

Table of Contents

1	Introduction	1
1.1	Background	1
1.2	Problem Discussion.....	1
1.3	Philosophy of science.....	2
1.4	Thesis content outline.....	3
2	Theoretical frame of reference	4
2.1	The merger and acquisition deal	4
2.1.1	The process.....	5
2.1.2	Key individuals	6
2.1.3	Uncertainty	7
2.2	Human Resource Management.....	7
2.2.1	Attraction and retention	8
2.2.2	Communication.....	9
2.2.3	Employee Motivation	10
2.3	Summary of theory	13
3	Method.....	15
3.1	Applied method.....	15
3.2	Research approach	16
3.3	Methodology approach.....	17
3.4	Realization of the study	17
3.4.1	Gathering of material	18
3.4.2	Selection of respondents	19
3.4.3	Analysis and interpretation	20
3.4.4	Access.....	21
4	Empirical findings	22
4.1	Interviewed individuals	22
4.2	JCC takeover of ABV – Case one	24
4.3	NCC merge with Siab – Case two	25
4.4	NCC acquire Anjobygg – Case three.....	26
4.5	Cross-case – The deal process.....	27
4.6	Cross-case – Human resource management.....	29
5	Empirical findings - Telecom Sounding Board	32
5.1	The merger and acquisition process.....	32
5.2	Managing the workforce	33
6	Analysis	34
6.1	The merger and acquisition process.....	34
6.2	The aftermath	37
6.3	Improving the process	38
7	Conclusion.....	40
8	Final discussion	41
	References	43

Figures

Figure 1-1 The trapezoid (adapted from Davidsson, 2001).....	3
Figure 2-1 Maslow’s hierarchy of needs	11
Figure 2-2 Hertzberg’s Two factor theory summary	11
Figure 2-3 Justifying choice of theory.....	13
Figure 2-4 The merger and acquisition process summary	14
Figure 2-5 The expectations flowchart from an individual’s point of view.....	15
Figure 3-1 Respondents field representation summary.....	19
Figure 3-2 Method overview.....	22
Figure 4-1 The NCC merger and acquisition process	27
Figure 6-1 The human resource management influenced merger and acquisition process.....	38
Figure 6-2 The expectations flowchart from an individual’s point of view.....	40
Figure 8-1 Appendix A Interview Guide Summary (adapted from Lindh & Lisper, 1990)	48

Tables

Table 2-1 Attraction and Retention (Hale, 1998).....	8
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1 Introduction

The subject of this thesis was presented to us by the Nordic Construction Company, commonly known as, and throughout this thesis referred to as, NCC. The purpose is to study the human resource aspects of the merger and acquisition process and its aftermath from a key individual's perspective. This first chapter outlines the problem, how the problem is derived and the rationale for studying the proposed area.

1.1 Background

The nature of business has undergone significant changes with regards to mergers and acquisitions that today are considered a common business practice. Numerous large organizations have an active and ongoing merger and acquisition strategy and most small and private companies contemplate the scenario of being acquired as a possible and a sometimes likely unfolding of events (Frankel, 2005). The year 2000, the number of mergers or acquisitions with Swedish stakeholders was just over one thousand (Sevenius, 2004). However, despite an extensive usage of them, adopting a merger and acquisition strategy is not without risks. Gendron (2004) argues that as much as two thirds of all mergers and acquisitions are considered unsuccessful and do not add any value to the buying company. Cartwright and Cooper (1996) further contribute to this interpretation, and find that the most frequently reported reason of failures are problems occurring as an effect of a non-functioning integration process. The same authors identify these problem areas as integration of the two organization's culture or corporate systems, fall-off in service quality, poor motivation, loss of key individuals, flight of customers and loss of focus on long term objectives.

Concerning the loss of key individuals in particular, to keep the people who keep you in business incorporate the management of the organization's human resources (Cartwright & Cooper, 1996). Peck and Temple (2002) argue that much of the extensive human resource management literature that relate to mergers and acquisitions employee reactions, both conceptualized from psychological and career perspectives, as well as a cultural perspective. In either case, previous research has generally shown that employees react unfavorably to mergers and acquisitions, a result often cited to explain why many mergers and acquisitions are not considered to be successful (Peck & Temple, 2002).

1.2 Problem Discussion

Organizations within the Swedish construction industry is continually acquiring organizations aiming for a specific competence in order to incorporate that competence in their organization but in a shape more suitable to their business (personal communication, M. Lundgren, 2006-05-11).

To integrate people to the organization is a vulnerable process due to the risk of people leaving the organization (Frankel, 2005). Lundgren (personal communication, 2006-05-11) argues that the main problem of a merger or acquisition is that the key individuals of the target organization leave and drain the value of the investment. He further reasons around, the much worse scenario, if key individuals join or start rival businesses. NCC Group, one of the leading construc-

tion and real-estate development organizations in the Nordic region (dise, 2006), are during 2006 in the course of redefining its merger and acquisition process. NCC has requested guidance in isolating the human resource aspects, of the merger and acquisition related activities, which affect the key individual turnover rate.

Purpose

The purpose of this thesis is to study the human resource aspects of the merger and acquisition process and its aftermath, from a key individual's perspective, in order to isolate factors that affect the key individual turnover rate of an organization. The aim with fulfilling this purpose is to suggest possible human resource influences in the NCC merger and acquisition process and its aftermath.

1.3 Philosophy of science

It is reasonable to demand that authors of an academic work attempt to explain how they view the nature of science, in order to provide the reader with a deeper understanding for the study logic (Thurén, 2003). This includes, on the most basic level, how this thesis attempts to understand what make up the reality we perceive.

The purpose of this thesis is split in two research parts. As the first part involves an exploration of how the human resource management, which relates to the merger and acquisition process, is perceived by key individuals, our study is largely based upon understanding how processes utilized in the empirical findings differs from a theoretical approach. Thurén (2003) and Hartman (2001) mean that scientists can be positioned on a spectrum, where one end of a spectrum belongs to those who argue that science trusts only true facts and the capability for logic reasoning. At the other end of the spectra are those who argue that one can never be absolutely positive that a fact is true, nor can or should an individual researcher disregard his or her previous experiences. Through the first phase of the analysis we will present the facts of the NCC approach, as we interpret them, and compare them to the facts of a theoretical approach, which will be accounted for in a chapter of this thesis's theoretical frame of reference. By this process this thesis will isolate factors that affect the key individual turnover rate in relation to a merger or acquisition.

Our ambition, to suggest possible human resource influences in the NCC merger and acquisition process and its aftermath, derived from the findings from the purpose, also encourage a relative approach to science where we as researchers again interpret the findings based on the theoretical frame of reference as well as on pre-understanding. It is this thesis view that, attempts to describe the reality of a process and how people perceive it benefits from interpretative and empathetic elements, based on reasoning presented by Thurén (2003) and Chalmers (1995). The same researchers argue that those aspects are particularly helpful for an analysis of problems that are of a complex nature.

We are aware of the weaknesses of basing research understanding and empathy as primary tools in the search for truths, and that the researcher's pre-understanding of the nature of the subject he or she investigates will have an effect on the research outcome (Thurén, 2003). As pre-understandings differ, sometimes a great deal, from person to person, one can argue that using inter-

pretations could provide knowledge of weaker quality as the results will not be replicated as easily as if it had been based on facts stripped down to hard data and logic reasoning. On the other hand, Chalmers (1995) reasons similarly, that basing the research solely on logic reasoning and hard data, which can also be argued to be perceived, that approach also risks producing distorted results. This thesis argues that research should benefit from that the researcher is familiar with how his or her senses and pre-understanding affects the results and actively try to use their strengths.

