure 3 below.

Seventy percent of the 640 employees answered the questions, one answer was invalid and three did not answer the question regarding which company they belong to. Twelve persons did not supply the number of years they had worked for the company. Surprisingly, the open questions were answered extensively; 136 pages, or 21,000 words, were generated for analysis.
Data analysis

Closed questions (quantitative analysis): Descriptive statistics were produced from the survey data, specifically mean averages and standard deviations. Overall averages and deviations from this among subgroups were calculated first to get an initial overview of different employees' emotional states at the time of data collection.

The standard deviations give a picture of which questions employees tended to concur on. The divergences between the overall average and the averages of the sub-groups give insight into whether notable differences exist between the different groups. Both sets of findings are presented graphically.

Finally, one of the research aims related to the self-analysis of the responsible manager and author of this paper, taking into consideration the overall picture on all parties involved.

**Priority setting**: Closed questions enabled employees to choose the priority; if this question was of higher importance to them in comparison with the others. The prioritization aimed to get information about what is currently bothering employees most, in order to focus change management (communication) measures on these particular topics.
Open questions (qualitative content analysis): To better analyze responses to the open questions, answers were clustered into themes. This clustering gave a clear picture about what topics where most important to the employees at that point in time.

**Action research**

Department ambassadors act as information channels (‘transmitters’) during the whole merger process by monitoring changes in sentiment among employees. They should identify information gaps and should help mitigate gossiping. Twenty-nine ambassadors were nominated by each department (excluding managers), 17 from the mother bank and 12 from the retail bank. The ambassadors meet the change management team at least once a month and also communicate via a closed community on the company intranet.

Before ambassadors’ kick-off meeting, they were instructed to ask their own department six out of the 27 questions from the survey again in order to get information about changes in sentiment and to find out about first trends in reaction to the measures set. The following items were posed again:

- There is clear and open communication regarding the merger
- I am aware of the positive atmosphere within the company
- My impression at the moment is that everyone is working towards common goals
- There are already active efforts towards strengthening the collaboration and the working atmosphere
- Where it is possible and reasonable, I am willing to be actively involved in the merger
- I have the impression that that I can make actual changes and improvements

Although the ambassadors’ feedback is not consistent as method with the survey as such, it provided valuable information for a first analysis based on which proper change management measures could be identified.
Findings

Overall sample

As discussed below, a number of hypotheses were formulated regarding the overall sample. In general, these were formulated by taking into consideration: (i) the author’s knowledge of the organization and understanding of its culture; (ii) findings and insights from the literature review. Both sets of expectations are compared to the outcomes of the survey and analyzed respectively.

If the average value is below 50% or if more than 10% of participants answered the questions with ‘I fully disagree’, the outcome is assumed as negative. If the average is between 50% and 60%, the outcome is assumed to be balanced, and over 60%, positive.

Hypothesis 1: Due to the specific situation of the two banks (re-merger), against the findings of the literature, the approval rate for the merger will be high (over 60% on average)

Author’s expectations

The author assumed that the approval rate for the merger would be high because about one third of employees, primarily employed by the retail bank, had witnessed the split of the bank in 2007 and now the re-union. For many of them, the split did not really happen on a cultural or emotional level. It was assumed these employees would be of the opinion that it was only a question of time as to when these two companies would merge again. Additionally, this merger is a friendly takeover. Moreover, in the last two years, many functions had already been synchronized and so the bank was functioning as two separate legal entities, but with one common coordination process. The author was also aware of the fact that employees were being affected by the organization’s complex structure and that the employees from the retail bank perceived their status as lower but saw the merger as a chance to get equal treatment. As it happens, this point was confirmed by responses to the open questions; many employees mentioned a two-class society in both banks.
Literature

Based on Social Identity Theory (Tajfel & Turner, 1986), it could be assumed that individuals are expected to oppose substantial change, in this case a merger; they will in theory be frightened by it and thus be driven to defend the status quo. The approval rate would therefore be expected to be very low.

Analysis

![Figure 4: Questions 1-3, Survey](image)

According to Figure 4 above, responses to items 1-3 show an average above 60%.

[26]
82% agreed either partially (34%) or fully (48%) that they understood the reasons for the merger;
88% agreed partially (27%) or fully (61%) that the merger was a reasonable decision;
86% agreed partially (32%) or fully (54%) that the merger would be a good opportunity to improve cooperation.

The first hypothesis was therefore supported by the outcome of survey items 1-3. Existing theory might lead one to assume that the approval rate among employees for a merger would be low, as this change is substantial and endangers their identities (Tajfel & Turner, 1986). However, in our case, shortly after the announcement of the merger, the approval rate turned out to be high. In line with the author’s expectations, the specific situation of the two banks in the merger process could explain this outcome; the re-merger could be seen more as a natural step which was envisaged rather than as the start of a new process.

Hypothesis 2: Uncertainty and anxiety is high in the current phase of the merger

Author’s expectations

This hypothesis relates to uncertainty about the aims of the merger, organizational post-merger structure and future individual roles in the new organization. Uncertainty persists at the bank due to the fact that the organizational chart of the merged bank cannot be announced yet due to a change in the staffing of the board of directors (consisting of three members) at the beginning of next year. The structure of the reporting line belonging to the incoming board member is therefore still undergoing finalization. In particular, the envisaged reduction of staff in certain areas cannot be announced in detail yet.

