Managing organizational change during a merger: The case of companies operating in the energy sector

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Abstract. Faced with changes in their environment, companies are obliged to constantly improve their competitiveness. This sometimes involves introducing organizational changes, which can take the form of mergers and acquisitions. However, many corporate mergers have failed, prompting researchers to investigate the causes. Researchers are increasingly focusing on the human factor as a determining factor in the success of these operations, and more specifically. Although this research remains limited, on the importance of change management, which has a significant influence on the outcome of these operations, which are always in demand by companies. This research paper aims to identify the role of organizational change management in the success of mergers, using companies operating in the energy sector as a case study. We adopted an interpretivist stance based on an inductive qualitative approach, through semi-structured interviews. The content analysis revealed that organizational change is accompanied by resistance and integration difficulties. In this study, several factors promoting the change management are highlighted, which could be further enriched by analyzing change in other contexts.

Index Terms— Organizational change, change management, mergers and acquisitions, energy.

Introduction

Company life is interspersed by many changes, which affect all its members, regardless of whether, they are responsible for their implementation. Furthermore, major changes including corporate projects can occur, notably: software package roll-outs (ERP, CRM, exchange, or e-commerce platforms), new management methodologies, or restructuring projects such as mergers & acquisitions. Currently, mergers and acquisitions are one of the preferred ways for companies to develop independently, with the aim of improving their long-term competitiveness. Despite the gradual trend towards this operation type, and the results are often disappointing. Regarding (Cartwright & Cooper, 1993), (Ravenscraft & Scherer, 1987), (Schoenberg, 2006), the reported failure rate varies between 45 and 70%. Other researchers estimate the failure rate at over 50% (Hunt & Hogler, 1990), (Meier &
These results have raised questions among researchers as to the factors behind the failure of many of the mergers and acquisitions that continue to attract the interest of companies. Therefore, attention has increasingly turned to the study of the human dimension in justifying the results obtained.

As regards to Pablo (1994) [2], the M&A operation provides rise to a hybrid organization, which will alter corporate procedures, know-how, power distribution systems, values and beliefs, leading in the majority of cases to resistance to change (Connolly and Klein, 2002) [3]. Organizational change in merged companies has an impact on human resources, who display attitudes of varying degrees of negativity, subsequently hindering the achievement of desired objectives. When individual is faced with change, whether desired or undergone, it is their survival instinct that is put into play. [4], hence the need for managers to know how to manage change in such situations, with a view to minimizing resistance to change as much as possible and ensuring a synergistic effect among their staff. In fact, this managerial crisis linked to organizational change is still far from being resolved [5]. A review of the literature on this subject showed us that there are little works on the subject, focusing on specific cases of mergers and acquisitions such as those carried out in the energy sector.

As a result, and through this paper, we will answer the following question: how to carry out the change management during mergers and acquisitions operations by taking the case of companies operating in the energy sector? This question can be broken down into several sub-questions: what is meant by merger or merger-acquisitions? What is their effect on staff? And what extent can organizational change management be successful in these situations? Our work is composed of four parts. In the first one, we will present the research methodology as well as the methods used. Then comes a section dedicated to the results obtained. This is divided in two sections, the first relating to the conceptual framework and another to the empirical study. Thereafter, a part dealing with the discussion of the outcomes. Finally, we are concluded with a conclusion and the presentation of the references.

Methods

Given the dynamics and complexity of the environment in which the merged energy companies operate the most appropriate methodological approach to adopt in this research is that based on an interpretivist stance.

