The role of leadership in change management during mergers and acquisitions in the chemical industry

By

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AFFIDAVIT: MASTER’S AND DOCTORAL STUDENTS
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Abstract

The purpose of the study was to identify whether leaders in a chemical organisation consider issues pertaining to change management and their implications during a merger or an acquisition.

A literature study was conducted to understand current and future trends in issues of change management and the role of leadership during mergers or acquisitions. Research interviews were then conducted as per the questions formulated based on the literature review or best practises.

The population of Henkel South Africa executive and management team of the adhesive business comprised of 36 employees who were affected by the merger or acquisition, five executives and 31 middle managers.

The sample comprised of 29 respondents. Reasons for not interviewing the balance of the seven managers included: managers availability; departure of an executive during the research and the decline by middle managers to participate in the study. One hour structured interviews were conducted with the 29 respondents using semi-structured questionnaires over the period of one month. Content analysis was performed to analyse the qualitative data collected.

Major findings of the study include the following: Lack of communication from top management; human resources department and middle management; lack of an integrated plan before the change process was initiated was one of the findings and a lack of a process followed by human resources staff during the integration process.

It is eminent that for an organisation to succeed in undertaking a merger or an acquisition, organisational leadership needs to play a role in establishing goals and objectives to be achieved. These goals and objectives need to be communicated throughout the organisation. An integration plan needs to be formulated before the deal
is approved so as to outline various mechanisms that need to be in place to ensure success of the change process. Top management must communicate the share vision and mission of the new organisation to all employees.
# Table of Contents

## Chapter 1  Introduction
1.1 Background to the study 1  
1.2 Problem statement 5  
1.3 Purpose of the research and overall objective 5  
1.4 Outline of the remaining chapters 5  
1.5 Conclusion 6

## Chapter 2  Literature review  
2.1 Mergers and acquisitions 7  
2.1.1 Background 7  
2.1.2 Communication 8  
2.1.3 Employee engagement 9  
2.1.4 Planning 9  
2.2 Change management 10  
2.2.1 Background 10  
2.2.2 Change management models 12  
2.2.3 Leadership involvement 14  
2.2.4 Communication 16  
2.2.5 Management team - planning 18  
2.2.6 Human resources involvement 18  
2.2.7 The role of change agents 20  
2.2.8 Organisational culture 21  
2.2.9 Organisational structure / design 22  
2.3 Leadership 23  
2.3.1 Background 23  
2.3.2 Communication 24  
2.3.3 Decision making 24  
2.3.4 Vision of the organisation 25  
2.3.5 Role of leadership 25  
2.3.6 Organisational culture 26
<table>
<thead>
<tr>
<th>Chapter 3</th>
<th>Research methodology</th>
<th>29</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>Research approach</td>
<td>29</td>
</tr>
<tr>
<td>3.2</td>
<td>Research design</td>
<td>29</td>
</tr>
<tr>
<td>3.2.1</td>
<td>Research population and sample</td>
<td>29</td>
</tr>
<tr>
<td>3.2.2</td>
<td>Instrument development</td>
<td>29</td>
</tr>
<tr>
<td>3.2.2.1</td>
<td>Pilot testing</td>
<td>30</td>
</tr>
<tr>
<td>3.2.3</td>
<td>Data collection</td>
<td>30</td>
</tr>
<tr>
<td>3.2.4</td>
<td>Data analysis</td>
<td>30</td>
</tr>
<tr>
<td>3.2.5</td>
<td>Ethical issues and consideration</td>
<td>31</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chapter 4</th>
<th>Presentation of results</th>
<th>33</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1</td>
<td>Introduction</td>
<td>33</td>
</tr>
<tr>
<td>4.2</td>
<td>Presentation of findings</td>
<td>33</td>
</tr>
<tr>
<td>4.2.1</td>
<td>Confusion about the nature of the change</td>
<td>33</td>
</tr>
<tr>
<td>4.2.2</td>
<td>Reasons for the change process</td>
<td>34</td>
</tr>
<tr>
<td>4.2.3</td>
<td>Stages/ phases of employee involvement</td>
<td>34</td>
</tr>
<tr>
<td>4.2.4</td>
<td>Employees vision and mission awareness</td>
<td>35</td>
</tr>
<tr>
<td>4.2.5</td>
<td>Organisational culture</td>
<td>35</td>
</tr>
<tr>
<td>4.2.6</td>
<td>Human resources involvement</td>
<td>36</td>
</tr>
<tr>
<td>4.2.7</td>
<td>Communication channels</td>
<td>37</td>
</tr>
<tr>
<td>4.2.8</td>
<td>Participants selection during the integration</td>
<td>37</td>
</tr>
<tr>
<td>4.2.9</td>
<td>The roles of other teams</td>
<td>38</td>
</tr>
<tr>
<td>4.2.10</td>
<td>Organisational structure / design</td>
<td>39</td>
</tr>
<tr>
<td>4.2.11</td>
<td>Other issues or concerns</td>
<td>40</td>
</tr>
<tr>
<td>4.2.12</td>
<td>Future areas of opportunity</td>
<td>41</td>
</tr>
<tr>
<td>4.2.13</td>
<td>Implications of the merger or acquisition</td>
<td>41</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chapter 5</th>
<th>Interpretation of results</th>
<th>43</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1</td>
<td>Introduction</td>
<td>43</td>
</tr>
<tr>
<td>5.2</td>
<td>Discussion of findings</td>
<td>43</td>
</tr>
<tr>
<td>5.2.1</td>
<td>Confusion about the nature of the change</td>
<td>43</td>
</tr>
<tr>
<td>5.2.2</td>
<td>Vision and mission awareness</td>
<td>44</td>
</tr>
</tbody>
</table>
5.2.3 Organisational culture 44
5.2.4 Human resources involvement 45
5.2.5 Communication 46
5.2.6 The role of change agents 47
5.2.7 Employee engagement 47
5.2.8 The role of other teams 48
5.2.9 Organisational structure / design 49

5.3 Limitations of the study and their implications 51
5.4 Conclusion 52

Chapter 6 Conclusion

6.1 Summary of research objective and major findings 53
6.2 Recommendations 53
6.3 Suggestions for further research 54
6.4 Conclusion 55
6.9 References 56 - 59
List of Figures

Figure 4.1: Employee perception for the reason for the merger or acquisition 34

Figure 4.2 Description of organisational culture in the new organisation 35

Figure 4.3 Perceived HR involvement during the integration process 36

Figure 4.4 Perception of participants selection during the integration process 37

Figure 4.5 Perceived roles that teams other than immediate teams can play in a change process 38

Figure 4.6 Perceived impact of the merger or acquisition on other areas of the organisation 39

Figure 4.7 Other issues or concerns raised by respondents 40

Figure 4.8 Perception of future areas of opportunity for the new organisation 41
List of Appendices

Questionnaire          60-63

Consistency matrix          64
1.1 Background to the study

The chemical industry forms part of the manufacturing sector and contributes to the economy more than any other industry in this sector (Datamonitor, 2008). Industries within the manufacturing sector include the automotive, textile and clothing and the agricultural industries. In 2006 the chemical industry contributed approximately five percent to the GDP of South Africa and more than 25 percent within the entire manufacturing sector GDP (Datamonitor, 2008). Some of the dominant players in South African industry include the Omnia Group, Unilever, Shell, CH Chemicals and Bayer. Most of these companies are affiliated to the Chemical Industries Education and Training Authority (CHIETA). CHIETA is a statutory body that governs the chemical industry in terms of legal compliance and skills development (Datamonitor, 2008). The South African Government has identified the chemical industry as one of the key drivers of growth due to its size and contribution to the economy (Datamonitor, 2008).

The chemical industry is mainly comprised of all companies that manufacture or distribute chemicals to various other industries in South Africa and internationally. Some of these chemicals are either used as intermediates in the manufacturing of products or are used in conjunction with other raw materials in manufacturing a wide variety of products (Datamonitor, 2008). Chemicals can be divided into basic and speciality chemicals. Basic chemicals are those chemicals that normally serve as raw materials in the manufacturing of products. Speciality chemicals are distinct chemicals that are unique to each individual chemical manufacturer. Industrial customers that consume chemicals include the following: petroleum refining, pulp and paper, rubber and plastic products, textile and primary metals (Datamonitor, 2008).
Globalisation has created opportunities for local chemical manufacture. Due to
globalisation, local companies have been able to import chemicals from various
countries around the world and sell those chemicals to the local market. Globalisation
has also resulted in international companies investing in their operations in South Africa
so that they can serve the local market. This is due to trade agreements signed between
South Africa and other strategic countries. These agreements encourage free trading
and competitive market conditions for South African-based companies thereby
facilitating trade in other countries (Datamonitor, 2008). There is still opportunity for
South African companies exporting chemicals to other parts of the world, to improve
their supply as they currently only account for about 0.002 percent of global sales
(Datamonitor, 2008).

Macro environmental factors that impact on other industries also affect the chemical
industry. These environmental factors are economic, political, legal and information
technology (Datamonitor, 2008). The current worldwide economic recession has an
impact on the growth and sustainability of the chemical industry. The continued
increase in input costs and decrease in product demand make it difficult for companies
to sustain their operations (Datamonitor, 2008).

Henkel KGaA (Germany) is a multinational family business that operates in more than
150 countries around the world. The organisation was founded by Fritz Henkel more
than 125 years ago (Henkel-life, 2008). Henkel KGaA has operations in Europe, the
Middle East, Africa, Asia Pacific and North and Latin America. The company
headquarters are based in Düsseldorf, Germany. Henkel manufactures adhesives,
detergents and laundry, homecare and surface treatment chemicals for application in
various industries (Henkel – Life, 2008).

Henkel’s strategy is to improve organic growth of the company and maintain stronger
market share in all markets in which the organisation operates. The improvement in
organic growth is to be achieved through process optimisation, increase in product
portfolio and through mergers or acquisitions. Henkel acquired National Starch
Adhesives, an organisation that manufactures adhesives globally on April 2 2008.
National Starch was a subsidiary of International Chemical Incorporation (Henkel - Life, 2008).