1.4 Thesis content outline

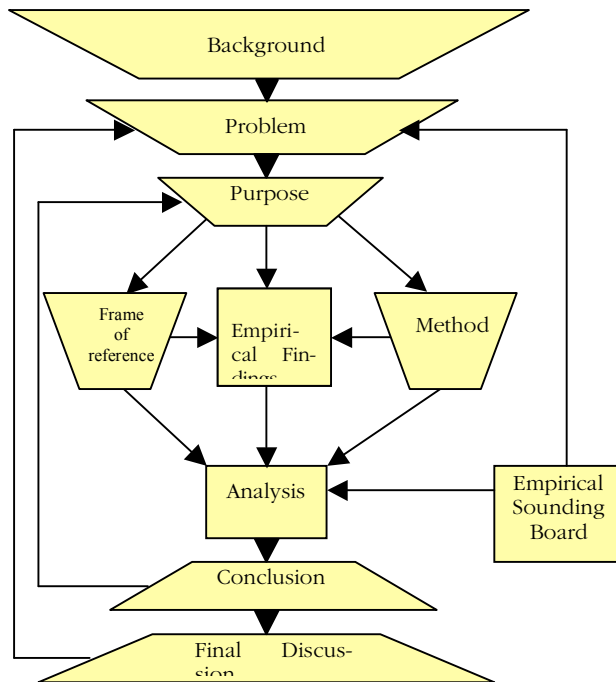


Figure 1-1 The trapezoid (adapted from Davidsson, 2001)

The content of the introduction helps the reader understand the background behind why the field of research is important, the nature of the research problem and the purpose of this thesis. The trapezoid (Figure 1-1) explain how the scope of research becomes more narrow as the first chapter move in on what this thesis is meant to study in-depth.

The theoretical frame of reference is used by the reader to further familiarize her or himself with the specifics of the research field that is relevant to the purpose of the study, which is being conducted. A summary will be provided, incorporating the thesis research questions, in order to assure the reader with the theories' relevancy, thereof the trapezoid shape also of the frame of reference element in the model. The method chapter tells the reader how the study will be conducted, explaining the different parts of academic research in a narrowing manner. It is a roadmap over the thesis and what the authors consider to be the most efficient and rewarding route to reaching conclusions that are directly re-

lated to the purpose. The method explains what empirical findings that are needed to analyze the research problem, how it relates to academic theory, and how to gather empirical findings without straying away from the purpose or affecting the research quality of the thesis.

The two chapters, theoretical frame of reference and method, are strongly linked to the empirical findings, where the gathered relevant data is presented. In this thesis, two empirical findings chapters will be presented. This endeavor is to assist the reader in understanding how the second empirical findings chapter, named Telecom Sounding board, has been utilized to gain an additional perspective on the research problem as well as obtain tools preceding the analysis.

The analysis will be shown in a reasoning form, but structured similarly to the theoretical frame of reference and the empirical findings, in order for the reader to follow the analytical comparison of the academic theory and the findings from reality in accordance with the structure laid out by the research questions. And so, the reader is, in the final chapters, presented with the thesis conclusions as well as thoughts that put the study into perspective of the research problem and the field surrounding it.

2 Theoretical frame of reference

This thesis categorizes research within the merger and acquisition field into two different theoretical categories. The first looks at the merger and acquisition from a process point of view and originates from the economical, financial and strategic research. The second main category this thesis considers as the human resource management point of view, which incorporates the emphasized psychological issues and the importance of effective communication as well as the organizational research field that focuses on the integration process and highlights both cultural clashes and conflict resolution. Peck and Temple (2002) found similar categories in their summary of research that relates to the merger and acquisition process.

2.1 The merger and acquisition deal

Merger and acquisition in this thesis refers to the financial aspects of uniting two organizations into one organization. In the event of a merger, the stock owners of both organizations place their stock into a pile and, after the value of the organizations have been appreciated the stocks are redistributed accordingly (Ross, Westerfield & Jaffe, 2005). The acquisition situation is different in the sense that the owners of one organization buy the other organization's stock owner shares (Ross et al. 2005). When this is done without an agreement has been reached prior to the process, it is called a hostile takeover.

Integration refers to, in this thesis, the mixing/merging of the actual people, systems and processes that formally worked for different organizations. Using this definition, neither a merger nor an acquisition needs to result in integration, and very seldom does (Frankel, 2005).

2.1.1 The process

Organizations usually have, and usually need to have, a merger and acquisition strategy (Gendron, 2004; Frankel 2005). Whilst some organizations do not have the option of organic growth (growing the business and hiring new personnel) and thus expand through buying other organizations as their growth strategy, some other organization possibly acquire to rid competition. The managerial motives for acquiring an organization include market power gains, geographical expansion, efficiency gains, resource sharing, and diversification (Golbe & White 1993). The merger and acquisition process tend to start after a strategic purchase strategy is set, and the organization initiate a scanning procedure for suitable objects that fits in line with that strategy (DePhamphilis, 2005). When considering the potential strategic purchase, it is necessary for the organization to put a great deal of effort and resources into the analysis and planning, to make a successful integration possible (Frankel, 2005). The initial valuation is the preparation phase that is the base of the initial bid. The parameters involved in the initial value of the target organization are analyzed, normally without access to the owners (Frankel, 2005). After the phase involving the scanning and initial valuation, the initial bid is presented to the owners, creating the first milestone of the merger and acquisition process. Once the bid has been presented to the owner, the phases of valuation and due diligence commence.

Due diligence

The due diligence refers to the analysis the organization makes to ensure that the deal reflects what was intended when the initial bid was presented, and it is strongly interlinked with the focus of the preparation phase, in terms of future strategy and what is being considered to be the values of the new organization. Gendron (2004) defines due diligence, in a merger and acquisition context, as the process of research and analysis that takes place prior to the acquisition is finalized. It tends to take the form of a checklist that guides the managers so that none of the important elements of the deal are neglected, and that they get the necessary attention. For instance, the due diligence checklist linked to the valuation of the physical assets of an organization includes a checkbox that refers to the loans and cash on hand of the organization. Consequently, human resource due diligence, following its definition, serves the purpose of highlighting, to managers, all important elements of the deal that relate to human resources. Both Gendron (2004) and the organization Due-Diligence.ca (Robbins, 2006) define the human resource elements from a broad spectrum in their due diligence checklists. Please see a reworked version of those two combined in appendix B. According to Gendron (2004), there are two primary human resource functions that must be a part in the merger and acquisition process:

1. Administration of the human resources, such as negotiating the personnel benefits, compensation and commission programs.
2. Management of the human resource pool in the company. This includes an assessment of all the requirements from an organizational, development, and training aspect.

Frankel (2005) argues that not only, should it be understood that the employees are the organization's most valuable assets, but also it need to be emphasized that they are the hardest value foundation to asses accurately. Understanding the strengths and weaknesses of an employee base, including the challenges of

retaining the value it provides after the deal is done, is one of the most important parts of the due diligence process (Gendron, 2004). Frankel (2005) reasons that when the human resources are the primary cause for the deal, the human resource department is, in fact, introduced much earlier in the process.

Integration planning

It does not have to start in the earliest stages of the deal process, but since the integration is a known determinant of success or failure, planning should be initiated when the due diligence is up and running (DePhamphilis, 2005). Practical issues such as which parts will be integrated to geographical matters to whose system are going to be used can be a part of the integration plan. During the integration of organizations, their employees are exposed to significant uncertainty (Frankel, 2005). Failures with developing a clear integration plan can be damaging as employees being left in a state of limbo are much more likely to keep lookout for other alternatives (Frankel, 2005).

Sometimes during merger and acquisition negotiations, the owners agree on a contract to stay for a given time in the organization in order to get their full payout (Frankel, 2005). This is what normally is called a stay-bonus. The fact that the owner stay can be positive and facilitate the integration planning since it will bring more stability for the company that are being acquired, but the attempt will present a question as to what will happen once the stay-bonus time limit is reached in a time when the integration should be over (Frankel, 2005).

Finance and closure

DePhamphilis (2005), state that the financial details that need to be decided prior to the payment can be carried out, are not self-explanatory. This phase includes the final negotiations about the price and after an accord has been reached both parts can agree on what the financial, practical and legal details of the deal are, and how they are to be executed. Once this phase is finalized, the merger and acquisition process is considered sealed and closed.