Literature

Due to the fact that the survey was conducted during a very early stage, just after the announcement of the merger, findings from the literature would suggest that uncertainty and anxiety should dominate (e.g., Bartels, 2006; Tajfel & Turner, 1986).

Analysis
As illustrated in Figure 5, the hypothesis, based in this case on both the expectations of the author and on findings from the literature, was confirmed by the survey results:

<table>
<thead>
<tr>
<th>Average: 48.9</th>
<th>Stddev: 28.6</th>
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<tbody>
<tr>
<td>cnt 444</td>
<td></td>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Prevailing Atmosphere (all employees)</strong></td>
<td></td>
</tr>
<tr>
<td>60%</td>
<td>50%</td>
</tr>
<tr>
<td>14%</td>
<td>38%</td>
</tr>
<tr>
<td>4. I have a clear understanding of the objectives of the merger</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average: 43.9</th>
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<td>cnt 439</td>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Prevailing Atmosphere (all employees)</strong></td>
<td></td>
</tr>
<tr>
<td>60%</td>
<td>50%</td>
</tr>
<tr>
<td>17%</td>
<td>52%</td>
</tr>
<tr>
<td>5. There is clear and open communication regarding the merger</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average: 44.7</th>
<th>Stddev: 24.9</th>
</tr>
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<tbody>
<tr>
<td>cnt 443</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Prevailing Atmosphere (all employees)</strong></td>
<td></td>
</tr>
<tr>
<td>60%</td>
<td>50%</td>
</tr>
<tr>
<td>14%</td>
<td>52%</td>
</tr>
<tr>
<td>6. I feel well-informed about the situation and development</td>
<td></td>
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</table>

**Figure 5: Questions 4-6, Survey**

- The average response to items 4-6 is below 50%, hence the outcome is assumed to be negative;
- 42% disagreed partially (38%) or fully (14%) that they had a clear understanding of the merger;
- 69% disagreed partially (52%) or fully (17%) that communication was clear and open regarding the merger;

[28]
66% disagreed partially (52%) or fully (14%) that they felt well-informed about the situation and the development.

Item 5 was highly prioritized; 10% prioritized this question as very important (displayed on the right-hand column of Figure 5). This underlines what we learned from the literature, namely, that clear and open communication is essential to mitigate anxiety, uncertainty and gossiping.

Even though it is a friendly merger, the second hypothesis was confirmed. The situation the employees face can be described as uncertain, because it cannot be announced yet which jobs will be affected by the staff reduction and organizational changes are expected. This uncertain situation means emotional stress and, hence, responses to these questions fell in line with the expectations of the author and also findings from the literature.

**Hypothesis 3: Employees fear job losses**

**Author’s expectations**

Employees had already been informed that the jobs to be reduced after the merger would add up to just 50% of the yearly staff turnover (the natural fluctuation rate). Therefore, fear of job loss should not have been that high. However, the author assumed that uncertainties about the organizational chart and missing information on which jobs would be affected meant emotional stress for employees. The author also assumed that this anxiety was being fed by ongoing reporting in the media on job cuts in banks.

**Literature**

In line with Tajfel and Turner (1986) and Wrightsman (1960), due to the fact that the survey was conducted in a very early stage after the announcement of the merger, job fear due to uncertainty should in theory persist.

**Analysis**

- 50% disagreed partially (36%) or fully (14%) that they felt secure about their job;
- 49% agreed partially (38%) or fully (11%) that they felt secure about their job;
of all questions, this was prioritized most highly, with 16% of participants selecting it.

The third hypothesis was because, on the one hand, the outcome of Question 8 is rather balanced but, on the other hand, job fear dominated the emotional situation according to the priority setting and to responses to the open questions - the topic 'job fear' was mentioned 140 times (by far the most dominant theme in the open question data).

Hypothesis 4: Corporate climate and culture suffers due to uncertainty and anxiety; distrust, disorientation and frustration dominate this phase

Author’s expectations

The author expected sentiment towards the organization to be clearly negative, due to the nature of organizational changes still being unclear for the aforementioned reasons. Additionally, because the merger was announced shortly before the survey, it could be assumed that employees were still in a phase of ‘shock’.

Literature

The first phase of a substantial change usually goes in line with uncertainty and poor trust in a corporate culture (Terry, 1998).

Analysis

The author’s expectations and those based on the literature were confirmed by the outcome of the questions in the 'corporate climate and culture' cluster:
75% did not perceive the atmosphere as positive;
91% did not feel the organization was working towards common goals;
77% perceived that trust was not part of daily life at the bank
85% did not perceive the discussion climate as open;
55% did not perceive new ideas were welcome;
only 40% perceived that it pays to be committed to the bank, and 32% saw efforts towards strengthening collaboration.