Henkel KGaA and National Starch Adhesives compete against each other in all markets in which the two companies operate. This is the case particularly for the adhesive business unit as the two companies offer customers the same technology and product mix. National Starch Adhesives has a local and an international presence in 100 countries. Henkel South Africa manufactures only adhesives and surface treatment chemicals. The company supplies local and export markets in e.g. Nigeria and Kenya as well as the local automotive industry (Henkel - Life, 2008).

The acquisition of National Starch Adhesives by Henkel meant that all operations where the two companies were operating separately had to be merged into one organisation. This resulted in an increase in customer base, technological ‘know-how’ and better utilisation of resources for Henkel. When Henkel KGaA bought the National Starch Adhesives business and the process was meant to be an acquisition however, locally the process was viewed as a merger (Henkel - Life, 2008). Henkel South Africa had to merge with National Starch Adhesives in order to also realise the same benefits as other Henkel subsidiaries in countries abroad. The merger and acquisition in each country had to follow a unique process as prescribed by the relevant local competition authorities of that particular country. After careful consideration by the South Africa Competition Commission, the acquisition of National Starch Adhesives was approved locally on April 2 2008 (Henkel - Life, 2008). The process of integrating the two entities was then initiated by the National Manager (Managing Director) for Henkel South Africa and his team in consultation with other Henkel KGaA affiliates (Henkel - Life, 2008).

Currently, Henkel South Africa and National Starch Adhesives operate as one entity locally and globally. Economic conditions and competition from rival organisations such as Qualichem, Dow Chemicals, 3M and Procter and Gamble, Sasol and AECI caused Henkel to review its current business strategy and formulate strategies that will enable the organisation to sustain its competitive advantage. One of these strategies is to streamline its supply chain so as to improve its efficiency and effectiveness (Henkel -
According to Galpin and Robinson (1997), various challenges face many organisations as a result of mergers or acquisitions. These challenges include low staff morale, less job involvement, less motivation, distrust, lack of job security, high staff turnover, ineffective processes and systems, lack of customer focus and staff retrenchment. Galpin and Robinson (1997) argue further that these challenges may cause a negative impact on the organisational performance if not managed properly. This may also result in the organisation not achieving its intended objectives.

According to Galpin and Robinson (1997) many mergers or acquisitions fail due to inadequate mechanisms for dealing with organisational changes. According to Pollitt (2004) the success of these mergers or acquisitions does not mean that there were no challenges facing these organisations. Pollitt (2004) argues that everything depends on how these challenges are managed and how mitigating factors are implemented to minimise the impact they may have on the merger or acquisition. Galpin and Robinson (1997:25) state that “the challenge for leaders of organisations is to strive for a better understanding of things that lead to failures of mergers or acquisitions”. Galpin and Robinson (1997) believe that leaders need to apply best practices from organisations within the same industry that have achieved their objectives through mergers or acquisitions.

According to Pollitt (2004), merger or acquisition issues are relevant to South Africa in the sense that macro environmental changes are experienced by companies operating in South Africa. Most of these companies strive to be the best in their respective fields. Pollitt (2004) believes that the South African macro environment is dynamic and poses its own challenges and opportunities for all companies and only those companies that are better prepared for the future will survive the impact of these changes.
1.2 Problem statement

Leaders in chemical organisations appear to overlook issues of change management during mergers and acquisitions. They appear to focus their efforts on the financial performance of the new organisation while overlooking issues such as staff motivation, performance, reward and skills retention.

1.3 Purpose of the research and overall objective

The primary objective of the study is to identify whether leaders in a chemical organisation consider issues relating to change management and their implications during a merger and an acquisition.

1.4 Outline of the remaining chapters

Chapter Two commences by exploring literature on the current and future trends in leadership and change management during mergers and acquisitions. The chapter ends with a research question that has been formulated based on the literature. Chapter Three discusses research approach that is followed and the methodology that is followed when selecting sample. The research instrument or data collection method that is used is also discussed. Chapter Three concludes with a discussion of the method of data analysis and the ethical issues that were considered during the research process.

Chapter Four focuses on the presentation of results and notes whether the findings answered the research question. Chapter Five commences by highlighting issues that have been identified according to the findings. Chapter Five concludes by noting the limitations of the study and their implications. Chapter Six summaries the research objectives and major findings. Recommendations to the company’s leadership are formulated and suggestions for further research are provided.
1.5 Conclusion

Organisations which operate in South Africa are faced with competition from other organisations around the world. Some of the South African based organisations have their headquarters based in various countries around the world. Macro environmental changes e.g. changes in economic conditions and technology compels these organisations to revise their business strategies to enable them to ensure sustainability and profitability.

Some of strategies that are adopted by organisations include mergers or acquisitions. Mergers and acquisitions pose challenges to the organisation and their success depends on how these challenges are managed by organisational leadership.

An in-depth discussion about aspects of merger or acquisitions, change management and the role of leadership during mergers or acquisitions will be conducted in the chapter to follow.
Chapter TWO

LITERATURE REVIEW

2.1 Mergers and acquisitions

2.1.1 Background

According to Sinkin and Putney (2009), mergers and acquisitions can be regarded as a process whereby two organisations merge to form one entity. This may be accomplished either by one organisation acquiring another or by two merging together. Sinkin and Putney (2009) argue that mergers or acquisitions can be categorised into two components, namely the administrative component (systems, processes and infrastructure) and the people’s component (benefits, retrenchment, staff promotions, etc). According to Sinkin and Putney (2009), most employees have never been through mergers or acquisitions and the uncertain nature of the process presents challenges that some of employees are not prepared to face.

According to Marks (n.d.), most organisations utilise various transition mechanisms such as mergers or acquisitions to achieve their strategic and financial goals. He further argues that these transition mechanisms pose various challenges. They are difficult to manage and can have a negative influence on the morale and well-being of employees. They can also have a negative impact on the organisational effectiveness of the new organisation. Marks (n.d.) states further that all negative impacts of these mechanisms are mainly due to the failure of organisational leaders and those who are tasked to design organisational transition processes, to take into consideration the adaptations of individuals to the process.

Pollitt (2004) is of the opinion that for any merger and acquisition to be smooth and sustainable, there are certain fundamental principles that leaders have to consider before and during the process. Some of these principles include the following; there should be trust between management and employees of both entities. Management
should ensure that there is a continuous flow of information to all those that may be affected by the process. This will then ensure that employees realise that benefits of a merger or an acquisition are not only for the organisation and its customers, but also for employees.

2.1.2 Communication

Papadakis (2005) states that when managers manage mergers and acquisitions, their focus must not only be on internal factors, but that they should also take external factors into consideration. According to Papadakis (2005), number one on the list of all the internal factors that influence the implementation of a merger or acquisition, is the existence of a communication programme followed by the percentage of employees leaving the organisation. Papadakis (2005) argues that the non-existence of a communication programme within an organisation may be attributed to the lack of experience or to elaborate human resources practices. Messmer (2006) argues that management need to communicate early and continuously with employees during the change process. Messmer (2006) is of the view that should management not communicate continuously with employees, rumours will start circulating around the organisation. According to Messmer (2006), employees may even begin to start thinking that management is trying to hide bad news like retrenchments and layoffs.

According to Messmer (2006:15) “even if you don't have all of the facts yet, discuss all of what you are allowed to reveal, including issues that are under consideration and the timelines for decisions”. Messmer (2006) believes that management must avoid speculating on the outcomes of the decisions as their credibility will be affected if the outcome is different from what they have projected. Messmer (2006) further states that, should management be aware of the outcome of the decisions, they need to call a staff meeting for all employees and advise them of the outcomes in an honesty and direct manner.
2.1.3 Employee engagement

Sethi (1999) states that senior management needs to realise that the sooner they involve middle management during mergers or acquisitions, the better the results they will achieve. Sethi (1999:9) further states that “when middle management is involved early in the process, the merger integration is faster, more seamless and less stressful”. According to Messmer (2006:15), “the more employees feel part of the merger or acquisition, the supportive they will be of what lies ahead”. Messmer (2006) encourages management to listen to what is said during the feedback sessions with employees as they may solicit their ideas and feedback.

Sethi (1999) states that senior management should ensure that the process is completed as quickly as possible because the quicker the process, the more likely the company objectives will be achieved. Papadakis (2005) believes that the environment in which an organisation operates also plays a role in the implementation of a merger or acquisition. He further argues that managers tend to focus on short term goals such as an increase in market share or specific products and ignore the changes that may have occurred in the external environment.

2.1.4 Planning

According to Papadakis (2005) the level of planning involved before the actual deal is announced has an impact on the implementation of the process. Papadakis (2005) believes that managers should be aware of the consequences the merger or acquisition may bring as this has an influence on the implementation of the process. Papadakis (2005) believes that the planning should focus on the understanding of the consequences of the merger and that, where possible mitigating factors should be put in place. He further argues that, should managers regard the merger as having significant consequences, they will develop mechanisms and processes that will assist them in striving for a successful implementation. Papadakis (2005) believes that the size and financial position of the acquirer has an impact on the implementation of the merger. He argues that it seems the bigger and the more financially sounds the acquirer, the higher
the chances of successful implementation of the acquisition.

Montgomery, Schmidt and Darbonne (2001:82) state that “the right merger or acquisitions can provide growth through the reprioritisation of the combination’s prospect inventory”. They further state that for all these opportunities to be realised by the new organisation, management should agree on a plan of action.

Montgomery et al. (2001) are of the opinion that in any of the mergers or acquisitions, people issues are comprised of three distinct factors. These factors are culture, cost and communication. According to Montgomery et al. (2001) when management formulates an overall merger plan, they should consider how they plan to manage these three factors well in advance. Montgomery et al. (2001) further argue that all people issues such as salary, bonuses and benefits should be addressed and clearly understood during the first stages of the merger or acquisition process. Management should devise a plan of action as to how the organisation intends to address each aspect pertaining to people issues.

