Experience of Mergers in Europe

Ingela Jöns, Research team „Cultural changes in the process of mergers“, University of Mannheim, Germany

• Introduction
• Theoretical background
• Method and Sample of the Survey
• Empirical findings
  – evaluation of the changes, process, and result
  – cultural change and personal situation
  – analyses of main influence factors
• Conclusions

Mail: fusion@psychologie.uni-mannheim.de
http://www.psychologie.uni-mannheim.de/psycho1/projekte/kulturwandel/start.htm
Some remarks concerning this presentation

- This oral presentation gives a brief summary of the first results of the ongoing survey in Europe.
- We don’t summarize theories and findings concerning M/A because of the limited time and the more or less explorative purpose of our study.
- Due to the difficulties of research in this political area there are many compromises to take into account to get data of employees all around Europe.
- The purpose of the survey is nevertheless to get a deeper insight of cultural differences and experiences in national and cross-/international M/A for further research studies.
- If you have any further questions on our survey and findings and if you are interested in cooperation don’t hesitate to contact us.
Theoretical background

kind of M/A (power symmetry; degree of integration)

- two companies with different culture, structure
- employees with different work, position etc.

process of M/A (information, participation)
changes by M/A (structure, culture)

- involvement /stress by the M/A
- satisfaction with the process /results
- future perspectives and commitment

before changes after

national and international M/A
Method: questionnaire and survey

• General information about the survey and the questionnaire can be found on our website.
• The questionnaire includes
  – a lot of items on information about the M/A, the integration process, and the structural changes with regard to the participant
  – a part concerning the perceived cultural change and one for the individual consequences
  – some evaluative questions on the process, the changes, and the results
• Distribution of the questionnaires with the help of students and different organisations (AbsolventUM, ULA, CEC).
• In Germany in 2001; in Europe in 2002 - and not finished.
Focus: interesting questions

- How do employees and managers of different levels evaluate mergers and acquisitions?
- What are their experiences concerning the integration process, the structural and cultural changes?
- How important are these factors for their evaluation of the merger, their personal stress and organisational commitment?
- Do these experiences differ between companies of various countries and depending on the involved countries?
Sample I: leadership level and kind of M/A

- 200 questionnaires from executives and employees
- of different leadership level

- with different M/A experience (power symmetry)
Sample II: countries and international M/A

- clusters of countries following Hofstede

- types of national/international M/A
Clusters of countries - on the dimensions of Hofstede (2001)

<table>
<thead>
<tr>
<th>Dimensions/Clusters (Country)</th>
<th>Power distance</th>
<th>Individualism</th>
<th>Masculinity</th>
<th>Uncertainty avoidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germans (D)</td>
<td>35</td>
<td>67</td>
<td>66</td>
<td>65</td>
</tr>
<tr>
<td>English (USA)</td>
<td>40</td>
<td>91</td>
<td>62</td>
<td>46</td>
</tr>
<tr>
<td>Romans (F)</td>
<td>68</td>
<td>71</td>
<td>43</td>
<td>86</td>
</tr>
<tr>
<td>Nordics (N)</td>
<td>31</td>
<td>69</td>
<td>8</td>
<td>50</td>
</tr>
<tr>
<td>max. points</td>
<td>104</td>
<td>91</td>
<td>95</td>
<td>112</td>
</tr>
</tbody>
</table>

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ingela.joens@psychologie.uni-mannheim.de
Comparison: extent of and satisfaction with changes

- **Extent of structural changes**: 3.2
- **Satisfaction with structural changes**: 2.8
- **Extent of cultural change**: 3.3
- **Satisfaction with cultural change**: 2.6
- **Satisfaction with process of M&A**: 2.9
- **Satisfaction with result of M&A**: 2.8

Significant influence:
- M/A - power symmetry
- Cluster of countries
- None (of the interesting)
- Inter-/national M/A
Comparison: extent of and satisfaction with changes

- **power symmetry**: employees of acquiring companies do experience a lower extent of structural and cultural change.
- **cluster of countries**: employees from nordic companies are more satisfied than all the others; employees from multinational companies are the most unsatisfied with the structural and cultural changes.
- **inter-/national M/A**: employees who experience a multinational M/A or who are from multinational companies and experience another M/A are the most unsatisfied with the result - no differences are found between national M/A and international M/A (with a partner of one other country)
- **other potential factors**: beside the named none of the interesting factors (see the sample characteristics) nor of other factors (like process participation, degree of integration) significant effects were found.
- **satisfaction with the process**: here we find a not or marginal significant effect for the change of supervisor (p< .10) (see later also the change of personal situation)
Cultural changes (influence by clusters of countries)