<table>
<thead>
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<th>Average: 31.8</th>
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<th>cnt 442</th>
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<tbody>
<tr>
<td><strong>Corporate Climate and Culture (all employees)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><img src="image1" alt="Graph" /></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. I am aware of a positive atmosphere within the company</td>
<td></td>
<td></td>
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<tr>
<td>24%</td>
<td>51%</td>
<td>21%</td>
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<table>
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<tr>
<th>Average: 35.6</th>
<th>Stddev: 23.7</th>
<th>cnt 444</th>
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<tr>
<td><strong>Corporate Climate and Culture (all employees)</strong></td>
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<tr>
<td><img src="image2" alt="Graph" /></td>
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<tr>
<td>12. My impression at the moment is that everyone is working towards common goals</td>
<td></td>
<td></td>
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<tr>
<td>51%</td>
<td>40%</td>
<td>7%</td>
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<table>
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<tr>
<th>Average: 40.7</th>
<th>Stddev: 24.1</th>
<th>cnt 442</th>
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</thead>
<tbody>
<tr>
<td><strong>Corporate Climate and Culture (all employees)</strong></td>
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<td></td>
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<tr>
<td><img src="image3" alt="Graph" /></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. Mutual trust is part of daily life at the bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>22%</td>
<td>55%</td>
<td>20%</td>
</tr>
</tbody>
</table>
The average overall score when responses to all questions relating to this hypothesis were combined is clearly below 50%. This outcome can be assumed to be negative. The predicted negative mood, expected by the author and based on findings from the literature, was confirmed. This shows the need for constant and transparent communication to ensure that a merger is implemented successfully.

**Sub-groups**

The next two assumptions and corresponding results concern the sub-group analysis. In general, it is interesting to observe that there are no big differences when sub-group averages are compared with overall averages. In addition, a high standard deviation shows a high heterogeneity in the answers.

Differences that were expected by the author and are also based on the findings of the literature relate to the following sub-groups: mother bank and retail bank; place of work; length of employment; managers and non-managers.

Strong deviations were recognized when analyzing the outcome of the sub-groups in the following categories:

**Approval rate of the merger**

Strong deviation was observed between the sub-groups ‘V’ and ‘branch’: while approval of the merger was higher among employees located in V, where a high percentage have worked less than nine years for the mother bank, the employees of the branches approve the merger to a lower degree. The retail bank is the acquired
entity in this process and its employees are naturally more afraid of losing their status in the merged organization and of the potential their branch may close.

**Expected participation in the merger**

While employees of the mother bank stated more expectation to participate, employees of the retail bank did not expect to be strongly involved in the merger. Branches also perceived the expectation to participate in the merger as low.

Management was involved in considerations about the merger at the very early stage and also participated in setting up the change management tools to be used. Their willingness to participate was therefore expected to be higher than that of the other employees.

**Corporate culture and climate**

Employees that had belonged to the company less than two years perceived the climate to be better than others did. This is not surprising because new employees are assumed to be more motivated but also perceive changes less emotionally and as less stressful than employees that have worked longer for the company. This subgroup also had to a greater extent the impression that they could make actual changes and improvements.

The literature did not provide information about a correlation between length of employment and willingness to participate in mergers.

**Open questions**

As mentioned, the opportunity to provide qualified answers provided by the inclusion of open questions in the survey was used extensively by the employees; overall, answers comprised 21,000 words, or 136 pages. This was the highest amount of responses the external consultancy had ever experienced.
The themes which emerged in response to each of the open questions are listed below in turn. The figures in parenthesis next to each theme indicate how many times that topic was mentioned.

‘What should be positively changed in the company on the occasion of the merger?’

- Abolishment of the two-class society (80)
- Simplification of the organization and reducing the complexity of processes (50)
- Reduce double-tracked procedures (36)
- Cooperation between departments should be improved and focused more on common goals (32)
- Improvement of internal communication and a clear strategy for the future merged bank (25)

Analysis: It is very clear that the unequal status perceived by employees was a main concern, and there is a fear that this situation will not change in the merged bank. Demand to simplify processes was expected to be high. The wish for common goals and better co-operation provides a challenge for the management; it is responsible for communicating the goals and also for facilitating cooperation. The wish for an improvement in internal communication, as well as the wish for a clear strategy, underlines the necessity of a constant, clear, open and transparent communication strategy. The findings regarding this question are strongly supported by the outcomes of the survey, because the merger is seen as a reasonable decision and as an opportunity to strengthen cooperation (see the discussion of questions 2 and 3 above).

‘What are your fears? What anxieties do you see in your environment?’

- Job fear and uncertainty about the future; cost reduction should be more focused on the mother bank; fear that branches will be closed; fear cost reduction only affects employees and not management; fear that key employees leave the company (140)
Fear that, as now, in the new organization employees of the mother bank are treated better than employees of the retail bank; fear that management positions will be staffed by ‘friends’ rather than by qualification or performance (30)

Fear that employees of the branches and subsidiary will be discriminated again and fear that the two-class society will persist (20)

Fear that employees are not given the chance to participate in the merger process, there is no clear and transparent communication strategy and information is provided too late (19)

Fear that not enough resources are available for a successful merger, that the merger is not taken seriously enough, there is too little know-how for a merger, the costs of the merger are too high, and staff could be reduced as a consequence (21)

Analysis: The main topics listed above clearly show that fear of job losses exists, but also that status and perceived fairness are key issues for the employees. The second, third and fourth cluster underline again that perceived fairness needs to be urgently improved. The last two clusters clearly show that employees evaluate the quality and know-how of at least some managers as low. Job loss fear was mentioned 140 times, which is by far the most important topic. It has to be mentioned also that the corresponding closed question (No. 8) was prioritized most, by 16% of participants (a breakdown of the prioritization analysis is presented in Appendix B). It is interesting that the outcome of the closed question concerning job security was only balanced. One explanation is that employees were repeatedly informed that those employees whose functions become obsolete due to the restructuring of business activities within the merger process will be offered opportunities to develop other skills that are important in the future set up. As noted, it was further pointed out the expected cut in headcount is less than the natural fluctuation rate of the bank and it could even be the case that new employees have to be recruited.