2.2 Change management

2.2.1 Background

According to Ferdig (2007:31) “well managed change is defined as planned, rational, efficient aimed towards predefined outcomes and a top level leadership team, often informed by outside experts who provide rationale and guidance for the change process being initiated”. Kitchen and Daly (2002:51) state that “organisational changes mean moving away from the established routines and systems towards an uncertain future”. Kitchen and Daly (2002) argue that for change to be successful, leadership of all organisations need to instil a change attitude among employees.
According to Kreitner and Kinicki (2004), change management can be summarised in three stages: unfreezing, changing and freezing. Kreitner and Kinicki (2004) are of the opinion that it is the responsibility of the leadership of an organisation to ensure that the three steps are managed collectively as they do not occur in isolation. This implies that change management is a process that needs to be managed effectively in order to realise the positive benefits it can offer the new organisation.

Hritz (2008) argues that change within an organisation can be observed at three levels i.e. individual, team and organisation levels. Hritz (2008) argues that for organisational change to occur, individuals need to change their mindset and actions. Hritz (2008) states that when individual actions shift towards team collaborated efforts, the organisation changes. Hritz (2008) is of the view that not all employees embrace change; some will embrace change, others will be uncertain and the rest will resist any change effort or initiative. She also believes that management should focus their initial change strategy towards those employees who embrace change. The next step will be to ensure that those who are uncertain about the change comply with the requirements and expectations.

Hritz (2008) also suggests that once the initiative is ongoing, management should redirect their efforts towards those who resist the change while observing the whole program. Galpin and Robinson (1997) are astonished that company executives who are tasked to foresee mergers or acquisitions fail to see the link between mergers or acquisitions and change management. They believe that there is a list of critical change management dynamics which is supposed to be taken care of before, during and after the transition process. Galpin and Robinson (1997) argue that these change management dynamics are cultural clashes, short timelines, intense public scrutiny, aggressive financial targets, politics and positioning, communication issues, ‘how to grow’, re-engineering, where to downsize, personnel retention issues and employee motivation issues.

Karp (2006) argues that contrary to popular belief, change initiatives are not necessarily the sole responsibility of top management, but that all employees within an organisation
have a role to play formally or informally. Karp (2006) is of the opinion that change in an organisation occurs as a result of external and internal factors that have an impact on the network of relationships and communication within an organisation.

Pollitt (2004) argues further that because there is no right way to manage the change process, organisational leaders should ensure that the organisation leads the change and that it is not culture leading the change. Pollit (2004:20) also states that “an effective change management program can alter the culture and identity of employees within the organisation while still enabling employees to feel that they have not been compromised”.

Pollitt (2004) is also of the opinion that the key to the effectiveness of a change management programme is to ensure that not only managers are involved in the process, but that all employees should take part in the process, that future goals should be identified and that information should be communicated effectively and continuously to all employees. Employees should not be left wondering what the next steps in the process are and how they will be affected by the merger or acquisition.

2.2.2 Change management models

According to Hritz (2008) leadership of an organisation should follow a three stage change management model. This model is based on the assumption that any change in an organisation starts with individual employees. The three stage change management model includes the following; assessing the current situation, customising and implementing alternatives and sustaining the process. According to Hritz (2008), there are mixed feelings about the change initiative in the first stage of the change model. Some people see no need for change; others only concentrate on the downside of the change while some resist change (Hritz, 2008). Hritz (2008) also argues that, in the second stage of the model, leadership needs to acquire four competencies such as communication, accountability, creating a safe environment and coaching. These four competencies enable leaders to communicate the benefits of the change, ensure that accepted behaviour is rewarded and further ensure that any unacceptable behaviour
suffers the consequences.

Hritz (2008) also suggests that leadership should create an environment where employees are able to express their feelings about the change without fearing that they may be victimised. According to Hritz (2008:15), the final stage of the change model involves re-enforcing new habits and enhancing coaching skills so that the team can build “change muscles”. Management also needs to re-evaluate the progress that has been made during the change process and take action where necessary in order to achieve the desired outcome. Galpin and Robinson (1997) argue that these dynamics have an impact on the new organisation once the deal is closed.

According to Duck (2001), there are various elements that are essential in managing a change process successfully. Some of these elements are human emotional and behavioural issues, strategy and execution. Of the three stated elements, human emotional and behavioural issues are the key elements to consider during a change initiative. Duck (2001) also states that when change management is compared to other initiatives within an organisation, it is a quantum leap. Kitchen and Daly (2002) agree that the need for an organisation to change is important, but what makes the implementation of a change initiative successful is whether employees have understood how change will be achieved.

According to Mills (2006), organisations should be able to adapt to changes and that employees should be willing to undergo any change initiative. He further argues that if organisations do not change, they become stagnant. He is of the view that organisations that always undergo change tend to be chaotic, and as a result, they lose their focus and direction. Mills (2006:97) states that “leaders and managers should be able to manage change and its underlying issues in order to ensure that new ideas are integrated with old ones such that the organisation can still achieve its goals and objectives”.
2.2.3 Leadership involvement

Karp and Helgo (2008) argue that leaders and managers tend to professionalise all types of human interactions into ‘tools’ of change management. They further argue that when change initiatives fail, leaders tend to put blame on people issues and forget that it is the management part of change management which is a challenge. Karp and Helgo (2008) believe that leaders and employees view and react to change differently. They state that top management sees change as a drive to accomplish personal and professional goals. Professional goals include the opportunity to strengthen and renew the organisation while personal goals include advancing one’s career. Karp and Helgo (2008) believe that for employees and middle management, change is disruptive and upsets the organisational balance. Duck (2001:199) is of the view that “leadership needs to successfully manage people expectations, energy and experience in order to manage the change successfully”. Duck (2001) also highlights that systems, processes and people need to be managed collectively during a change process. The tangible aspects of the change process are easy to deal with as opposed to the intangible and soft issues.

Karp and Helgo (2008) also suggest that for change to be effective, leaders and managers need to change the way employees talk. Karp and Helgo (2008) believe that while leaders need to change the way people talk, they also need to consider hard factors that can have an impact on the whole change process. These hard factors include organisational structures, strategy and tools. Karp and Helgo (2008) suggest that changing the way employees talk to each other is not a linear and straightforward process, but it involves a process whereby the expedition is more important than the objective. Karp and Helgo (2008) argue that this process is possible through trial and error between people.

Karp and Helgo (2008) are of the opinion that traditional ways of managing change may not yield good results in the twenty-first century. But they believe that it is only possible to achieve the desired objectives if management leads by loosening control and focusing on building relationships and identities among employees within the changing
organisation.

Duck (2001) suggests that, of the known human and behavioural issues, the following come first: personal stress, communication, job security and uncertainty. Duck (2001) believes that the level of uncertainty that is normally present during a change process tends to force employees to adopt defence mechanisms. The human nature of employees sometimes results in them resisting change especially if they are not informed of what the change is all about and also what the benefits are for both the organisation and themselves. The presence of various elements such as uncertainty can cause stumbling blocks during a merger or an acquisition. This uncertainty may be due to the following factors: lack of communication, degree and speed of real integration and process of deployment of staff. Duck (2001) is of the view that the leadership of an organisation needs to manage employees’ human behavioural issues and ensure that they come up with pro-active measures to address them. Duck (2001) argues that proactive measures or initiatives may include an effective communication plan and a defined process that will be followed during the integration process.

Accordingly, Bechtel and Squires (2001) recommend that management conducts change management workshops to allow employees to express their personal feelings about the change. Management should note that the feelings expressed by employees in each stage of the change process are normal. According to Bechtel and Squires (2001) management can then take action about views expressed by employees. This can either be in the form of an alternative action or management can decide on progressing consciously with proposed actions. Bechtel and Squires (2001) argue that although the leadership of an organisation may be aware of the need to change through awareness campaigns, this does not mean that they are prepared to manage the details of the change process.

Bechtel and Squires (2001) are of the view that for managers to successfully manage the change process, they need to be an integral part of the project leadership team so that they are better informed about the decisions and the goals. Bechtel and Squires (2001) suggest that leadership needs to create a change plan that ensures that all
employees in an organisation have a clear understanding of how the organisation intends to progress through the change.

A more in-depth discussion about leadership will be elaborated-on in the paragraphs to follow.

2.2.4 Communication

According to Sinkin and Putney (2009), the most effective way of retaining employees is to communicate clearly the future vision of the new organisation and how employees will play a role during the integration process. Sinkin and Putney (2009) believe that before the merger or acquisition is announced, top management needs to announce the pending deal to senior employees and take note of their views about the deal. They are of the belief that this will enforce the importance of the role that senior employees will play in the organisation and that their meaningful contributions are valuable and welcomed. Sinkin and Putney (2009) also suggest that top management should inform next level of employees first-hand in order to avoid them hearing about the merger or acquisition from the media or other employees.

Sinkin and Putney (2009) believe management should send a positive message to all employees. Karp and Helgo (2008) also argue that leaders need to communicate clearly the core purposes of the new organisation and that they must be role models for other employees to follow. Sinkin and Putney (2009:27) state that “one of the most effective actions during a change process is clear and frequent communication in which the leaders share the vision of the organisation and ask for employee opinions”. Management must put emphasis on the things that will not be changed after the merger. If no employees are to be retrenched, this must also be communicated to all employees. Barrett (2002:221) states that for communication to be effective, leaders need to make use of all communication elements in order to reach their audience. He states that of the available communication elements, face to face and direct communications are the preferred ways compared to indirect communication and the electronic media.
According to DiGeorgio (2003), some of the most effective communication elements are as follows: leadership needs to be observed at all levels within the organisation; leaders must develop a communication plan that will cover all employees; leaders must also encourage feedback and listening sessions to allow employees to raise their concerns or issues; management needs to ‘walk the talk’ and be visible through the transition process. DiGeorgio (2003) further argues that effective communication channels need to be utilised to get the message out to employees on a frequent basis. DiGeorgio (2003) is of the view that, the leaders need to manage the manner in which employees that have been retrenched are treated as this may have an impact on how the remaining employees view the organisation.