2.1.2 Key individuals

A primary driver of mergers and acquisitions is also the desire to obtain valuable resources possessed by the target organization (Ahuja and Katila 2001), such as a patent, existing technology, accessibility to a market, a creative culture, a market share or a specific skill. The concept of tacit knowledge was founded by Michael Polanyi (1983), when he explained tacit knowledge as being knowledge that is not easily communicated, and often consisting intricate, e.g. culture and experience. Up until recently, an organization's workforce was regarded as data processors rather than creators of knowledge (Nonaka and Kenney, 1991). This view of human resources has, however, undergone drastic changes. Nonaka introduced the concept of tacit knowledge into the field of organizational knowledge management in the early 1990's. Gourlay (2002) further clarifies that it is the individuals within an organization that will make up the organization's collective learning, in the form of core values, assumptions, norms, etc. Some of the individuals within the organization contribute to this collective learning more than others. They might have a large network of contacts, extensive experience within an area, or simply being very good with energizing his or

her coworkers (Gourlay, 2002). The key individuals are why one organization will never possess the same collective learning as another organization will.

2.1.3 Uncertainty

Though mergers and acquisitions, from the view of those negotiating the deal, are primarily a financial transaction, they represent to most employees involved a significant and potentially emotional and stressful life event (Cartwright & Cooper, 1996). The same authors show a close link between organizational outcomes and personal outcomes from the integrating of two organizations, where employees rated the success in organizational terms between 80 and 100 per cent and in personal terms between 60 and 80 per cent. According to this reasoning, making a success of the buying and integrating of organizations is strongly linked with how the people working in the organizations experience it. According to Mirvis (1985), the individual reactions from the workforce can be expected to pass through the four stages, disbelief and denial; anger through rage and resentment; emotional bargaining that begin in anger but possibly continued by depression; and acceptance. Both Risberg (1996) and Cartwright and Cooper (1996) reason that the first three stages are all initially caused by uncertainty, as a result of that the individual's ordinary life conditions are unsettled. At the final stage the individual realizes that any attempt to deny or resist the situation is futile and unproductive, but before it is fully reached the integration can not present positive results for either the organization or the individual (Cartwright & Cooper, 1996). A fixation at stage one, two or three will result in unproductive behavior, or resulting in that the individual leaves the organization. However, the same authors raise the warning that, a rapid acceptance may imply compliance but not necessarily a commitment to the new organization. They argue that an apparent absence of uncertainty among the employees imply a lack of stronger ties between the individual and the newly formed organization. The integrating process of the new organization's human resources must be allowed to run its course.

2.2 Human Resource Management

Branhan (2001) established that the best ways of keeping the key individuals in an organization is to be an organization that people wants to work for. Bratton and Gold (1999) reason that the handling of a complex and creative resource, that an individual person, differs from handling other resources. They claim it to be the underlying reason why human resource management has got two sides to it, referred to as a hard side and a softer side. Bratton & Gold (1999) show that the hard side emphasizes the term resource, and adopts a more traditional way and views people as a cost that must be controlled from a legal and a financial aspect, using of processes and systems. The soft aspects of human resource management emphasizes the individual's possible expectations on the organization, e.g. with regards to education strategy, personal development planning and recognition systems (Bratton & Gold. 1999). The practical aspects can be categorized into the four functional categories: staffing, motivation, employee development and training, and employee retention (Bratton & Gold. 1999).



- ∞ Staffing practices refers to the obtainment of people with the right skills, abilities and knowledge as well as experience, consisting of the human resource planning, recruitment and selection (Decenzo & Robbins, 2002).
- ∞ Motivational practices include job evaluation, performance appraisal, employee benefits, rewards and compensation (Bratton & Gold. 1999), further accounted for in the separate employee motivation sub-chapter.
- ∞ Employee development and training consists of employee performance appraisal, orientation, building education schemes, outlining of development plans and career development (Decenzo & Robbins, 2002).
- ∞ Employee retention is the administration and monitoring of workplace safety, health and welfare policies in order to make the organization more attractive (Bratton & Gold, 1999). Hale (1998) argues this aspect of human resource management is further multifaceted and include both employee attraction and retention.

2.2.1 Attraction and retention

Hale (1998) suggests, after surveying 614 organizations employing nearly 3.5 million workers in North America, that the most frequent reasons why an employee leaves his or her job is a better opportunity elsewhere, followed by lack of opportunity for advancement and enrichment, and the third most cited reason is dissatisfaction with pay. Many organizations do however attempt to make an effort in understanding what factors affect their workers in their environment.

Hale (1998) argues that organizations often do not adapt separate techniques used for retaining workers in addition to the techniques they use to attract them. One of the results of this being birth of companies with the sole purpose of consulting organizations developing attraction methods and retention methods, best suited for their business and employees (Hale, 1998).

According to Hale (1998), the five most effective methods, out of the used, for attraction and retention differ a little:

Attraction	Retention
1. Paying above market	1. Flexible work schedules
2. Training and development opportunities	2. Training and development opportunities
3. Flexible work schedules	3. Paying above market
4. Sign-on bonuses	4. Stock options
5. Group incentives	5. Group incentives

Table 2-1 Attraction and Retention (Hale, 1998)

Money in itself is still a powerful tool to capture workers and to maximize their productivity. However, the key lies not in what you pay; it's how you pay it (Hale, 1998). Respondents from the 614 organizations who report that stock options and group incentives are very effective have better retention than those who do not have these programs in place (Hale, 1998). Other reward tools cited as highly effective for attracting and retaining critical-skilled employees include training and development opportunities, flexible schedules, and recognition vehicles that send a more caring message to the employees. Non-monetary re-

wards, such as on-site day care, fitness centers, dry cleaning services, and automatic teller machines, add convenience to employees' daily lives and bring about higher loyalty. Work-at home and job-sharing arrangements enable employees to better balance work and family responsibilities (Hale, 1998).

2.2.2 Communication

Gendron (2004) claims that a communication strategy and planning will increase the probability of a successful integration through reducing the likelihood of misunderstandings lessen the amount of rumors and above reduce the uncertainty among the employees (Gendron, 2004; Schweiger & DeNisi, 1991; Bastien, 1987). Bastien (1987) established that during periods with communication shortage the individual's uncertainty peaked among the workforce. He further found that the members of the new organization changed their attitudes during those periods; their motivation decreased, and they expressed an increased intention to resign from the organization. Bastien (1987) claims, that under circumstances of stress to the organization, such as in merger or acquisitions, communication is the key to managing uncertainty in the acquired organization. Schweiger and DeNisi (1991) have also established that communication is the only way to reduce anxiety among employees, and that the communication should start as early as possible in the process. The aim is to have a functioning way of communication that is tailored to the situation. According to Gendron, (2004) the communication should in order to be effective, be complete, on time and include all relevant information. These aspects can seem self-evident, but the classification helps any reviewing of organizational communication. There are many different channels of communicating. The most formal way is written or on videotape and it can be delivered in meetings, in memos, letters, policies, or brochures, intranet, internet, etc (Gendron, 2004). Informational meetings are of a more personal approach but can increase the risk of miscommunication since they might not follow a scripted communication strategy like a meeting agenda would have, however the risk can be reduced by anticipation for questions of the communication (Frankel, 2005).

Risberg (1996) has found that an acquiring organization commonly ensures the employees of the acquired organization that no changes will occur, and that this is not a favored communication strategy. Even though the intention is to reduce anxiety and uncertainty the effect is often the opposite (Risberg, 1996; Young & Post, 1993). Risberg found that the individuals within an organization expect changes to occur in relation to a mergers and acquisitions and if the management declares that nothing will happen, the employees will suspect a hidden agenda. Schweiger and DeNisi (1991) conclude that management should always communicate frank and open information, even if it presents a smaller wiggle room for future strategy changes. Even under the circumstances when the management does not know what the future plans are, management should communicate this information.

