AN ABSTRACT OF THE THESIS OF

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Title: The Effect of Integration Approach on Employee Attitudes through_____

Organizational Culture Change and HR Initiatives during Mergers and Acquisitions

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Mergers and acquisitions (M&A) have been widely recognized as key strategies to achieve sustainable business growth and competitive advantage. Unfortunately, the success rate of M&A has not been fully meeting expectations. In a study of a M&A at an Indonesian company, 101 employees were surveyed on their organization's culture before and after the merger, the effectiveness of human resources in dealing with the merger, and their organizational commitment and employee engagement. It was found that the employees who underwent a preservative approach had greater organizational commitment and employee engagement compared to those who underwent a transformational approach. Those who underwent a preservative approach perceived less culture change during the merger. The effectiveness of human resources in dealing with the merger was found to moderate the relationship between culture change and organizational commitment, such that greater culture change was related to lower commitment when human resources was ineffective. However, when human resources was effective, there was not a significant relationship between culture change and commitment.

Keywords: Mergers & Acquisitions, Organizational Culture, Employee Engagement, Organizational Commitment, Human Resources Effectiveness

THE EFFECT OF INTEGRATION APPROACH ON EMPLOYEE ATTITUDES

THROUGH ORGANIZATIONAL CULTURE CHANGE AND HR INITIATIVES

DURING MERGERS AND ACQUISITIONS

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CHAPTER 1

INTRODUCTION

The Success and Failure of Mergers and Acquisitions

In the era of rapid technological advancement and market globalization, it is not uncommon for business players around the world to consider mergers and acquisitions (M&A) as one of the most prominent business development strategies. In fact, 2015 was a record year for M&A (Brownstein, 2016), when more than 44,000 transactions were announced with a total value above 4.5 trillion USD (imaa-institute, 2017). The Institute for Mergers, Acquisitions and Alliances (Imaa-institute) also shows that the number of transactions grew to more than 48,000 in 2016 and may still be growing in the future. Obviously, mergers and acquisitions have been widely recognized as key strategies to achieve sustainable business growth and competitive advantage (Pablo & Javidan, 2004).

The terms mergers and acquisitions essentially have different meanings. Mergers are commonly defined as the consolidation of two or more organizations of equal standing into a single organization, with the original entities disappearing. Acquisitions refer to the buying of one or more organizations by another organization, where the buyer retains its identity and control (Schraeder & Self, 2003; Steynberg & Veldsman, 2011). However, the distinction between the two terms may not be relevant in most cases because both strategies lead to the same results, which is two or more separate entities are now working under the same roof to achieve shared strategic objectives (Steynberg & Veldsman, 2011). Therefore, for this study, the terms mergers and acquisitions (M&A) will be used together or interchangeably, referring to the same aforementioned meaning.

M&A decisions are driven by financial and strategic consideration, such as the issues of availability, price, potential economies of scale, and projected earnings ratios (Cartwright & Cooper, 1993). Substantial advantages may be obtained through M&A, such as product growth and diversification (Gitman & Zutter, 2012), access to new resources and technology, cost-saving opportunity, broader market (Chapman, 2003), and the acquisition of human capital (Sheerman, 1998). Some companies execute mergers and acquisitions as an effort to adjust to new regulations and policies (Pratiwi, 2008) or to mitigate financial risk (Sheerman, 1998). To conclude, all organizations that undertake M&A assuredly have motives and objectives that expect to add value to the organization.

Unfortunately, the success rate of M&A has not been fully meeting expectations. As summarized by Steynberg and Veldsman (2011), KPMG reported that 80% of significant capital transactions failed to meet the objectives and shareholder expectations (Kelly, Cook, & Spitzer, 1999). From a comprehensive dataset of 864 U.S publicly traded transactions, Nguyen (2013) also confirmed that M&A does not create any significant improvements for the acquiring firms and their shareholders. In a more recent survey by Deloitte of more than 1,000 companies in the US, 84% of the respondents say at least some of their M&A deals in 2015 and 2016 did not generate the expected value or return on investment (Deloitte M&A Year End Report, 2016).

M&A are also conducted by many companies around the world with similar disappointing results. An analysis of 39 acquiring companies in Indonesia by Nababan, Nababan, and Tampubolon (2005) showed that the acquisition decision did not lead to long-term performance improvement. Another research study of 30 firms at the Indonesian Stock Exchange from 2000-2008 showed that M&A did not

influence the net profit margin, return on asset, and/or return on equity (Saviera, 2012). Lastly, a survey by Towers Perrin/SHRM Foundation of over 440 HR executive worldwide showed that all the great expectations for M&A were not met and even fell way below in every aspect. This includes market share growth, leading the industry consolidation, brand reputation enhancement, reducing costs, product-market portfolio expansion, access to talent/management capabilities, access to technology, and access to manufacturing capacity/expertise (Schmidt, 2002). Therefore, in order to improve the process and reach the desired outcomes, academics and practitioners keep conducting research and practices to answer the big question on how to achieve successful M&A.

Changes and Integration Process during Mergers and Acquisitions

There are three categories of traditional mergers and acquisitions: horizontal, vertical, and conglomerate (Schmidt, 2002). Horizontal M&A usually happen between competing firms in the same industries, while vertical M&A occur among organizations in related but different industries, and conglomerate M&A happen among companies in unrelated industries.

Schmidt also claimed that there are six waves of mergers and acquisitions. The first wave, known as monopoly M&A, was predominant from 1897 to 1904 and coincided with the great economic recession in 1903. Most of the M&A during this time period were horizontal M&A, with core objectives related to technological and economic development. The second wave from 1916 to 1929 was recognized as oligopoly M&A and was influenced by the post World War I era. The characteristics of the M&A during this period were the vertical M&A, with the production of metals, petroleum, food products, chemicals, and transportation.

The third wave of mergers and acquisitions was identified as the formation of the business conglomerate. It started in 1965 and ended in 1969. The fourth wave began in 1981 and lasted until 1989. It was recognized as the mega-merger, which was influenced by the global economy, government development, and innovative financial programs. The characteristics included purchases of foreign business and cross-border M&A. From 1992 to 2000, the fifth wave of M&A took place and was widely known as strategic restructuring. The primary focus of the M&A in this period was organizational development as a long-term strategy.

The sixth wave is known as business retrenchment, and it is considered the current trend of M&A. Schmidt also explained that this wave emphasizes organizational retrenchment, downsizing strategies to cut costs, higher quality of products and services, customer focus orientation, and lower production costs and expenses. With these characteristics, it is typical for employees in merged companies to experience changes that directly influence their job.

Merged companies most likely will have new strategic goals, business focus, or, at least on the group level, some departments might have different goals, workflows, standard operating procedures, or business processes. Several employees might be moved to another function; some could experience job enhancement, enrichment, or even subtraction. In the worst case, some people might be laid off. Restructuration, as one essential strategy during M&A, may lead to changes in the employees' reporting line and the composition of the teams. Some employees might have different peers, supervisors, or subordinates. The combination of leaders and talents from two separate companies with two different cultures may lead to a different leadership style and a new group dynamic, and thus, shape the new organizational culture.

M&A processes are comprised of pre-deal, due diligence, integration planning, and implementations (Schmidt, 2002). The first stage is an initial stage, which starts with a screening process, based on criteria for selection of a potential target organization and usually focuses on the financial aspects. In this stage, the company also develops an action plan to execute the deal with the selected company. During the second stage, or the due diligence, planning and validating the agreement between the two organizations is conducted in order to ensure that the proposed deal is sound from strategic, economic, and implementation perspectives. Although these first two processes usually put more emphasis on the financial and legal aspects, Pablo and Javidan (2004) believed that human resource professionals should also be involved in analyzing issues of cultural compatibility to determine how the key employees of the new organization will react to significant changes during the integration process. Additionally, carefully screening the employees and selecting people who were compatible with the new combined organization would also increase the success of M&A (Daniel & Metcalf, 2001).

However, the integration process, which comprises the third and fourth stages, is the core process of the cultural changes during M&A. Davenport (2002) claimed that the integration process, including the planning and the implementation, is the most important stage for the HR function in the organization. This is because the different cultural values, management practices, organization policies, and work processes of the two companies need to be integrated and combined smoothly to achieve the M&A goals.

Ellis (2004) summarized the four approaches of integration during the M&A process from previous studies by Haspeslagh and Jemison (1991), Nahavandi and Malekzadeh (1988), and Marks and Mirvis (1998). The four approaches are

preservation, absorption, symbiotic, and transformation. In the preservation approach, the two organizations continue operating independently. They keep the original structure, system, policies, management practices, and work process. In other words, the two entities maintain separate identities while forming new alliance and undergoing collaborations. This approach is illustrated in Figure 1a.

The second type of approach occurs when the dominant company imposes its culture on the smaller company. This means the smaller company absorbs the structure, system, policies, management practices, and work process of the dominant company. This approach is illustrated in Figure 1b.

On the third approach, symbiotic approach, the two entities incorporate their identity into one, and implement the best selected or combined structure, system, policies, management practices, and work process from both sides. This approach is illustrated in Figure 1c.

The transformation, or the fourth approach, is similar with the third type in a way that the two companies fuse into one identity and use the same structure, system, policies, management practices, and work process. However, in this type of integration, the companies do not only use the existing practices, but also integrate the external best practices as well as new organization practices. This approach is illustrated in Figure 1d.

Ellis (2004) found a moderate to strong relationship between integration approaches and the process dimensions. Moreover, she argued that firms utilizing the transformational approach exhibited significantly higher levels on the following process dimensions: (1) articulation of a shared purpose, (2) consideration of the combined firms' name and headquarters, (3) existence of a transition management structure, (4) involvement by members from both organization in the transition
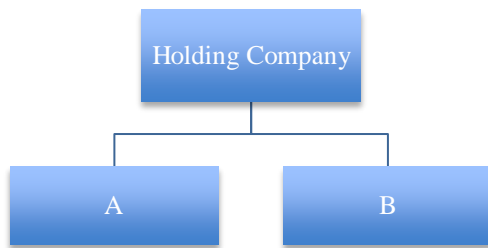
Figure 1a. Preservation Approach
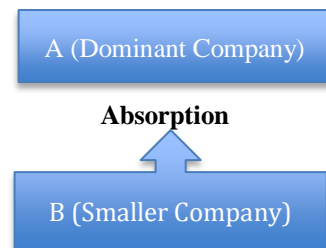
Figure 1b. Absorption Approach

Figure 1c. Symbiotic Approach

Figure 1d. Transformational Integration

management structure, (5) inclusion of employees from various levels, (6) use of specific task forces in key functions, (7) design for combined firm as a primary goal, and (8) identification of best practices as a primary goal of the transition management structure. Moreover, firms using the transformational approach engaged more in establishing bilateral communication, providing the acquired company with the ability to refute decisions, considering the management of combined operations during the preliminary planning process, and fostering cooperation between members of both firms as a primary goal of the transition management structure.

Consequently, it is possible that these different approaches of integration affect the employees differently. With the preservation approach, the changes will not be as much as the other approaches, since both entities will maintain their identity. The second type of integration, absorption, may lead to greater changes especially for the smaller company because it has to adjust to the dominant company's culture. The symbiotic approach might demand both companies to adapt because both companies will form new identity and adopt new practices. The last type, transformational integration, may have the most significant demand to change because both companies will not only adjust to each other's culture, but also adjust to new practices from outside of both organizations.

Organizational Culture

With all these changes during the integration stage of M&A period, issues and challenges related to the employees will likely appear, including problems in integrating the two organizational cultures. The impact of these cultural changes to the employees may be detrimental if they were not facilitated carefully, especially if there is a wide gap between the two cultures. Aside from the insufficient due diligence process, improper target identification, failure to value the target accurately,

changing regulatory and legislative environment, failure to integrate the two companies is also recognized as the biggest impediment to achieving a successful M&A (Deloitte M&A Year End Report, 2016).