Thus, and in keeping with our chosen approach, we have used the inductive qualitative research method, as it is multidimensional and generally used to study phenomena in their natural setting with the use of interviews, observations, and surveys, while attempting to interpret phenomena in terms of the meanings provided by the researchers (Denzin & Lincoln 2005 [6]; Guba & Lincoln 1994[7]). The qualitative method is a set of interpretation techniques whose aim is to decode, translate or capture the meaning, not the frequency, of a social phenomenon. This seems more appropriate to the nature of our questioning, which is of the "how" type. For this reason, we have chosen the case study approach to carry out empirical research on two companies, X and Y, operating in the energy sector in North Africa. According to Yin (1994, p.13) [8], the case study research method is defined as an empirical investigation that studies a contemporary phenomenon in its actual context. As regards to this author, the use of studies case is appropriate when a "how" or "why" question arises about a contemporary set of events over which the researcher has little or no control, that is much more in line with our research object.

Also, to provide elements of an answer to our problem, we carried out at the beginning a review of the literature. This allowed us to formulate a certain number of assumptions to constitute the conceptual framework, to present all the elements that can make the change management process successful at the level of the companies in question. Subsequently, an empirical study was accomplished among the staff of 2 companies in the energy sector,
which merged to create a single entity. We used an interview and observation guide. Our interviews were conducted with staff from different hierarchical levels.

Results

1 Conceptual framework

1.1 The impact of organizational change introduced by merger on the staff of merged entities

A merger is the bringing together of two independent entities (A) and (B) to create a new entity (C), involving the pooling of assets and resources [9].

Most merger operations entail organizational change, which has an impact on human resources behavior. According to Grouard and Meston, (1998) [10], organizational change is the "process of radical or marginal transformation of structures and skills that punctuate the evolutionary process of organizations".

Carton, in his book Praise of change [11], explains the reactions of people to change and presents the integration process, breaking it down into 5 phases: refusal to understand, resistance, decompensation (those involved feel defeated), resignation (change is then accepted, but nostalgia for the old reality remains), and integration (change has taken root).

Meier, O. and Schier, G (2009) [12] describe in their book the mergers and acquisitions the typical reactions of the members of the acquired entity as well as their effects:

Table 1. Typical reactions of members of the acquired entity and their effects

<table>
<thead>
<tr>
<th>Reactions</th>
<th>Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Worries</td>
<td>Absenteeism, turnover, &quot;letting go&quot;, skills drain, rumour-mongering</td>
</tr>
<tr>
<td>Understanding</td>
<td>The &quot;us/them&quot; divide, tensions, social blockades, strikes, heavy climate</td>
</tr>
<tr>
<td>Passive resistance</td>
<td>Actions deferred, delays accumulate, customer service degraded</td>
</tr>
</tbody>
</table>

Mergers can also lead to a feeling of loss of control among employees (D.Steiler and C.C.Rülin, 2010) [13].

The literature review also shows that other research has demonstrated that employee attitudes differ according to the context of the merger-acquisition [14]. M&A is not just synonymous with job cuts [15]. When a merger-acquisition is seen as an asset, the employee reactions are positive. On the other hand, when the merger is hostile and organizational cultures are resistant to change, a great deal of resistance arises.

1.2 change management in merger situations

Change management is the accompaniment of a company's transformation process, in a changing context, whether this choice is undergone or strategic. According to Autissier and Moutot (2016) [16], it is "a set of methods and tools for getting beneficiaries to adhere to the objectives of the project". Typically, M&A leads to downsizing, job elimination and a
redistribution of roles and responsibilities [17]. These changes can be destabilizing for staff and generate serious resistance. It is therefore crucial on behalf of managers to convince as many employees as possible to embrace change, through successful integration and change management. Nowadays, the ability to accompany change is one of the key skills required of managers [18].

Relating to Meier. O, Schier.G, (2009), change during mergers and acquisitions must be organized corresponding to the issues at stake. Firstly, it is necessary to justify the merger to employees (threats from competitors, economic benefits), then, the opportunity to preserve the cultural differences of the merged entities must be analyzed. Depending on the case, cultural differences can be an opportunity or, on the contrary, a handicap for the acquiring company. Cultural differentiation is not very important when the merger-acquisition is motivated by economic benefit. Nevertheless, cultural diversity is highly beneficial when the merger is focused on innovation. The managers play an important role in the adoption of change through the transmission and dissemination of knowledge among employees [19].

