The human factor: a successful acquisition in Brazil
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Abstract
Purpose – The purpose of this case study was to identify how the human factor influenced the 2010 acquisition of company X’s cement factory, located in town C in the Brazilian State of Goiás, by the multinational company A.

Design/methodology/approach – Seventeen in-depth interviews were conducted with employees who participated of the acquisition process: 15 with professionals with leadership roles at the factory, the others with company A corporate executives. The data collected were qualitatively treated using discourse analysis to unveil the perceptions of the interviewees.

Findings – The discussion involved topics such as: resistance to change, uncertainty, employees’ expectations and commitment, stress, employee turnover and retention. The present study contextualizes existing theoretical approaches, and its main conclusion confirms that not all M&A processes cause permanent negative impacts that lead to the failure of the acquisition or are perceived as a strong and lasting source of uncertainty by the employees of the involved companies. On the contrary, depending mainly on the perception, employees have of their working conditions at the time the acquisition process takes place; on the strategic relevance of the acquisition to the acquiring company (its motivation); on how the process is managed by the executives of the acquiring company; on the communication strategy employed by the acquiring company, as well as on the understanding of the cultural setting; and on the acquiring company having an organizational culture with policies that value employees, the community and sustainability; this change can be perceived as favourable by employees thus fostering a successful acculturation and outcome. Finally, this study is considered valuable to researchers and practitioners as it indicates that although the human factor is not considered a priority in most M&A processes, it is clearly paramount to its success or failure, specially in lock-in situations when the acquiring and acquired companies have complementary and reciprocal interdependencies.

Research limitations/implications – In spite of the contributions of this research to the field of studies on M&A, the authors have to acknowledge limitations, such as: town C was a small factory at the time of the acquisition, there were only 17 interviewees, which does not constitute a large sample. The possibility of a certain amount of unavoidable subjectivity in both the interviewees when relating their experience and the interviewer when analyzing the collected data. As stated before, being a case study, results cannot be generalized.

Originality/value – This research adds to the actual state of the art on M&A signalling that there should be a match between the strategies selected by the executives of the acquiring company and the specificities of the human factor and its cultural environment. Specifically, this case study contributes to theory advancement by proposing the concept of lock-in in M&A.

Keywords Organizational change, Human factor, Mergers and acquisitions
Paper type Case study

Introduction
The experience of working in a company that goes through a M&A process is frequently perceived as traumatic by its employees, mainly in terms of increased uncertainty and stress. Consequently, the organization can be negatively affected in
various degrees, depending on how well it is prepared to promptly react and manage the impact of the employees’ perceptions on its activities and performance.

Managing change and its effect on employees in a M&A process is one of the biggest challenges faced by managers. It involves knowing how to deal with expectations, uncertainty and stress in order to minimize the impact of resistance to change, thus fostering employee retention and lower levels of turnover, so as to increase the probabilities of a successful integration and outcome.

There has been a growing trend of companies that choose M&A as the preferred alternative in their intent to maximize their value or guided by other motivations, such as monopolistic power, economies of scale, synergies and having a global presence (Cartwright and Cooper, 1999; Buckley and Ghauri, 2002).

There is a substantial amount of research that examines the strategic and financial aspects of M&A (Seo and Hill, 2005; Datta, 1991; Schweiger and Walsh, 1990). However, in practice, a large number of M&A processes have not had a positive impact in shareholders’ value maximization. Several reasons are given for this poor performance, such as, the inexperience of the involved companies, lack of strategic purpose of the acquiring company and a deficient integration process (Lajoux and Weston, 1998). According to a study carried by the auditing company KPMG, the rate of failure of M&A processes ranges from 75 to 83 percent (Nguyen and Kleiner, 2003).

Fewer studies take into account the implications and impact of the human factor in a M&A process, as, frequently, these issues are considered of lesser importance when compared to the financial and legal aspects of the process (Stopper, 1998). But, in fact, it is the human factor that lies at the heart of the problem and is actually responsible for the high percentage of failures when two companies merge or when one acquires another (Cartwright and Cooper, 1999). Thus, relatively recently, research has shifted to the human side of M&A to understand the psychological and behavioral effects of M&A on employees (Hogan and Overmyer-Day, 1994).

The purpose of this study was to understand how the human factor influenced the success of an acquisition process considering some of the main intervening variables or topics such as stress, turnover, uncertainty and expectations of the employees of the acquired factory. Seo and Hill (2005) corroborate Hogan and Overmyer-Day (1994) when they state that most authors have examined a simple relationship between a universally important variable, such as communication, and success. To avoid this, this study covered the topics that Buono and Bowditch (1989) considered more relevant when dealing with the human factor. These topics are present in M&A organizational change processes as they have psychological and behavioral effects on employees, and their inclusion can provide a more comprehensive explanation of this complex phenomenon. Moreover, researchers have reported the extreme difficulty in managing the traumatic impacts on employees, of issues such as layoffs, turnover, employee expectations and stress (Fried et al., 1996; Newman and Krzyzstofak, 1993).

The case study focused the cement factory in town C, in the Brazilian State of Goiás, an acquisition made by company A, from its main competitor in Brazil (company X). As financial aspects were not the focus of this study, although company A considered the acquisition financially successful and a positive contribution to their expansion strategy, no financial data was provided.

The major contributions of this case study could be summarized as follows.
Depending mainly on the perception employees have of their working conditions at the time the acquisition process takes place; on the strategic relevance of the acquisition to the acquiring company (its motivation); on how the process is managed by the executives of the acquiring company; on the communication strategy employed by the acquiring company; as well as on the understanding of the cultural setting and; on the acquiring company having an organizational culture with policies that value employees, the community and sustainability; the organizational change that is part of an acquisition process can be perceived as favourable by employees, thus, fostering a successful acculturation and outcome. Additionally, this study is considered valuable to researchers and practitioners as it indicates that, although the human factor is not considered a priority in most M&A processes, it is clearly paramount to its success or failure, specially in lock-in situations when the acquiring and acquired companies have complementary and reciprocal interdependencys.

Literature overview
In a globalized world where companies, in their search for competitive advantage, often face the alternative of adopting a growth strategy or end up being acquired by a competitor, M&A are a frequent choice (Ceauxescu, 2008). A merger implies in the consolidation of two organizations into one; an acquisition entails the buying process of a company by another, where only one of them will have control of the new resulting organization.

M&A can impact organizations in different ways regarding synergies, results and their integration process (Buono and Bowditch, 1989). Although the human factor has been acknowledged as a key factor in the success or failure of a M&A process, organizations tend to underestimate its importance in favour of financial, commercial and other aspects of the deal (Rankine, 1998).

Successful M&A result in increasing market share, core organizational capabilities, knowledge and expertise (Hitt et al., 2001; McIntyre, 2004; Kongpichayanond, 2009). Of course, business strategies and financial issues are critical in successful M&A (Kongpichayanond, 2009). However, overemphasis of these areas can also lead to failure, which occurs when organizations overlook the importance of their human resources (Grotenhuis and Weggeman, 2002; McIntyre, 2004; Mitleton-Kelly, 2006).