‘What ideas, suggestions, tips and information do you want to give the board?’

Wish for open, clear and courageous communication, also unpopular measures should be communicated (47)
Wish to listen to employees; wish for participation; trust should be given to employees and contact should not only happen via hierarchic levels (30)

Wish for quality of the management, honesty and respectfulness, and an appreciation of interaction with employees (22)

Wish for strategy; less controlling and more efficient structure (45)

Wish to be honored by the board for a good performance; wish for improvement of quality; wish that more focus is on the co-operation between retail bank and mother bank (18)

Analysis: According to the literature, a fair, open and constant communication strategy during the whole merger process is essential (Bos & Wilke, 1997). In our case, perceived transparency needs to be improved. Again, at least some of the management is perceived to be too low qualified and the interaction between the hierarchic levels should be improved. The structure is perceived to be inefficient, which was also mentioned quite often in answers to the first two open questions. The willingness and wish to co-operate is an indication that the merger is also seen as a chance for improvement of working processes.

‘To which rumors and statements do you expect a clear answer?’

Cost reduction especially reducing number of employees (54)

Clear strategy as well as an organizational chart and clear and honest communication (35)

Composition of the new board of directors (16)

Equalizing employees from the mother company and the subsidiary (12)

Analysis: These findings show that rumors concerned cost reduction and the areas in which jobs will be reduced. Many rumors focused on organizational topics and the composition of the board. It can be summarized that this question was answered relatively negatively, compared to the second open question.

Priority evaluation

A full breakdown of the questions prioritized by participants is provided in Appendix B. A summary of these findings is supplied below.
The merger was seen by employees as a reasonable decision and good opportunity to strengthen cooperation between the two companies. This point was not only valued with a high score but also highly prioritized by participants, in line with the outcomes of the open questions. Also, the reasons for the merger are broadly understood by employees.

Overall, the survey was seen as positive and most employees are curious about the results.

Feedback on employees’ willingness for active involvement in the merger was positive as well as their willingness to communicate and promote their own ideas.

A large proportion of employees could still picture themselves with the bank in three years’ time.

A positive atmosphere, working together towards common goals, a culture of open discussion and mutual trust were not perceived to exist. At the same time, these particular issues were prioritized highly.

Job security was awarded the highest priority, followed by identification with the bank in three years’ time. This outcome clearly shows that, on the one hand, anxiety and uncertainty dominate the emotional situation of the employees in the current phase; but on the other hand, their commitment to work for the bank in the future is high.

Some issues were of lower interest to employees. All questions belonging to the cluster ‘Willingness to Cooperate’, for example, were considered low priority.

**Action research**

As discussed, to actively monitor the change process, also on a department level, so-called ‘ambassadors’ were implemented. Each department nominated one colleague; managers were excluded. The group consists of 29 ambassadors. In the first meeting, results of the employee survey were announced and discussed. Prior to this discussion, the ambassadors asked their department (excluding managers) six follow-up questions in selected topics such as: development of communication
process; atmosphere; common goals; collaboration and active involvement (see Table 1). The department had to agree on a joint answer. This ‘mini-survey’ was not meant to follow up on the original employee survey but to get a first orientation on some issues, few weeks after it was conducted, and to serve as a basis for a subsequent research and for the work of the ambassadors.

Table 1: First feedback round

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer survey</th>
<th>Answer 1st feedback round</th>
<th>Change-turned to:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. There is a clear and open communication regarding the merger</td>
<td>44%</td>
<td>58%</td>
<td>positive</td>
</tr>
<tr>
<td>2. I am aware of a positive atmosphere within the company</td>
<td>32%</td>
<td>28%</td>
<td>negative</td>
</tr>
<tr>
<td>3. My impression at the moment is that everyone is working towards common goals</td>
<td>36%</td>
<td>30%</td>
<td>negative</td>
</tr>
<tr>
<td>4. There are already active efforts towards strengthening collaboration and the working atmosphere</td>
<td>45%</td>
<td>40%</td>
<td>negative</td>
</tr>
<tr>
<td>5. Where it is possible and reasonable I am willing to be actively involved in the merger</td>
<td>64%</td>
<td>80%</td>
<td>positive</td>
</tr>
<tr>
<td>6. I have the impression that that I can make actual changes and improvements</td>
<td>43%</td>
<td>48%</td>
<td>positive</td>
</tr>
<tr>
<td>Additional Question: I appreciate that the board gives high priority to the change management</td>
<td>N/A</td>
<td>88%</td>
<td>positive</td>
</tr>
</tbody>
</table>

Analysis

The most important finding is that the outcome of questions 2-3 clearly shows that employees are currently in a ‘shock’ or ‘stuck’ state. Their ‘perceived competence’ worsened, even after starting from a low level (Bridges, 1991; Schmidt-Tanger, 2012).

On a more positive note, change management measures concerning communication and participation seemed to have borne fruit; employees perceived that
communication had improved and, therefore, their willingness to cooperate had increased.
Discussion

This study was designed to explore the research question: How do employee participation and transparent information influence uncertainty, anxiety and rumors among employees during the first phase of pre-merger activity? In order to address this question, findings from the study will now be discussed in respect of the research and theory outlined in the literature review.