Duck (2001:256) believes that communication is one of the vital factors in any change management process. Coffey, Garrow and Hibachi (2002) are of the opinion that of all the critical factors for a successful change process, communication is the most important. They argue that line managers need to serve as communication agents for senior management as they are the people who are at the forefront of the process and who engage with employees on a regular basis. Coffey et al. (2002) suggest that all line managers need to go through skills and development training to enhance their communication skills. This includes those line managers who have a good reputation with employees in terms of information sharing. Mills (2006) believes that one of the key success factors for change to be implemented successfully is open communication and honesty. He indicates that everyone should be involved in the whole process right from the beginning until the end the change process in order to ensure that their inputs are taken into consideration and that they do not feel marginalised. Mills (2006) argues that resistance to change can prevail due to the fact that sometimes employees do not trust managers and leaders often due to past experience where leaders implemented change solely due to self-interest.

Montgomery et al. (2001) state that leadership of an organisation should develop a communication strategy for the merger process. This will serve to ensure that leadership addresses issues of how, when and what to tell employees as the process unfolds. Montgomery et al. (2001) are of the view that part of the communication plan
should entail how to communicate with various stakeholders such as line managers, sales teams and internationally mobile employees. Montgomery et al. (2001) further argue that the communication strategy should include the key message to be communicated to employees as well as the most appropriate communication tools for each stage of the integration process.

2.2.5 Management team – planning

Coffey et al. (2002) state that the preparedness of managers to cope with stress that may arise during to the merger or acquisition, has an impact on how managers deal with soft issues. If managers are not well prepared in coping with stress, they will find it difficult or impossible to handle soft issues during the merger. Coffey et al. (2002) further state that employee issues increase as the transition process progresses towards the implementation phase and managers need to be watchful about these issues and ensure that their impact is minimised or eliminated. Duck (2001:199) states that “the chances of a change management process failing increases if the challenges that people will encounter at the initial stages of the change are not planned for and addressed”.

2.2.6 Human resources involvement

According to Hill (2008:35), “human resources directors should be part of the team driving the change, advising on the impact in the workforce, identifying potential change champions and allocating resources to project teams”. He states that for the change process to run smoothly, human resources staff should offer coaching and training to assist managers in dealing and coping with managing change. Montgomery et al. (2001) suggest that leadership should consult human resources staff early in the change process and seek their assistance especially with people issues. Montgomery et al. (2001) state that some of people issues that leaders of an organisation should seek advice on are: talent management, recruitment and staff retention strategies. According to Galpin and Robinson (1997:25), the challenges presented by mergers or acquisitions are not comparable to any challenges brought by other management initiatives.
Spencer (2000:15) states that “organisations that fail to get the most out of their changes have one thing in common, they think of the skills they need instead of employee behaviors that should be changed”. He states that the distinction between skills and behaviours may not be recognised easily, but it normally becomes distinct when it comes to training, development and implementation. Montgomery et al. (2001:80) argue that “deal makers often dismiss people factors as soft stuff and assume that these will take care of themselves”. Montgomery et al. (2001) are of the view that people issues can cause an organisation to succeed or fail during mergers or acquisitions. Galpin and Robinson (1997) argue that major change requires bold decisions and these should be made quickly. They state that if the change process is prolonged, uncertainty and unrest are encouraged. Employees will spend time thinking about personal issues that may be affected during the merger or acquisition. Galpin and Robinson (1997) suggest that although the process needs to be completed quickly, they warn it should not be undertaken recklessly.

According to Paton (2005), it is imperative that the Human Resources (HR) department plays a role in the formulation of the transition process. This includes both the implementation and aftermath of the process to ensure that employee needs are met and strategic objectives are attained. Montgomery et al. (2001) also believe that human resources staff needs to be prepared to play a role during the integration process. Montgomery et al. (2001) further argue that sometimes it is not the preparedness of human resources staff that makes their contribution meaningful, but whether they are viewed as strategic partners by management.

Paton (2005) suggests that in order for the process to be smooth and sustainable, one needs to capture the hearts and minds of people. This can be achieved by involving people from the lower levels of the organisation up to the top level, instead of the other way around where lower employees will feel they are being marginalised. Paton (2005) suggests that for organisations to achieve performance improvement after the transition process, leaders need to ensure that human resources staff are closely involved in the change management process. The benefits are that all people-related issues are given
first priority throughout the process and as such, any shortcomings are dealt with proactively.

Montgomery et al. (2001) believe that for management to recognise human resources as a strategic partner in a change process, human resources executives need to involve their team in non-merger activities so that their role cannot be undermined. These activities may include talent management, skills development and alignment of reward systems with organisational goals and objectives. Paton (2005:20) states that the “human resources profession often fails to interconnect with all the different aspects of the business”. He argues that human resources staff treat change management as an isolated process and sometimes reverts to textbook ways of managing the process which may not be practically possible to the business operations.

Brown (2005) believes there is a decrease in the rate of success of corporate mergers or acquisitions due to the fact that most organisations do not involve human resources staff early in the transition process. Brown (2005) argues that human resources staff should also formulate a transitional plan even during the due diligence stage, so that when the merger is approved, this can be rolled out and all people-related questions may be addressed. He suggests that human resources staff should devise means to retain staff, specifically senior management, and keep all employees motivated during the transition process. Barchan (2006) argues that management should choose communication tools that encourage employees to brainstorm so that they can provide support for any global initiative at local level. He states that this will encourage employees to envisage the future and how the current state of affairs will unfold later.

2.2.7 The role of change agents

Mellina (2003) further argues that, in order for change agents to be effective, their roles should be seen as 30 percent management and the balance as leadership. He believes that the managerial issues are trivial and that it is the people dynamics that test the leadership ability of a change manager. He further states that adopting new habits entails not only intellectual argument, but also the ability of a change agent to uncover
and understand staff perspectives while still keeping in touch with their own feelings. The change agent should be able to foster relationships, inspire the team and also encourage collaboration. Nikolaou, Gouras, Vakola and Bourantas (2007) argue that all employees in an organisation who are involved directly or indirectly in a change effort should be able to act as change agents. Nikolaou et al. (2007:292) argue further that for leaders to implement a change management programme successfully, they need to realise that change requires encouraging individual employees to enact behaviours so that the desired outcomes can be achieved. Nikolaou et al. (2007) are also of the opinion that individual difference variables play a significant role in employees’ work attitudes. Those individual difference variables are locus of control, positive affectivity, openness to experience and tolerance for ambiguity, (Nikolaou et al., 2007). According to Nikolaou et al. (2007), of all stated variables, resilient employees have proved to be more ready to accept and apply change.

Mellina (2003:9) states that “a participative leadership style and emotional intelligence are the end result of opportunities which are presented by change initiatives”. He further argues that organisations should align top performers to the project as this will benefit the project, individuals and the organisation. He suggests that in order to minimise the impact of not having star performers on day to day operations, project sponsors should work hand in hand with both human resources staff and departmental managers concerned.

2.2.8 Organisational culture

Cronin, Kiessig and Sprenkle (2008:48) believe that “organisational culture can both support and inhibit goal and mission achievement depending on how it evolves”. They argue that company management should constantly align the culture of the organisation with its mission and objectives in order to ensure business success. Cronin et al. (2008) believe that a balanced approach should be adopted by business leaders when managing organisational culture. This will ensure that the culture of an organisation will not alienate high performers and, at the same time, it encompasses the values of bad performers. Montgomery et al. (2001:80) believe that “cultural due diligence can turn up
Montgomery et al. (2001) argue further that failure to resolve cultural due diligence could make achieving synergies difficult if not impossible. Montgomery et al. (2001) suggest that management should also conduct cultural due diligence during the initial stages of the proposed merger or acquisition to assist management in understanding the underlying potential problems that may have an impact on the change process during the later stages. Montgomery et al. (2001) state that organisational leaders tend to shy away from addressing cultural issues upfront and as a result fail to realise that if these issues are addressed immediately, they can lead to success more than inaction.

2.2.9 Organisational structure / design

Ennew, Wong and Wright (2008:478) are of the opinion that “organisational structure is dynamic phenomenon which evolves as a result of change of internal and external conditions”. Ennew et al. (2008) suggest that any change in strategy will result in changes in the organisational structures in order to support that change. If this does not occur, the organisation may not fulfil its desired company objectives. Ennew et al. (2008:478) also argue that for the organisation to achieve the designed end results, changes in the organisational structure need to be implemented concurrently with the change in organisational strategy. Hamm (2006:118) states that “the most productive way for a leader to think about organisational structure is as a flexible map of accountability resulting in guidelines whose purpose is to define goals and optimise resources without devaluing employees”.

Uretsky (2001:50) is of the view that “early attention to information technology needs, compatibilities, and integration impediments plus deliberate attention to culture, change management and communication can help to accelerate merger success”.

surprises too if it’s not understood and resolved". 
2.3 Leadership

2.3.1 Background

Kreitner and Kinicki (2004:595) describe leadership as “a social influence process in which the leader seeks the voluntary participation of subordinates in an effort to reach organisational goals”. They argue that there is a difference between a leader and a manager although some elements of overlap do exists between the two. Ferdig (2007) suggests a different form of leadership known as sustainable leadership. According to Ferdig (2007:31), “rather than providing all of the answers, sustainability leaders create opportunities for people to come together and generate their own answers - to explore, learn, and devise a realistic course of action to address sustainability challenges”. Ferdig (2007) argues further that being a sustainability leader is more about the individual leader; it is about putting ideas together and taking decisions collectively with other employees.