Culture

According to Martin (1992), individuals who come in contact with an organization, they come into contact with dress norms, company related stories people tell, the organization's formal rules and procedures, its informal codes of behavior, rituals, tasks, pay systems, jargon, jokes only understood by insiders, etc. The organizational culture is based on the collective product of all the individu-

als' experiences. Consequently, all companies develop their very own culture and when integrating two organizations this must be realized. Gendron (2004) states that there is always a cultural change in integrating organizations, and he stresses the importance of that the cultural aspect should be considered already in the early due diligence phase. Managing and understanding culture and cultural issues is a part of the softer aspects of human resource management's responsibility (Mirvis, 1985).

The link between culture and communication is highlighted by Brown and Starkey (1994) when they argue that culture can be seen as a product of communication, at the same time as communication can be seen as an artifact of culture. This is the reason why communication can be difficult to manage, but yet crucial in relation to the merger and acquisition process and its aftermath. However, there is a danger that the communication is perceived as two organizations communicating from two different cultural contexts (Risberg, 1996). This activity can be seen as encapsulating the past experiences in a manner that structures the future. The changes that happen in relation to the merger or acquisition takes away the foundation on which the previous organizational culture was built upon and risk making the members of the new organization feel estranged to their workplace (Risberg, 1996). Thus the individual employee is in need of a new culture foundation that relates to the old foundation. Risberg (1996) further argues that, in the event of an acquisition, it is the acquiring organization's responsibility to provide the new platform.

Action

Young and Post (1993), after studying two organizations undergoing major organizational restructuring, argue that the communication initiative needs to come from the top management and should be continuous throughout the change process. Bastien (1987) states that communication, per se, is not enough to overcome resistance and other obstacles to change. The same author argues that communication will not be effective unless it is congruent with the reality. Consequently, the communication needs to be filled with the corresponding actions (Bastien, 1987; Young & Post, 1993; Risberg, 1996). Young and Post (1993) showed, in their research, examples of how the workforce resistance is much less significant when there is little or no discrepancy between action and words.

2.2.3 Employee Motivation

Motivation, in an organizational context, is the willingness to exert efforts to reach organizational goals (Fincham & Rhodes, 2005). Abraham Maslow carried out his investigation into human behavior between 1939 and 1943 (Fincham & Rhodes, 2005). He suggested that there are five sets of goals which may be called basic needs, and once an individual has satisfied a need on one level, the impact it has on the behavior decreases (Fincham & Rhodes, 2005). The first of the five levels, physiological needs, represent the most basic needs such as food and shelter. The following level holds the need for safety and freedom from fear. The third level, social needs, represents the needs of satisfactory and supportive relationships with others. These first three levels combined further represents the deficiency needs that all need to be fulfilled, according to Maslow, in order to access the final two levels, called higher-order needs (see Figure 2-1)

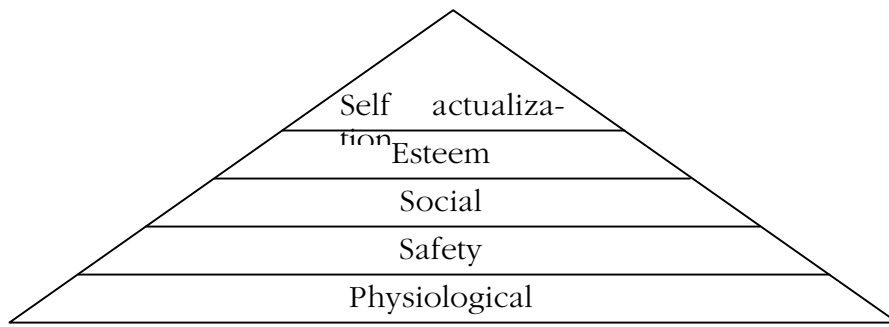


Figure 2-1 Maslow's hierarchy of needs

The first of the higher-order need levels, esteem needs, refers to the need for recognition and belief in one-self. The last level is self-actualization, which represents the individual's need to develop his or her full potential, to be all that one can be. Maslow argues that this final need level will never be completely fulfilled and thus result in a continuous strive for self actualization (Fincham & Rhodes, 2005). Maslow states that it is in an organization's interest to meet the needs on all levels of its employees, but that once the individuals have experienced the conditions satisfying higher needs he or she has difficulty accepting lesser conditions (Fincham & Rhodes, 2005).

Hertzberg contributed to the motivational field in 1966 with the two-factor theory. He found, studying occasions at work when people felt either extraordinarily satisfied or dissatisfied, that the factors affecting the individual's satisfaction can be separated into two categories (Fincham & Rhodes, 2005). The first category, called motivators, represented the factors that could influence an individual's satisfaction at work. The second category, called hygiene factors, represented of the factors that are required in order for the individual should not feel dissatisfied (see Figure 2-2). The latter thus represents a number of basic requirements that need to be fulfilled before the individual can reach levels beyond being indifferent about their situation. The motivators can, on the other hand, contribute to satisfaction. However, according to Hertzberg, their absence does not cause dissatisfaction (Fincham & Rhodes, 2005).

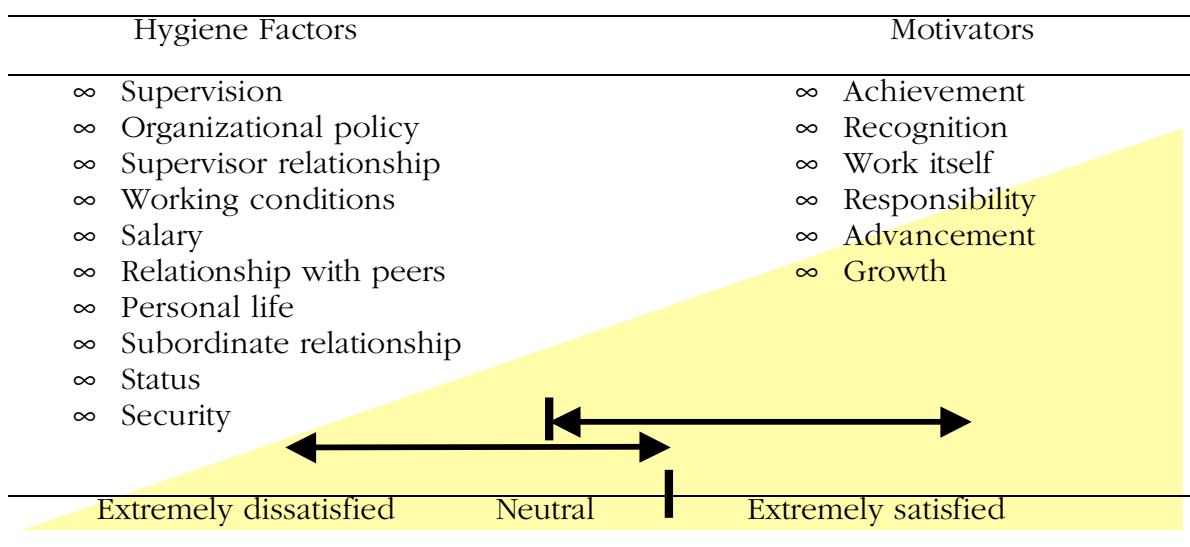


Figure 2-2 Hertzberg's Two factor theory summary

Engaging the individual

Gorman and Gorman (2006) found that employee satisfaction research during the 1980s and 1990s primarily measured of how much people enjoyed their situation within the organization and that there is a need to modify the research focus to measuring the satisfaction people feel when carrying out activities that will help the organization to become more successful. Engagement is, according to the same authors, a way to increase the productivity of the organizations talent pool and human resource managers must create an environment where employees feel more passionate about their job and understand that they as individuals are important for the organization. Gorman and Gorman (2006) conclude that a committed employee commonly demonstrates one, or more, of the listed activities that contributes to the organization's success.

1. *Say* – the employee advocates for the organization to co-workers, and refers potential employees and customers.
2. *Stay* – the employee has an intense desire to be a member of the organization despite opportunities to work elsewhere.
3. *Strive* – the employee exerts extra time, effort and/or initiative to contribute to the success of the business.