Cartwright and Cooper (1993) claimed that cultural incompatibility is being widely cited as a human-related cause for poor merger performance. It is consistently cited as one of the top ten reasons for M&A failure (Steynberg & Veldsman, 2011; Schmidt, 2002). Nevertheless, the cultural issues are often overlooked. According to Schuler and Jackson (2001), some of the reasons that the people factor is usually ignored is the belief that the people issues are too soft and intangible to deal with and a lack of awareness that the people issues are important.

One of the most critical factors for an effective integration is recognizing the organizational culture differences. Applebaum, Robert, and Saphiro (2009) suggested that cultural assessment is imperative in improving the probability of a successful acquisition as well as reducing the negativities that are present as two unique organizational cultures are brought together.

Organizational culture is a significant part of the company. According to Cartwright and Cooper (1993), organizational culture often defined as a "social glue" that operates unconsciously and appears in the form of symbols, values, ideologies, and assumptions to guide and fashion individual and business behavior. Bueno et al. (1985, in Schraeder & Self, 2003) explained that organizational culture is unique to a particular organization. It comprised of objective and subjective dimensions and concerned with tradition and the nature of shared beliefs and expectations about organizational life. Kotter and Heskett (1992) believed that organizational culture could have a great impact on the long-term economic performance of the company.

Schein (1999) argues that culture exists at several levels, from the very visible to the very tacit: artifacts, espoused values, and underlying assumptions. Artifact is the most straightforward level to observe culture. It appears as everything we can see, hear, and feel if we hang around in the organization, including the architecture, the decoration, and the climate, based on how people behave toward each other.

The second level, espoused value, is slightly deeper than the first one. It is supposed to create an image of the organization. Values are sometimes perceived as the organizational goals, strategies, and philosophies. However, two organizations might have similar values. For instance, they both might be customer-oriented, yet have completely different physical layouts and working styles. This phenomenon shows that there is a deeper level of thought and perception driving the overt behavior, which is called underlying assumptions.

To understand underlying assumptions as the deepest level, one has to look at the history of the organization. Throughout the history of the company, if the values, beliefs, and assumptions of the founders and key leaders continued to be successful in creating products and services that the market preferred, these beliefs and values would gradually come to be shared. They then become tacit assumptions and form the organizational culture.

Based on those levels, Schein concludes that culture can be understood as a pattern of shared tacit assumptions that were learned by a group as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems. In line with this definition, Hofstede et al. (2001) claimed that culture is holistic and refers to phenomena that

cannot be reduced to single individuals, it is historically related and conveyed through traditions and customs, and it is inert, thus difficult to change.

Cameron and Quinn (2006) provide an instrument called the Organizational Culture Assessment Instrument (OCAI) based on a theoretical model known as the Competing Values Framework (CVF), a framework introduced by Quinn and Rohrbaugh (1983). This framework was empirically derived and has been found to have both face and empirical validity. It also helped to integrate many aspects of organizational culture proposed by previous authors who examined organizational culture. It is composed by two pairs of competing values with bipolar dimensions (flexibility and control; and internal and external focus) that configure into four types of culture: clan, adhocracy, hierarchy, and market.

An organization that has a dominant hierarchy culture tends to favor clear lines of structure and authority, efficient decision-making, standardized procedures, rules and regulations as well as control and accountability mechanisms. The market culture, while having a similarity with hierarchy in terms of stability, is more focused on the outward. It is result-oriented, emphasizing competition and achievement, and is customer driven. On the other hand, clan culture is more focused on the inward and has higher flexibility compared to the previous two. It is more like a family and has more of a sense of "we-ness." It values cohesiveness, participation, communication, and personal development. The last culture, the adhocracy, is the one with external focus and high flexibility. This is the most dynamic culture with high emphasis in innovation, growth, entrepreneurship, and cutting-edge services or products. Consistent with other researchers, Cameron and Quinn (2006) also claimed that organizational cultures are not easy to change. It needs a long-term process with an

exhaustive planning and high commitment from every party in the company, especially the top management, to be able to change organizational culture.

During M&A, the difficulty in changing cultures becomes more salient (Chatterje et al., 1992). Jayesh (2013) stated that cultural integration is one of the most important HR issues in the post-merger phase. He explained that when two companies are combined, people in the companies tend to immediately focus on differences and reject the other company's culture because they usually perceive it as an external influence. It is common for the acquiring company to try to impose changes and view those in the acquired company as highly resistant to change. He believed that the cultural integration should be managed properly to prevent serious problems and another failure in M&A.

Mismanagement during the M&A process is likely to result in negative work attitudes, such as poor morale, high employee stress, increased sickness absence, and lowered productivity (Cartwright & Cooper, 1993). Consistently, a study of the Nigerian banking industry by Okoro (2010) also found that a lack of cultural integration during a merger and acquisition was related to decreases in each of the organizational performance measures (employee commitment, job satisfaction, and employee retention).

A decrease in such performance measures has been found to directly affect customer satisfaction (Schneider & Bowen, 1985), which drives the organizational financial performance. Additionally, employee attitudes also contribute to organizational citizenship behaviors, or voluntary behaviors in supporting the company beyond the job requirements that also contribute to the organizational outcomes (Bateman & Organ, 1983; Organ, 1988; William & Anderson, 1991).

According to Leeamornsiri (2005), the organizational culture integration usually fails due to lack of human resource involvement during the process. Substantial support was found for relationships among human resource practices, organizational climate, and work attitudes at the organizational level of analysis (Barksdale, 1994). Therefore, to manage the impact of these changes to the people and to ensure that the values of the two cultures are successfully integrated during the M&A process, implementing effective HR initiatives are crucial, especially to retain talented employees (Schuler & Jackson, 2001).

Human Resource Initiatives to Manage Cultural Gap during M&A

The involvement of the human resource function in a company creates a high potential for the success of M&A (Daniel & Metcalf, 2001; Schmidt, 2002). Marks (1997) described three major roles of HR to smooth the integration during the merger. The first role is educating managers and employees to help them manage stress, low morale, and productivity issues, as well as minimizing uncertainty in the organization during the merger process. The second role is developing the newly formed teams through interpersonal conflict resolution, roles and responsibilities clarifications, work process mapping, and competencies development for the talent. The third role and the most difficult one, is reinforcing the new culture. In order to fulfill this role, HR practitioners should be able to help the management in identifying the best cultural aspects of both companies and carrying them to the new organization. The management should be provided with the development tools and feedback regarding the progress toward the new culture periodically.

According to Schuler and Jackson (2001), the most critical processes that have to be conducted by human resource professionals during this process are conducting needs assessment, identifying key jobs, and redesigning the work process. In addition

to the aforementioned processes, human resource intervention should also involve goal setting, change management, training and development, performance management, knowledge management, employee involvement, team building programs, communication as well as attracting and retaining key employees in order to reach the success of mergers and acquisitions (Cumming & Worley, 2001; Miller, 2003; Schmidt, 2002).

A study by Leeamornsiri (2005) showed that the human resource function of the company has integral responsibilities to improve the success rate of the M&A. In the integration stage, it is vital for the HR department to identify the new organization's mission and strategy to increase agreement among shareholders, management, and employees as well as promoting the new culture and creating a positive working environment.

Furthermore, he summarized the five important roles of HR during M&A. First, as HR champion, human resource professionals should be closely involved in workforce planning and staffing for the new organization. Second, as training specialists, HR professionals are responsible for planning, administering, and supervising training and development programs to increase employee competencies and promote new cultural values and management practices. Third, HR professionals as strategic partners and change agents work collaboratively with the leaders in the change management process, redesigning organization structure and identifying work processes. Fourth, HR professionals also have a role as mentors and facilitators. They provide counseling services and help employees and managers manage stress and adapt to changes during the M&A process. Fifth, as consultants and problem solvers, it is essential for HR practitioners to assist the new organization to resolve the most current problems.

In a study of 19 merged service sector organizations, Rizvi (2010) found eight frequently used interventions during M&A: soft skill training program, career pathway, technical skills training program, team intervention, comprehensive intervention, orientation program, workshop on values and philosophies, and structural intervention. Using these interventions, HR departments of the companies carried out the roles of employee advocacy (taking care of employees' feelings and emotion), functional expertise (administrative functions such as compensation and staffing), and human capital development (learning and cultural integration).

Based on the previous studies, it can be concluded that the HR function has important roles in increasing the success of M&A, especially in the integration process. These roles are fulfilled through the HR initiatives depicted in Table 1.

Employee Attitudes

As mentioned earlier, employee attitudes are substantial because they lead to positive organizational outcomes, including customer satisfaction and financial performance (McGregor, 1960; Ostroff, 1992; Ryan et al., 1996; Schneider & Bowen, 1985). Also, employees with positive attitudes are more likely to perform organizational citizenship behaviors, or voluntary behaviors supporting the company beyond the employees' job requirements, which also contributes to the organizational outcomes (Bateman & Organ, 1983; Organ, 1988; William & Anderson, 1991). Unfortunately, previous studies showed that failure to integrate the two companies during M&A correlated with lower employee attitudes, including employee engagement and organizational commitment (Cartwright & Cooper, 1993; Kyei-Poku & Miller, 2013; Okoro, 2010).

Table 1.

HR Roles and Initiatives

No	Roles	Initiatives
1	Organizational Development	- Redesigning organization structure - Identifying work process - Job analysis and evaluation - Policies and procedures development - Workplace planning
2	Human Capital Development	- Competency assessment and talent mapping - Training needs analysis and planning - Orientation programs - Soft skill and technical skills training programs - Leadership development - Career pathway - Team building programs - Interpersonal conflict resolution - Performance evaluation and feedback
3	Functional expertise	- Talent acquisition - Internal staffing (rotation & promotion) - Redesigning compensation & benefit scheme - Policies and procedures for financial incentives - Knowledge management
4	Employee advocacy	- Communication and socialization - Counseling services

		• Employee surveys
		• Employee relation programs
		• Rewards and recognition programs
5	Reinforcing new culture	• Cultural assessment
		• Identifying new organizational values, missions, and strategies
		• Workshop/socialization on new values and philosophies
		• Providing development tools and feedback for managers
6	Strategic partner & change agent	• Goal setting and performance planning
		• Leaders facilitation to identify HR-related needs and requirement
		• Change management programs
		• Assisting managers to resolve current problems related to HR and organizational issues

Employee engagement. This construct is relatively new, developed concomitantly with the increase of positive psychology (Seligman & Csikszentmihalyi, 2000), which emphasizes the importance of employees' positive experiences in the workplace. According to Schaufeli et al. (2002), employee engagement is the opposite of burnout. They edited the burnout inventory to develop an instrument that distinguishes the two constructs. Based on the study, they suggested that employee engagement is a multidimensional construct comprised of three dimensions: vigor, dedication, and absorption, the opposite of the three dimensions of burnout: exhaustion, cynicism, and lack of efficacy. Vigor is characterized by high energy, effort, resilience, persistence, and motivation to invest in the work, even in challenging situations. Dedication referred to enthusiasm, significance, involvement in work, and a sense of pride and inspiration. Absorption is the immersion in one's work or high level of concentration and the sense of time passing quickly while working.

Supporting the notion that engagement is the opposite of burnout, a study by Haulberg and Schaufeli (2006) indicated that work engagement is consistently inversely related to several health measures, including depressive symptoms, somatic complaints, and sleep disturbances. However, the authors concluded that its relationship with a wide range of health measure provides two possible interpretations. The first one is that employee engagement is more than just the opposite of burnout and more of a conceptualization of optimal functioning. The second interpretation is that engagement is the opposite of burnout, but the definition of burnout needs to be expanded. Another study, a meta-analysis, showed that engaged employees have lower rates of absenteeism, turnover, internal employee

theft, safety incidents, patient safety incidents, and work quality defects than unengaged employees (Harter, Schmidt, Killham, & Agrawal, 2009).