Social Identity Theory

Mergers mean change, and according to Social Identity Theory (Tajfel & Turner, 1986), change typically produces fear. This was taken into consideration in the design of this study: closed questions relating to this topic were included in the survey so employees could indicate their levels of fear, which it was assumed would be high. In fact, participants appeared ambivalent in their responses to the closed questions. Moreover, fears were raised in responses to the open questions. This ambivalence could be explained by the complex and contradictory nature of the situation employees were inhabiting at the time: the unique nature of the bank’s particular situation meant that the merger had been anticipated by many and to some degree it was already being implemented. Yet, the announcement had only just been made and employees were still processing it and may, as discussed below, have been in a ‘stuck’ or ‘shock’ state. Add to this ubiquitous media reporting on the plight of the banking sector, and a dearth of information on where cuts would fall due to the restructuring of the board, and it is perhaps no wonder ambivalence ensued. So, the assumption that change necessarily produces fear can be challenged in light of this study’s findings.

Phase Models of Change

Both Schmidt-Tanger’s (2012) 6-Phase Model and Bridges’ (1991), focus on the phases that individuals undergo during a substantial change. Schmidt-Tanger explains the phases on a much broader level, while Bridges’ model specifically focuses on the merger process. It would seem, using the associated terminology, that the employees in this study were, during the period spanning from initial data collection to subsequent re-questioning by ambassadors, in the ‘stuck’ (6-Phase Model) or ‘shock’ (3-Phase Model) phase.
Identification and status

The literature suggests that, on a superordinate level, a strong pre-merger identification is positively related to the expectation of post-merger identification in the new organization. However, these findings had not been confirmed on a working group level. In our case, board members of the mother bank could be considered as superordinate level. This issue will be scrutinized in the following chapter (a self-assessment of the responsible top manager and author of this paper).

Identification, in-group bias and status

In our case, sub-groups were classified as managers or employees. While members of the lower status employee group reported a decrease in their adjustment to the merger over time, members of the higher status manager group reported reciprocal adjustment, which means that adjustment was better for members of the higher status group (managers). This finding may reflect differing access to information and thus levels of uncertainty (as discussed shortly regarding communication) or perceived post-merger prospects (this is addressed below).

Identification, perceived fairness and rivalry

Results confirmed that employees with lower status occupations perceived the merger as less fair than employees with higher status roles. These findings were also confirmed in longer term in the ambassador feedback. To address potential rivalry, all management jobs will be tendered during the merger process to ensure that employees of the two banks have an equal chance of qualifying for the positions.

Perceived fairness and heuristic theory

Fairness heuristic theory (Bos & Wilke, 1997) gives an insight into how people think when evaluating whether an outcome is fair or unfair for them. Employees’ support of the merger process crucially depends on their perceptions on fairness. In this study, therefore, an open question (What ideas, suggestions, tips and information do you want to give the board?) was included in the survey and also discussed in the subsequent ambassadors’ meeting, giving employees a ‘voice’.

Participation
The importance of participation for the identification process was addressed in the survey cluster ‘willingness to cooperate’. Interestingly, this was positioned as the area of lowest priority by the participants. This might indicate that they were ‘hedging their bets’ until they receive more information about their prospects and know whether it is worth investing themselves in the company moving forward.

**Communication and information**

In line with the above interpretation, employees will consider their possible situation after a merger as comfortable and high quality when information supports them in the identification process. Gathering information about the current climate at the bank was done via the survey cluster ‘prevailing atmosphere’. Again, because the specific situation the bank at the time of data collection was preventing the assimilation and release of information, levels of uncertainty were high. However, attempts are being made to mitigate this: as will now be discussed, the very act of carrying out this study was aimed at improving communication between management and employees.

**Communication**

Support for a merger suffers when the desired and the actual situation do not match. Usually, members of the low-status group favor an outcome in which both groups are equally represented, whereas members of the high-status group prefer integration proportionality and assimilation. Managers should use an open, fair and constant communication strategy during the merger process. Such communication, being an appropriate tool to counteract the potential mismatch between the desired and actual situation, was implemented also in our case by means of board presentations, ‘ambassadors’ and an intra-group intranet. Our survey also examined whether communication is perceived to be transparent and adequate (questions 4-6).

**Mitigating rumors**

Mergers often occur when at least one of the merging corporations is experiencing difficulties. In this sensitive context, strategic communication should be taken seriously. Timing is critical; sharing important information immediately and as transparently as possible is vital to keep rumors controlled. This insight from the literature was addressed through an open question in the survey (To which rumors
and statements do you expect a clear answer?). Moreover, as stated, in the set-up of the change management tools utilized, a high level of attention was given to communication by means of board presentations, in-trap-group internet and the ‘ambassadors’. Once again, corresponding with the aforementioned structural barriers to the release of information, rumors tended to concern job cuts and the composition of the board. As soon as the relevant information is available, it will be disseminated.

**Different business styles**

Typically, literature to date has focused on technical and procedural topics, while a mismatch of business styles has been overlooked. This could be crucial for understanding the human factor. Therefore, in the survey, some questions aimed to find out about different business styles (questions No. 3, 12, 14, 17). Further, comparisons were drawn between sub-groups at the mother bank and the retail bank. Interestingly, there were no major differences between these groups in this respect; rather, there were differences within them. It could be that management is experienced differently at different levels of the organization more than between different factions of it.