The key drivers of engagement are relationship, total reward, opportunity, quality of work-life, people practice and the actual work itself and the primary influencer of them is, according to Gorman and Gorman (2006), the immediate manager. Management activity areas that drive the employee's engagement have been identified by the same authors as the following.

1. Coaching and career support

Gorman and Gorman (2006) argue that a manager should act primarily as a coach and be open, clear-cut and caring about potential career paths for the individuals he or she manages. The responsibility of the manager, who wishes to engage their employees, thus involves the active scanning for employee opportunities to engage in teamwork and projects that will broaden the individual employee's experience. It also involves the communicating of those expectations that the individual can allow him or herself. This way of engaging in the individual employee further builds loyalty among the workforce (Gorman & Gorman, 2006)

2. Recognition

Gorman and Gorman (2006) stress the fact that it is important for a manager to recognize their employee's performance. The recognition could be expressed as a simple thank you or congratulations and stretch towards allocating organizational awards and bonuses. Both forms of recognition have a massive impact on engagement, thus justifying an incorporated recognition system (Gorman & Gorman, 2006).

3. Accountability

Employees are more engaged when their managers in fact hold them or their teams accountable for results (Gorman & Gorman, 2006). A manager must consequently be clear about the expectations on the individual and be positive that the individual understands him or her. Gorman and Gorman (2006) conclude,

with regards to the accountability area, the importance of a consequence consistency for meeting and not meeting the expectations set out. The same authors proved a direct relation between this management behavior and an increase in the employee engagement.

2.3 Summary of theory

This thesis has in this chapter purposely presented theories that cover different aspect of human resource management as well as merger and acquisition process and its aftermath (see Figure 2-3).

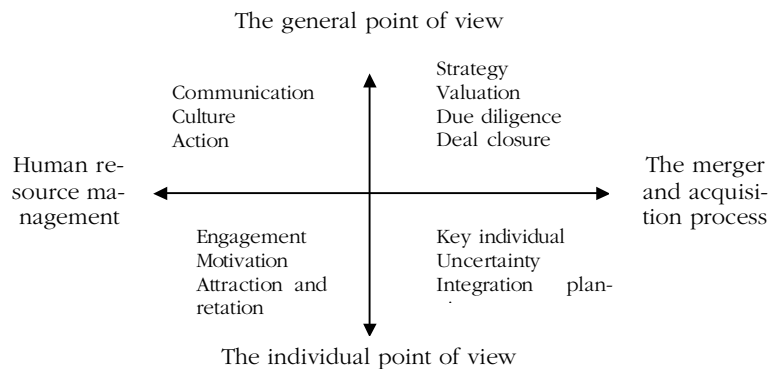


Figure 2-3 Justifying choice of theory

The merger and acquisition process is consisting of milestones, and thus summarizing it benefits from a timeline perspective. In the model below this view of the process is used to illustrate a neutral perspective that can be used to study any aspect of the merger and acquisition process (see Figure 2-4). The model separates between the management of the merger and acquisition process and the management of organizational functions e.g. financial, technical, operational, etc. With regards to the management of organizational functions, the model pinpoints two specific milestones, and where they should occur in relation to the milestones of the merger and acquisition deal process. The two milestones, which refer to the management of organizational functions, are when the strategic direction for the new organization is decided, and when the corresponding responsible individual in management team is appointed and presented to the new organization's workforce.

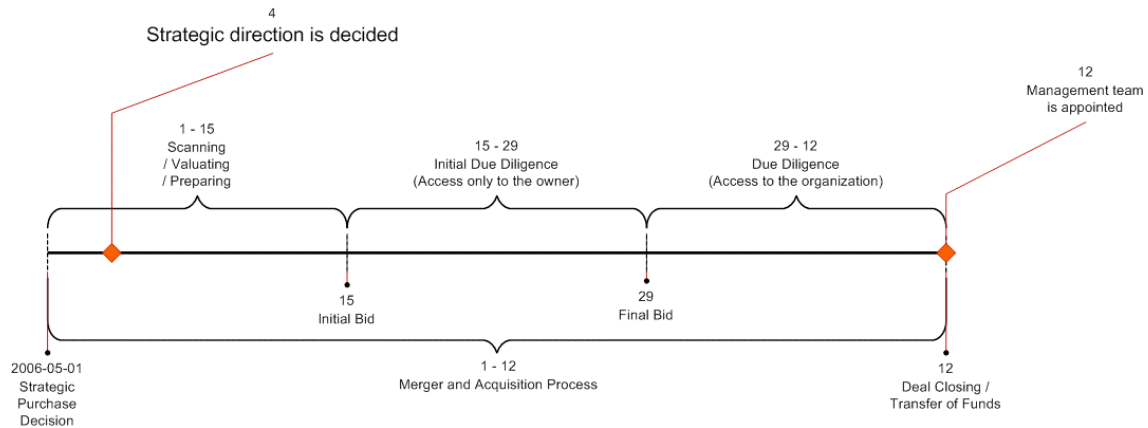


Figure 2-4 The merger and acquisition process summary

Derived from the introduction and the theoretical frame of reference, three questions are shaped to guide the empirical and analytical parts of the study. The first question is of an explorative nature, and designed to reach conclusions related to the main purpose of this thesis. It is intended to investigate the potential human resource influences in the merger and acquisition process using the NCC perspective.

1. Describe the merger and acquisition process, and the aspects of how it and its aftermath facilitate human resource management using the hypothesis model (see Figure 2-4).

This thesis has, as its focus, an individual's point of view of the subjects brought up in it. The analysis of the management of human resources and its role thus benefits from a summary from the point of view of an individual in an organization. The model summarizing how the expectations should flow, from an individual's point of view, guides the human resource manager with regards what communication the individual, he or she is managing, is in need of (see Figure 2-5).

The expectations on the individual concerns what the individual needs clarified with regards to what expectations the new organization places on him or her. This includes for example his or her role in the new organization, the salary level, who to report to, benefits, etc. The other expectations concerns what the individual can expect from the new organization in terms of bonus systems, career opportunities, education alternatives, etc.

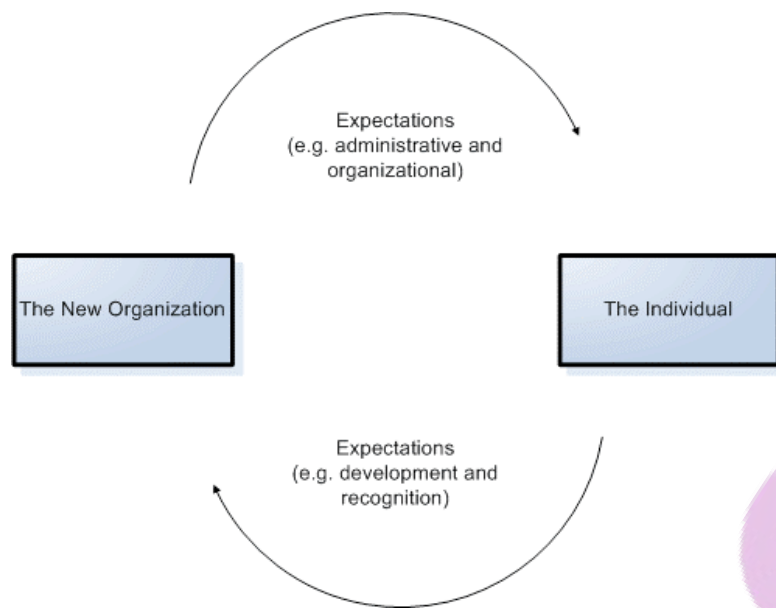


Figure 2-5 The expectations flowchart from an individual's point of view

The second research question is also explorative, and too has as its function to reach conclusions related to the main purpose of this thesis. Using the individual's need summary model, and the perspective from the empirical findings from NCC, it will study differences between the three cases and the theoretical frame of reference.

2. Study the primary reasons for people leaving as a result of a merger or acquisition and the possibilities to reduce them using the hypothesis model (see Figure 2-5).

The third research question is a normative question (what ought to be), which is aimed to provide research guidance in reaching the ambition of this thesis, derived from the findings from the previous questions.