Employee engagement and job satisfaction are often confused as overlapping or even seen as the same constructs. Therefore, Warr (2002) conducted a study of an affective well-being model, showing that job satisfaction is associated with an affective response only (pleasure or displeasure), while employee engagement is associated with both an affective response and activation or arousal. Consequently, high engagement goes hand in hand with high job satisfaction because both of them are characterized by pleasure and high activation, while high job satisfaction is not always associated with high work engagement.

Organizational commitment. Employee engagement and organizational commitment are related constructs but do not overlap to the extent where redundancy was actualized (Hallberg & Schaufeli, 2006). Meyer and Allen (1991) proposed a three-component model of organizational commitment, along with the measures for each component. Affective commitment (AC) refers to the employee's emotional attachment to, identification with, and involvement in the organization. Continuance commitment (CC) refers to commitment based on the costs that the employee associates with leaving the organization. Normative commitment (NC) refers to the employee's feelings of obligation to stay with the organization. Furthermore, they proposed that employees' willingness to contribute to organizational goals would be influenced differentially by the nature of their commitment. Employees wanting to belong (AC) are more likely to show an effort to perform than those needing to belong (CC) or obligated to belong (NC).

Consistently, a study by Hackett, Bycio, and Hausdorf (1994) showed that AC had the strongest positive relationship with motivation and job satisfaction, while CC

was negatively correlated with the same measures. Also, intention to quit was significantly correlated with all components, with AC showing the strongest relationship $(r = -0.42)$. Affective organizational commitment also negatively correlated with withdrawal tendency and positively correlated with organizational citizen behavior and career development intention (Sinclair, Tucker, Cullen, & Wright, 2005; Tremble, Payne, Finch, & Bulis, 2003). Additionally, meta-analyses have indicated that affective organizational commitment is consistently inversely related to withdrawal behavior, including perceived job alternatives, intention to search, intention to leave, lateness, absenteeism, and turnover (Griffeth, Hom, & Gaertner, 2000; Mathieu & Zajac, 1990).

Statement of the Problem

M&A are key strategies for sustainable business growth and competitive advantage. However, the success rate of these strategies is still disappointing. Given all the advantages companies can obtain from mergers and acquisitions, it is important to more fully comprehend the factors that might contribute to its success and failure to achieve the desired objectives from the strategies.

The cultural integration of M&A is the most crucial part for HR to manage, yet it is recognized as the biggest impediment to achieve a successful M&A. Previous studies show that it is possible that the human factor is one of the significant contributors to M&A failure, but the relationship between the integration approach during the process with employee attitudes, as well as the impact of the organizational culture gap and HR initiatives to the relationship, are rarely explained.

Purpose and Significance of the Study

This study aims to investigate the impact of the integration approach during M&A to the employee attitudes, such as employee engagement and organizational

commitment, through the changes of organizational culture. Additionally, the study also examines the perceived effectiveness of the HR initiatives during the M&A and how it affects the strength of the cultural gap impact on the employee attitudes.

The study results increase the body of knowledge about human issues during M&A and provide information that can be implemented to organizations that intend to undertake these strategies. The findings help to link organizational culture theories with HR and managerial practices to achieve high performance of the organization during M&A process.

For theoretical development, the findings may broaden the knowledge and discussions regarding M&A, organizational culture, HR practices effectiveness, and employee attitudes such as employee engagement and organizational commitment. As the managerial implications, the information can help business leaders and practitioners in formulating mergers and acquisitions policies, as well as planning and executing the HR initiatives to maintain organizational stability during the change process, and even more to increase the organizational performance through the people.

Research Questions

The purpose of the study is to acquire understanding regarding the approaches of integration during M&A and how these relate to employee attitudes, organizational culture, and HR initiatives. More specifically, the study objective is to investigate the impact of integration approaches during M&A to the employee attitudes, through the organizational culture, and how the perceived effectiveness of the HR initiatives affects the strength of the cultural gap impact on the employee attitudes. A model of these relationships are depicted in Figure 2.

In order to provide guidance for conducting the study, several research questions are addressed:

Research Question 1: What is the nature of the relationship between the integration approach (preservation or transformational) and employee attitudes (employee engagement and organizational commitment) after mergers and acquisitions?

Research Question 2: What is the nature of the relationship between the integration approach (preservation or transformational) and the organizational culture gap after mergers and acquisitions?

Research Question 3: What is the nature of the relationship between the organizational culture gap and employee attitudes (employee engagement and organizational commitment) after mergers and acquisitions?

Research Question 4: Does the organizational culture gap mediate the relationship between the integration approach (preservation or transformational) and employee attitudes (employee engagement and organizational commitment)?

Research Question 5: Does the perceived effectiveness of the HR initiative moderate the relationship between the organizational culture gap and employee attitudes (employee engagement and organizational commitment) after mergers and acquisitions?
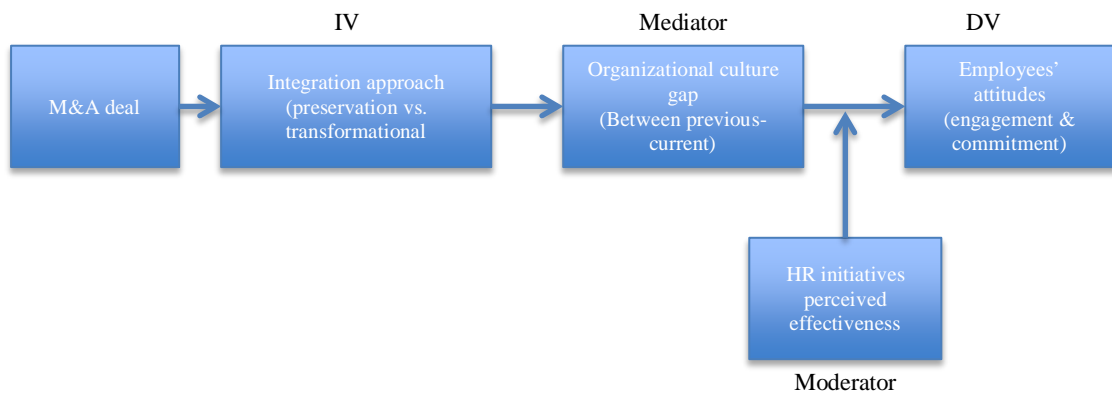
Figure 2. Proposed Model

CHAPTER 2

METHOD

Research Design

I conducted this study with a combination of qualitative and quantitative studies. This method is better than either qualitative or quantitative alone in terms of enhancing the quality and richness of the data. It enables the obtainment of quantifiable data and also provides an opportunity to add, elaborate, and develop the answers through open-ended questions. The qualitative method was used to enrich the HR perceived effectiveness and especially to explore the HR initiatives implemented, while the quantitative method was utilized to analyze the relationship between the integration approaches, organizational culture, employee attitudes, and HR initiatives perceived effectiveness.

Participants

The participants in this study were the employees of a mining corporation in Indonesia who have experienced an M&A process in 2015. I contacted the HR Director via email, and he gave me his permission to collect data from the employees through surveys and interviews. There are more than one thousand employees in this corporation, serving several different entities under the same roof of the holding company. Company A has a head office located in the capital city of Indonesia located in Java Island, Jakarta, and several mining sites in other locations with the biggest one in Borneo Island. In 2015, Company A made a deal to purchase Company B, one of the biggest mining companies in Indonesia. The sites of Company B are located in Borneo Island, with a representative office in Jakarta.

After the mergers, approximately 400 employees were located at the head office Jakarta and the other 1000 employees spread out at several mining sites in

Borneo Island. The HR division sent the surveys to 658 employees who had joined the companies since before the merger (January 2016) from both entities. Both entities also have employees working for the supporting (non-mining) companies, but the surveys were given to the employees who served the mining companies only.

After 4 weeks period, a total of 136 employees responded for a response rate of 21%. However, the sample was reduced to 106 due to incomplete responses. Among those participants, 21% have worked for the company for 1-3 years, 36% have worked for 4-6 years, 22% have worked for 7-9 years, and 21% have worked for more than 9 years. Thirty-seven percent of the participants belong to the purchaser company and 63% of them belong to the acquired company. Other demographic information was not asked in attempt to avoid sensitive questions and increase participation rates.

Instruments

All of the instruments were first created in English and then they were translated into Indonesian for the participants. To check the reliability of the translations, the measures were translated from English to Indonesian using the back-translation method (Berry, Poortinga, Segall, & Dasen, 1992). The translation team was made up of Dwita Renanda and me. I initially translated the instruments from English into Indonesian. Then Dwita Renanda translated the instrument from Indonesian into English. With each iteration, we looked for translations that did not work well. We worked as a team until a consensus was reached regarding the best translation for the Indonesian versions of the instruments. After the instruments were translated, I submitted them to IRB to get the approval to use them to human subjects. See Appendix A.

Integration approaches. The integration approaches serve as the independent variable. There were two approaches to integration applied in the company's M&A process. First, preservation approach has been applied to the Company A and Company B in each site in Borneo Island. Even though the new values and missions were introduced to the employees, both companies maintain their identities, characterized by independent organizational structure, system, policies, management practices, and work processes, with limited control from headquarters.

On the other hand, the transformational approach has been applied for the support and policy-related departments at its headquarters in Jakarta. The organizational structures of both companies were merged, the new rituals and policies were applied, and new work systems and processes were implemented based on external benchmarking and best practices. Therefore, in this study, the data from the two groups of employees underwent these two approaches of integration were compared to examine the relationship between integration approaches and employee attitudes. See Figure 3.

Organizational culture. This construct was assessed by an instrument developed by Cameron and Quinn (2006) based on the Competing Values Framework (CVF), named Organizational Culture Assessment Instrument (OCAI). However, instead of asking the score of the current and ideal culture as used by Cameron and Quinn, I modified it into the score of the previous (before M&A) and current (after M&A) in order to fit the purpose of the study. See Appendix B.

The OCAI comprises six dimensions with four alternatives in each dimension. The purpose of this instrument is to assess the dominant culture of the organization based on these six dimensions. This instrument identifies four types of culture: clan, adhocracy, hierarchy, and market. Based on a study of 10,300
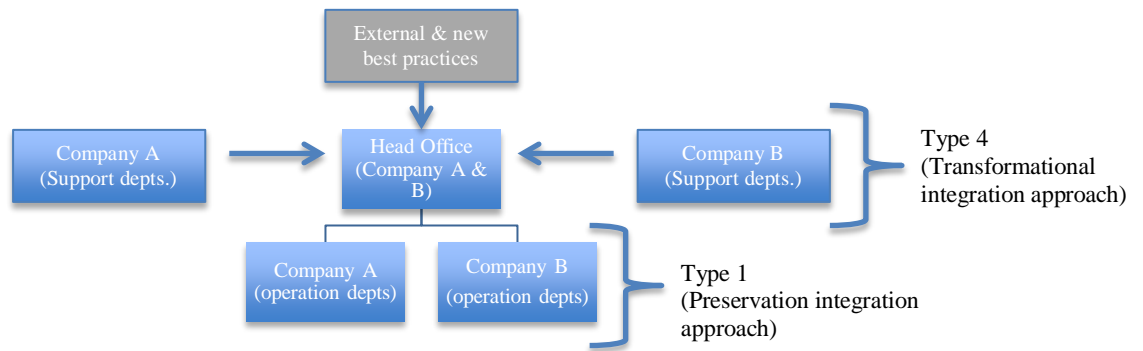
Figure 3. The Company Integration

executives in 1,064 businesses by Yeung, Brockbank, and Ulrich (1991), the clan culture reliability was .79, the adhocracy culture reliability was .80, the hierarchy culture reliability was .76, and the market culture reliability was .77. For this study, the absolute scores of difference between previous and current culture were used as the operationalization of organizational culture gap. This construct serves as the mediating variable.