**Ethical integrity**

Balancing the concerns of stakeholders and employees with high ethical integrity is essential within a merger process. In the present thesis, this is explicitly acknowledged in the self-analysis which now follows.
Initial Self-analysis of the Responsible Manager and Author

I expected from the works council and employees a strong resistance not to the merger as such (as mentioned, in the last two years, both banks have been working together as one), but to the assumed cost reductions; primarily reductions in the number of staff. In addition, I was aware that employees of the retail bank expected to receive in future a higher remuneration package, as they presumed was the case for their colleagues in the mother bank.

For me personally, it was most important to act authentically at board presentations, taking into consideration not only cost efficiency, but also the ‘human factor’. This was crucial for me. I had the fear that these presentations were just seen to be alibi-activities of top management, especially the CEO.

In my understanding, colleagues perceive me as a character who focuses on numeric results only, who is ‘left brain oriented’. Traditionally, the position of CEO in our group is perceived being occupied by someone powerful and who is a strong decision-maker. Therefore, my anxiety was high that the survey would be misjudged by employees and would not be taken seriously, or even be seen as a way of spying them. A typical question I received was: is the whole process of the survey really anonymous? In this respect, it was very helpful that (as mentioned) a few months previously, together with the works council, we had already done a survey of another variety, offering employees an anonymous letter box to pose questions to the board. The results of that survey were openly answered during board presentations.

The bank owner’s expectations that cost reductions will need to be realized as a result of the merger are pretty high. But the owner is also afraid of problems that could arise during the technical merger due to personnel shortages. Therefore, I am in a sandwich position between the expectations of the owner and the fears of the employees and the works council. It is my utmost responsibility to put in place open information, decision-making and a successful change management process in both directions which is seen as credible and correct. I see this as one of the biggest challenges during the current phase of the merger.
The participation rate of the survey, at 70%, was higher than expected. The outcome of question 27 (‘It is important to the management board that the merger is communicated to us all as a success’), with 60%, and 24 (‘I view this survey as an important initiative’), at 54%, is positive-to-balanced, but, to my big surprise, the priority given – 2% and 4% respectively, was relatively low. When asking the ambassadors, ‘I appreciate that the board gives high priority to the change management,’ the feedback was 88% which is very high. That means for me that the chosen way of open and continuous communication was in principle appreciated by the staff and my fear that they see it only as an alibi-action was not justified.
Limitations and Future Research

The fact that employees in this merger are still in a state of ‘shock’ means that at this stage only limited information can be gleaned concerning whether the change management set-up during the merger is leading to a successful identification among employees with the new, merged organization. However, the first round of feedback from ambassadors shows that measures taken concerning communication and participation of employees seem to be bearing fruit.

The merger process is being accompanied by the provision of continuous communication to employees and analysis of feedback through ambassadors. This will give a broad picture about the perceived anxiety and uncertainty as well as rumors during this process. The expectation is that in the second survey, planned for 2017 after the completion of the merger, questions concerning whether the merger was a reasonable decision and relating to uncertainty about the future role of employees in the new organization will lose their high priority status, and other questions concerning participation will be afforded higher priority.

The findings of the second survey will give an insight into whether the change management measures have worked successfully. A detailed analysis of these findings and a case study are also scheduled for the future.
Conclusions

The setting up of change management during the merger was already determined before the announcement of the merger. The primary target was to avoid productivity losses and deterioration in the quality of customer service during the merger process due to employees’ uncertainty and anxiety. Knowledge gathered from the literature shows that perceived transparency, fairness and openness, as well as integration of employees in the merger process, are key to ensuring productivity losses do not materialize during this emotionally-charged phase.

The employee survey described in this thesis gave a clear picture of which topics are currently important to employees and helped to identify where improvement in the change management strategy is needed. Additionally, the set of measures being used, such as ambassadors, an anonymous letter box and open questions, allowed finding out about rumors and so counteracting gossiping due to lack of information.

Theory from the literature might lead one to assume that the approval rate of the merger would be low among employees, as it is a change which is substantial and endangers employees’ identities. However, in the survey, which was conducted shortly after the announcement of the merger, the approval rate turned out to be high. In line with the author’s expectations, the specific situation of the two banks involved in the merger process can explain this outcome, as they have already been functioning as one bank for a period of two years. Hence, the re-merger could be seen more as a natural step than the start of a new process.

On the other hand, the results of the survey showed a relatively depressing picture concerning the corporate and cultural climate. Even though it is a friendly merger, it must be also taken into account that it was announced only a couple of months prior to the survey, and that further organizational changes are planned. Because it cannot yet be announced which jobs will be affected by the staff reduction, employees’ current situation can be described as uncertain, and hence stressful.

Quite interesting in this respect was the perception of job security gleaned through a closed question versus an open question about fears and anxiety. On the one hand, the outcome of the closed question was rather balanced, and on the other, job fear
was a dominant theme in responses to the open question. Moreover, it was identified as a high priority question by the participants.

The merger was clearly seen as a reasonable decision and a good opportunity to strengthen cooperation between the two companies; this point was not only indicated by a high closed-question score but was also prioritized and expressed in responses to the open questions. Also, the reasons for the merger were broadly understood by the employees.

Feedback on employees’ willingness for active involvement in the merger was positive, as well as their willingness to communicate and promote own ideas. Many employees can still picture themselves with the bank in three years’ time, which the author would interpret as commitment and high identification with the current pre-merger bank. What is needed now is to transfer this identity to the future merged company.

The first round of feedback from the ambassadors indicated that employees’ confidence in management’s capabilities to navigate the change process fell from an already low level in the short period after the survey. However, willingness to participate rose, and the high attentiveness of the responsible manager and author of this paper was valued by employees. These findings further emphasize that, especially in the first phase of a merger, a sensible and emphatic handling of employees’ fears and concerns need to be treated as the highest priority.