3. By answering the two previous explorative research questions, this thesis will present how NCC can improve its merger and acquisition process in order to prevent the loss of key individuals.

3 Method

3.1 Applied method

The choice of method derives from the nature of the study. This thesis has adopted a case study analysis research strategy. A research question that aims to research how many key individuals who resign from an acquired organization, in relation to the merger and acquisition process and its aftermath, creates for a study of an occurrence. Yin (2003) argues that such a study includes a quantitative data gathering followed by an analysis of the bare facts (hard data). Should the investigation instead aim to understand the potential measures that could prevent such resignations then the study can benefit from the language nuances being given room in the empirical findings. This is defended in Yin's (2003) accounting for how to choose the applied method, and according to his arguments case studies is, to this purpose and research questions, superior to other

qualitative methods, due to access to suitable interviewees and lack of control over events that are subject to the study. The meaning of this condition is gained if one compares the extremes of the chemist and the historian, where the chemist in a laboratory setting can perform experiments where he or she can completely isolate the behaviors which are to be the focus of the investigation. The historian, in contrast, has most likely no access to, or control over, the behavioral events and can only rely on documents and artifacts when conducting his or her investigation. In this aspect Yin (2003) argues that the case study approach is very similar to the history approach as a research strategy, but it adds two sources of empirical information that the historian normally do not have access to, namely direct observations of the events and interviews with the people who are involved in the events that are the focus of the investigation.

A third condition, not mentioned above, considers whether or not the event, which is used to study the research problem, is contemporary. Again, the chemist and the historian will help to clarify the meaning. The experiment is an event that happens in the now and the historian research an event that as already taken place. One could argue that the case study in this thesis is actually created to shed light on a contemporary problem NCC has acknowledged. The opportunity to participate in an acquisition, which was previously finalized, and the fusion work in an experimental approach did seem to prevent itself early in the thesis work, but was ended by the previous owner. On top of that, a major strength of the case study research strategy is its potential to use a number of different sources to shed light on a problem by studying it from numerous aspects (Marshall and Rossman, 1999).

3.2 Research approach

A researcher need to set out the path to conclusion before the study can start, meaning how the researcher reasons to reach his or her conclusion. There are two main reasoning paths from where researchers tend to conduct their study. Inductive reasoning relates the empirical outcomes to existing theories while collecting empirical material (Rossman & Rallis, 2003). The researcher builds the theories based on the observations he or she makes. Cooper & Schindler (2001, p.35) defines inductive reasoning as *to draw a conclusion from one or more particular facts or pieces of empirical information. The conclusion explains the facts, and the facts support the conclusion.* The same authors do however raise a warning, and declare that inductive reasoning only offer an explanation of a problem, and there might be other explanations that match the fact equally. It is important that the inductive researcher is prepared to stand for and defend it (Cooper & Schindler, 2001)

Alvesson & Sköldberg (1994) write that by adopting the second main approach, deductive reasoning, and the researcher aims to confirm whether existing theories and generalizations (or theories derived from those) in fact are valid. The same authors point out that not only does the researcher find support in existing theories for development of hypothesis, but also when choosing which variables to include in the investigation. The benefit of this approach lies, of course, in the refinement of existing theories and therefore serving an opportunity to increase the collective understanding about a problem.

This thesis has chosen to adopt both a theory building process – the inductive reasoning, as well as a theory testing process – the deductive reasoning, but for

different phases of the analysis. This is derived from the structure of the research questions, and creates a way of gathering the pieces, left over from the deductive results. The goal is to minimize the danger that the researcher who uses this approach is blind to unanticipated factors that may exist, such as conditional variables or new constructs (Ali and Birley, 1999). Deductive reasoning will *imply the conclusion and represent a proof* (Cooper & Schindler, 2001, p.34). This being said, we are aware that using inductive reasoning as a compliment will result in only one solution to the problem and that there might be several others. The research approach, when the researcher combines induction and deduction and thus uses theory as a source of inspiration in the analysis, is referred to as an abductive approach by Alvesson and Sköldberg (1994). Our ambition to suggest possible human resource influences in the NCC merger and acquisition process and its aftermath is fulfilled by using the abductive approach.

3.3 Methodology approach

This thesis aims to provide an in-depth view of human resource management in relation to the complex environment created in conjunction to an integration of organizations preceding a merger or acquisition. There are a great many methods to gather empirical material for the research, and they tend to be classified in either of the two main approaches. The researcher must, before choosing approach, consider the purpose of the investigation (Thurén, 2003).

The quantitative approach involves gathering empirical data, based on predefined variables, thus allowing for a statistical analysis, and is typically concentrated on finding and confirming relationships between those variables (Christensen, Andersson, Engdahl, & Haglund, 2001). The idea of the quantitative approach is to allow for a generalization about a problem and a population using the empirical findings made from a sample (Hyde, 2000). This does however, put some restriction to the complexity of the problem which serves as focus of the investigation.

Important to this thesis qualitative methodology approach is what follows from its structure based upon making one or a few observations and that each observation can consist of several different aspects of the issue or problem (Ghauri, Grønhaug & Kristianslund, 1995). The qualitative approach can thus be justified, for use in this thesis, by the depth of the problem it can contribute with by illuminating the problem from more than the sides decided by predefined variables. Hyde (2000) explains the qualitative approach as seeking to identify underlying concepts and the relationship between them.

3.4 Realization of the study

The conducting of a study, from a broader view, is the process of going from a starting point of an initial set of questions to be answered, to conclusions about the initial research questions. Thus the realization of the study involves constructing appropriate questions, finding relevant theoretical as well as empirical information, and deciding how to analyze the results. The structure of a thesis can help the investigation by building in a research question focus, to assure that the conclusions are relevant.



3.4.1 Gathering of material

Yin (2003) argue that there are six different sources, which can be used to build a case, and that using multiple sources affects the quality of the case study in a positive way. The sources are:

1. Documents (e.g. letters, meeting minutes, progress reports)
2. Archival records (e.g. survey data, organizational charts, service records)
3. Interviews
4. Direct observations (field visit)
5. Participant-observation (e.g. serving as staff or decision maker in an organization that is being studied)
6. Physical artifacts (e.g. tools, machines)

After discussions with our tutor at the university and our mentor at the host organization, we have decided that this thesis will benefit most from using documents, direct observations and interviews as sources. Our primary source is semi-structured interviews, which refers to when an interview structure is planned but gives room for follow up questions and flexibility of adjusting the structure to best fit the interviewee (Yin, 2003). Justification of the choice of primary source is largely due to the possibility to target them directly to the case study topic, but the danger with asking people what happened is that the information gets skewed. Yin (2003) argue that the fact that interviewees might provide inaccurate information, due to poor recollection or to bias responses can, and should, be addressed using multiple sources and triangulate the most accurate answer. This is why our second most used source is documents to confirm much of the data presented in the case descriptions. The strengths with documents are that they offer accuracy to the empirical data in the form of names and date references, and be reviewed repeatedly (Yin, 2003). There might be weaknesses with regards to the retrievability and possibly a biased selectivity, but the gains from using documents for triangulation vastly outweighs those concerns. Also, we feel confident that our interviews will provide us with valid and relevant information. We are aware of that we do not possess the same understanding of how to structure an interview that a reporter or a psychologist has, who both study interview technique and practice it in their workday. This is why we feel that the quality of this thesis is improved by having Maria Spak, psychologist at Nässjö vårdcentral, involved in the development of the thesis interview guide.

The interviews were taped in MP3 format and printed out transcribed into word documents. Both the recordings and the transcripts were used when presenting the data according to a predefined structure, decided by the composition of the research questions. The transcripts were sent out to the each and every one of the interviewees, for confirmation of the content, thus increasing the reliability of the gathered data.