Organizational commitment. The revised version of the Three-Component Model of Commitment scale developed by Meyer & Allen (1991) and Meyer et al. (1993) was used to measure the organizational commitment. Respectively, the internal consistencies for affective, normative, and continuance commitment scales are 0.91, 0.91, and 0.88 (Kyei-Poku & Miller, 2013). However, I only used affective commitment in this study since the study found it to be the best predictor of employee attitudes compared to normative and continuance commitment (e.g. (Griffeth et al., 2000; Mathieu & Zajac, 1990; Hackett et al., 1994). See Appendix C.

Employee engagement. This construct was measured by the 9 items of the Utrecht Work Engagement Scale (UWES-9) developed by Schaufeli and Bakker (2003). The reliability of the UWES-9 was excellent (.93), while the internal consistency of the Vigor, Dedication, and Absorption subscales was very good with the coefficients .85, .86, .84, respectively (Littman-Ovadia & Balducci, 2012). Both employee engagement and organizational commitment serve as the dependent variable. See Appendix D.

HR initiatives perceived effectiveness. This variable serves as the moderator. The instrument was developed based on the interview with the HR managers and director. It consists of one question regarding the effectiveness of the HR initiatives

from the perspective of the employee, with several sub-items based on the HR initiatives identified from the interview results. See Appendix E.

Procedures

Qualitative. To guide the construction of the HR perceived effectiveness survey, a qualitative study was conducted. The participants of this part of the study were the HR Managers of the company undertook the M&A. They went through a structured interview exploring the HR initiatives implemented during the integration stage of the merger. The HR Director then confirmed the interview results consist of the HR initiatives summary. This summary was then used as the guidance in constructing the items for the HR perceived effectiveness survey. An open-ended question was also presented in this survey for the employees to enrich the quantitative results.

Quantitative. The employees were given a set of survey comprises of four sections: organizational culture assessment, HR perceived effectiveness survey, organizational commitment survey, and employee engagement survey. An online survey platform was used with the link sent to the employees' emails. The companies' HR helped to send the emails to 658 employees with a brief explanation about the purpose of the survey, which is to identify relationships surrounding employee attitudes, organizational culture, and HR initiatives effectiveness during mergers and acquisitions processes. It was explained to the employees that their responses could not be linked to them, that the results will be used for academic purposes only, and that their supervisors would not be able to see their responses. They were also informed that they could contact me if they had any questions. For each participant, the complete consent form was provided at the beginning of the survey as soon as they click the link in the email.

CHAPTER 3

RESULTS

Research Questions Analyses

The first research question examined the relationship between the integration approach and employee attitudes (employee engagement and organizational commitment) after mergers and acquisitions. To analyze this question, I conducted two independent sample t-tests with the integration approach (preservation or transformational) as the independent variable and the two employee attitudes (employee engagement and organizational commitment) as the dependent variables.

Starting with employee engagement, the employees who underwent a preservation approach to adapting to the merger scored 4.79 ($SD = .78$) on engagement on a six-point scale. The employees who underwent a transformational approach to adapting to the merger scored 4.32 ($SD = 1.11$) on engagement. This difference was statistically significant ($t (101) = 4.10$, $p < .001$). Thus, the employees who underwent a preservation approach had higher employee engagement than the employees who underwent a transformational approach. Although not part of my research question, the employees who underwent a transformational approach to adapting to the merger also had significantly greater variance in engagement than those who underwent a preservation approach ($F (1, 101) = 13.89$, $p < .001$).

With organizational commitment, the employees who underwent a preservation approach to adapting to the merger scored 4.32 ($SD = .81$) on organizational commitment on a six-point scale. The employees who underwent a transformational approach to adapting to the merger scored 3.25 ($SD = 1.22$) on organizational commitment. This difference was statistically significant ($t (101) = 5.36$, $p < .001$). Thus, the employees who underwent a preservation approach had

higher affective organizational commitment than the employees who underwent a transformational approach. Although not part of my research question, the employees who underwent a transformational approach to adapting to the merger also had significantly greater variance in organizational commitment than those who underwent a preservation approach (F (1, 101) = 11.31, $p < .001$).

I also examined the correlations between integration approach and employee engagement and organizational commitment by dummy coding the preservation approach as a 0 and the transformational approach as a 1. The correlation with engagement was r (101) = -0.38 ($p < .001$) and the correlation with organizational commitment was r (101) = -0.47 ($p < .001$). Therefore, there is a significant and negative correlation between integration approach and employee engagement as well as between integration approach and organizational commitment.

The second research question examined the relationship between the integration approach (preservation or transformational) and the organizational culture gap after mergers and acquisitions. To analyze this question, I conducted an independent samples t-test with the integration approach (preservation or transformational) as the independent variable and the organizational culture gap as the dependent variable.

The employees who underwent a preservation approach to adapting to the merger scored 7.33 ($SD = 3.99$) on their culture gap. The employees who underwent a transformational approach to adapting to the merger scored 13.83 ($SD = 10.54$) on their culture gap. This difference was statistically significant (t (100) = -4.38, $p < .001$). Thus, the employees who underwent a transformational approach perceived a greater gap in organizational culture before and after compared to the employees who underwent a preservation approach. Although not part of my research question, the

employees who underwent a transformational approach to adapting to the merger also had significantly greater variance in their culture gap than those who underwent a preservation approach (F (1, 100) = 43.24, $p < .001$).

I also examined the correlation between integration approach and cultural gap by dummy coding the preservation approach as a 0 and the transformational approach as a 1. The correlation was r (102) = .40 ($p < .01$). Therefore, there is a significant correlation between integration approach and organizational culture gap.

The third research question examined the relationships between the organizational culture gap and employee attitudes (employee engagement and organizational commitment) after mergers and acquisitions. To analyze this question, I computed the correlations between the variables. The correlation between culture gap and employee engagement was r (99) = -0.42, $p < .001$, and the correlation between culture gap and organizational commitment was r (99) = -0.52, $p < .001$. Therefore, there is a significant and negative correlation between culture gap and employee engagement, and between culture gap and organizational commitment.

The fourth research question examined whether the organizational culture gap mediates the relationship between the integration approach during mergers and acquisitions and employee attitudes (employee engagement and organizational commitment). To analyze this question, I first examined the correlation between the integration approach (preservation or transformational) and employee engagement. It was -0.38. I then examined the partial correlation between the integration approach and employee engagement while controlling for the organizational culture gap. It was -0.24 ($p < .05$). Thus, the organizational culture gap seems to partially mediate the relationship between the integration approach and employee engagement, but the integration approach explains some of the variance in engagement on its own.

Another way to examine the fourth research question is with regression. First I dummy coded integration approach (preservation = 0 and transformational = 1). Then to explore employee engagement, I first entered organizational culture gap and then followed with integration approach. After entering culture gap, integration approach still explained unique variance in employee engagement. I repeated this process with organizational commitment and found the same thing. After entering culture gap, integration approach still explained unique variance in organizational commitment.

The correlation between the integration approach (preservation or transformational) and organizational commitment was -0.47. The partial correlation between the integration approach and organizational commitment, while controlling for the organizational culture gap, was -0.32 ($p < .001$). Thus, the organizational culture gap seems to partially mediate the relationship between the integration approach and organizational commitment, but the integration approach explains a good deal of the variance in organizational commitment on its own.

The fifth research question examined whether the perceived effectiveness of the HR initiative moderated the relationship between the organizational culture gap and employee attitudes (employee engagement and organizational commitment) after mergers and acquisitions. To analyze this question, I first divided the perceived effectiveness of the HR initiative into high and low effectiveness using the median score to divide the participants. Then I calculated the correlation between the organizational culture gap and employee engagement for the low effectiveness group. It was r (49) = -0.37, $p < .01$. Then I calculated the correlation between the organizational culture gap and employee engagement for the high effectiveness group. It was r (48) = -0.01, $p > .05$. Using Fisher's r to Z transformation, I found that those two correlations were not significantly different at the .05 level ($Z = -1.8$, $p = .07$), but

it was close. In a review of the moderating effects of categorical variables in studies conducted from 1969 to 1998, Aguinis, Beaty, Boik, and Pierce (2005) found the median observed effect size was only .002. Subsequently, many researchers have concluded that moderating effects do not exist. However, in their Monte Carlo simulation study, Aguinis and Stone-Romero (1997) found that the power to detect moderating effects is unacceptably low because of design issues, measurement issues, and statistical artifacts. Examples include range restriction and disproportionate sample sizes. This leads researchers to frequently conclude that no moderators exist when in fact they might exist in the population. Therefore, when examining HR effectiveness as a moderator variable, I decided to be somewhat lenient with my alpha level, using .10 instead of .05, in which case I was able to detect that HR effectiveness moderated the relationship between culture gap and employee engagement.

The correlation between the organizational culture gap and organizational commitment for the low effectiveness HR group was $r(49) = -0.58$, $p < .001$. The correlation between the organizational culture gap and organizational commitment for the high effectiveness HR group was $r(48) = -0.01$, $p > .05$. Using Fisher's r to Z transformation, I found that those two correlations were significantly different ($Z = -3.11$, $p < .01$). Therefore, perceived effectiveness of HR initiatives moderates the relationship between organizational culture gap and commitment.

Figure 4 summarizes my findings by illustrating the relationships between the main variables. The correlations between the integration approach and engagement and commitment were negative because the preservation approach was scored 0 and the transformational approach was scored 1. Thus, the transformation approach was related to lower engagement and commitment. The correlation between integration approach and organizational culture gap was positive because the transformational
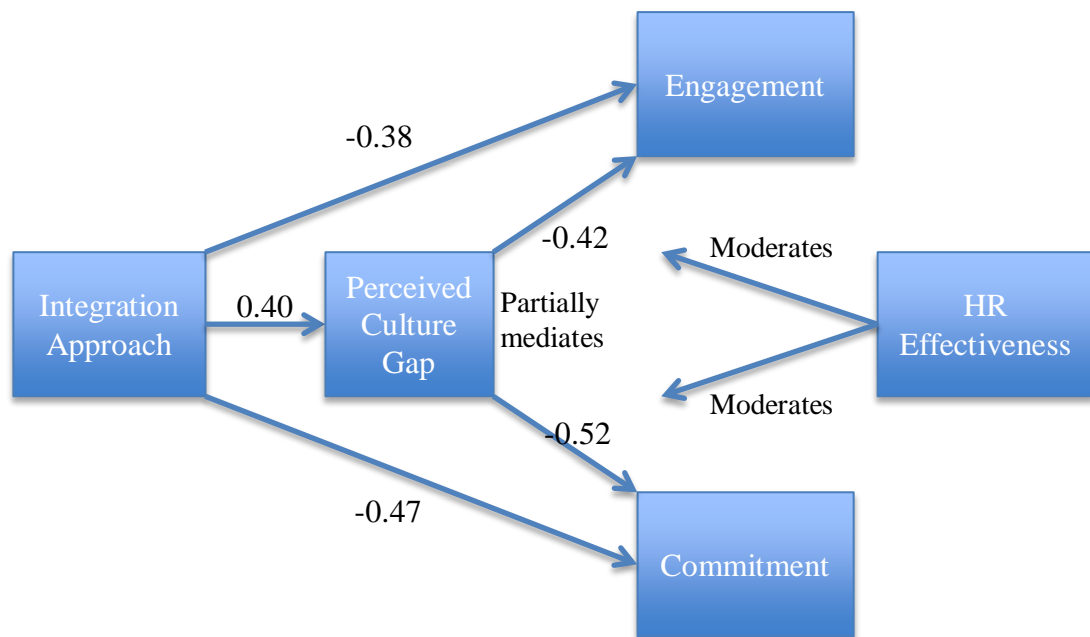
Figure 4. The Relationships between the Variables

approach was related to perceptions of greater change in culture from before the merger to after the merger. Overall, many parts of my model were supported with fairly strong effect sizes.