The merger process will therefore be accompanied by continuous communication to employees and analysis of employees’ feedback through the ambassadors. This will give a broad picture regarding changes in anxieties and uncertainties perceived by employees, providing substantial information about the success of the change management measures used during the merger and about rumors that come along, even with a friendly merger.

After the merger is completed, a second employee survey will be conducted to learn if the pre-merger identification was successfully transformed to a post–merger identity. A detailed analysis about these findings as well as a case study is
scheduled. The results of this should indicate whether the change management measures implemented have led to the desired outcomes.

Bibliography


Gleibs, I. H. (2013). When what we get is not what we want: The role of implemented
versus desired merger patterns in support for mergers. Social Psychology, 44(3), 177-190.


Appendix A: Survey Questions

Questions 1 to 27 are graded according to the following grading system:

1 = I fully agree
2 = I partially agree
3 = I partially disagree
4 = I fully disagree

Priority = This point is very important for me

Questions 28 to 30 are open for answers.

Prevailing atmosphere:

1. I completely understand the reasons for the merger between the mother bank and the retail bank
2. The merger between the mother bank and the retail bank was reasonable decision
3. The merger between the mother bank and the retail bank was a good occasion to strengthen (co-) operations within the company
4. I have a clear understanding of the objectives of the merger
5. There is an clear and open communication regarding the merger
6. I feel well-informed about the situation and development of the bank
7. I feel confident about the future of the bank
8. I feel secure about my job
9. I can picture myself still working for the bank in 3 years
10. I am confident that the bank will be doing even better in 2 years time

Corporate climate and culture:

11. I am aware of the positive atmosphere within the company
12. My impression at the moment is that everyone is working towards common goals
13. Mutual trust is part of daily life at the bank
14. In the bank problems are discussed openly and with a view to solving them
15. In the bank new ideas and advice are always welcome
16. It pays to be committed to the bank
17. There is already an active efforts towards strengthening collaboration and the working atmosphere at the bank

Willingness to Cooperate

18. I have ideas for improvement within my field of responsibility
19. I am expected to participate actively within the scope of the merger
20. Where it is possible and reasonable I am willing to actively involve in the merger
21. I am willing to communicate my own ideas and promote them
22. I have the necessary framework of opportunities in which to express my ideas and opinions
23. I have the impression that I can make actual changes and improvements

Employee Survey

24. I view this survey as an important initiative
25. I am curious about the results of the survey
26. I am convinced that the results of this survey will be communicated openly and clearly within the company
27. It is important to the management board that the merger is communicated to us all as a success

Open questions:

1. What should be positively changed in the company on the occasion of the merger?
2. What are your fears? What anxieties do you see in your environment?
3. What ideas, suggestions, tips and information do you want to give the board?
4. To which rumors and statements do you expect a clear answer?

In addition, the following points were questioned:

- I am employed in V./ S./branch office
- I am employed in the mother bank/in the merged subsidiary
- I have worked in the group for:
  - 0 to 2 years
  - +2 to 9 years
  - +9 years
- I am in a management position: yes/no
Appendix B: Question Priority Evaluation

The following tables show the outcome of the closed questions ranked by priority and average.

### High evaluation of the following topics

<table>
<thead>
<tr>
<th>No</th>
<th>Question</th>
<th>Average</th>
<th>Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>The merger between mother bank and retail bank was a reasonable decision</td>
<td>69.82 %</td>
<td>4 %</td>
</tr>
<tr>
<td>3</td>
<td>The merger between mother bank and retail bank is a good occasion to strengthen (co-)operations within the company</td>
<td>68.03 %</td>
<td>9 %</td>
</tr>
<tr>
<td>1</td>
<td>I completely understand the reasons for the merger between mother bank and retail bank</td>
<td>65.26 %</td>
<td>3 %</td>
</tr>
<tr>
<td>25</td>
<td>I am curious about the results of the survey</td>
<td>64.94 %</td>
<td>5 %</td>
</tr>
<tr>
<td>20</td>
<td>Where it is possible and reasonable I am willing to be actively involved in the merger</td>
<td>64.00 %</td>
<td>3 %</td>
</tr>
<tr>
<td>9</td>
<td>I can picture myself still working for the bank in 3 years' time</td>
<td>61.32 %</td>
<td>11 %</td>
</tr>
<tr>
<td>21</td>
<td>I am willing to communicate my own ideas and promote them</td>
<td>61.29 %</td>
<td>3 %</td>
</tr>
<tr>
<td>27</td>
<td>It is important to the management board that the merger is communicated to us all as a success</td>
<td>60.74 %</td>
<td>2 %</td>
</tr>
<tr>
<td>18</td>
<td>I have ideas for improvement within my field of responsibility</td>
<td>55.06 %</td>
<td>3 %</td>
</tr>
<tr>
<td>24</td>
<td>I view this survey as an important initiative</td>
<td>54.33 %</td>
<td>4 %</td>
</tr>
</tbody>
</table>