Our third source, direct observations, provides us with other dimensions to the study, such as gaining a deeper understanding the organization, its industry and our research topic. We will go on field trips to the headquarter complex of NCC and TeliaSonera, in conjunction with the interviews, and visit the process individuals, who is one of the main target groups for using this thesis, in order to observe them in their daily working surroundings. We will also review case studies, used in the NCC management educations, in order to reach a deeper

understanding of the industry itself, and we classify this somewhere in between our document source and direct observations. We feel that even though direct observations are considered very costly, primarily due to how time-consuming they are, they absolutely raise the quality of the study and are therefore necessary.

3.4.2 Selection of respondents

There is a strong link established between a researcher and an organization that commissions his or her thesis. This allows for a potentially better access to respondents and other sources of empirical data. However, it also presents a dilemma if the researcher is forced to choose between improving the academic quality of the thesis or provide a value to the organization. This is something that we discussed with our university tutor from the very beginning before engaging in this study.

The choice of interviewees is a collaborative work resulting from discussions between ourselves and our mentor at NCC. They have been chosen to reflect all possible aspects of the scope of the thesis study, as well as in order to provide a foundation for triangulation of data. The diagram (see Figure 3-1) illustrates how the process individuals are in a position to illuminate different aspects of how human resource management has influenced the merger and acquisition and its aftermath in the NCC cases. What cases they represent is accounted for in the presentation of the interviewees in the empirical findings.

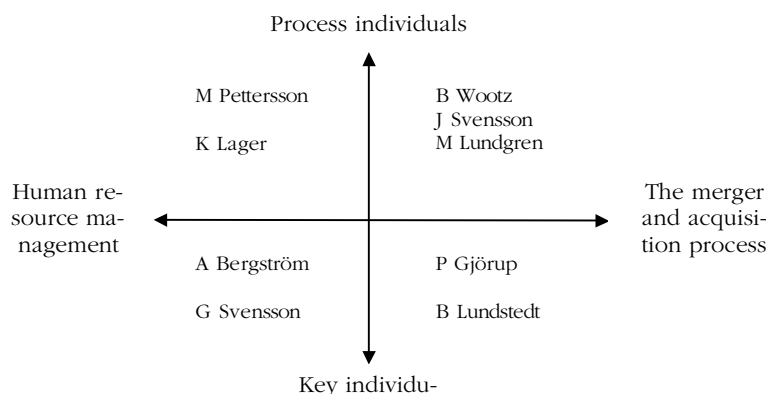


Figure 3-1 Respondents field representation summary

No interviewee declined, or was in any way unable, to participate in our data gathering. Concerning who to interview first, we are bounded a little by the calendars of the interviewees, but we have chosen to mix the representatives but to focus the interviews with the key individual representatives early in the data gathering, and to focus on the process representatives as late as possible. The reason why we will do it this way, is that we believe it will unfold what happened and how it was perceived prior to our conversations with the process individuals who can account for why and hint what could have been done better from a process perspective.

Sounding board

This thesis will use a sounding board to gain deeper understanding of the human resource aspects of the merger and acquisition process and its aftermath.

The unfolding of interviews will also be invaluable to our last interview with one of TeliaSonera's most senior managers in human resource related activities. B Abrahamsson was chosen due to the fact that he is recognized, within the Swedish telecom industry, as an expert in the human resource management aspects that relates to the merger and acquisition process and its aftermath. By providing aspects from a different industry, B Abrahamsson acts as a sounding board for the thesis's interpretations of the research questions as well as the theoretical frame of reference. The pre-understanding we gain from talking with the key individuals will provide a good foundation for making the best use of all the process focused interviews, including the sounding board interview. Since the empirical data gathered from this interview is completely independent from the NCC cases, it will be presented in a separate chapter.

3.4.3 Analysis and interpretation

After having discussed with our university tutor, we have decided that the structure of the analysis of the case descriptions will be done in a traditional manner, comparing theory and empirical data, but parallel to that analysis the relevant sounding board data will be scrutinized similarly, see Figure 1-1 The trapezoid (adapted from Davidsson, 2001)). The theoretical frame of reference will thus be compared with all empirical findings, and presented according to the sub-heading structure decided by the research questions.

All other material that can be considered unessential with reference to the purpose will be eliminated from the gathered data. One could argue that the rationale of this study is revelatory by nature and that the subject is somewhat unexplored, and that the study would benefit from a single case analysis (Yin, 2003), but our definition is that the scenario that is subject to our analysis is a re-occurring phenomenon in business and that this analysis will benefit most from a multiple-case approach, with the aim to draw generic conclusions. This study will thus illuminate the research problem of how to infuse the merger and acquisition process and its aftermath with human resource management, from a key individual perspective, using one hostile takeover, one merger, and one acquisition as basis for a three-case analysis. The three cases are: the forced JCC acquisition of ABV in 1988 when NCC was formed, the merger between Siab and NCC in 1997, and the acquisition of Anjobygg in 2001; and the single unit of analysis that will be utilized is the individual employee perspective of the merger and acquisition process and its aftermath. This thesis will, using its theoretical frame of reference, attempt to build hypotheses in the form of models that can be compared with the findings from the three cases combined.

The final aspect of the realization of the study concerns any problems with the gathering of empirical material. There lays a difficulty in being certain that the questions for the respondents are defined correctly, and actually fit the purpose of this thesis. In order to properly address this issue, we have discussed our potential case with our university tutor, our mentor at NCC, as well as with a professional psychologist to ensure that our strategy will provide us with a solid base for our coming analysis. The fact that documentation can be very difficult to retrieve (Yin, 2003) is helped by us having a rapport relatively high in the command structure of the organization we analyze. That interviewees' answers may vary in length and depth, can somewhat be influenced by our interview technique which is accounted for in detail in the interview guide. The guide demonstrates how to get the interviewee to consider the answer by providing

closed questions that show different aspects of the statement the interviewee just reached in their digression, encouraged by the original semi-structured interview question.

3.4.4 Access

We have discussed what the ideal empirical gathering would look like, with our university tutor, and specifically about interview requirements. It was made clear to us that our case study would be best served by either five in-depth interviews – lasting at least 2h, or ten interviews made up to cover multiple aspect of the research problem – lasting around 1h. We conferred with our mentor at NCC and agreed that our privileged situation with considerable access to nearly everyone within the organization made it possible for us to interview a great number of people with equal representation from the process side¹ as and employee side². Therefore, we have chosen to, at NCC, interview four employees who prior to the acquisitions held the positions of chief executive officer, chief financial officer, human resource management, and regional manager of the acquired organization; and five process people (the current director of human resources, the dean of the NCC university, one of the individuals in charge of the integration project when NCC merged with Siab, and a member of the corporate merger and acquisition team. We will also interview one person with extensive experience from the human resource management field in the telecom sector.

All of the above mentioned interviews were conducted with the support of our interview guide (see appendix) using open-ended questions, for roughly one hour each on the interviewee's office environment. Yin (2003), explain that the ideal case study structure of an interview is conducted as a conversation (open-ended) as opposed to the structured queries used in interviews for surveys. Open-ended questions are typically structured in a "how", "why" or "please explain" style, and more about this technique can be read about in our interview guide. The idea with the interview technique used for this case study is to use the interviewees' view of a passed event to illuminate our research problem. One of the interviews was done by phone, but the remaining took place in offices and conference rooms where the interviewees normally spend their work days.

¹ Individuals who have experience from the merger and acquisition process.

² Individuals at various levels who have worked in an organization whilst it was acquired, and is by NCC considered being key individuals.