<table>
<thead>
<tr>
<th>Cultural Aspect</th>
<th>(influence) before the M/A</th>
<th>influence after the M/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>weakly hierarchically orga.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>informal style</td>
<td>3,7</td>
<td>4,9</td>
</tr>
<tr>
<td>follow company rules</td>
<td>3,5</td>
<td>4,9</td>
</tr>
<tr>
<td>cooperative leadership style</td>
<td>3,2</td>
<td>4,5</td>
</tr>
<tr>
<td>conflicts openly addressed</td>
<td>3,6</td>
<td>4,5</td>
</tr>
<tr>
<td>causes for mistakes</td>
<td>3,2</td>
<td>4,0</td>
</tr>
<tr>
<td>high employee information</td>
<td>3,2</td>
<td>4,0</td>
</tr>
<tr>
<td>a lot of trust</td>
<td>2,9</td>
<td>3,8</td>
</tr>
<tr>
<td>involvement in decisions</td>
<td>3,6</td>
<td>4,8</td>
</tr>
<tr>
<td>high performance information</td>
<td>2,5</td>
<td>4,8</td>
</tr>
<tr>
<td>high quality orientation</td>
<td>2,6</td>
<td>4,9</td>
</tr>
<tr>
<td>high customer orientation</td>
<td>2,5</td>
<td>4,9</td>
</tr>
<tr>
<td>receptive to innovations</td>
<td>2,9</td>
<td>4,9</td>
</tr>
<tr>
<td>team orientation</td>
<td>3,0</td>
<td>4,0</td>
</tr>
<tr>
<td>cooperative atmosphere</td>
<td>3,2</td>
<td>4,1</td>
</tr>
<tr>
<td>lot of trust in leaders</td>
<td>2,9</td>
<td>4,1</td>
</tr>
<tr>
<td>high commitment/engagement</td>
<td>3,2</td>
<td>4,6</td>
</tr>
<tr>
<td>strongly hierarchically orga.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>formal style</td>
<td></td>
<td></td>
</tr>
<tr>
<td>rarely follow company rules</td>
<td></td>
<td></td>
</tr>
<tr>
<td>authoritarian leadership style</td>
<td></td>
<td></td>
</tr>
<tr>
<td>conflicts brushed under the carpet</td>
<td></td>
<td></td>
</tr>
<tr>
<td>guilty persons for mistakes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>low employee information</td>
<td></td>
<td></td>
</tr>
<tr>
<td>little trust in employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>no involvement in decisions</td>
<td></td>
<td></td>
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<tr>
<td>low performance information</td>
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<td>low quality orientation</td>
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<tr>
<td>low customer orientation</td>
<td></td>
<td></td>
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<tr>
<td>not receptive to innovations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>individualism</td>
<td></td>
<td></td>
</tr>
<tr>
<td>no cooperative atmosphere</td>
<td></td>
<td></td>
</tr>
<tr>
<td>little trust in leaders</td>
<td></td>
<td></td>
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<tr>
<td>low commitment/work to rule</td>
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</tr>
</tbody>
</table>

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Cultural changes (influence by clusters of countries)

- **significant effects** were found for the **clusters of countries** - and for no other factor, even expected effects for other M/A variables (like process participation, change of supervisors) were not significant.
- **differences before the M/A:** employees from roman companies characterize their organisation as more hierarchically and their leadership style as more authoritarian than all the others; employees from nordic companies evaluate quality and team orientation lower than all the others, on the other hand english companies are described as strong quality and team orientated.
- **differences of the perceived changes after the M/A** employees from companies with lower hierarchical organisation and higher team orientation before the M/A experience a deterioration (multinational, german) et vice versa (roman, nordic); the same effect can be observed for quality orientation, where the employees from nordic companies describe an amelioration - no change for english and a deterioration for the others.
Changes in the personal situation (influence factors)

- **Satisfied with the job**
  - Before: 2.3
  - After: 3.3

- **A lot of career opportunities (clusters of countries)**
  - Before: 2.5
  - After: 3.6

- **Not worried about professional future**
  - Before: 2.9
  - After: 4.0

- **Get along very well with colleagues**
  - Before: 2.8
  - After: 4.5

- **Satisfied with management/supervisors**
  - Before: 1.9
  - After: 2.4

- **Proud to be employee of the company (clusters of countries)**
  - Before: 2.4
  - After: 3.6

Unsatisfied with the job (change of supervisor)
- Few career opportunities
- Worried about professional future (process participation)
- Not get along well with colleagues
- Unsatisfied with management/supervisors (change of supervisor)
- Not proud to be employee of the company
Changes in the personal situation (influence factors)

- **significant effects** were found for the clusters of countries - but for no other factor, even expected effects for other M/A variables (like process participation, change of supervisors) were not significant.

- **differences before the M/A:**
  employees from multinational and german companies state less career opportunities than the others, on the first place the multinationals show less commitment (proud ...), in a middle position we find the germans.

- **differences of the perceived changes after the M/A:**
  employees with a change of the next higher manager describe a really high loss of satisfaction with their management and also with their job, whereas the deterioration is less when the direct supervisor changed, those with no change of supervisors are just a bit less satisfied; employees who had a chance to participate personally in workshops, followed by those only knowing about workshops in their company, are not much more worried about their future; meanwhile employees of companies without (known) workshops are extremely more worried.
Conclusions I: results

• Most of the experiences don’t differ among the employees of the analysed clusters of countries - regarding the evaluation of the process and the success of M/A.
• We find differences in the evaluation of structural and cultural aspects before M/A - which directions are going confirm with Hofstede.
• And the same items, which concern the perceived structure and general orientation, differ in the evaluation of the changes. At the end - the means after the M/A show less variances.
• But in all the other items on leadership, trust, and commitment we don’t find any significant influence by countries.
• The influences on the personal situation are almost the expected - like change of job, change of supervisor and information and participation.
Conclusions II: limitations

- Limits of the study must be seen due to the size and kind of sample, which did not allow
  - any further differentiation between the countries,
  - analyses of interactions between the various influence factors
- Especially the variable national/international M/A was perhaps too inexact - one should differ between nations or at least clusters of countries to analyse its potential influence.
- The influence of general (national and not organisational) culture might also be underestimated - for we could only differ between clusters of countries and not between nations which is a more precise indicator (any deeper differentiation of cultures might be possible in case studies - but not in this overall survey).