Exploratory Findings

In the analyses above involving organizational culture gap, I threw all four dimensions of culture (clan, adhocracy, market, and hierarchy) together. The organizational culture gap variable captured the average perceived change in those four dimensions from before the merger to after the merger. I was curious about the impact of each dimension of the organizational culture, both for employees who underwent the preservation approach and those underwent the transformational approach. Therefore, I explored the data further by looking at the perceived culture gap on each dimensions, separating the employees into preservation and transformational group. For the group that underwent preservation approach, there were some differences between the culture scores before and after the merger in each dimension, although the numbers were not as high as the group that underwent the transformational approach. For the transformational group, the perceived gap of each culture dimension was more apparent, especially in the clan and market culture dimensions. See Table 2.

In my analysis regarding organizational culture, I utilized the difference scores between after and before M&A. However, several scholars have been questioning the use of raw change scores (Lord, 1963; Cronbach & Furby, 1970; Linn & Slinde, 1977; Johns, 1981). There are several technical problems of difference scores, which are the potential unreliability, systematic correlation with their components, spurious correlation with other variables, and the questionable meaning of difference scores (Johns, 1981). To correct for spurious correlations between difference scores

Table 2.

Organizational Culture Dimensions Before and After the Merger

Culture Dimension	Preservation Approach	Transformational Approach
Clan before M&A	28.14	27.74
Clan after M&A	24.02	16.12
Difference	-4.12	-11.62
Adhocracy before M&A	17.47	17.48
Adhocracy after M&A	19.87	24.56
Difference	2.40	7.08
Market before M&A	24.43	25.10
Market after M&A	28.23	37.31
Difference	3.80	12.21
Hierarchy before M&A	29.97	29.67
Hierarchy after M&A	28.62	22.80
Difference	-1.35	-6.87

and other variables due to systematic association between a difference score and its component, partial correlation has been suggested (Lord, 1963; Cronbach & Furby, 1970; Linn & Slinde, 1977). By analyzing the partial correlation, the initial component score is parted out of the relationship between the final component score and some other outside variable.

Accordingly, another exploratory analysis I did to correct the potential problems mentioned above was, instead of using the difference score between the culture after and before the merger, partially correlating the organizational culture and employee attitudes (both employee engagement and organizational commitment) while controlling for initial scores of the culture. The results showed significant relationship in almost all cultural dimensions. The strongest correlations were found between organizational commitment and market culture scores (r (100) = -.56, $p <$ .001) as well as organizational commitment and clan culture scores (r (96) = .53, $p <$ .001). Strong correlations were also found in the relationship between employee engagement and market culture scores (r (100) = -.39, $p < .001$) as well as employee engagement and clan culture scores (r (96) = .33, $p < .001$). For the detailed results see Table 3.

I also did the analysis by separating the preservation and transformational group to see if there the strength of the relationships were different in those groups. The results show that the correlations were stronger in the transformational group. The detailed results are depicted in Table 4.

Because both companies were exposed to both integration approaches, I wondered if company might be spuriously related to integration approach. To test this, I ran a Chi Square test of dependence to see if these two variables were related. They were not (X^2 (1) = .13, $p > .05$).

Table 3.

Employee Engagement and Commitment by Organizational Culture Dimensions

Culture Dimension	Employee Engagement		Organizational Commitment	
	r	*N*	*r*	*N*
Clan	.33**	96	.53**	96
Adhocracy	-0.13	100	-0.16	100
Market	-0.39**	100	-0.56**	100
Hierarchy	.21*	100	.14	100

*   *p* < .05

** *p* < .001

Table 4.

Employee Engagement and Commitment by Organizational Cultural Dimensions and

Integration Approach

Culture Dimension	Preservation Approach			Transformational Approach		
	Employee Engagement	Organizational Commitment	N	Employee Engagement	Organizational Commitment	N
Clan	-0.08	.21	57	.43**	.61***	36
Adhocracy	.21	0.03	59	-0.21	-0.03	38
Market	-0.04	-0.18	59	-0.31	-0.56***	38
Hierarchy	.01	-0.13	59	.31	.21	38

*   *p* < .05

**   *p* < .01

*** *p* < .001

Qualitative Findings

One open-ended question was provided in the survey to enrich the quantitative results, especially in regards to the HR initiatives in managing the integration process. Among 137 responses, 103 employees completed the qualitative part of the survey. Six main themes were found from the responses of this open-ended question, "W*hat is your input for HR in order to make the integration process between company A and B work better?*" The themes were communication and coordination, fairness in managing HR-related issues, attention to the employees' needs, employee development, organizational structure, and HR programs implementation.

Communication and coordination. From all the responses, communication and coordination were mentioned the most. It was clear that many of the HR programs were not communicated thoroughly to some employees. Many also thought that even when there was communication, it was usually vague or lacked transparency. An employee said that "*My input is to make HR more transparent in running the Programs so make it more consistent.*" There was also an input to increase socialization of HR programs to employees, especially those who are located in the mining site. As this employee said, "*Improve the socialization of new programs, especially in the mining site. Some of the HR programs have not yet been socialized or implemented there.*" Another issue related to communication and coordination was that the employees felt that there was lack of regular coordination and face-to-face meeting to make the objectives and process of HR programs clearer. An example of this was depicted in this response:

> *The coordination meetings between divisions and departments should*
> *be run again to better understand the overall situation of the*
> *company, and also if there are new projects not only communicate it*

in email but in meetings as well so we know better about the direction

and goals / targets of the project.

Fairness in managing HR-related issues. Fairness was also mentioned frequently in the responses. There were several HR-related areas mentioned by the employees in which they felt that HR should do something to make it fairer. The first one that was mentioned several times was compensation and benefits. Since there were two companies with different grading and salary structures, the employees felt that HR need some standardization so that employees who have the same roles and responsibilities would get the same compensation and benefits regardless which company they are originally from. As one employee put it, *"HR needs to equate the package of compensation and benefit between company A and company B so there is no gap or employees comparing each other's salary."* Another issue related to fairness mentioned by the employees was career development or promotion. In this case, many responses mentioned that the company did not give equal chances to promote employees and instead recruited more people from outside of the organization to fill up positions high in the organization. One employee suggested, *"Provide equal opportunities for every employee with no discrimination whatsoever, and develop employees from internal first before giving new opportunities for employees from outside the company."* Another recommendation was to *"appreciate the performance of senior workers who have loyalty and achievement to the company and give them career development."*

Attention to the employees' needs. Many of the employees wanted HR to listen to them, pay them more attention, and give them what they need. Some examples were *"Listen more to the voice of lower level employees, especially about discrepancy that sometimes difficult to say,"* and, *"HR is*

busy with its own department, forgetting to meet the needs of other departments," and, *"Keep giving attention to old employees even though many new employees are joining,"* and finally, *"More visits from HR to the site, often HR programs do not match the needs and conditions of the site"*

Employee placement and development. The development of employees' skills and abilities through training, as well as placement in the right position based on their competencies, was frequently mentioned. In the words of one employee, *"Things that must be addressed further by HR is the mapping of employee competencies based on interests and talents, and development with appropriate training to support employee competencies."* Another wrote, *"Employee placement or rotation must be in accordance to the employee's ability."* And yet another wrote, *"Implementation of employee development (control and monitoring) should be fixed, do not stop at planning only."*

Organizational structure. Many employees in their responses mentioned the inefficient organization structure, including the high turnover of the HR Department, that frustrated them. One employee advised, *"Create a better organization structure (probably not as fat as it is today, the Manager positions are too much while the work is actually similar to and can be done by their subordinates)."* Another complained, *"HR never release the organization structure and it's always changing."* And another said:

> *HR people are not known by all employees because all of them are new, how can it run well with not familiar HR, especially with so many new employees. The PIC in HR is not clear (who should be*

contacted, they never call back and seldom pick up the phone (either too busy or something else).

HR programs implementation. During the integration process, the HR Department planned several programs, but the employees thought that some of those programs were not very well implemented. Here are two criticisms:

There's not many HR programs that we see, still normative and poor communication to employees... Many programs but not much benefit to employees, employees are merely regarded as a means of production, not human.

The level of trust in HR is not only shown in the "GREAT PLAN" but also followed by "IMPLEMENTATION", "COMMUNICATION", & "CONSISTENCY". Currently HR products were just great on the campaigns, but the continued "GREAT PLAN" should be stronger than its campaign.

Other themes. There were a lot of other responses from the employees in addition to the aforementioned themes. Some employees think that HR has done well and wanted them to keep continuing their efforts. Here are three such compliments, (1) *"Maintain the good work and create communication effectively,"* (2) *"Keep going, we understand it needs time and the complexity,"* and (3) *"Most have been good."*

Some other employees thought that it is a good idea to share each other's knowledge so that employees from company A can learn from company B and vice versa. One suggestion, *"Create a sharing program for mutual update of knowledge and technology at each site."* A related

suggestion, *"Give each other input on the best system, from company A to company B and company B to company A."*

Other themes mentioned by the employees were developing new vision and mission together, focus on small but impactful innovation, strengthen the leadership, maintain good practices from each company, pay attention to government regulations, have more employee rotation, clarify each job's roles and responsibilities due to the changes in organization development, and more commitment from management to employees.

CHAPTER 4

DISCUSSION

This study delineated the relationships of the five variables that play important roles during the mergers and acquisitions process: integration approach, organizational culture, employee engagement, organizational commitment, and HR initiatives effectiveness. The findings suggest that the integration approach chosen by the company greatly influences employee engagement and organizational commitment, while the organizational culture gap between before and after M&A partially mediates the relationship, and perceived effectiveness of HR initiatives moderates the relationships between the culture gap and organizational commitment.

The integration approach was related to employee engagement and organizational commitment. Those who went through the transformational approach had significantly lower engagement and commitment compared to those who underwent the preservation approach. These findings are consistent with similar insights from previous studies that found relationships between failure to integrate companies and lower employee attitudes, including employee engagement and organizational commitment (e.g. Cartwright & Cooper, 1993; Kyei-Poku & Miller, 2013; Okoro, 2010). This study adds more evidence on the importance of the integration process during M&A.

Although Ellis (2004) proposed that firms using the transformational approach engage more in establishing communication and fostering cooperation between members of both teams, the qualitative results show that in this case, communication and coordination was one of the most significant problems during the integration. In fact, these issues were the most mentioned by the employees who underwent the transformational approach. It is possible that this lack of communication and

coordination during the transformational integration process contributed to the low engagement and commitment.

There was also a significant difference on the perceived organizational cultural change between employees who went through the preservation approach and the transformation approach. The results show that employees who underwent the preservation approach to adapting to the merger scored lower on their culture gap, compared to the employees who underwent the transformational approach. As previously found by Ellis (2004), the integration approach is strongly related to the process dimensions, such as articulation of a shared purpose, existence of a transition management structure, and involvement by members from both organizations. Thus, it is not surprising that the employees who underwent the mergers with a transformational approach perceived more changes in the organizational culture.

The organizational culture change partially mediates the relationships between the integration approach and employee engagement and commitment, but the integration approach itself explains some of the variances in engagement and commitment on its own. This means that even though a large cultural gap might negatively impact the level of employee engagement and commitment, the integration approach itself, without considering the perceived cultural gap, still influenced engagement and commitment greatly.

The finding that perceived HR effectiveness moderates the relationships between cultural gap and employee engagement and organizational commitment supports previous assertions that the HR function plays an important role for the success of M&A (e.g. Daniel & Metcalf, 2001; Leeamornsiri, 2005; Schmidt, 2002). These findings suggest that if there was a substantial cultural change that might affect the employees during M&A integration, HR initiatives can help to maintain

employees' attitudes to some extent. This is important, especially for the long run, because low affective commitment and employee engagement are likely to lead to higher turnover and withdrawal tendencies, work quality defects, lower organizational citizen behavior, and lower motivation (Griffeth et al., 2000; Harter et al., 2009; Mathieu & Zajac, 1990; Sinclair et al., 2005; Tremble et al., 2003).