Bechtel and Squires (2001) are of the view that there are fundamental tools and techniques that can be used by leadership to facilitate change within an organisation such as education, project management for change, partnerships and change plans. With regard to the first technique, they argue that, through education or training, leadership can create awareness of the need to change. Bechtel and Squires (2001) state that for employees to be able to follow leaders during a change process, leaders themselves need to act as consultants to project owners of current change initiatives. Karp (2006) suggests that for employees to reflect on their behaviours, capabilities, values and roles, they should be invited and inspired by the leadership of an organisation. According to Karp (2006), once leaders have undergone a change effort, they need to step back and reflect on the journey travelled and plan minimal intervention so that the change can spread through the entire organisation.
2.3.2 Communication

According to Hamm (2006), leadership is about inspiring employees within an organisation to take responsibility in creating a better future for themselves and the organisation. This can only be made possible through effective communication on all levels of the organisation. Hamm (2006) states that most leaders do not take time to explain generic terms that they normally use when communicating with employees. He states that this may be the downfall of most organisational leaders as employees fail to understand what the leader wants and thereby devise their own explanations and expectations.

2.3.3 Decision making

According to Hamm (2006), effective leaders understand that their role is to surface answers in others. They do this by driving the decision-making process while consulting and soliciting ideas and contributions from their subordinates and team members. According to Hamm (2006) this then creates a collaborative environment and the leader is not isolated. This increases the likelihood that organisational strategy will be grounded in reality. Karp (2006) argues that while there is a strong desire for most organisations to change, these organisations are faced with a dilemma whereby there is a limited capability to lead change successfully.

Kouzes and Posner (2009) argue that for leaders to be able to achieve their future objectives, they should connect with people in the present. This will ensure that employees and leaders have a common understanding of what the future needs to be and what needs to be done in order to achieve that. Kouzes and Posner (2009:21) state that “the best leaders are able to bring their people into the future because they engage in the oldest form of research, they observe the human condition”. Karp (2006:6) states that “to address people issues, leaders often stress the need for alignment and readiness of an organisation to sustain the process of change”.
Karp (2006) suggests that leaders need to engage employee’s right from the beginning of the change process. This will result in an increase in the ownership of the change agenda. Karp (2006) is of the view that early employee participation in the change effort motivates employees to go beyond their call of duty.

2.3.4 Vision of an organisation

Kouzes and Posner (2009:21) also suggest that “the only visions that take hold are shared visions and they can only be created if leaders listen very closely to others and attend to their needs”. Braksick (2007) is of the view that leadership of an organisation should ensure that there is an alignment between an organisation’s vision and employee expectations and behaviour. Once this is accomplished, they also need to ensure that coaching and regular feedback to employees is provided so that acceptable behaviours are encouraged. According to Cronin et al. (2008), organisational leaders need to revise the vision and mission of the new organisation and communicate the shared vision to all employees.

2.3.5 Role of leadership

According to Burnes (2003:42), most authors agree that the leader’s primary task is to bring about change and this does not happen without strong leadership. He further states that unfortunately these two phenomena are treated as two separate dealings. Duck (2001:95) states that “one of management’s prime activities should be to ensure alignment around strategy and vision”. Management also needs to ensure that any dissatisfaction by employees with the status quo is encouraged and that employees should be willing to undergo a change process. According to Galpin and Robinson (1997), the merger of two or more entities creates change management challenges for leaders. Leaders need to develop an integrated action that will serve to mitigate the risks associated with the merger, the main objective being that it should work. Galpin and Robinson (1997) highlight concepts that should form the integral part of an action plan.
These concepts are: fast change, defined and clear leadership, excessive communication, customer focus and making tough decisions.

According to Galpin and Robinson (1997), mergers and acquisitions present another challenge in so far as leadership is concerned. This is due to the fact that two groups of employees are coming together and most leaders choose entertain politics instead of providing leadership to the organisation. Those who are tasked to lead the process should be able to see both micro and macro views in order to enhance efficiency and effectiveness during decision-making and problem-solving. Galpin and Robinson (1997) also believe that management should ensure that employees keep constant focus on customer needs and expectations. They should strive to achieve these objectives during the merger process.

Braksick (2007) also states that leaders should carefully select and assign roles to employees based on their individual capabilities. He further argues that leadership should encourage cross functional teams to work together and review all critical goals within their levels. This will encourage them to formulate shared visions and strive to achieve them together without focusing on who belongs on which team (Braksick, 2007). According to Braksick (2007), leadership should manage by ‘walking around’, being visible and spending more time in offering constructive feedback to employees and also coaching where necessary. According to Braksick (2007), management needs to engage employees immediately after a particular behavioural event has occurred and explain to employees how their behaviour affects the organisation. According to Braksick (2007:9) “leadership actions are critical to organisational success, especially during intense periods of change such as mergers or acquisitions”.

2.3.6 Organisational culture

Braksick (2007) argues that after the transition process, leaders are in a better position to guide the newly formed organisation to better heights by shaping its culture. Staff recruitment and retention will be enhanced when approaches like these are adopted. Monk (2000:75) states that “organisational culture has a dynamic and powerful influence
on organisational development, determining both managerial and employee behaviour, attitudes, practices, strategies and goals”.

According to DiGeorgio (2002), leaders need to be sensitive to cultural issues from the initial dialogue with the target organisation. He also suggests that for the culture of the new organisation to be conducive to all employees, leaders need to have open dialogue about the acceptable behaviour required in order to succeed in the new organisation. As leaders serve as role models during the transition process, it is therefore imperative that they ‘walk the talk’ so that all other employees will be able to follow them (DiGeorgio, 2002). According to DiGeorgio (2002), organisational culture has an impact on the overall success of the transition process on all levels of the organisation.

2.4 Research questions

Emanating from the literature review, the following research questions are posed: Do leaders of a chemical organisation consider issues of change management during mergers and acquisitions? Do leaders of a chemical organisation understand the implications of these change management issues for the business?

2.5 Conclusion

It is imperative that when organisations undergo a strategic change through mergers or acquisitions, various mechanisms should be in place to make the process smooth and sustainable. Based on the literature, it is also evident that leaders in various functions and levels of an organisation play a crucial role during the transition process and, as such, they need to be fully committed to the change process. DiGeorgio (2002:273) states that “the answer to a successful merger and acquisition lies in a very systematic approach to both selection and integration, and not on a systematic approach on paper, but one that gets executed”. DiGeorgio (2002) further states that senior management of an organisation has an obligation to see that a systems approach is developed and implemented if the organisation is using mergers or acquisitions as a strategic intent. It
is evident that employee engagement and cooperation should not be undermined as their role may prove to be the determining factor of the success or failure of the process. The literature also highlights that change management cannot be executed by one department, but should be a concerted effort of all employees.
Chapter THREE

RESEARCH METHODOLOGY

3.1 Research approach

A qualitative research approach was utilised in this study. According to Collis and Hussey (2003: 13), “a qualitative research approach is subjective in nature and that it involves examining and reflecting on perceptions so that one can achieve an understanding of social and human activities”.

3.2 Research design

3.2.1 Research population and sample

According to Collis and Hussey (2003:157) “a sample is a subset of a population whose characteristics will be generalised to the entire population”. The population of Henkel South Africa executive and management team of the adhesive business is 36 employees who were affected by the merger or acquisition. The population comprised of five executive and 31 middle management respondents.

The sample comprised of 29 respondents. Reasons for not interviewing the balance of the seven managers included: managers’ lack of availability; departure of an executive during the research and decline by three middle managers to participate in the study.

3.2.2 Instrument development

A questionnaire with semi structured open-ended questions based on the best practices as outlined in literature review was formulated. The questions focused on the issues of leadership and change management during mergers and acquisitions. According to Kumar (2003) there are three important considerations to note when developing
categories for responses. These categories should be mutually exclusive, they must be exhaustive and the use of ‘other’ category must be kept to the absolute minimum.

### 3.2.2.1 Pilot testing

Before interviews were conducted, pilot testing was conducted. Two questionnaires were distributed to independent respondents. The aim was firstly to see whether respondents would understand what was asked in the questionnaire and secondly, whether probing questions in certain areas within the questionnaire were required. Based on the feedback, the research questions were modified accordingly. The questions that were modified were ones relating to organisational culture and one relating to the involvement of the human resources department during the change process.

### 3.2.3 Data collection

Collis and Hussey (2003) argue that the time it takes to collect data in qualitative research method is longer compared to quantitative method. They argue that qualitative data collection is time-consuming although it provides a real basis for analysis and interpretation. One hour structured interviews were conducted with the 29 respondents using semi-structured questionnaires over the period of one month.

### 3.2.4 Data analysis

Content analysis was performed to analyse the qualitative data collected. According to Hair, Babin, Money and Samuel (2003), for content analysis to be conducted, data has to be obtained by observing and analysing the content or message of written text. Hair et al. (2003) state that the content analysis process entails systematic analysis and observation. According to Collis and Hussey (2003), content analysis is a systematic way of converting text to numerical variables for quantitative analysis. According to Collis and Hussey (2003), to simplify content analysis process, data to be analysed
needs to be classified into various coding units. Hair et al. (2003:126) state that “the researcher examines the frequency with which words and main themes occur and identifies information content and characteristics embedded in a text”.

Kumar (2005) argues that once the themes have been identified by the researcher, the researcher has three ways to deal with them. According to Kumar (2005), the researcher can support or contradict an argument by examining verbatim responses and integrate them within the text. Kumar (2005) argues that the researcher can assign a code to each theme and count how frequently each has occurred and then combine both methods to communicate findings. Once the themes were identified and the method to deal with the themes was chosen, the following steps were taken: the researcher selected an open-ended question from one of the schedules and wrote down the response(s) on a sheet of paper; if there were two responses, these were written separately on the same sheet; the same process was followed until all responses were separated (Kumar, 2003). Kumar (2003) suggests that once all responses have been separated, they must be grouped into categories and then be coded.

Collis and Hussey (2003) suggest that content analysis offers a number of advantages compared to other methods used for qualitative data analysis. Some of these advantages are the following: once the sample is constructed, it is a permanent record which can be revisited and re-examined; the researcher can choose to conduct the analysis when he/she so wishes; the systems and procedures for carrying out content analysis are clear and concerns about reliability and validity are minimised.