Furthermore, Autissier and Moutot (2016) defend the idea that says, the change management is not just about communication and training, but requires the passage through three phases, namely:
- A diagnostic phase in which the scope of the change is identified in terms of structures, processes, players and type of change;
- A levers phase, based on the planning and implementation of training, communication and change management actions, with a transition plan between the existing and future situation;
- A piloting phase, to measure the results of the change management actions undertaken.

2 Empirical study

As a means to answer to our research question: How to successfully manage organizational change in a situation of company mergers and in particular those operating in the energy sector? We carried out an empirical study to test the answers provided by the conceptual framework, and to supplement them where necessary. We interviewed the staff of 2 African companies operating in the energy sector, which had merged to form a single entity. We used an interview guide and observation. Our semi-structured interviews were conducted with staff from different hierarchical levels (12 people, divided between managers and executives), during working hours, depending on their availability.

Eventually, in our interviews we grouped together the different words or groups of words that had a similar meaning, to then identify the words that appear many times in the interviews, making it possible to highlight the different conditions favoring the success of the process of change at the level of the new entity.

The results of the interviews carried out show that 8 people out of 12 interviewed attest to having found it difficult to accept the change that has occurred, due to a lack of communication regarding the purpose of the merger, the future and the place of each employee in the new organization, the solutions envisaged for the redeployment of all staff and especially those who have the same responsibilities and their support throughout the process of implementing the new project. Indeed, 4 out of 12 of respondents are aware of the reason behind the merger, namely innovation, through exchanges of know-how between the two organizations, in a logic of complementarities and innovation. Indeed, the leaders confirm that the main objective of the change was to strengthen the capacities of the 2 companies to face the vagaries of the market and competition in a sector such as energy. This objective was apparently not well understood by all the staff.
Furthermore, when asked how they think change management can be successful, 7 out of 12 people stress the importance of creating a climate of trust that facilitates cooperation. 6 out of 12 people say that existing cultural differences must be exploited in a way that strengthens teams' ability to work together and create more value. Integration seminars and information meetings are also considered indispensable by most respondents (7 out of 12). According to 5/12 interviewees, communication about reorganization and redeployment processes helps to reduce employees' fears about the future and their consequent resistance to change. Finally, the formation of working groups would, according to 6/12 respondents, help the change process to succeed.

Discussion

Our analysis suggests that the organizational change introduced by the merger and acquisition of the companies studied had a significant impact on the success of the project. Resistance to change was expressed by the majority of staff. They called for a lack of communication between management and employees, which they felt was important to allay the uncertainties and fears they felt. These elements are consistent with our conceptual framework deduced from the literature review, while adding certain particularities of mergers in the energy sector. Indeed, the question of the search for innovation behind the decision to merge these companies operating in a sector such as energy is not very well assimilated by the staff, which supports the proposals to undertake training and integration seminars to get employees to adhere as much as possible to the change and take advantage of their cultural differences. However, the results of our study cannot be transposed to all cases of companies subject to mergers, due to the diversity of the contexts of each merger operation. Change management must take context into account [20]. The qualitative research method used would yield more accurate results if combined with quantitative research applied to a larger sample size.

Conclusion

In conclusion, the aim of our research was to answer the question of how to successfully manage organizational change during a corporate merger, using companies in the energy sector as a case study. Analysis of the results suggests that the search for innovation can be a justification for mergers among managers in order to cope with the vagaries of the market. Subsequent organizational change is very often accompanied by resistance and integration difficulties. In addition, there are a number of factors favoring change management, a task which cannot be accomplished without the mobilization of all parties, managers and executives alike. However, our study is not without its limitations. The results may differ from those of other studies that deal with company mergers over a wider time span (from the preparation phase to the integration and post-integration phases), or are analyzed in other contexts.

References

[12] O. Meier, G. Schier (2009), Fusions Acquisition, 3ème édition, DUNOD, Paris