The exploratory findings offer a useful insight on how the employees perceived different amounts of change in each cultural dimension when they underwent different types of approaches. Table 2 shows that perceived organizational culture was the same for those on the preservation approach and those in the transformational approach before the M&A happened. They all started with pretty high scores on clan (approximately 28) and hierarchical (approximately 29) culture, slightly lower scores on market culture (approximately 24), and even lower scores on adhocracy culture (approximately 17). However, employees who experienced the preservation approach, which was a combination of employees from both companies at the mining site areas, perceived smaller differences on each cultural dimension. They experienced a little less clan (-4.12), a little more adhocracy (+2.40), more market (+3.80), and a slightly less hierarchy (-1.35). On the other hand, employees at the head office who underwent the transformational approach perceived a lot more changes in each cultural dimension. They experienced a lot less clan (-11.62) and hierarchy (-6.87), a lot more adhocracy (+7.08), and even more market (+12.21).

Furthermore, Table 3 shows that clan and market culture are correlated strongly with employee engagement and organizational commitment. The employee engagement increases as the clan culture goes up. The same applies to organizational commitment with an even stronger relationship. On the contrary, employee engagement and organizational commitment decrease as the market culture increases.

From the exploratory analysis, it is possible that the significantly lower engagement and commitment of the employees who underwent the transformational approach was influenced, not only by the amount of change, but by the type of changes that they experienced, which were a lot less friendly (less clan) and a lot more demanding (more market).

These findings are consistent with the results of a meta-analysis by Hartnell et al. (2011). Using the competing value framework, they found that organizations with higher scores on the clan culture dimension have more satisfied and committed employees, whereas those with a more market orientation had superior operational and financial performance. In this case, it made sense that the management pushed the organizational culture towards market to improve the company's operational and financial performance, which was usually one of the drivers to pursuing M&A in the first place (Cartwright & Cooper, 1993). Unfortunately, this situation also changed the culture into less clannish, which seems to have hurt the employees' attitudes. In the long run, this might hurt the organizational performance financially as well. Hartnell et al. (2011) furthermore asserted that all the cultural dimensions actually coexist and work together. They suggested that organizations that are balanced in their culture are generally more effective across multiple organizational performance measures. Consequently, instead of pushing the market culture to pursue the financial benefits, it might be better to focus on balancing the four cultural dimensions to obtain better long-term outcomes.

It is highly recognized that people tend to resist change, and the M&A strategies represent a substantial change effort in organizations (Miles, 1997). During this period, different types of changes might have different impacts on the employees. In this particular case, because the changes made the workplace less friendly and

more demanding, perhaps the employees perceived it negatively and thus lowered their engagement and commitment to the company. The impact might have been different if the changes made the work culture more comfortable for the employees. Further research is needed to see how the other types of changes might impact employees' attitudes during M&A integration.

Limitation of the Study

There are several limitations in this study related to the sample, method, and the nature of the instruments. First, the study was conducted in one merged company only. The characteristics of the company should be considered when interpreting the results, especially when generalizing to other organizations. Additionally, the company is located in Indonesia, a developing country with a strong Eastern culture. Therefore, the national culture and the economic and political conditions of the country should also be taken into consideration. Further research conducted in various organizations and industries across the globe is necessary to have more generalizable results.

Second, most parts of the study used a quantitative method to analyze the variables, including the organizational culture gap. Considering that organizational culture is an extremely complex construct (Schein, 1999), the use of this method might not capture the whole picture. Consequently, an open-ended questionnaire was added to the instrument to obtain information that is not included in a quantitative survey. Another limitation was that the cultural change measure relied on the employees' memory. The scores might be different if the organizational culture was assessed before and after the M&A actually happened.

Third, all the instruments used in this study were self-reports. According to Paulhus and Vazire (2007), they might suffer from central tendency errors, primacy

and recency effects, and consistency motivation. The participants taking this type of instrument might be also be prone to social desirability bias and impression management, such as exaggerating, faking, self-favoring bias, self enhancement, defensiveness, and denial, especially if it is conducted in the workplace setting where the employees may have a desire to impress their supervisors. Therefore, there was an explanation in the informed consent that the survey results would be confidential and would not affect their performance evaluation, but it is unknown how effective that was.

Practical Implications

Integrating two or more companies through mergers and acquisitions is not an easy effort. However, with the advancement of businesses around the world, mergers and acquisitions are still an attractive strategy for companies to grow. This study provides knowledge and insights that might help organizations formulating plans for mergers and acquisitions, especially plans related to human issues and organizational culture. Several practical implications based on the results are discussed below.

Since the integration approach influenced the level of employee engagement and organizational commitment during M&A, it is important for the practitioner to consider which kind of integration he or she should take to make the process smoother for the employees. The transformational approach seemed to lead to lower engagement and commitment, thus this approach should be taken with caution. The management should keep in mind that extreme HR-related changes, like combining the offices, redesigning organizational structure, and/or announcing new corporate values could be perceived negatively, especially if they are not very well executed. Thus, a preservation approach might be best, or if a transformational approach is

needed, a great deal of planning and hand-holding will be necessary, more on this when I discuss the importance of HR involvement and effectiveness.

Since organizational culture partially mediated the relationship between the integration approach and employee attitudes, before implementing the transformational approach, management should be aware on how the changes might affect the organizational culture. In this case, management had an advantage since both companies started with relatively similar organizational cultures. Even so, the transformational approach affected the employees negatively because the culture changed into less clan and more market. Therefore, it is essential to assess the organizational cultures of both companies before taking any actions to make sure they will not change unfavorably. Additionally, it may be advantageous if companies could assess the organizational culture at the pre-deal or initial stage of the M&A to see if there is a cultural fit between both groups. As suggested by Cartwright and Cooper (1993), it is important that the acquiring company make some cultural assessment of the target company or potential merger partner in addition to legal and financial assessments.

Because HR effectiveness was found to moderate the relationship between the integration approach and employee attitudes, it is also important to make sure that the HR function is ready to manage the changes and maintain employee engagement and organizational commitment before taking any transformational action. Training on change management for HR personnel would be highly recommended. From all the HR roles and initiatives summarized from previous studies (Cumming & Worley, 2001; Marks, 1997; Miller, 2003; Rizvi, 2010; Schuler & Jackson, 2001; Schmidt, 2002), we have learned that the HR function can support the M&A integration process through several roles: organizational development, human capital

development, functional expertise, employee advocacy, new culture reinforcement, and being the strategic partner and change agent. From my qualitative results, the employees expressed that HR effectiveness could be improved in the area of employee advocacy through communication and employee relations; functional expertise, especially through compensation and benefit scheme and internal staffing (rotation & promotion); and human capital development through competency management, training, and career development.

The qualitative results of this study suggested several practical implications for the practitioner. First, employees expect clear, transparent, and continuous communication from the management. They need assurance that the changes would not be done to harm the employees regarding compensations and benefits and career development. Employees also have to feel that the management will hear them and be attentive to the employees' needs. Regarding these issues, I suggest the company to have communication programs, such as direct dialogue with leaders, employee surveys, employee suggestion system, regular coordination meetings, and socialization through the company's internal media (email, newsletter, etc.). It is also important that the management follow up on the employees' opinions and suggestions.

Second, it is imperative for management to ensure fairness among all groups of employees. Jayes (2013) explained that when two companies are combined, people from both sides tend to focus on differences. Therefore, the management, through HR, should be able to see the differences that might lead to conflicts, and make sure that they would not treat employees from either side unfairly. In this case, the employees expect members from both companies to receive fair compensation and benefits as well as the opportunities to develop their careers. The unfairness perceived

in this was not only between employees from both companies but also between newcomers and existing employees.

For these issues, I recommend that management redesign the companies' compensation and benefits scheme, if possible, as well as the promotion procedures, with clear criteria and equal opportunities for all employees. It would be helpful if the management can give some transparent explanations whenever there is a potential for perceptions of unfairness regarding these issues. Make sure there is not only distributive justice, but also procedural justice.

Third, the employees were able to see that the changes would impact their job and to see what competencies would be needed to adapt to the changes and fulfill future requirements. They realized that there were new positions needed to fulfill the new corporate goals. Therefore, they expected HR to provide them with opportunities to assess their competencies and get some opportunities to develop themselves based on the assessment. This is congruent with the needs of the company as well, therefore, I suggest that management continue the competency assessment and development programs with fair opportunities for all and clear communications regarding the procedures and the processes.

While there are many other important programs and initiatives, it is noteworthy for HR practitioners to give attention to these areas as they would directly impact the employees' attitudes. By gaining the employees' trust in HR in the first place, it may be easier for HR to implement other important initiatives in organizational development, such as redesigning the organization structure and workforce planning; reinforcing the new culture, such as identifying new organizational values, missions, and strategies; and HR being a strategic partner and

taking on change agent roles, such as performance planning, innovation programs, and being involved in other organizational issues.

In addition to the aforementioned recommendations, Meinert (2018) summarizes several suggestions relevant to change efforts based on her interviews with the Director of Research and Development at Prosci, the Senior Principal of the Leadership, Change and Organization Practice at A.T. Kearney Micah Alpern, and several other change management practitioners. In general, the suggestions she mentions are to stay involved, model the change, and be realistic.

More specifically, she explains that management must stay involved by not disappearing after announcing projects. Leaders should stay active and visible throughout the life of the project. As one of the respondents in my study wrote, *"There are too many HR programs but it seems like I never knew what happened with the projects after they were announced."* Another recommendation is to address the emotional impact of the change and explain why the change is needed. These suggestions are highly relevant to the results of this study that show significant relationships between integration approach and employee attitudes. The changes after mergers and acquisitions clearly affected the employees emotionally, which might have been caused by a lack of communication and transparency from the management. It might be helpful if the management was intentionally addressing the emotional effects by holding open forums to discuss with employees how the mergers will inevitably lead to changes and affect them directly. By doing so, employees would be prepared and feel that the management cares about them.

Meinert (2018) also explains that it is highly important for leaders to model the desired behaviors if they want to instill a new culture. In other words, do not expect others to change if you do not change yourself. Not only the top management,

Valentino (2004) also found that the middle managers play essential roles in the transmission and integration of an organization's culture during mergers and acquisitions. Consequently, it is important to prepare leaders, including the middle managers, with adequate tools and competencies through leadership training and other development programs to lead and model changes during the M&A.

Furthermore, Meinert (2018) suggests that leaders be realistic by not trying to do too much. It is important not to underestimate the amount of work it takes to execute change efforts and to prioritize the projects based on their importance and the resources available at the company. The employees are already affected by the changes, it is important to consider their conditions before trying to conduct so many projects and demand them to deliver high quality results on top of all the adaptation processes they need to do.

To sum up, based on the results of this study, these are 10 recommendations for HR practitioners in regards to M&A integration efforts:

- Carefully consider which integration approach to take. The transformational approach should be taken with caution as it may lead to lower employee attitudes.

- Include an organizational culture assessment at the initial stage of M&A and consider planning efforts to balance the scores on all four cultural dimensions.

- Make conscious efforts to address the emotional impact of the changes.

- Make sure that the HR function is ready to manage the changes through change management training for HR personnel.

- Prioritize HR initiatives in the area of employee advocacy, functional expertise, and human capital development.

- Implement clear, transparent, and continuous communications from the leaders.

- Ensure the distributive and the procedural fairness of decisions for all groups of employees, especially on compensations and benefits issues.

- Provide opportunities for competencies development and career advancement with clear criteria and fair procedures.

- Model the change and train leaders to be good role models.

- Be realistic on projects, prioritize them, and consider the resources and employees' capabilities to execute the projects.

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Appendix A

Institutional Review Board Approval Letter and Permissions

EMPORIA STATE
UNIVERSITY
■ **GRADUATE SCHOOL AND**
DISTANCE EDUCATION

October 23, 2017

Dea Febriani
Psychology
1533 Merchant Street, Apartment W-3
Emporia, KS 66801

Dear Ms. Febriani:

Your application for approval to use human subjects has been reviewed. I am pleased to inform you that your application was approved and you may begin your research as outlined in your application materials. Please reference the protocol number below when corresponding about this research study.