3.2.5 Ethical issues / consideration

All respondents were informed that information will be treated confidentially and that their names would not appear on the questionnaires. Hair et al. (2003) state that, all respondents have a right to decline the opportunity to participate in a study. Hair et al. (2003) argue that should respondents participate, they should cooperate fully. Respondents were also made aware that, although the researcher is part of the
organisation’s middle management team, responses would not be shared with anyone in the organisation, a summary of the findings and recommendation would be presented to the executive team and if any of the respondents wished to receive a copy of the findings, a copy would be made available.
Chapter FOUR

PRESENTATION OF RESULTS

4.1 Introduction

Eighty percent of the respondents (23) had been working for the National Starch Adhesives and the Henkel South Africa organisations for a period ranging from five to 30 years. Seventeen percent of the respondents (6) had been with their previous organisations i.e. Henkel South Africa or National Starch Adhesive for a period less than five years before the merger or acquisition took place.

4.2 Presentation of findings

4.2.1 Confusion about the nature of the change

Forty one percent of respondents (12) perceived that the coming together of Henkel South Africa and National Starch Adhesives was an acquisition and not a merger. Thirty four percent of respondents (10) perceived that the coming together of the two entities was a merger and not an acquisition. Twenty four percent of respondents (7) perceived that the coming together of the two entities was neither a merger nor an acquisition. They believed that the change process was a combination of a merger and acquisition.
4.2.2 Reasons for the change process

The most frequently cited reason that respondents gave as to why the merger or acquisition took place was that the Henkel Group wanted to increase its market share (36 percent of total responses) as this in turn would make the Henkel Group become a global leader in the adhesives technology. Twenty six percent of total responses highlight that Henkel Group undertook the merger or acquisition to become a global leader. The other reasons that were cited frequently by respondents were that, Henkel Group wanted to eliminate competition; improve profitability and create synergies between the technologies and product portfolio offered by National Starch and Henkel.

4.2.3 Stages / Phases of employee involvement

Seventy six percent of respondents (22) were involved in the integration process after the South African Competition Commission (SACC) approved the deal between National Starch Adhesives and Henkel South Africa. Twenty four percent of the respondents (7) were involved in the integration process as early as from the pre-approval and post approval stages of the deal.
4.2.4 Employees vision and mission awareness

Eighty six percent of the respondents (25) were aware of the vision and mission of the new organisation. Ten percent of the respondents (3) had doubts as to what the vision and mission of the new organisation is. Three percent of the respondents (1) did not know the vision and the mission of the new organisation.

4.2.5 Organisational culture

![Organisational Culture](image)

Figure 4.2 Description of organisational culture in the new organisation

In terms of organisational culture, respondents could comment on more than one item at a time. In terms of the frequency of responses, ten percent of total responses indicate that employees in the new organisation were undecided about the culture of the new organisation. Six percent of total responses tend to indicate that respondents believed that the culture of the new organisation is autocratic and conservative. Eight percent of total responses signify that employees in the new organisation were cooperative, interactive, collaborative and socialising. Sixteen percent of the total responses indicate...
that employees in the new organisation were not interactive. Three percent of the total responses perceived that there is no trust and that employees are not cooperative or socialising. Sixteen percent of total responses indicate that employees in the new organisation are not collaborative. Lack of empowerment, cultural sensitivity and enthusiasm were also cited.

4.2.6 Human Resources (HR) involvement

In terms of frequency, forty percent of the total responses indicate that the process that was followed by the human resources department staff during the change process was poor. Eight percent of the total responses indicate that respondents believed that the process which was followed by the human resources staff was good. Twenty three percent of the total responses highlight that there was poor or bad communication from the human resources department staff. Twelve percent of the total responses believed that there was good consultation from human resource and other four percent were of the view that consultation was poor during the integration process. Four percent of total responses indicate that employees perceived the human resource department’s involvement during the change process as good and the other four percent of responses perceived that it was bad.
The human resource executive joined Henkel South Africa in the middle of the integration process as such, he was still familiarising himself with the organisation’s systems and procedures.

**4.2.7 Communication channels**

Various communication channels were utilised before and during the integration process. Some of these communications channels included electronic mailing system, meetings, telecommunication and media i.e. print and electronic. Of the communication channels mentioned above, thirty two percent of the total responses indicate that meetings were held by the local teams within various departments or sections. All the meetings that were held were meetings between the divisional heads of departments and their middle management teams. Twenty eight percent of the total responses show that communication between the local team and the ones in Germany was via electronic mailing system. Ten percent of the total responses highlight that media communication was used during the integration process.

**4.2.8 Participants selection during the integration**

![Figure 4.4 Perception of participants selection during the integration process.](image)

Figure 4.4 Perception of participants selection during the integration process.
In terms of frequency of responses, thirty seven percent of total responses highlight that there was no process that was followed in the selection of participants for their role in the integration process. Twenty nine percent of the total responses indicate that participants were chosen based on their areas of responsibility. Twenty percent of total responses indicate that respondents believed that experience was one of the determining factors as to how participants were chosen to participate in the change process. Twelve percent of total responses show that participants were selected based on necessity. This meant that participants were chosen to participate in the change process based on job requirements or tasks to be completed. Only two percent of total responses show that participants were selected based on the outcome of an assessment conducted.

4.2.9 Roles of other teams

Respondents suggested various roles that other teams can play in a change process. In terms of frequency of responses, thirty seven percent of total responses indicate that teams need to promote team work. Fourteen percent of total responses show that other
teams need to transfer knowledge within the teams. Twelve percent of total responses indicate that employees felt that teams need to encourage professionalism. Ten percent of total responses indicate that teams need to promote communication. Respondents were of the view that teams should embrace change (8 percent of total responses) and that they also need to promote both transparency (6 percent) and cultural awareness (6 percent).

4.2.10  Organisation structure/design

Thirty two percent of the total responses indicate that there were changes in the organisational structure and that these changes took place at divisional level (general adhesive business unit). Thirty two percent of the total responses highlight that organisational structure changes resulted in respondents having more responsibilities and others respondents having fewer responsibilities. Sixteen percent of the total responses indicate that respondents had more subordinates reporting to them while others respondents had less subordinates. Thirteen percent of total responses signify that respondents were of the view that the integration of National Starch Adhesives and Henkel South Africa has had an impact on the infrastructure of the organisation. Changes in the infrastructure included the upgrading of the administration block or

Figure 4.6 Perceived impact of the merger / acquisition on other areas of the organisation.
building and reorganisation of the general adhesive business unit manufacturing facility.

4.2.11 Other issues / concerns

Figure 4.7 Other issues or concerns raised by respondents

Thirteen percent of total responses indicate that respondents have concerns about job security, transparency and staff motivation and morale. Ten percent of total responses highlight that respondents had concerns about staff development in the new organisation. Seven percent of total responses indicate that respondents had issues about coordination of activities and actions during the integration process. Six percent of total responses show that respondents had concerns about benefits and salaries in the new organisation. Two percent of total responses indicate that respondents tend to believe that top management visibility was lacking during the integration process. They (two percent of total responses) were of the opinion that top management should be managing by walking around to enhance visibility and show commitment to the change process.
4.2.12 Future areas of opportunity

Twenty five percent of total responses indicate that respondents suggest that communication between management and employees need to be improved. Twenty percent of total responses indicate that respondents viewed transparency as an area where organisational leadership need to improve. Sixteen percent of total responses points towards the fact that respondents were of the perception that the involvement of human resources department needs to be improved or considered during future initiative or processes. Eleven percent of total responses highlight that respondents were of the view that coordination of actions and activities need to be better looked at during future change processes. Four percent of total responses suggest that respondents have concerns about top management visibility, lack of job assessment process and the timing of the integration project or process.

4.2.13 Implications of the merger or acquisition

Ninety seven percent of the respondents (28) were of the view that they were aware of the implications of the merger or acquisition to the new organisation. Four percent of the respondents (28) were of the view that they were aware of the implications of the merger or acquisition to the new organisation.
the respondents (1) were not aware of the implications of the merger or acquisition to the organisation.

The following research questions were stated in chapter Two: Do leaders of a chemical organisation consider issues of change management during mergers and acquisitions? Do leaders of a chemical organisation understand the implications of change management issues for the business? The findings of the present study indicate that the research questions have been answered in that leaders of a chemical organisation have overlooked issues of change management during the merger or acquisition. Some of the issues of change management that were overlooked by Henkel South Africa management include: communication, shared vision and mission, organisational culture, lack of transparency and employee involvement, and lack of human resources staff involvement and staff development or morale.

According to the findings of the study, leaders of a chemical organisation were aware of the implications of the merger or acquisition to the business. This suggests that they understood the implications of change management issues to the business, but that, even so, some areas important for change management appear to have been overlooked. Four percent of the respondents were not aware of the implications of the merger or acquisition to the business.
Chapter FIVE

INTERPRETATION OF RESULTS

5.1 Introduction

The primary purpose of the study was to identify whether leaders in a chemical organisation consider issues relating to change management and their implication during a merger or an acquisition. The findings suggest that leaders in a chemical organisation overlooked issues of change management such as communication, shared vision and mission, organisational culture, lack of transparency and employee involvement, lack of human resource staff involvement and staff development or morale.

The findings also suggest that leaders in a chemical organisation were aware of the implications of change management issues to the business, but that, even so, some areas important for change management appear to have been overlooked.

5.2 Discussion of findings

5.2.1 Confusion about the nature of the change

Sinkin and Putney (2009) believe that before the merger or acquisition is announced, top management needs to announce the pending deal to senior employees and take note of their views about the deal. They are of the belief that this will enforce the importance of the role that senior employees will play in the organisation and that their meaningful contributions are valuable and welcomed. Sinkin and Putney (2009) also suggest that top management should inform next level employee’s first-hand in order to avoid them hearing about the merger or acquisition from the media or other employees. From the present study it appears that there seems to be confusion amongst the respondents as to whether the coming together of National Starch Adhesive and Henkel
South Africa was a merger or an acquisition in that forty one percent of respondents (12) perceived that the coming together of Henkel South Africa and National Starch Adhesives was an acquisition and not a merger. Thirty four percent of respondents (10) perceived that the coming together of the two entities was a merger and not an acquisition. Twenty four percent of respondents (7) perceived that the coming together of the two entities was neither a merger nor an acquisition. They believed that the change process was a combination of a merger and acquisition. This may be an indication of lack of communication between top management and senior management teams.