The organizational change that is part of a M&A process usually causes negative reactions and resistance among employees as, in general, it increases uncertainty and stress even when change can be, at the rational level, perceived as positive. These feelings of resistance to change many times end up causing the failure of what could otherwise be a successful M&A process (Armenakis and Bedeian, 1999).

The topics that are considered more relevant when dealing with the human factor (Buono and Bowditch, 1989), within the scope of this case study, are:

1. Resistance to change
Resistance to change is defined as any attitude or behavior, anchored in emotions, that frustrates the objectives of the organizational changes proposed by a company. In terms of attitude, there is a psychological rejection regarding the real need to change, while behavioral resistance is represented by actions that denote unwillingness to accept the modifications and, consequently, lack of commitment to support organizational change, which endangers its chances of success (Chawla and Kelloway, 2004).
Resistance can progressively increase and the only way to deter this trend is treating the situation with transparency, emphasizing the potential benefits that will derive from change (Appelbaum et al., 2000) as well as understanding the emotional experience of the individuals affected by the organizational change (Kiefer, 2002). Resistance can have different levels of intensity: it can be directly related to change when employees have no certainty of the validity and usefulness of the change proposed; it can be linked to issues such as lack of trust, cultural differences, low perceived levels of respect, perception of inequity or fear of not being able to develop the new skills required due to this change. The higher the level of intensity the stronger the resistance to change and the longer it takes for it to be overcome (Maurer, 1996; Kotter and Schlesinger, 1992).

Frequently, from a managerial perspective, resistance to change is viewed as irrational (Piderit, 2000). For Kiefer (2002) and Reiss (1995) the underlying assumption is that because people fear change in general and, therefore, oppose it, resistance is seen as an emotional barrier (Reiss, 1995) that can prevent people from understanding rational argument. From this perspective, negative emotions are perceived as “dysfunctional,” and therefore the experience of change is portrayed as a problem.

On the other hand, emotions can also be viewed as part of the individual and social experience of change, where human experience is fundamentally characterized by emotion (Greenberg and Rhodes, 1991) and emotions reflect the interpretation of the ongoing events (Weiss and Cropanzano, 1996). Consequently, emotions can be seen as a vital part of the construction of the meanings of change, thus making it possible to acknowledge both positive and negative emotions as a major motivational factor in employees’ behavior at work, structuring the way they think, feel, and behave. In this sense, negative emotions are not necessarily dysfunctional, but help individuals adapt to difficult situations of organizational change (Kiefer, 2002).

2. Uncertainty and employee expectations
The word uncertainty can be defined as the psychological state expressed by the doubt that results of the ambiguity perceived in the meaning of a specific event, besides being a source of tension during a M&A process. This is due to the fact that the individuals who work in the companies involved in a M&A process cannot measure the real impact of the process on issues such as: their respective future roles in the new organization, the probability of keeping their jobs or being laid-off, what organizational culture is going to prevail and what type of adaptation will be required of them (Bordia et al., 2004). M&A processes involve disrupting the existing cultural, structural, and job arrangements and creating new arrangements. However, the transitions are typically neither clear-cut nor short term, often meaning a long period of organizational drift (Marks and Mirvis, 1992), which usually triggers uncertainty (Ivancevich et al., 1987).

Although the feeling of uncertainty can produce positive behaviors such as higher employee commitment and loyalty, it can also foster negative behaviors, such as absenteeism and acts of sabotage (Buono and Bowditch, 1989) as well as lower work motivation and higher job dissatisfaction (Igbaria and Guimaraes, 1993; Sims and Szilagyi, 1975). How this feeling is channelled, will depend, to a high degree, on how the expectations of the employees of the acquired company are managed.
Expectations are defined as the beliefs that individuals have in connection to “what leads to what” in the environment that serves as a visual map of the organization (Porter et al., 1975). Expectations are constantly modified and contingent on the environment to which employees are exposed to, as a result of interactions among individuals or of the communication strategy adopted by the organization. Thus, expectations are influenced by different factors such as, the stage of the M&A process, the role of employees and their perception of the integration process. This indicates that the way the acquiring company manages the expectations of the employees of the acquired company or company unit is paramount to the success or failure of the M&A process (Hubbard and Purcell, 2001). To address this issue, researchers emphasize the importance of communication (Bastien, 1987) as will be explained in item 7 of this literature overview.

3. Commitment
Organizational commitment can be defined in terms of the ties employees form with the company. The psychological link with the organization is a multidimensional construct that can lead to three different forms of commitment (Meyer and Allen, 1991):

(1) affective commitment: refers to the emotional ties of the employees, their involvement and identification with the organization;
(2) continuous commitment: is related to the costs of an employee leaving the company, i.e. it considers the benefits associated to his permanence versus his personal costs for leaving the organization; and
(3) normative commitment: based on the obligation and moral duty to persist and remain at the company.

Although companies prefer employees with affective commitment, the tension and uncertainty in the work environment causes frustration in these employees and a possible reduction of their affective commitment (Buono and Bowditch, 1989) negatively affecting performance when the organization most needs it (Van Dick et al., 2006).

During a M&A process the new organization should try to neutralize the negative impact of tension and uncertainty focusing its efforts on maintaining or increasing affective commitment, thus avoiding undesired levels of performance (Roundy, 2010) and fostering employee identification with the acquiring company. Researchers have suggested that it is important to assess how strongly employees identify themselves with the acquired company and then take steps to ensure that their identification with the acquiring company is seen as more attractive (Terry and O’Brien, 2001). In addition, the new management should attempt to develop a common in-group identity by encouraging interaction between the two groups in a positive, cooperative and supportive environment (Gaertner et al., 1990; Brooks et al., 2005).

4. Stress
As stress is determined by the subjective perceptions of individuals and not by objective reality, the sources of those perceptions have to be clearly identified by managers within the context of a M&A process (Marks and Mirvis, 1985).
In an environment subject to organizational change, the feeling of uncertainty produces stress among the employees, thus affecting their perceptions, judgement and interpersonal relations (Appelbaum et al., 2000).

Each M&A process has its own particularities that generate different levels of stress. Each M&A process creates a new scenario with different behaviors and outcomes. Moreover, each stage of a M&A process can produce specific levels of stress (Ivancevich et al., 1987).

The first stage of a M&A process – the planning phase – consists of the evaluation of a possible merger or acquisition. Although this is usually a phase where confidentiality prevails and actions are conducted with discretion, rumours tend to emerge either internally, in the company, or externally, in the market. Thus, uncertainty and stress start to affect employees’ perceptions.

The second stage – the implementation phase – starts when one of the companies openly approaches another. At this moment, individuals start to make sense of the scenario of a possible merger or acquisition generating more stress among the employees of the involved organizations.