Title: The Effect of Integration Approach on The Employee Attitudes through Organizational Culture Change and HR Initiatives after Merger and Acquisition
Protocol ID Number: 18033
Type of Review: Expedited
Time Period: September 2017 to May 2018

If it is necessary to conduct research with subjects past this expiration date, it will be necessary to submit a request for a time extension. If the time period is longer than one year, you must submit an annual update. If there are any modifications to the original approved protocol, such as changes in survey instruments, changes in procedures, or changes to possible risks to subjects, you must submit a request for approval for modifications. The above requests should be submitted on the form Request for Time Extension, Annual Update, or Modification to Research Protocol. This form is available at www.emporia.edu/research/irb.html.

Requests for extensions should be submitted at least 30 days before the expiration date. Annual updates should be submitted within 30 days after each 12-month period. Modifications should be submitted as soon as it becomes evident that changes have occurred or will need to be made.

On behalf of the Institutional Review Board, I wish you success with your research project. If I can help you in any way, do not hesitate to contact me.

Sincerely,

Dr. John Barnett
Chair, Institutional Review Board

pf

cc: George Yancey

Appendix B

Organizational Culture Assessment Instruments

English Version

This survey consists of six items. Each item has four alternatives. Divide 100 points among these four alternatives, depending on the extent to which each alternative is similar to your organization. Give a higher number of points to the alternative that is most similar to your organization. For example, on item 1, if you think alternative A is very similar to your organization, alternatives B and C are somewhat similar, and alternative D is hardly similar at all, you might give 55 points to A, 20 points each to B and C, and 5 points to D. Just be sure that your total equals 100 for each item.

There are three column labeled "Before M&A", "Now", and "Preferred". Please do the instruction above for the three situations. The responses in column "before M&A" mean that you are rating your organization before the M&A took place. Complete that rating first. After that, rate your organization as it is currently in the "now" column. When you have finished, think of your organization as you think it should be after the M&A in order to be spectacularly successful. Write these responses in the "Preferred" column. There is no right or wrong answer, please respond in accordance with your personal opinion.

Example:

1	Dominant Characteristics	Before M&A	Now
A	The organization is a very personal place. It is like an extended family. People seem to share a lot of themselves.	55	10
B	The organization is a very dynamic and entrepreneurial place. People are willing to stick their necks out and take risks.	20	33
C	The organization is very results-oriented. A major concern is with getting the job done. People are very competitive and achievement-oriented.	20	37
D	The organization is a very controlled and structured place. Formal procedures generally govern what people do.	5	20
	Total	100	100

1	Dominant Characteristics	Before M&A	Now
A	The organization is a very personal place. It is like an extended family. People seem to share a lot of themselves.		
B	The organization is a very dynamic and entrepreneurial place. People are willing to stick their necks out and take risks.		
C	The organization is very results-oriented. A major concern is with getting the job done. People are very competitive and achievement-oriented.		
D	The organization is a very controlled and structured place. Formal procedures generally govern what people do.		
	Total	100	100
2	Organizational Leadership	Before M&A	Now
A	The leadership in the organization is generally considered to exemplify mentoring, facilitating, or nurturing.		
B	The leadership in the organization is generally considered to exemplify entrepreneurship, innovation, or risk taking.		
C	The leadership in the organization is generally considered to exemplify a no-nonsense, aggressive, results-oriented focus.		
D	The leadership in the organization is generally considered to exemplify coordinating, organizing, or smooth-running efficiency.		
	Total	100	100
3	Management of Employees	Before M&A	Now
A	The management style in the organization is characterized by teamwork, consensus, and participation.		
B	The management style in the organization is characterized by individual risk taking, innovation, freedom, and uniqueness.		
C	The management style in the organization is characterized by hard-driving competitiveness, high demands, and achievement.		
D	The management style in the organization is characterized by security of employment, conformity, predictability, and stability in relationships.		
	Total	100	100

4	Organization Glue	Before M&A	Now
A	The glue that holds the organization together is loyalty and mutual trust. Commitment to this organization runs high.		
B	The glue that holds the organization together is commitment to innovation and development. There is an emphasis on being on the cutting edge.		
C	The glue that holds the organization together is the emphasis on achievement and goal accomplishment.		
D	The glue that holds the organization together is formal rules and policies. Maintaining a smooth-running organization is important.		
	Total	100	100
5	Strategic Emphases	Before M&A	Now
A	The organization emphasizes human development. High trust, openness, and participation persist.		
B	The organization emphasizes acquiring new resources and creating new challenges. Trying new things and prospecting for opportunities are valued.		
C	The organization emphasizes competitive actions and achievement. Hitting stretch targets and winning in the marketplace are dominant.		
D	The organization emphasizes permanence and stability. Efficiency, control, and smooth operations are important.		
	Total	100	100
6	Criteria of Success	Before M&A	Now
A	The organization defines success on the basis of the development of human resources, teamwork, employee commitment, and concern for people.		
B	The organization defines success on the basis of having the most unique or newest products. It is a product leader and innovator.		
C	The organization defines success on the basis of winning in the marketplace and outpacing the competition. Competitive market leadership is key.		
D	The organization defines success on the basis of efficiency. Dependable delivery, smooth scheduling, and low-cost production are critical.		
	Total	100	100

Indonesian Version

Kuesioner ini terdiri dari 6 butir kategori. Setiap butir memiliki 4 pilihan.
Anda memiliki 100 poin untuk Anda bagi pada masing-masing pilihan tersebut,
tergantung pada sejauh mana masing-masing pilihan menggambarkan ciri-ciri
perusahaan ini. Berikan poin yang lebih tinggi ke pilihan yang paling sesuai dengan
kondisi yang Anda rasakan.

Misalnya, pada butir 1, jika menurut Anda pilihan pertama sangat sesuai dengan
organisasi Anda, pilihan kedua dan ketiga agak sesuai, dan pilihan terakhir tidak
terlalu sesuai, Anda dapat memberi nilai 55 poin ke pilihan pertama, masing-masing
20 poin ke pilihan kedua dan ketiga, serta 5 poin ke pilihan terakhir. Pastikan jumlah
Anda sama dengan 100 untuk setiap butir. Berikanlah penilaian sesuai situasi kerja
Anda sebelum dan sesudah bergabungnya Perusahaan A dan Perusahaan B. Tidak ada
jawaban benar atau salah, silakan diisi menurut pendapat pribadi Anda.

Contoh:

1	Karakteristik Dominan	Sebelum M&A	Sekarang
A	Perusahaan ini adalah tempat yang sangat pribadi, seperti keluarga besar. Para karyawannya banyak berbagi satu sama lain.	55	10
B	Perusahaan ini sangat dinamis dan berjiwa kewirausahaan. Para karyawannya berani mengambil risiko.	20	33
C	Perusahaan ini sangat berorientasi hasil. Menyelesaikan pekerjaan adalah hal utama yang harus diperhatikan. Para karyawan sangat kompetitif dan ingin berprestasi.	20	37
D	Perusahaan ini sangat terkontrol dan terstruktur. Para karyawan pada umumnya bekerja sesuai prosedur formal.	5	20
	Total	100	100

1	Karakteristik Dominan	Sebelum M&A	Sekarang
A	Perusahaan ini adalah tempat yang sangat pribadi, seperti keluarga besar. Para karyawannya banyak berbagi satu sama lain.		
B	Perusahaan ini sangat dinamis dan berjiwa kewirausahaan. Para karyawannya berani mengambil risiko.		
C	Perusahaan ini sangat berorientasi hasil. Menyelesaikan pekerjaan adalah hal utama yang harus diperhatikan. Para karyawan sangat kompetitif dan ingin berprestasi.		
D	Perusahaan ini sangat terkontrol dan terstruktur. Para karyawan pada umumnya bekerja sesuai prosedur formal.		
	Total	100	100
2	Kepemimpinan Organisasi	Sebelum M&A	Sekarang
A	Kepemimpinan dalam perusahaan ini umumnya menunjukan sifat mendampingi, memfasilitasi, atau mengasuh.		
B	Kepemimpinan dalam perusahaan ini umumnya menunjukan kewirausahaan, inovasi, atau berani mengambil risiko.		
C	Kepemimpinan dalam perusahaan ini umumnya menunjukan sifat agresif, langsung dan tepat sasaran, serta berorientasi hasil.		
D	Kepemimpinan dalam perusahaan ini umumnya menunjukan koordinasi, pengorganisasian, atau kelancaran operasional dan efisiensi.		
	Total	100	100
3	Pengelolaan Karyawan	Sebelum M&A	Sekarang
A	Gaya manajemen dalam organisasi ditandai dengan kerja tim, musyawarah mufakat, dan partisipasi karyawan.		
B	Gaya manajemen dalam organisasi ditandai dengan pengambilan risiko individu, inovasi, kebebasan, dan keunikan pribadi.		
C	Gaya manajemen dalam organisasi ditandai dengan kompetisi yang ketat, tuntutan yang tinggi, dan prestasi.		
D	Gaya manajemen dalam organisasi ditandai dengan keamanan kerja, kesesuaian dengan aturan, prediktabilitas, dan stabilitas hubungan.		
	Total	100	100

4	Perekat Organisasi	Sebelum M&A	Sekarang
A	Hal yang merekatkan organisasi adalah loyalitas dan saling percaya. Semua pihak memiliki komitmen yang tinggi terhadap perusahaan.		
B	Hal yang merekatkan organisasi adalah komitmen terhadap inovasi dan pengembangan. Ada penekanan dalam perusahaan untuk selalu terdepan.		
C	Hal yang merekatkan organisasi adalah penekanan terhadap prestasi dan pencapaian target.		
D	Hal yang merekatkan organisasi adalah aturan dan kebijakan formal. Menjaga operasional berjalan mulus sangatlah penting.		
	Total	100	100
5	Penekanan Strategi	Sebelum M&A	Sekarang
A	Perusahaan ini menekankan pengembangan karyawan. Saling percaya, keterbukaan, dan partisipasi sangatlah ditekankan.		
B	Perusahaan ini menekankan perolehan sumber daya baru dan menciptakan tantangan baru. Mencoba hal baru dan mencari kesempatan bisnis baru sangatlah dihargai.		
C	Perusahaan ini menekankan tindakan kompetitif dan prestasi. Mencapai target yang tinggi dan memenangkan pasar sangatlah penting.		
D	Perusahaan ini menekankan konsistensi dan stabilitas. Efisiensi, kontrol, dan kelancaran operasional sangat diutamakan.		
	Total	100	100
6	Kriteria keberhasilan	Sebelum M&A	Sekarang
A	Sukses bagi perusahaan ini adalah berkembangnya sumber daya manusia, kerja tim, komitmen karyawan, dan kepedulian terhadap karyawan.		
B	Sukses bagi perusahaan ini adalah dihasilkannya produk terbaru atau produk yang unik. Perusahaan menghasilkan pemimpin dalam berinovasi.		
C	Sukses bagi perusahaan ini adalah kemenangan di pasar dan melampaui para pesaing. Memimpin persaingan pasar adalah kunci.		
D	Sukses bagi perusahaan ini adalah efisiensi. Pengiriman yang andal, penjadwalan yang mulus, dan biaya produksi yang rendah sangatlah penting.		
	Total	100	100

Appendix C

Organizational Commitment Surveys

English Version

Please rate how much you personally agree with these statements-how much they reflect how you think or feel personally. Use this following scale:
1 - totally disagree
2 - generally disagree
3 - I have reservation
4 - agree to certain extent
5 - generally agree
6 - totally agree

Statement	1	2	3	4	5	6
I would be very happy to spend the rest of my career with this company						
I really feel as if this company's problems are my own						
I do not feel like "part of the family" at my company						
I do not feel "emotionally attached" to my company						
My company has a great deal of personal meaning to me						
I do not feel a strong sense of belonging to my company						