### Low evaluation of the following topics

<table>
<thead>
<tr>
<th>No</th>
<th>Question</th>
<th>Average</th>
<th>Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>I am aware of a positive atmosphere within the company</td>
<td>31.77 %</td>
<td>9 %</td>
</tr>
<tr>
<td>12</td>
<td>My impression at the moment is that everyone is working towards common goals</td>
<td>35.59 %</td>
<td>9 %</td>
</tr>
<tr>
<td>14</td>
<td>At the bank problems are discussed openly and with a view to solving them</td>
<td>38.47 %</td>
<td>6 %</td>
</tr>
<tr>
<td>13</td>
<td>Mutual trust is part of daily life at the bank</td>
<td>40.68 %</td>
<td>8 %</td>
</tr>
<tr>
<td>23</td>
<td>I have the impression that that I can make actual changes and improvements</td>
<td>43.00 %</td>
<td>2 %</td>
</tr>
<tr>
<td>5</td>
<td>There is clear and open communication regarding the merger</td>
<td>43.92 %</td>
<td>10 %</td>
</tr>
<tr>
<td>19</td>
<td>I am expected to participate actively within the scope of the merger</td>
<td>44.41 %</td>
<td>2 %</td>
</tr>
<tr>
<td>6</td>
<td>I feel well-informed about the situation and development of the bank</td>
<td>44.70 %</td>
<td>9 %</td>
</tr>
<tr>
<td>17</td>
<td>There are already active efforts towards strengthening collaboration and the working atmosphere at the bank</td>
<td>45.29 %</td>
<td>5 %</td>
</tr>
<tr>
<td>16</td>
<td>It pays to be committed to the bank</td>
<td>46.85 %</td>
<td>9 %</td>
</tr>
</tbody>
</table>
### High prioritization of the following topics

<table>
<thead>
<tr>
<th>No</th>
<th>Question</th>
<th>Average</th>
<th>Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>I feel secure about my job at the bank</td>
<td>49.05%</td>
<td>16%</td>
</tr>
<tr>
<td>9</td>
<td>I can picture myself still working for the bank in 3 years’ time</td>
<td>61.32%</td>
<td>11%</td>
</tr>
<tr>
<td>5</td>
<td>There is clear and open communication regarding the merger</td>
<td>43.92%</td>
<td>10%</td>
</tr>
<tr>
<td>7</td>
<td>I feel confident about the future of the bank</td>
<td>52.41%</td>
<td>10%</td>
</tr>
<tr>
<td>3</td>
<td>The merger between mother bank and retail bank is a good occasion to</td>
<td>68.03%</td>
<td>9%</td>
</tr>
<tr>
<td></td>
<td>strengthen (co-)operations within the company</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>I am confident that the bank will be doing even better in 2 years’ time</td>
<td>52.30%</td>
<td>9%</td>
</tr>
<tr>
<td>11</td>
<td>I am aware of a positive atmosphere within the company</td>
<td>31.77%</td>
<td>9%</td>
</tr>
<tr>
<td>16</td>
<td>My impression at the moment is that everyone is working towards common goals</td>
<td>35.59%</td>
<td>9%</td>
</tr>
<tr>
<td>6</td>
<td>I feel well-informed about the situation and development of the bank</td>
<td>46.85%</td>
<td>9%</td>
</tr>
<tr>
<td>12</td>
<td>I completely understand the reasons for the merger between mother bank</td>
<td>65.26%</td>
<td>3%</td>
</tr>
<tr>
<td></td>
<td>and retail bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>I have a clear understanding of the objectives of the merger</td>
<td>48.87%</td>
<td>4%</td>
</tr>
</tbody>
</table>

### Low prioritization of the following topics

<table>
<thead>
<tr>
<th>No</th>
<th>Question</th>
<th>Average</th>
<th>Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>19</td>
<td>I am expected to participate actively within the scope of the merger</td>
<td>44.41%</td>
<td>2%</td>
</tr>
<tr>
<td>22</td>
<td>I have the necessary framework of opportunities in which to express my ideas and opinions</td>
<td>52.01%</td>
<td>2%</td>
</tr>
<tr>
<td>23</td>
<td>I have the impression that that I can make actual changes and improvements</td>
<td>43.00%</td>
<td>2%</td>
</tr>
<tr>
<td>27</td>
<td>It is important to the management board that the merger is communicated to us all as a success</td>
<td>60.74%</td>
<td>2%</td>
</tr>
<tr>
<td>18</td>
<td>I have ideas for improvement within my field of responsibility</td>
<td>55.06%</td>
<td>3%</td>
</tr>
<tr>
<td>21</td>
<td>I am willing to communicate my own ideas and promote them</td>
<td>61.29%</td>
<td>3%</td>
</tr>
<tr>
<td>15</td>
<td>At the bank, new ideas and advice are always welcome</td>
<td>49.80%</td>
<td>3%</td>
</tr>
<tr>
<td>1</td>
<td>I completely understand the reasons for the merger between mother bank</td>
<td>65.26%</td>
<td>3%</td>
</tr>
<tr>
<td></td>
<td>and retail bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Where it is possible and reasonable I am willing to be actively involved in the merger</td>
<td>64.00%</td>
<td>3%</td>
</tr>
<tr>
<td>4</td>
<td>I have a clear understanding of the objectives of the merger</td>
<td>48.87%</td>
<td>4%</td>
</tr>
</tbody>
</table>
Appendix C: Comparison Sub-groups

- Blue: all employees
- Green: retail bank
- Yellow: mother bank

'I am expected to participate in the merger'

'Approval rate of the merger'
Blue: all employees
Green: >2 to 9 years employed
Yellow: < 2 years
Brown: > 9 years

Communication and future of the company

Corporate climate and culture

Participation