The first and second stages both take place before the acquisition is formalized. The third stage – the transition phase – is the “waiting period for things to actually happen” when expectations of organizational change and lay-offs intensify causing high uncertainty, although the name of the acquiring company (or partner in case of a merger) is already public knowledge.

The fourth stage – the integration and stabilization phase – occurs when the transition is completed and the new organization stabilized. Anyway, this is still a stressful stage for employees as it implies the implementation of organizational change and adaptation to a new reality.

Thus, the role of management before, during and after the M&A process is fundamental to try to minimize the perceptions and feelings of uncertainty, fear, anxiety and stress, so that the process can develop in the best possible way. This requires considering other dimensions of the work environment besides the core characteristics of the job task, such as, career paths, work relationships, support networks, status differences, geographic specificities, and job security. These can all play a role in reducing stress and shaping employee attitudes and behavior after an acquisition (Schweiger and Walsh, 1990).

5. Turnover

Turnover is an expected side effect of a M&A process and should be managed and understood to minimize its cost and its negative impact on the process (Appelbaum et al., 2000).

In terms of turnover, three different scenarios can be identified (Morrell et al., 2004):

1. Unavoidable turnover: the employees who leave the company are considered necessary losses. In this case, the cost of the loss can be measured against the benefits that are expected from the implementation of change.

2. Avoidable turnover: implies an unnecessary loss of employees who could add value to the company. In this instance, preventive measures may avoid or reduce the loss of those employees.
(3) Mixed turnover: it is a mixture of unavoidable and avoidable turnover and its impact can be difficult to evaluate. This case may require a tailor made approach, as neither preventive nor reactive control measures may prove appropriate for the situation.

Researchers have consistently found that employees’ perceived fairness of how both surviving and displaced employees are treated during the post-merger integration period substantially influence their attitudes and behaviors, such as turnover (Fried et al., 1996; Gutknecht and Keys, 1993).

Cobb et al. (1995) specified several approaches to manage organizational perceptions of fairness during an acquisition process:

- Outcomes should be based on the needs of the organization and those of the employee. For example, employees should receive training based on the criticality of their role in the new organization and their deficit of skills for those roles.
- New human resource management policies and procedures should use accurate, objective, and unbiased criteria and be consistent across both people and time (Harrison, 1998; Krupar and Krupar, 1988).
- Displaced employees should be treated with fairness and respect, providing adequate explanations of the need for change, and acknowledging the adversities that employees are facing (Fried et al., 1996; Gutknecht and Keys, 1993).

6. Employee retention

Employees evaluate if the culture of the new organization fits with their values and expectations, if their career prospects are in accordance with their aspirations and if they envision the possibility of future opportunities (Siehl et al., 1990). Moreover, acculturation has been identified as a critical success factor for employee retention during the integration process (Larsson and Lubatkin, 2001; Nahavandi and Malekzadeh, 1988).

The behavior of key employees during a M&A process is also influenced by the strategy implemented by the new organization. There are four basic possible strategies (Siehl et al., 1990).

In the first strategy – Pillage and Plunder – the acquiring company targets specific assets of the acquired one. In this case, time is a priority and employees are usually considered of secondary importance. Consequently, given the opportunity, employees would tend to leave the company.

In the second strategy – The One Night Stand – as the assets acquired are different from those of the acquiring company, the buyer would probably need the support of the acquired organization to guarantee the success of the M&A process. In this case, employees would tend to remain in the new organization.

In the third strategy – Courtship but Just Friends – there is the explicit intention of a friendly integration process between the involved companies, which implies a work relationship with low levels of organizational change. In this case, talents could also remain in the new organization, as they would contribute to a successful transition.

Lastly, the fourth strategy – Love and Marriage – demands a high level of employee commitment during the integration process. However, in the long run, these employees could feel forced to leave the new organization because they represent the “old image” of the acquired company.
Vaara *et al.* (2003) demonstrate the importance of the post-merger integration strategy regarding employee retention, particularly in terms of surmounting the hurdles of culture clashes, communication barriers, and we-they orientations. They also emphasize the critical roles that organizational managers play in paying attention to these hurdles and in socially constructing a new reality for their new combined organizations.

7. The role of communication

In a M&A process, companies frequently do not use their communication tools in an effective way. In many cases, or they use them in inefficient ways, or they do not communicate what they should in order to keep employees well informed and thus minimize the negative side effects of the weary and consuming M&A process (Buono and Bowditch, 1989).

For Appelbaum *et al.* (2000), communication should be understood as the most important issue in a M&A process. This is due to the fact that communication can influence, positively or negatively, the adoption of a new organizational culture, the change process as a whole, the level of employee stress, the management of uncertainty and employee expectations, the level of employee satisfaction and performance.

Thus, communication should provide timely and accurate information about what will happen to the organization and employees’ jobs (Garpin and Herndon, 2000; Schweiger and Denisi, 1991). Based on this, the recommendation is for communication to start early and be ongoing (Napier *et al.*, 1989) including providing employee assistance programs and conducting meetings where employees can voice their views openly, listen to others, and take solace in the fact that others are experiencing the same emotions (Fugate *et al.*, 2002). Bastien (1987) indicated the need of two-way communication, which consists of both active listening to the sources of stress, uncertainty and role related issues and promptly responding to them.

According to Kongpichayanond (2009), the employees of the acquired company are looking for a shared vision or scenario concerning the future developments and directions for the business. In particular, they want to know whether a new management will be taking over or whether the existing management and its directions are to continue as before. They also want to know the new management’s business philosophy and they want to know of any major changes intended. The employees of the acquired company know that the buyer has the potential to exercise considerable power to change the business – the possibilities of which can arouse feelings both of opportunity and fear – and they initially expect the buyer to use that power. If the buyer does not address these expectations by communicating a clear vision for the future, or if this is done in a clumsy fashion, fear, stress and uncertainty are prone to increase.

Moreover, Marks and Mirvis (1992) also suggested that strong managerial leadership could help to develop and clarify employees’ new roles in the acquired organization. This may require that managers hold one-on-one discussions with employees to negotiate and clarify role expectations, as core job characteristics (skill variety, task identity, task significance, task autonomy, and task feedback) influence perceptions of the work environment and, in turn, influence motivation and job satisfaction (Hackman and Oldham, 1975).

Honorable rhetoric and communicating a clear vision go some way towards enhancing the image of a new owner. The eventual test, however, is whether the buyers’ subsequent managerial actions live up to the expectations created
(Kongpichayanond, 2009). So, it is also important to enhance employees’ perceptions of control, for example, allowing employees to participate in decision making during and after the M&A (Fugate et al., 2002), encouraging them to participate in job redesign processes (Cameron et al., 1991) and, finally, training employees to adjust to job changes is also frequently recommended (Schweiger et al., 1987).