Indonesian Version

Silakan nilai seberapa jauh Anda setuju atau tidak setuju dengan pernyataan-pernyataan di bawah ini, atau dengan kata lain seberapa jauh pernyataan-pernyataan tersebut mencerminkan apa yang Anda rasakan secara pribadi saat ini. Gunakan skala berikut ini:
1 - sangat tidak setuju
2 - tidak setuju
3 - ragu-ragu
4 - agak setuju
5 - setuju
6 - sangat setuju

Pernyataan	1	2	3	4	5	6
Saya akan dengan senang hati menghabiskan sisa karir saya dengan perusahaan ini						
Saya sepenuhnya merasa seolah-olah permasalahan yang dialami perusahaan ini adalah masalah saya sendiri						
Saya tidak merasa seperti "bagian dari keluarga" di perusahaan ini						
Saya tidak merasa terikat secara emosional dengan perusahaan ini						
Perusahaan saya sangat berarti bagi diri saya secara pribadi						
Saya tidak merasakan rasa memiliki yang kuat terhadap perusahaan ini						

Appendix D

Employee Engagement Surveys

English Version

Please rate how much you personally agree with these statements-how much they reflect how you think or feel personally. Use this following scale:
1 - totally disagree
2 - generally disagree
3 - I have reservation
4 - agree to certain extent
5 - generally agree
6 - totally agree

Items	1	2	3	4	5	6
Work inspires me						
I am enthusiastic about my work						
I am proud of my work						
I get carried away when I am working						
I am immersed in my work						
I feel happy when I am working intensely						
I feel like going to work						
I feel bursting with energy when I am working						
I feel strong and vigorous at work						

Indonesian Version

Silakan nilai seberapa jauh Anda setuju atau tidak setuju dengan pernyataan-pernyataan di bawah ini, atau dengan kata lain seberapa jauh pernyataan-pernyataan tersebut mencerminkan apa yang Anda rasakan secara pribadi saat ini. Gunakan skala berikut ini:
1 - sangat tidak setuju
2 - tidak setuju
3 - ragu-ragu
4 - agak setuju
5 - setuju
6 - sangat setuju

Items	1	2	3	4	5	6
Bekerja membuat saya terinspirasi						
Saya merasa antusias dengan pekerjaan saya						
Saya bangga dengan pekerjaan saya						
Saya terbawa suasa ketika saya bekerja						
Saya terlibat secara mendalam di pekerjaan saya						
Saya merasa senang saat bekerja secara intensif						
Saya merasa ingin bekerja						
Saya merasa penuh energi saat bekerja						
Saya merasa kuat dan bersemangat saat bekerja						

Appendix E

HR Initiatives Perceived Effectiveness Surveys

English Version

Please rate how effective you think these HR initiatives are during the M&A process based on your experience. Use this following scale:
1 - totally effective
2 - generally effective
3 - I have reservation
4 - effective to certain extent
5 - generally effective
6 - totally effective
7 - do not know

HR Initiatives	1	2	3	4	5	6	7
New corporate values socialization							
Family gathering / team building							
Safety program							
New organization structure							
Recruitment of new employees							
Rotation/assignment to new positions							
Competency assessment							
Application for general affairs							
Employee self service for leave request, medical claim, etc.							
Performance appraisal automation							
Training catalogue for competency development							
E-learning (including certifications)							
Officer/Management/Executive/Graduate Development Program							
Career Development Plan							
Performance Improvement Plan							

Qualitative question: What do you think HR Dept. could do to improve the organizational performance after the mergers and acquisitions?

Indonesian Version

Silakan nilai seberapa efektif program-program dari HR selama proses M&A berdasarkan pengalaman Anda. Gunakan skala berikut ini:
1 - sangat efektif
2 - tidak efektif
3 - ragu-ragu
4 - agak efektif
5 - efektif
6 - sangat efektif
7 - tidak tahu

HR Initiatives	1	2	3	4	5	6	7
Sosialisasi nilai-nilai perusahaan yang baru							
Family gathering / team building / halal bihalal							
Program keselamatan							
Struktur organisasi baru							
Rekrutmen karyawan-karyawan baru							
Rotasi/penugasan ke posisi baru							
Pemetaan kompetensi karyawan							
Aplikasi GA							
Employee self service untuk permintaan cuti, travel, claim medical, dan lain-lain							
Otomatisasi penilai kinerja							
Katalog pelatihan untuk peningkatan kompetensi							
E-learning (termasuk sertifikasi)							
Officer/Management/Executive/Graduate Development Program							
Program pengembangan karir							
Program peningkatan kinerja							

Pertanyaan kualitatif: Menurut Anda, apa yang bisa dilakukan oleh HR untuk meningkatkan hasil kinerja organisasi setelah proses merger dan akuisisi?

Appendix F

Structured Interview for HR Managers

English Version

1. What did HR Department do before the M&A decision was taken by the CEO?

2. What were the HR-related programs implemented during the integration process after the M&A decision was taken?

3. What are the HR-related programs that are still ongoing until today?

Indonesian Version

1. Apa yang dilakukan oleh Departemen HR sebelum keputusan M&A diambil oleh CEO?

2. Apa saja program-program terkait HR yang dilaksanakan selama proses integrasi setelah keputusan M&A diambil?

3. Apa saja program-program terkait HR yang masih berlangsung hingga hari ini?

Appendix G

Participation Consent Forms

English – Electronic Version

You are being asked to take part in a research study. Before you decide to participate in this study, it is important that you understand why the research is being done and what it will involve. Please read the following information carefully.

The purpose of this study is to identify relationships surrounding employee attitudes, organizational culture, and HR initiatives effectiveness during mergers and acquisitions process. I am asking employees to complete this electronic survey. It will take about 15-20 minutes. Your responses will be automatically compiled in a spreadsheet and cannot be linked to you. All data will be stored in a password protected electronic format. Your employer will not see this information. The results of the study will be used for scholarly purposes only and will not be used for any decision making in the company. There will be no direct benefit to you for your participation in this study. However, we hope that the information obtained from this study may increase the body of knowledge about human issues during M&A and provide information that can be implemented to improve organizational performance during M&A.

By clicking on the start button, you acknowledge that you have read this information and agree to participate in this research. You are free to withdraw consent and to discontinue participation in the project or activity at any time without any penalty. Refusal to participate will involve no penalty.

Thank you for your attention. If you have any questions, feel free to contact me at dfebrian@g.emporia.edu.

English – Paper Version

You are being asked to take part in a research study. Before you decide to participate in this study, it is important that you understand why the research is being done and what it will involve. Please read the following information carefully.

The purpose of this study is to identify relationships surrounding employee attitudes, organizational culture, and HR initiatives effectiveness during mergers and acquisitions process. I am asking employees to complete this survey. It will take about 15-20 minutes. Please put your filled survey into the envelope and close it. Your responses will be sent to me in this closed envelope and will not be linked to you. Your employer will not see this information. The results of the study will be used for scholarly purposes only and will not be used for any decision making in the company. There will be no direct benefit to you for your participation in this study. However, we hope that the information obtained from this study may increase the body of knowledge about human issues during M&A and provide information that can be implemented to improve organizational performance during M&A.

By signing this form, you acknowledge that you have read this information and agree to participate in this research. You are free to withdraw consent and to discontinue participation in the project or activity at any time without any penalty. Refusal to participate will involve no penalty.

Thank you for your attention. If you have any questions, feel free to contact me at dfebrian@g.emporia.edu.

Participant's signature _____ Date _____

Indonesian – Electronic Version

Anda diminta untuk menjadi bagian dalam sebuah penelitian. Sebelum Anda memutuskan untuk berpartisipasi dalam penelitian ini, penting bagi Anda untuk memahami tujuan penelitian dan apa saja yang akan dilakukan. Silahkan baca informasi berikut dengan seksama.

Tujuan dari penelitian ini adalah untuk mengidentifikasi hubungan antara sikap karyawan, budaya organisasi, dan efektivitas program HR selama proses merger dan akuisisi (M&A), atau bergabungnya dua atau lebih perusahaan. Sebagai karyawan yang mengalami proses M&A, saya meminta Anda untuk mengisi survei elektronik ini, yang akan memakan waktu sekitar 15-20 menit. Jawaban Anda akan disusun secara otomatis dalam *spreadsheet* dan tidak dapat dihubungkan dengan identitas Anda. Semua data akan disimpan dalam format elektronik yang dilindungi kata sandi. Atasan Anda tidak akan melihat informasi ini. Hasil penelitian hanya akan digunakan untuk tujuan ilmiah dan tidak akan digunakan untuk pengambilan keputusan apapun di perusahaan. Tidak ada keuntungan langsung bagi Anda dari partisipasi Anda dalam penelitian ini. Namun, saya berharap informasi yang diperoleh dari penelitian ini dapat memperluas ilmu di bidang sumber daya manusia dan memperkaya informasi yang dapat diterapkan untuk meningkatkan kinerja organisasi selama M&A.

Dengan menekan tombol *start*, Anda menyatakan bahwa Anda telah membaca informasi ini dan setuju untuk berpartisipasi dalam penelitian ini. Anda dipersilakan untuk menarik persetujuan dan menghentikan partisipasi dalam penelitian ini kapan saja tanpa konsekuensi apapun. Menolak berpartisipasi pun tidak akan melibatkan hukuman apapun.

Terima kasih atas perhatian Anda. Jika ada pertanyaan, jangan ragu untuk menghubungi saya di dfebrian@g.emporia.edu.

Indonesian – Paper Version

Anda diminta untuk menjadi bagian dalam sebuah penelitian. Sebelum Anda memutuskan untuk berpartisipasi dalam penelitian ini, penting bagi Anda untuk memahami tujuan penelitian dan apa saja yang akan dilakukan. Silahkan baca informasi berikut dengan seksama.

Tujuan dari penelitian ini adalah untuk mengidentifikasi hubungan antara sikap karyawan, budaya organisasi, dan efektivitas program HR selama proses merger dan akuisisi (M&A), atau bergabungnya dua atau lebih perusahaan. Sebagai karyawan yang mengalami proses M&A, saya meminta Anda untuk mengisi survei elektronik ini, yang akan memakan waktu sekitar 15-20 menit. Jawaban Anda akan dikirimkan kepada saya dalam amplop tertutup ini dan tidak akan dihubungkan dengan identitas Anda. Atasan Anda tidak akan melihat informasi ini. Hasil penelitian hanya akan digunakan untuk tujuan ilmiah dan tidak akan digunakan untuk pengambilan keputusan apapun di perusahaan. Tidak ada keuntungan langsung bagi Anda dari partisipasi Anda dalam penelitian ini. Namun, saya berharap informasi yang diperoleh dari penelitian ini dapat memperluas ilmu di bidang sumber daya manusia dan memperkaya informasi yang dapat diterapkan untuk meningkatkan kinerja organisasi selama M&A.

Dengan menandatangani form ini, Anda menyatakan bahwa Anda telah membaca informasi ini dan setuju untuk berpartisipasi dalam penelitian ini. Anda dipersilakan untuk menarik persetujuan dan menghentikan partisipasi dalam penelitian ini kapan saja tanpa konsekuensi apapun. Menolak berpartisipasi pun tidak akan melibatkan hukuman apapun.

Terima kasih atas perhatian Anda. Jika ada pertanyaan, jangan ragu untuk menghubungi saya di dfebrian@g.emporia.edu.

Tanda tangan karyawan _____ Tanggal _____

I, _____Dea Mariska Febriani_____, hereby submit this thesis to Emporia State University as partial fulfillment of the requirements for an advanced degree. I agree that the Library of the University may make it available for use in accordance with its regulations governing materials of this type. I further agree that quoting, photocopying, or other reproduction of this document is allowed for private study, scholarship (including teaching) and research purposes of a nonprofit nature. No copying which involves potential financial gain will be allowed without written permission of the author.

_____

Signature of Author

_____3/7/2018

Date

The Effect of Integration Approach on Employee Attitudes through Organizational Culture Change and HR Initiatives during Mergers and Acquisitions

Title of Thesis

_____

Signature of Graduate Office Staff Member

_____

Date Received