5.2.2 Vision and mission awareness

According to Kouzes and Posner (2009:21) “the only visions that take hold are shared visions and they can only be created if leaders listen closely to others and attend to their needs”. According to Sinkin and Putney (2009), the most effective way of retaining employees is to communicate clearly the future vision of the new organisation and how employees will play a role during the integration process. Sinkin and Putney (2009:27) state that “one of the most effective actions during a change process is clear and frequent communication in which the leaders share the vision of the organisation and ask for employee opinions”. Eighty six percent of the respondents (25) were aware of the vision and mission of the new organisation. Ten percent of the respondents (3) had doubts as to what the vision and mission of the new organisation is. Three percent of the respondents (1) did not know the vision and the mission of the new organisation. This is an indication that the leadership of the new organisation did not share the vision and mission with the whole team. This may also be an indication that not the whole team was involved in the formulation of the vision for the new organisation.

5.2.3 Organisational culture

Montgomery et al. (2001) argue further that failure to resolve cultural due diligence could make achieving synergies difficult if not impossible. Montgomery et al. (2001) suggest that management should also conduct cultural due diligence during the initial stages of
the proposed merger or acquisition to assist management in understanding the underlying potential problems that may have an impact on the change process during the later stages. Montgomery et al. (2001) state that organisational leaders tend to shy away from addressing cultural issues upfront and, as a result, fail to realise that if these issues are addressed immediately, they can lead to success rather than ineffectiveness.

Pollitt (2004) argues further that because there is no right way to manage the change process, organisational leaders should ensure that the organisation leads the change and that it is not culture leading the change. Pollit (2004:20) also states that “an effective change management program can alter the culture and identity of employees within the organisation while still enabling employees to feel that they have not been compromised”. There is a mixed perception as to what the organisational culture is and that there seems to be no clear understanding of what the organisational culture of the new organisation should be. Ten percent of total responses indicate that employees in the new organisation were undecided about the culture of the new organisation. Eight percent of total responses suggest that employees in the new organisation were cooperative, interactive, collaborative and socialising. Sixteen percent of the total responses indicate that employees in the new organisation are not interactive. Sixteen percent of total responses indicate that employees in the new organisation were not collaborative.

5.2.4 Human resources involvement

Montgomery et al. (2001) suggest that leadership should consult human resources staff early in the change process and seek their assistance especially with people issues. Brown (2005) believes there is a decrease in the rate of success of corporate mergers or acquisitions due to the fact that most organisations do not involve human resources staff early in the transition process. Brown (2005) argues that human resources staff should also formulate a transitional plan during the due diligence stage so that when the merger is approved, this plan can be rolled out and all people-related questions be addressed. He suggests that human resources staff should devise means to retain staff, specifically senior management, and keep all employees motivated during the transition process.
The findings of the present study indicate that the process that was followed by the human resources staff during the integration process was poor as indicated by 40 percent of the total responses. This may be due to the fact that the process was not clearly defined before the integration was undertaken.

Montgomery et al. (2001) believe that for management to recognise human resources as a strategic partner in a change process, human resources executives need to involve their teams in non-merger activities so that their role cannot be undermined. These activities may include talent management, skills development and alignment of reward systems with organisational goals and objectives. Paton (2007:20) states that the “human resources profession often fails to interconnect with all the different aspects of the business”. He argues that human resources staff treats change management as an isolated process and sometimes reverts to textbook ways of managing the process which may not be practically possible to the business operations.

Communication from human resource staff was raised as one of the findings. The findings suggest that there was consultation that was conducted by the human resource staff. Twelve percent of the total responses believed that there was good consultation from the human resource staff and other four percent of total responses were of the view that consultation was poor during the integration process. The issue of benefits and salaries was raised as part of the other issues and concerns employees had. Six percent of total responses suggest that respondents had concerns about benefits and salaries in the new organisation.

5.2.5 Communication

Barrett (2002:221) states that for communication to be effective, leaders need to make use of all communication elements in order to reach their audience. He states that of the available communication elements, face to face and direct communications are the preferred ways compared to indirect communication and the electronic media. Of the communication channels that were used by the local team and their German colleagues, e-mails were used the most. The respondents felt that the meeting that were held by
both the local team and their German counter colleagues were not informative. According to Barret (2002), electronic media is the least effective way of communication.

5.2.6 The role of change agents

Nikolaou et al. (2007) argue that all employees in an organisation who are directly or indirectly involved in a change effort should be able to act as change agents. Thirty seven percent of total responses indicate that there was no process that was followed in the selection of participants to participate in the change process. The apparent lack of a process that was followed when participants were selected meant that the selection was left to the divisional managers or leaders to decide as to who will be part of the integration and who will not be. It is, however, noted that respondents do acknowledge that of the participants that were chosen, experience and area of responsibility were the determining factors for selection. Twenty nine percent of total responses indicate that participants were chosen based on their areas of responsibility. Twenty percent of total responses indicate that experience was one of the determining factors as to how participants were chosen to participate in the change process. Twelve percent of total responses point towards the fact that participants were selected based on requirements. Only two percent of total responses show that participants were selected based on the outcome of an assessment conducted.

5.2.7 Employee engagement

According to Karp (2006), leaders need to engage employees right from the beginning of the change process to increase the ownership of the change agenda. Sethi (1999) states that senior management needs to realise that the sooner they involve middle management during mergers or acquisitions, the better the results they will achieve. Sethi (1999:9) further states that “when middle management is involved early in the process, the merger integration is faster, more seamless and less stressful”. Due to the possible nature of the transaction and rules as per the South African Competition Commission, it appears that the middle management from both National and Henkel South Africa teams were not involved in the pre-approval stage; only the executive team
from the two entities was involved. Most of the middle management team from both the two entities were involved after the approval of the deal by the local competition authority. This created misalignment with regard to what the organisation wants to achieve and what middle managers believed needed to be achieved.

5.2.8 The role of other teams

According to Braksick (2007), leaders should encourage cross functional teams to work together and review all critical goals within the levels in the organisation. He states that this will encourage teams to formulate shared visions and strive to achieve them together without focusing on who belongs on which team. According to the present study, the respondents suggested that teams should promote teamwork. Knowledge transfer, communication and professionalism were the issues that respondents highlighted. Ten percent of total responses suggest that respondents were of the opinion that there was a lack of or poor communication between departments or business units. Thirty seven percent of total responses indicate that teams need to promote team work. Fourteen percent of total responses suggest that teams need to transfer knowledge within the teams. Twelve percent of total responses indicate that employees feel that teams need to encourage professionalism. Ten percent of total responses indicate that teams need to promote communication.

Hritz (2008) is of the view that not all employees embrace change and that some will embrace change while others will be uncertain and the rest will resist any change effort or initiative. She also believes that management should focus their initial change strategy on those employees who embrace change. The next step is to ensure that those who are uncertain about the change comply with the requirements and expectations of the leadership of the organisation. Eight percent of total responses indicate that respondents were of the view that other teams should embrace change. Six percent of total responses indicate that respondents believed that other teams should promote transparency and cultural awareness.
5.2.9 Organisational structure

Ennew et al. (2008:478) are of the opinion that “organisational structure is dynamic phenomenon which evolves as a result of change of internal and external conditions”. Ennew et al. (2008) suggest that any change in strategy will result in changes in the organisational structures in order to support that change. If this does not occur, the organisation may not fulfil its desired company objectives. Ennew et al. (2008) also argue that for the organisation to achieve the designed end results, changes in the organisational structure need to be implemented concurrently with the change in organisational strategy.

According to the findings, changes in the organisation structure at Henkel South Africa did occur. As indicated by the findings, thirty two percent of the total responses highlight that organisational structure changes resulted in respondents having more responsibilities and others respondents having fewer responsibilities. Sixteen percent of the total responses indicate that respondents had more subordinates reporting to them while others respondents had less subordinates. These organisational structural changes were implemented in line with the implementation of the integration process. Thirteen percent of total responses suggest that respondents are of the view that the integration of National Starch Adhesives and Henkel South Africa has had an impact on the infrastructure of the organisation i.e. administration building was upgraded to accommodate administration employees from National Starch. The adhesive business manufacturing facility was upgraded and optimised to accommodate for the increase in product portfolio.

Duck (2001) suggests that, of the known human and behavioural issues during change, the following come first: personal stress, communication, job security and uncertainty. This uncertainty may be due to the following factors: lack of communication, degree and speed of real integration and process of deployment of staff. Duck (2001) is of the view that the leadership of an organisation needs to manage employees’ human behavioural issues and ensure that they come up with pro-active measures to address them. Duck (2001) argues that proactive measures or initiatives may include an effective
communication plan and a defined process that will be followed during the integration process.

Other issues that were raised by respondents include job security, transparency, staff motivation or morale and staff development. In terms of frequency, thirteen percent of total responses indicate that respondents have concerns about job security, transparency and staff motivation and morale. Due to a lack of communication and transparency, employees are uncertain as to who will be retrenched and whether they will still have their jobs once the integration process is finalised.

Seven percent of total responses indicate that respondents had issues about coordination of activities and actions during the integration process. There were issues about the lack of coordination of all the activities that are underway in order to ensure that the organisation achieves the desired objectives. Various teams were working on a number of projects, but there was no central control of all the actions to avoid duplication and waste of resources.