All in all, the best approach for a corporation to deal with the anxiety, uncertainty and stress that are part of a M&A process requires the involvement of all the employees in the adopted communication strategy.

**Methodology**

For this case study the authors chose a qualitative approach as it was considered the most appropriate to unveil perceptions and, through discourse analysis, considering abduction and reflective empirical research, understand how the human factor influences the success or failure of a M&A process.

**Design**

How we interpret phenomena is always perspectival and we should be aware that so-called facts are always theory laden. Within discourse analysis, abduction is used in real practice in many case study based research processes. Although abduction has characteristics of both induction and deduction, it adds a new specific element: understanding (Alvesson and Sköldberg, 2009) and it is especially useful in situations with complexity and uncertainty.

Thus, the design of the research process started with the selection of the case study itself, was followed by studies of previous theory in the literature, by the identification of the different types of interviewees, by the design of the questionnaires for the in-depth interviews with open-ended questions, the data collection and the analysis of empirical facts or collected data as a source of inspiration for the discovery of patterns that bring understanding. Following Alvesson and Sköldberg (2009), the research process, therefore, alternated between theory and empirical facts whereby both were successively analysed in the light of each other.

The acquisition of the town C factory by company A was selected due to several reasons: company A is the world leader in building materials, its headquarters in Brazil are in the State of Rio de Janeiro (which was convenient as the researchers live in the same state facilitating contact with the company), this acquisition process had all the elements to accomplish the objective of this study and last but not least, because of the unique conditions of the acquired factory.

As interviews are structured conversations they were organized by combining main questions, follow-up questions and probes. Main questions were worked out in advance to make sure all major parts of the research problem were covered (for example: what did company A do when they started their operations in town C?). Follow-up questions ask for explanation of themes, concepts or events that the interviewees have introduced. (For example: what specific actions did company A implement at the time?). Probes help manage the conversation by keeping it on the topic, signalling the desired level of depth and detail as well as asking for examples and clarification (for example: how did you feel about it? Why? What else could company A have done or done in a different way?). The researchers prepared a list of possible follow-up questions and probes, but some were formulated during the interviews, according to their dynamic.
The researchers prepared three questionnaires to better consider the specificities and different profiles of the three interviewed groups (see Data collection) and thus try to obtain a wider and deeper view of their individual perceptions. Broadly speaking, the major sources used to build the questions were extracted from the authors’ works mentioned in the literature overview and information available at the company A web site in Brazil (www.company A.com.br).

Reflective research as defined by Alvesson and Sköldberg (2009) has two basic characteristics that were taken into account in the design of this research process: careful interpretation of what was actually said by the interviewees and reflection. The first implies that all references to empirical data are the result of interpretation. The second one, reflection, turns attention inwards towards the researchers, the community, and cultural aspects in the research context.

Moreover, Potter and Wetherell (1987) provide some overall principles for conducting discourse analysis that were considered in the design of this research project:

- the importance of approaching subjects’ accounts in talk “in their own right”;
- it is not the size of the sample that is fundamental but the analysis that rises from a relatively small number of accounts;
- the importance of both variation and consistency in accounts, which led us to design three questionnaires, one for each type of interviewee; and
- the researchers focused on the interpretation of what was actually said and not in vague notions about what may have been meant.

Consequently, although discourse analysis calls for caution in drawing conclusions from accounts and speech acts, it may contribute new, controversial and inspiring insights to qualitative research, mainly when applying reflective research.

Participants
The interviewees were selected taking into account that they had all participated in the whole acquisition process and were willing to participate in the study. 17 employees were interviewed: 15 from town C factory and two corporate company A executives (who had been in charge of the acquisition process). The number of interviews was considered adequate when they stopped providing different perceptions and information.

Data collection
The in-depth interviews with open-ended questions had a duration ranging from 1 to 1.5 h. They took place in 2011 in town C and at company A headquarters (Company A, 2011). All interviewees had leadership roles and three questionnaires were prepared: one for the two company A corporate executives, a second one for the five company A managers who participated in the pre-acquisition phase and were then transferred to town C factory, and a third one for the ten town C employees who had worked for company X and decided to stay at the factory in the post acquisition phase. First, the researchers conducted the interviews at company A headquarters in Brazil in order to acquire a basic knowledge of the specific acquisition process and try to gain a preliminary insight into the issues that had to be considered when conducting the other interviews at town C factory vis-à-vis the literature overview, although we can broadly state that the major sources used to build the questions were extracted from the authors’
works mentioned in the literature overview and information available at the company A
web site in Brazil (www.company A.com.br).

Data analysis
The interviews were recorded, transcribed and then analysed to identify categories or
topics that were considered relevant to understand how the human factor, performed a
key role in the M&A process and its outcome.

The characteristics that are shared by all kinds of discourse such as, coherence,
cohesion, thematic groups and discontinuities (Dooley and Levinsohn, 2001) were all
taken into account during the analysis.

The objective of qualitative analysis is to discover variation, portray shades of
meaning and examine complexity. Analysis involves systematic coding and extracting
information from the transcripts (Rubin and Rubin, 2005). Thus, the comments made
during the interviews were broken down into data units or blocks of information that
were examined together, many of which were interlaced. The analysis also involved
combining data units on the same topic, both within single interviews and across the
entire set of interviews.

Following Rubin and Rubin (2005) the first stage of the analysis was recognition in
order to find the themes and topical markers in the interviews. Next, the interviews
were systematically examined to clarify and synthesize different versions of events
and understand the overall narrative. Then the categories or topics were coded and
given a label or name so that the overall relationship between the codes matched the
coding structure to the purpose of the study. After that, each topic was analysed to
identify similarities and differences among the interviewees.

Although, for most categories, the authors chose to use labels related to the topics
mentioned in the literature review in order to facilitate relating findings to what others
have already written, great care was taken not to miss original insights that the data
could contain by reflecting on what they collectively implied and thus being able to
make inferences. These inferences covered both cultural and situational aspects.

Brief company profiles
Company A, a company with headquarters in Paris, France is world leader in building
materials. Its main products are cement, aggregates, concretes and plaster. Cement is the
most important of its product lines representing approximately 60 percent of the
company world sales. It operates in 78 countries; has approximately 76,000 employees
and its annual sales reach €16.2 billion. In the 1990s the company established solid
positions in emergent markets by means of a combination of acquisitions and organic
growth.

Company A started its activities in Brazil in 1959 with a cement factory in
Matozinhos, State of Minas Gerais. Nowadays it has a total of 1,600 employees, its
headquarters in Brazil are in the city of Rio de Janeiro and has industrial units in the
states of São Paulo, Minas Gerais, Goiás, Paraiba, Bahia, Pernambuco and Rio de Janeiro.

Town C cement factory in the Brazilian State of Goiás was acquired by company A
from company X in 2010 and is the focus of this case study.

Company X is the leader in the cement market in Brazil and was founded in 1936 in
the State of São Paulo. Nowadays it has approximately 12,000 employees; it is among
the ten largest global producers of cement, concrete and aggregates; has 40 production
units distributed in almost all Brazilian states and; equity participation in companies in North and South America, Europe, Asia and Africa.

**Findings and discussion**
The analysis of the in-depth interviews allowed us to identify nine categories or topics that were considered relevant to understand how the human factor, performed a key role in the M&A process and its outcome.

1. **Town C working conditions at the time of the M&A**
   Company X had two cement factories that were relatively close to each other: one in town C, a small town, and a much bigger one in Sobradinho to which most investments were directed. Town C factory was considered a simple support or complement of the Sobradinho factory and only operated fully when Sobradinho could not attend the demand or its equipment or machines needed maintenance. Moreover, Sobradinho concentrated many of the managerial and administrative functions.

   In view of the above, the majority of the employees in town C factory were periodically laid-off and re-hired only when company X needed them. This state of affairs resulted in negative perceptions and feelings among the employees, their families and the community as the region depended economically on the factory as its main source of employment:

   When town C factory belonged to company X, we were treated in a rude way [...] nobody cared about how we survived when laid-off, how we would feed our families – town C employee.

   Town C factory unique working conditions suggest that the employees did not feel integrated to the organizational culture of company X, they felt they were something apart and their predicament, in spite of the feelings of uncertainty and stress expected in a M&A process, also set the scene for company A to conduct a successful integration process:

   I worked for company X but I did not feel part of it – town C factory employee.

   It is worth mentioning that company A has been long acknowledged as a global company that focuses on innovation, with policies that value the working conditions of its employees and environmental sustainability in their operations all over the world. For example, in 1977, company A first published its Action Principles – detailing their commitment to all stakeholders (mainly, employees, the community and clients) and their ethics and conduct code – and, in 2000, company A was first listed in the Dow Jones Sustainability Index – a global index that lists the most advanced companies in terms of sustainable development (www.company A.com).

2. **The first steps of the M&A process**
The whole M&A transition process took 138 days from the day when company A acquired town C factory from company X until the day when it started its operations in town C factory on July 19, 2010.

   During that period, company A needed that the main stakeholders (employees, clients and the community where the factory was located) perceived the arrival of the company as positive, understood its market relevance in the domestic and global scenario and its long-term commitment to the region. This was of key strategic
importance for their expansion plans, as, according to a company A corporate executive interviewed in this study:

- they had to guarantee the cement production of the acquired unit from day one of their operations;
- they had to conquer clients generating a continuous and increasing sales volume; and
- they had to avoid the unnecessary loss of town C factory employees in order to run their operations at 100 percent capacity, thus achieving their expansion objectives.

It is worth mentioning that the acquisition deal did not include the transference of company X clients to company A. Thus, company A was aware that, to a large extent, the success of their operations in town C factory depended on gaining the acceptance and trust of both the employees and the community:

They (town C factory employees) did not know us [...] we were a foreign company and they were afraid of being laid-off and substituted by our own people. We had to make them understand, to conquer their trust [...] – company A corporate executive.

Consequently, company A designed a communication program targeting the employees, the community and clients. In order to avoid rumour to roar and the dissemination of inaccurate information the employees were prioritized in all the communication process.

The interactions with town C factory employees were intentionally conducted face-to-face so that they could associate the name of company A (not widely known among them) with a successful company with ample expertise in the Brazilian market. In order to do so, the industrial and human resources directors of company A went to town C to personally meet the employees and deliver the message that the company intended to keep the employees, besides clarifying any doubts they could have in connection with the acquisition process and the organizational changes that would take place. During the transition period, company A executives visited the town C factory three additional times. During these visits, group and individual question-and-answer sessions were organized with the employees, the few local managers and community representatives, with the purpose of reducing uncertainty, explaining the changes that would be introduced and informing about company policies, strategy, role related issues, benefits and training and career opportunities, among others. In this sense, company A’s communication strategy corroborates findings described in item 7 of the Literature Overview, such as: Appelbaum et al. (2000), Napier et al. (1989) as well as Fugate et al. (2002), Bastien (1987), Marks and Mirvis (1992) and Hackman and Oldham (1975).

3. The transition to high commitment

During the transition period and the beginning of company A operations in town C factory what prevailed was a make believe atmosphere, where the employees, still foreign to the culture of the new organization, demonstrated a kind of commitment based on discourse only, mainly motivated by their fear of loosing their jobs and, thus, feeling the obligation to externally show that they were happy with the new situation, in spite of the fact that company A had made an effort to communicate that there would be no lay-offs:
When we arrived here (town C factory) they (the employees) tried to look happy, but I believe it was more […] kind of need to have a job no matter what […] I could feel it – company A manager transferred to town C factory.

Interviews suggest that, initially, continuous commitment prevailed, as was more in line with the fact that the city was economically dependent on the factory, with their not wanting to lose their jobs or leave their families and look for work in another city, than with identification with the culture of company A:

Here (in town C) there are no other factories. This is the only one […] It is very hard to leave the family, your home and find work in another city […] The closest town in far away […] for many of us the factory is just around the corner – town C factory employee.

On the other hand, as town C factory employees started to get to know company A managers, their ethical code of conduct and the company culture, there was a gradual transition from continuous to affective commitment. It should be noticed that the interviewees considered that the proactive role of company A managers and company A’s communication strategy was key to this transition as recruitment increase and training opportunities were greatly valued:

We showed them that we (company A) wanted to grow, to develop the region, that we needed them (the employees) in order to succeed. In due time, production levels and performance significantly increased – company A manager transferred to town C factory.

These guys (company A managers) kept their word, they helped us, they invested in training, they can be trusted – town C factory employee.

As mentioned in this category, only two of the three different kinds of commitment described by Meyer and Allen (1991) were identified: continuous and affective commitment. Additionally, the data is in agreement with Roundy (2010), as the transition to affective commitment significantly increased production levels and performance.

According to one of the interviewed company A corporate executives, proof of the success of company A’s communication strategy, implemented during the transition period and the beginning of their operations in town C factory, can be measured by the positive results achieved in terms of their key strategic objectives:

- the daily production of cement started with 4,000 tons during the first week of company A operations in town C factory and reached 7,000 tons after 30 days;
- the brand of company A was ranked first according to consumers satisfaction in the region according to research carried by the industry sector in 2011 with 450 clients; and
- the low employee turnover as shown in item 4 (low turnover and recruitment increase).