Various areas of future opportunities were identified by respondents during the study. Twenty five percent of total responses indicate that respondents suggest that communication between management and employees needs to be improved. Twenty percent of total responses indicate that respondents viewed transparency as an area where organisational leadership needs to improve. Sixteen percent of total responses point towards the fact that respondents were of the opinion that the involvement of the human resources department needs to be improved. Eleven percent of total responses highlight that respondents were of the opinion that coordination of actions and activities need to be better considered during future change processes.

Papadakis (2005) argues that managers should be aware of the consequences the merger or acquisition may bring as this has an influence on the implementation of the process. Papadakis (2005) suggests that planning should focus on the understanding of the consequences of the merger and that where possible, mitigating factors should be put in place. He further argues that, should managers regard the merger as having
significant consequences, they will develop mechanisms and processes that will assist them in striving for a successful implementation. Although ninety six percent of the respondents (28 respondents) agree that they were aware of the implications of the merger or acquisition, there is nothing that seemed to suggest so in terms of the actions or plans that were taken in order to ensure that the people issues were addressed e.g. job security, staff development or morale. Thirteen percent of total responses indicate that respondents had concerns about job security, transparency. Ten percent of total responses highlight that respondents had concerns about staff development or morale in the new organisation.

5.3 Limitations of the study and their implications

The following limitations of the study are noted and impact on the broader generalising of the findings:

The researcher who conducted the interviews is part of the middle management of the organisation. The implication is that some respondents may have feared that their responses fearing that their information may be divulged to senior management who may use it to against them and, accordingly, they may not have answered the questions truthfully.

As the researcher, himself, gathered and analysed the qualitative data, bias could have been introduced which may have been reflected in the findings of the study or in their interpretation. This factor was further compounded, by the researcher being a member of staff and thus not being distant from the research process.
The study was conducted whilst the integration process was still in progress. This may have affected the way respondents viewed the merger or acquisition. The sample used for the study was small and the implications are that the results can only be generalised to the organisation with caution and cannot be generalised externally.

5.4 Conclusion

Change management is a dynamic phenomenon that requires prior planning, leadership and employee commitment. The fact that there are no clear ways or approaches of managing change presents challenges that leaders of organisation need to find approaches that can work for their unique situation. Change management is not the organisational leadership’s responsibility only, all employees in an organisation should play a role in any change process. The leadership of an organisation needs to realise that in a change management process, the focus must not only be on achieving financial objectives, but they must also take into consideration people’s issues. It is the people’s issues that may make a merger or an acquisition succeed or fail.
Chapter SIX

CONCLUSION

6.1 Summary of research objective and major findings

The primary objective of the study was to identify whether leaders in a chemical organisation consider issues of change management and their implications during a merger or an acquisition. Major findings of the study include the following: a lack of communication from top management, from human resources department and from middle management; a lack of an integration plan before the change process was initiated; and a lack of a process that was followed by human resources staff during the integration process. Other findings include concerns amongst respondents about job security, staff motivation, low morale and a lack of staff development and an absence of top management visibility.

Lack of transparency about the progress of the integration process and issues pertaining to human resources staff involvement during the integration process were some of the concerns that were highlighted by respondents. Lack of leadership awareness of the implications of the merger or acquisition to the business was also highlighted.

6.2 Recommendations

It is recommended that leadership of Henkel South Africa develop and communicate the shared vision and mission of the new organisation. The Henkel South Africa leadership should involve all the relevant stakeholders during strategy formulation and listen to their feedback and input. Henkel leadership needs to devise a communication plan that will outline what will be communicated, to whom, when, how and by who. Henkel leadership should communicate and instil the culture of the new organisation.

The leadership of Henkel should conduct change management workshops to create awareness and equip managers or leaders who are tasked with the job of managing the...
change process. These change management workshops should include initiatives on how to promote cultural awareness, embrace change and encourage teamwork. Henkel leadership should improve their visibility by visiting all areas that are affected by the change process. They also need to be honest and transparent with employees even if there will be employees that will be retrenched. Continuous constructive feedback needs to be provided to employees who are still part of the organisation in order to enhance productivity thereby improving staff morale or motivation.

It is recommended that the human resources department conducts employee job satisfaction survey. Based on the outcome of the survey, intervention measures need to be put in place where there are areas of concern such as job security, staff motivation and development should be addressed. Human resource should initiate programmes that serves to motivate employees, enhance the morale of employees who are still part of the new organisation and also create an environment where employees feel appreciated.

Departments need to put in place initiatives that encourage team work so that knowledge can be transferred from one team to another. This initiative should include how to improve communication amongst the teams and encourage professionalism.

6.3 Suggestions for further research

Leadership of learning organisations constantly seeks for ways to improve employee performance and business processes and systems effectiveness and efficiency. One of the mechanisms that business leaders use to achieve business objectives is to assess changes that that are in line with what they aim to achieve.

The findings of the study indicate that various respondents were apprehensive of how the change process was initiated could have been conveyed to customers. Accordingly, it is suggested to the management of Henkel South Africa that a study be conducted into customer perceptions of a merger or acquisition of National Starch.
Adhesives and Henkel South Africa. This will enable the leadership of the organisation to devise mechanisms that will serve to manage those perceptions. If the perception is that the Henkel Group monopolises the adhesive industry, customers may decided to buy products from other emerging organisations. If perceptions are sound, the Henkel Group will need to develop ways of maintaining those positive perceptions.

Concerns of respondents about the merger necessitate a study being conducted within the Henkel Group to ascertain whether the business objectives were achieved when National Starch Adhesive was acquired. This study will provide an indication of whether the merger or acquisition was a success or failure. Lessons learned from the merger or acquisition may be used during future integration processes, including that of how change should be managed in such a situation.

A post merger or acquisition study should be conducted to understand the impact the merger or acquisition has had on the staff. To this end, findings that emanated from this study should be used to guide the investigation.

An investigation into the perceptions of shop floor employees of the coming together of National Starch Adhesive and Henkel South Africa could be helpful in assessing the about the change process and the challenges which these employees faced during the process. Shop floor employees also have a role to play in any change process as they are responsible for implementing the change process in their work stations, and as such, are important stakeholders in any change initiative.

A similar study of the roles of leadership in change management during mergers and acquisitions in other countries where the Henkel Group operates should be conducted in order for best practices or approaches for the Henkel Group to be developed.

6.4 Conclusion

Future success or failure of organisations in undergoing change will depend on how these organisations learn from past change processes. Learnings from change
management processes should be based on the outcome of future studies or recommendations. Leadership in an organisation should understand that change management is dynamic as a result; initiatives that were successfully implemented for a current integration process may not be effective for future processes. Organisations need to scan the environment they operate in and devise strategies to take advantage of business opportunities. Strategies should include ways of overcoming threats from competition.
7 References


Appendix A: Questionnaire

Dear respondent

My name is Lungelo Ntobongwana and I am a Masters student at University of Johannesburg under the supervision of Professor Adele Thomas. I am inviting you to participate in a research in the form of an interview.

My Masters dissertation is entitled: **The role of leadership in change management during mergers and acquisitions.**

I will appreciate if you could take few minutes from your busy schedule to afford me an interview. The information supplied by you will be treated as completely confidential and will only be used by me for the purpose of this study. You are encouraged to answer questions as clearly and as honestly as you can. There are no right or wrong answers. What matters is your opinion.

Should you have any questions or comments with regard to the study itself, please feel free to discuss it with me or contact my supervisor on: **Professor Adèle Thomas on adelet@uj.ac.za.**

Should you wish to have a summary of the findings of the study, you are free to contact me on **lungelo.ntobongwana@za.henkel.com** and I will be only too willing to send you a summary on the completion of the study.

Once again, may I thank you in anticipation for your participation in this study.

Kind regards
Lungelo Ntobongwana

*lungelo.ntobongwana@za.henkel.com*
1. What position do you occupy within your organisation?

2. Which organisation were you working for before the merger or acquisition?

3. How long did you work for that organisation (as per Q2)?

4. What was your function in your previous organisation (as per Q2)?

5. What is you function in the new organisation (after the merger or acquisition)?

6. How would you describe the behaviour (culture, interaction etc) of employees in the new organisation?

7. How were employee issues addressed during the change process?

8. How was the human resources department involved in the change process?

9. At what stage of the change process was human resources involved?
10. What do you think is the vision of the organisation for the next three to five years?

11. How did you get to know about the merger or acquisition?

12. In your opinion, do you think that the coming together of Henkel and National Starch was a merger or an acquisition?

13. How did you find out about merger or acquisition (depends in your answer in Q12)?

14. What is your understanding of the reason why the merger or acquisition occurred?

15. What are the benefits of the change process to you personally?

16. At what stage of the merger or acquisition were you involved?

17. What was your involvement in the merger or acquisition process?

18. What are your thoughts about how employees were chosen to participate in the change process?
19. What do you think, with hindsight, could have been done differently?
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20. What do you think could be the implications of the merger or acquisition for the organisation?
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21. What do you think are the benefits of the merger or acquisition to the organisation?
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22. What role do you see that teams, other than your immediate team, can play in the change process?
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23. What impact do you think the merger or acquisition has had on other areas of the organisation?
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24. Could you please comment on any other issues not covered regarding the merger or acquisition?
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Thank you for your participation
## Appendix B: Consistency matrix

<table>
<thead>
<tr>
<th>Objective</th>
<th>Research questions</th>
<th>Literature</th>
<th>Research instrument</th>
<th>Data Collection</th>
<th>Data Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The primary objective of the study is to identify whether leaders in the chemical organisation overlook issues of change management during mergers and acquisitions</td>
<td>1. Do leaders of a chemical organisation consider issues of change management during mergers and acquisitions?</td>
<td>Montgomery et al (2001); Spencer (2000); Sinkin &amp; Putney (2009); Karp &amp; Helgo (2008)</td>
<td>Questionnaire items 1-24</td>
<td>Interviews</td>
<td>Content analysis</td>
</tr>
<tr>
<td></td>
<td>2. Do leaders of a chemical organisation understand the implications of change management issues for the business?</td>
<td>Papadakis (2005)</td>
<td>Questionnaire item 20</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>