Moreover, in terms of commitment, results corroborate Gaertner et al. (1990), Brooks et al. (2005) and Terry and O’Brien (2001) showing company A’s success in developing a common in-group identity by keeping their word and thus fostering employee identification with the acquiring company as more attractive than their perception of company X.
4. Low turnover and recruitment increase
The low turnover and the increase in employee recruitment are strong indicators of the consistency between company A’s discourse and practice. Of the 33 initial employees, at the time when company A started its operations in town C factory, the number grew to 76 in less than a year. This conveyed the message that the previously almost unknown multinational company that had taken the place of the largest Brazilian cement company (company X) had a long-term, reliable and sustainable project for town C factory. As mentioned in category 3, this also fostered the transition to high commitment:

I think that commitment became real when they (company A managers) started hiring employees who had been laid-off by X and offering training opportunities – town C factory employee. During the acquisition process of the town C factory few employees decided to leave or had to be laid-off, mainly because they refused to adhere or did not adapt to company A’s project. Consequently, interviews suggest that the type of unavoidable turnover prevailed in accordance with Morrell et al. (2004). On the other hand, the fact that the majority of the employees decided to stay, as explained in item 5 below, was considered positive by company A as it signalled that all stakeholders probably perceived the acquisition and the organizational change involved as beneficial. Thus, the data suggests that company A managed and successfully minimized the negative impact of turnover, an expected side effect of a M&A process, as advised by Appelbaum et al. (2000):

The turnover was lower than expected. When we started hiring it was marvellous for the community and we could feel they had accepted us – company A manager transferred to town C factory.

We had to adapt to change. It was not easy, but it was worth it. They wanted results and accountability. We had to work more, but they gave us respect. A few who did not adapt, less than six, had to leave – town C factory employee.

Results are also consistent with Fried et al. (1996), Gutknecht and Keys (1993) and Cobb et al. (1995) as employees’ perceived fairness of how both surviving and displaced employees were treated during the post-acquisition integration period substantially influenced their turnover.

5. Employee retention
The choice an employee makes to stay or not at an acquired company greatly depends on the strategy adopted by the acquiring company during the integration process. The courtship but just friends strategy (Siehl et al., 1990), where both companies (the selling and the buying one) adopt a friendly integration process with an initial low degree of organizational change, is the one that can best define what happened in town C factory, making the employees feel less apprehensive than what is normally expected in a M&A process:

When company A bought the factory those who wanted to leave, could leave; those who wanted to stay could stay. Nothing was forced. Those who had been with company X for some years continued having the same number of years with company A. We were all given the chance to be automatically hired – town C factory employee.

As company X’s Sobradinho factory concentrated many of the managerial and administrative functions, most managers who were transferred from company A to
town C, in fact, occupied positions until then inexistent in town C factory, so, for most key managerial positions, such as, administrative, logistics, quality control and even that of general manager, no retention efforts were required:

Maria came from company A to manage the Logistics department and Luis the administrative one. As we did not have those positions in town C factory, nobody stole anybody’s position.

I officially became a manager with company A – town C factory employee.

The few managers who worked at town C factory before the M&A process and decided to stay with company A can be divided into two distinct groups: those who were managers both in name and in fact, and those who were managers in fact but did not formally occupy managerial positions. Both groups were identified by company A to guarantee their permanence in town C factory by making them pillars of the organizational change process and future expansion of the factory operations, and by formalizing the de facto managerial positions of the ones in the second group.

The close relationship between company A executives transferred to town C and the existing employees, where town C factory employees where involved and active in the organizational change process, fostered their acculturation. This has been identified as a critical success factor for employee retention during the integration process (Larsson and Lubatkin, 2001; Nahavandi and Malekzadeh, 1988).

It must be noticed that some of the factors that were perceived as relevant to the success of company A’s retention efforts were the clear lack of interest of town C factory employees in looking for opportunities in other regions, the high dependency between the region and the factory as well as the ethical approach adopted by company A, which also contributed to the perception of fairness and trust. Some of the simple actions that company A implemented to foster employee retention were: a career plan, a salary plan, a salary increase policy to gradually match market value and clear job descriptions:

We found people doing the same thing but with different salaries and their salaries were below market average – company A corporate executive.

The actions implemented by company A confirm Siehl et al. (1990) as employees evaluate if their career prospects are in accordance with their aspirations and if they envision the possibility of future opportunities.

6. The prevalence of moderate stress
In terms of stress, interviews indicate three different stages:

1) During the M&A transition process, i.e. from the day when company A acquired town C factory from company X until the day when it started its operations in town C on July 19, 2010, company A designed a communication program targeting the employees, the community and clients in order to try to reduce the high levels of anxiety and stress caused by lack of reliable information and uncertainty. This program focused on transparency and clear information:

At first, in town C factory, the employees were stressed, the community was stressed, because they were uncertain about their future and it is a very small town with almost no other employment alternatives – company A corporate executive.

2) When company A started its operations the scenario gradually started to change and the employees to envision the possibility of a better future as town C factory would no longer be a mere complement or support to the much larger
factory of Sobradinho still owned by company X, and company A seemed to honour its promise to keep the existing town C factory employees. At first, organizational changes were subtle, focusing mostly on cultural aspects and the gradual introduction of some company A procedures and standards. At this point stress reached very low levels:

When we started our operations at town C factory we focussed on assuring the employees we needed them and did things step by step, no rush […] we gave them time to get to know us – company A manager transferred to town C factory.

(3) Later, when company A started to really fully implement their management style, procedures and standards, stress increased to a moderate level. Although the organizational changes introduced were perceived as positive, town C employees had to adapt from unstable, temporary and low workloads, as was the rule when town C factory belonged to company X, to an intense work schedule with accountability and deadlines. This adaptation process at first caused a certain amount of uncertainty among employees, as to their capability to cope with the new reality and, once more, company A’s communication strategy mainly based on personal contact helped employees fit in:

They were helpful but then we had more activities, we had to deal with people from headquarters we did not know, learn to use new softwares, and that caused some stress – town C factory employee.

As mentioned by Ivancevich et al. (1987) each stage of a M&A process can produce specific levels of stress. However, except during the transition process, when stress was high, company A successfully minimized the perception of anxiety, fear and stress so that the process developed in the best possible way, although it implied the implementation of organizational change and adaptation to a new reality. Thus, in order to minimize the perception of anxiety and stress company A considered other dimensions of the work environment besides the core characteristics of the job task, such as, career paths, work relationships, support networks, status differences, geographic specificities, and job security, thus, fostering positive employee attitudes and behaviors, as stated by Schweiger and Walsh (1990).

7. Face-to-face communication
The interviewees supported the perception that company A adopted an intense, clear, transparent and objective communication approach, mainly based on face-to-face contact, even when there was the risk of a negative employee perception, as was the case when the company introduced the concept of accountability regarding factory performance levels. Findings indicate that company A adopted a communication strategy that rendered positive performance results and reduced levels of uncertainty and stress. This seems to contradict Buono and Bowditch (1989), whose findings indicate that companies many times tend to manipulate or withhold information from employees to avoid expected negative reactions. Company A’s communication strategy was consistent with the findings of Kongpichayanond (2009), Garpin and Herndon (2000) and Schweiger and Denisi (1991), who consider that the employees of the acquired company mainly want to know what changes are intended by the buyer, the new management’s business philosophy and how the intended changes will affect their jobs:
Communication was open, transparent and clear, always face-to-face. That helped us a lot to understand and adapt – town C factory employee.

We tried to answer all their (the employees’) questions and doubts. If we did not know an answer we told them so and, when we had the information we did not keep it from them. They appreciated our attitude – company A manager transferred to town C factory.

8. Low resistance level

Resistance is directly related to change; it is always present although it can occur in different degrees from low to high, and largely depends on employees’ perception and feelings of uncertainty, even when change is considered positive by the involved parties (Maurer, 1996).

According to Reiss (1995), resistance is frequently seen as an emotional barrier that can prevent people from understanding rational argument. From this perspective, negative emotions are perceived as “dysfunctional,” and therefore the experience of change is portrayed as a problem. The study suggests that company A chose a different approach to resistance to change, more in line with Kiefer (2002), in the sense that negative emotions are not necessarily dysfunctional, but help individuals adapt to difficult situations of organizational change. Company A tried to understand the employees’ emotions and past experience in order to choose the best approach to change creating an atmosphere of “us” instead of “we versus they”:

Before introducing change, we tried to understand what managerial style they were used to, what tools and procedures they used, so as to decide how to best adapt things to the company A way – company A manager transferred to town C factory.

In town C factory, interviews indicate that although company A was considered an opportunity for improvement, vis-à-vis the scenario that prevailed during company X management, which clearly helped reduce the feelings of uncertainty, it did not completely eradicate those feelings. This can be perceived in the initial concern expressed by most employees in connection with their fear of loosing their jobs and with the lack of alternative work opportunities in the region. Employees mostly expressed this underlying fear with external efforts to please and attend the expectations of the new company A management creating an initial make believe atmosphere.

Resistance became more evident when many of the managerial and administrative functions, which had previously been concentrated at company X’s Sobradinho factory, where introduced in town C factory by company A, with the resulting increase in the workload, demands on results and accountability.

Resistance to change seems to have also been affected by the existing gap in the employees’ qualifications to take over their new responsibilities, although, most of the employees did not perceive this issue as a source of resistance but just as a problem that was generally overcome with the active support and guidance of company A managers. The few employees who did not fit into the new culture left or were laid-off, so we can infer that the level of resistance to change was reasonably low:

We were like mentors, not just managers, we trained them (town C factory employees), we taught by example – company A manager transferred to town C factory.

George (the factory manager) does not indicate the way, he comes with us, he teaches along the way – town C factory employee.
According to Appelbaum et al. (2000) resistance can progressively increase and the only way to deter this trend is treating the situation with transparency and emphasizing the potential benefits that will derive from change. The data indicates that company A successfully implemented this strategy.

9. Employee uncertainty and expectations
When the first rumours started to circulate regarding company X’s intentions of selling their town C factory, they produced conflicting versions that led to high levels of uncertainty among employees and in the community: for example, one considered that selling town C factory to a hitherto unknown company could mean the salvation of the region, which heavily depended on the factory, another interpreted the rumour as the possibility of a massive lay-off once the acquiring company took control of town C factory and brought their own employees, a third one understood the rumour as a sign of company X’s intention to actually close or dismantle town C factory with dreaded unemployment consequences for the community, just to name a few.

The above is due to the fact that the individuals who work in the companies involved in a M&A process cannot measure the real impact of the process on issues such as: their respective future roles in the new organization, the probability of keeping their jobs or being laid-off, what organizational culture is going to prevail and what type of adaptation will be required of them (Bordia et al., 2004). This is directly linked to company A’s face-to-face communication strategy (as explained in item 7 of Findings and discussion):

I think that one of the main things that reduced uncertainty was company A’s focus on people and the fact that things really improved – town C factory employee.

During the M&A transition process, company A executives went to town C factory to personally meet the employees and deliver the message that the company intended to keep the employees besides clarifying any doubts they could have in connection with the acquisition process and explain the main organizational changes that would take place:

Company A Directors came to town C to talk to us. They shook hands with us. That had never happened before. It made us feel important – town C factory employee.

This attitude, although it was not taken at face value by town C factory employees and did not eliminate the feelings of uncertainty, contributed to positive behaviors and expectations paving the way to gradual commitment and trust. This corroborates the fact that the way the acquiring company manages expectations is paramount to the success or failure of M&A (Hubbard and Purcell, 2001).

The fact that company A introduced changes during the first stages of its operations, which included new procedures and rigorous safety rules, new responsibilities and accountability, in order to achieve one of their objectives – production increase – generated uncertainty that affected employee expectations, as they were not sure if they would be able to adapt or had the necessary skills to perform adequately:

They (town C factory employees) were afraid of not being able to adapt to our (Company A) procedures and more rigour in terms of safety, so we had to take it easy and function as mentors leading the way, providing training to give them self-confidence […] – company A manager transferred to town C factory.

All in all, the consistency between company A’s discourse and practice during the integration process and during the first stages of its operations was perceived as a key
factor that strengthened positive expectations of having better working conditions, career prospects, job stability, training opportunities, better salaries and, last but not least, professional recognition:

They gave us hope and fulfilled their promises. They gave us career prospects, a future we can be proud of. We now feel like a team [...] – town C factory employee.

Final remarks
M&A processes, to a high degree, have to deal with a wearing scenario in terms of negative impacts on the human factor and their well-known side-effects, such as stress, high levels of uncertainty, lack of motivation and high turnover, among others (Buono and Bowditch, 1989). A key conclusion that can be derived from this case study indicates that not all M&A processes cause permanent negative impacts or are perceived as a strong and lasting source of uncertainty by the employees of the involved companies.

In fact, this case study also suggests that the perception that employees have of their working conditions at the time the M&A process takes place can, to a large extent, dictate, define and influence its impact on the human factor, in either a negative or positive way, complementing mainstream literature. In this case study, the acquisition of town C factory by company A is a clear example of a M&A process that was largely perceived as positive by the employees of both companies involved and supported the expansion strategy of company A, as it did not encounter significant barriers among the employees of the acquired factory and they were not satisfied with their working conditions under company X.

During the transition phase of the M&A process, the case study shows clear evidence of low resistance to the organizational changes introduced by company A, high commitment of the employees to the success of the process, a moderate level of stress, the perception of the opportunity of a better future that fostered positive expectations in town C factory employees in terms of career prospects, low turnover and an increase in recruitment, instead of the usually expected and dreaded massive layoffs frequently associated with M&A processes.

However, we have to acknowledge that a certain amount of uncertainty in the face of change, even if it is for the better, is an intrinsic part of human nature. It was not different with town C factory employees during the M&A process, in spite of the intensive proactive communication strategy implemented by company A, of the close managerial support they received and of the negative pre-existing working conditions that clearly set a favourable scenario for the success of the M&A process. Only when expectations where turned into implemented practices did town C factory employees, both rationally and emotionally, recognize that company A's commitment was real, serious and long term. Company A demonstrated understanding of human nature and the unavoidable uncertainty in face of change. Its strategy and its face-to-face communication approach reflected this awareness by showing the gradual progress from promise to fact, thus helping reduce the perception of uncertainty and stress.

Another important conclusion that can be inferred from the nine identified categories is directly linked to cultural aspects that – although they were not the focus of this study – prevail in a relational society, such as Brazilian society.
(Hess and DaMatta, 1995), with more intensity in small towns like town C, where the
community almost exclusively depended on the cement factory as its main source of
employment.

The quotations in the previous section – Findings and discussion – contribute to
provide a brief but rich tapestry of Brazilian relational society:

- the fact that town C factory employees did not want to leave their families to find
  jobs in other towns;
- their initial innate distrust of the virtually unknown “foreign” company (in this
  case company A);
- the importance attributed by the employees to company A hiring employees who
  had been laid-off, thus benefiting the community;
- the relevance attributed by employees to “know” people and create links of
  empathy before accepting them, which explains their discomfort when having to
  deal with people from headquarters they did not “know”;
- the employees’ negative reaction to uncertainty that caused the initial high levels
  of stress; and
- the symbolism of shaking hands with company A directors, of considering the
  new factory director as a member of the in-group and of feeling like a team.

They are all recurrent perceptions and behaviors in a collectivistic relational society where
the in-group and the small community are one and the same. Moreover, in collectivistic
small communities, the socialization and acceptance of foreigners and outsiders that make
feasible their insertion in the relational networks and in-groups is a rather complex
process, based on empathy and the building of trust (Hess and DaMatta, 1995).

Brazilian society is also known for its personalism (Hess and DaMatta, 1995), where
personal relations are paramount and commitment and loyalty are mainly to people
and not to abstract entities such as companies. Thus, once more:

- the relevance of the communication strategy implemented by company A
  targeting the community, the clients and prioritizing the employees (face-to-face
  communication), and of the role performed by company A managers during the
  process; and
- the importance given by company A managers to building personal bonds of
  trust with the employees while gradually introducing change,

are also clear examples of company A’s awareness that their success largely depended on
gaining acceptance and conquering trust both among employees and in the community.

The strategic relevance of the acquisition for company A to accomplish their
expansion plans, i.e. company A’s motivation, when confronted with the collectivistic,
personalistic and relational characteristics of the community and employees of the
acquired company, can provide insights, which may, at first sight look obvious, but that,
in fact, may not be that obvious: the socialization and acceptance of “outsiders” by the
community and employees was a clear barrier to “importing” human resources in large
numbers from other towns. This, together with the tight interdependence between
the community and the factory, per se made the human factor extremely relevant and
required the implementation of policies for employee retention, training, face-to-face
communication and gaining trust, among others. Although, in view of the context specificities, company A did not have other alternatives to try to achieve success, it should be noticed that the fact that company A had an organizational culture that valued the human factor and sustainability gave them the necessary knowhow during the acquisition process.

Although the findings of this case study cannot be generalized as they describe a specific and singular situation, they contribute to the understanding of how the human factor – i.e. the perception employees have of an acquisition process and their working conditions at the time the process takes place, their perception of how the process is managed by the executives of the acquiring company as well as company A’s ability to grasp their cultural setting and values, and company A’s organizational culture with policies that value employees, the community and sustainability – has a key role in the success or failure of a M&A process. Thus, our research findings suggest that, in an acquisition process, firms are not destined to “clash” simply because their cultures are different. Moreover, our findings enhance the understanding of the characteristics of organizational change involved in M&A, in particular, its distinctive nature compared to other types of organizational change.

Several sources of problems associated with M&A-related organizational change (for example, employee expectations, stress, uncertainty, anxiety, employee displacement and retention, among others) are also found in other types of organizational change, such as strategic reorientation (Nadler and Tushman, 1989), downsizing (Freeman and Cameron, 1993), and reengineering (Hammer and Champy, 1993). However, some other sources of problems, such as blending of different organizational identities and cultures, are relatively unique to M&A. This implies that M&A-related organizational change is, perhaps, more complex than any other type of organizational change because it needs to also consider the dynamics of blending two distinctive organizational identities and cultures into one. In this sense, this research also suggests that acculturation is less a process of slow, undirected cultural evolution and more a process of management intervention.

Additionally, this research adds to the actual state of the art on M&A signalling that there should be a match between the strategies selected by the executives of the acquiring company and the specificities of the human factor and its cultural environment. Many roads lead to Rome, and companies, if they want to be successful, have to understand the unique circumstances of each process using theory as guidance and, at the same time, being flexible to adopt tailor made approaches. Different groups are likely to experience change differently; different stages during change and different sorts of organizational change are likely to produce a different emotional experience. Thus, it is important to understand the emotional experiences of the employees of the acquired company. People, their perception of the process, their expectations and past experiences are undoubtedly some of the main challenges faced in M&A.

In general, the present study contextualizes existing theoretical approaches mentioned in the literature overview, showing that the strategic actions implemented by the acquiring company and thus, management intervention, should consider the relevance of the human factor as well as the national and regional context in order to improve performance and achieve successful results.

Specifically, this case study contributes to theory advancement by proposing the concept of lock-in in M&A. This concept implies that when the acquiring and acquired
companies are “imprisoned” or locked-in complementary and reciprocal interdependencies, one course of action will be perceived as the right one to lead to a successful outcome. Just to exemplify, in this case study:

- town C factory employees did not want to leave and company A could not afford them to leave in large numbers;
- company A had to conquer the employees’ trust and acceptance and, at the same time, be accepted by them and the community; and
- company A had to introduce change, train and socialize town C factory employees to company A’s way, and, at the same time, be socialized and gain access to the local in-groups and relational networks.

In a lock-in situation the human factor is naturally the key issue, as there are behavioral aspects and perceptions to be dealt with that will determine the outcome of the acquisition process. Consequently, if the acquiring company has an organizational culture that values employees, the community and sustainability, it clearly configures a competitive advantage and what we could call a sustainable M&A.

Furthermore, this study also contributes to future theoretical and empirical examination of this phenomenon. It also serves as a guide for practitioners who must plan interventions to address the problems that arise during the M&A human integration process.

In terms of future research, it would be desirable to extend the study to all the other Brazilian units of company A that were incorporated by means of acquisitions, to verify if the findings of the present study can be corroborated or not.

In spite of the contributions of this research to the field of studies on M&A, we have to acknowledge limitations, such us:

- as town C factory was small at the time of the acquisition, there were only 17 interviewees, which does not constitute a large sample;
- the possibility of a certain amount of unavoidable subjectivity in both the interviewees when relating their experience and the interviewer when analyzing the collected data; and
- as stated before, being a case study, results cannot be generalized.

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Further reading

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