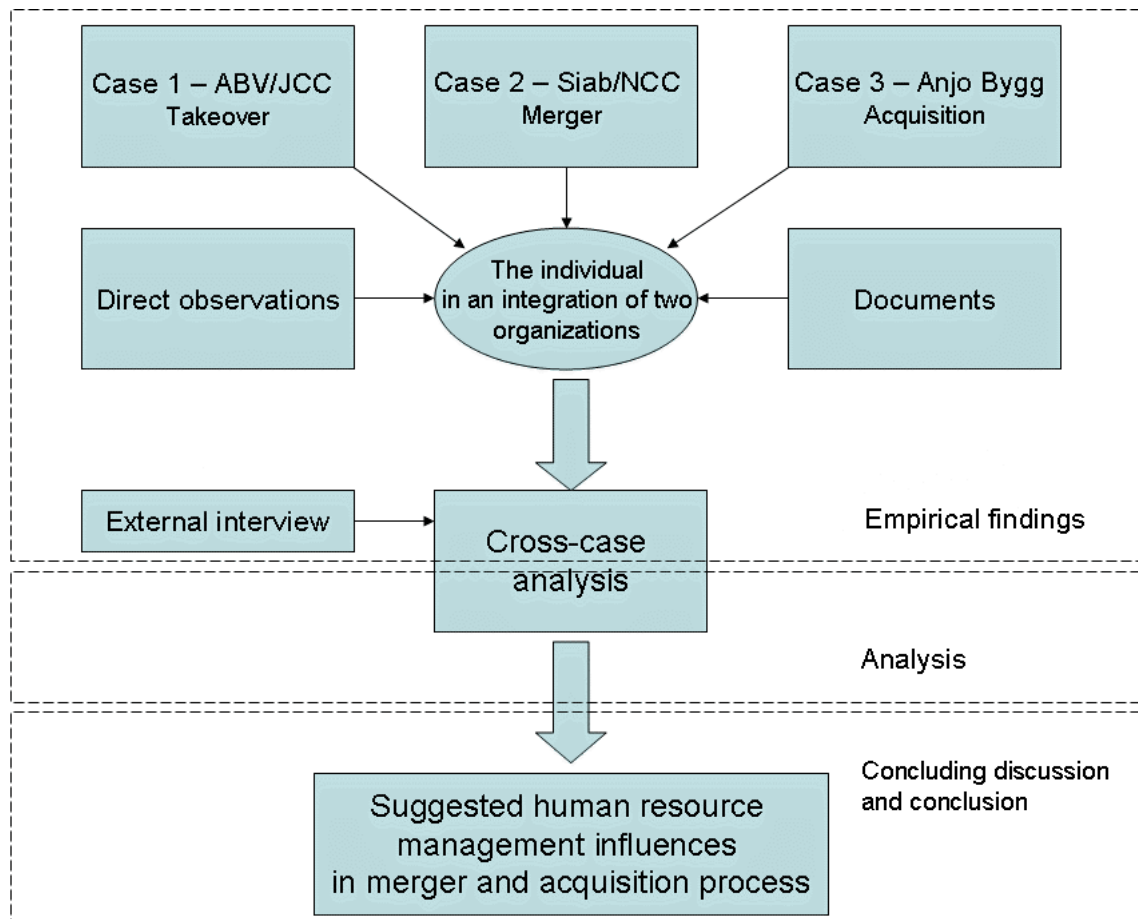


Figure 3-2 Method overview

4 Empirical findings

All of the individuals, who we will interview for the compiling of case study data, have an exquisite background which is far to rich to be adequately accounted for in the short presentations to follow. Hopefully, all who read this, including the individuals themselves, will excuse that only a fraction of their relevant background is accounted for in this thesis.

4.1 Interviewed individuals

Bengt Lundstedt (2006-04-24, duration of interview 95 minutes). He shares, in this thesis, his experiences from the Siab-NCC merger when he held the position of Controller at Siab and was offered to become Controller at NCC Housing Sweden, reporting to the chief financial officer of NCC Construction and the chief executive officer of NCC Housing Sweden. B Lundstedt is in this thesis considered as one of the representatives for the key individuals within an acquired organization.

Björn Wootz (2006-04-25, duration of interview 78 minutes). He was hired 16 years ago in conjunction with the ABV-JCC acquisition 1989. The Group chief executive officer, Torsten Eriksson, had identified that the integration of the two organizational cultures of ABV and JCC demanded more focused resources

than had been utilized up till then, and asked if B Wootz was interested in helping out. He is still working with NCC and is now the Dean of the NCC University, the education department of NCC. B Wootz reports to Alf Göransson, Group chief executive officer, and to Mats Pettersson, director of human resources NCC Construction; and he is in this thesis considered as one of the representatives of the merger and acquisition process experienced individuals.

Arne Bergström (2006-04-25, duration of interview 86 minutes). He was working at ABV when he was approached by Siab during the ABV and JCC was in the midst of integrating and left for a human resource position at Siab which he accepted. During the Siab-NCC merger he was appointed as human resource manager within the new sub-entity NCC Housing Sweden A Bergström is in our study considered as one of the representatives for the key individuals.

Peter Gjörup (2006-04-26, duration of interview 61 minutes). He started working for ABV in 1984 and when JCC acquired ABV in 1988 he assumed the position of site manager for NCC in the north region. P Gjörup left NCC 1996 for a regional manager position at Siab, but found himself working for NCC again, one year later, but this time as a regional manager. He is in this thesis considered as one of the representatives for the key individuals of an acquired organization.

Mats Pettersson (2006-04-27, duration of interview 41 minutes). He holds the position of director of human resources NCC Construction. M Pettersson provided us with insights into how the human resources at NCC are involved in the merger and acquisition process and he is considered, in this thesis, as a representative of the individuals with extensive experience from with the merger and acquisition process.

Göran Svensson (2006-05-03, duration of interview 66 minutes). He was the owner and chief executive officer of Anjobygg, now a sub-entity of NCC Construction, when he sold his organization to NCC 2003. In this thesis G Svensson shares his experiences from that process and its aftermath, as well as sharing his general views about changing one's professional role like he has done; and he is, by us, considered to be a representative for the key individuals of an acquired organization.

Kristina Lager (2006-05-11, duration of interview 73 minutes). She has worked with various human resources related tasks since she started working with ABV in 1982, spanning from e.g. attitude research and career development to the internal communication flow. The fact that K Lager has worked with these and related roles during all three of our cases make her a representative of the individuals with extensive experience from with the merger and acquisition process; and in this thesis K Lager shares her views both of what happened during the three cases as well as her ideas on how it might work better.

Mattias Lundgren (2006-05-11, duration of interview 120 minutes). He is our mentor at NCC who suggested this task for our thesis. M Lundgren is working within the corporate merger and acquisition team at NCC and is, during this thesis is being written, in the midst of reviewing the organization's merger and acquisition processes. M Lundgren is in this thesis considered as a representative of the individuals with extensive experience from with the merger and acquisition process.

Jan Svensson (2006-05-11, duration of interview 45 minutes). He was one of the people in charge of the integration project during the Siab-NCC merger. He has held management positions through a vast number of mergers and acquisitions, and has most recently worked as the chief executive officer of NCC Construction in Norway and is currently the chief executive officer of NCC Purchasing Group. In this thesis J Svensson provides insights to the practical aspects of the cases we study, as well as lists suggestions on how the human resource should be integrated in the process, in this view. In this thesis, J Svensson is considered as a representative of the individuals with extensive experience from with the merger and acquisition process.

4.2 JCC takeover of ABV – Case one

JCC, which was the construction organization within Johnsson Group, wanted to become introduced on the publicly traded stock market, but could not due to a too low ownership distribution. This was the largest contributor when the decision was made to through a hostile takeover in 1988 acquire the larger, but publicly traded, organization ABV. The new mother corporation, noted on the stock market, changed name from ABV to Nordstjernan, which was given a very large sub entity that was named NCC, consisting of the two merged organizations. Both ABV and JCC were the products of preceding mergers and acquisitions, with roots dating back one hundred years, and both held primary specialization towards roads concrete and asphalt, but the new organization was built to expand into other markets (www.ncc.se).

Aftermath

A Bergström was one of the key individuals who left ABV when it was acquired by JCC. He was simply more employable during the time of uncertainty than he had been when things were normal, according to himself. A Bergström had newly been appointed to human resource manager at ABV when he was presented with the news of the acquisition, and it was not too difficult for Siab to recruit him. During the period 1988-90 more than one hundred previous ABV employees were seeking employment at Siab. The most cited reason was referred to culture clashes between ABV and JCC. A Bergström even received a call from a market manager who assured A Bergström that by hiring him Siab would gain all his location managers, team leaders, construction workers, together with all the NCC customers within that market and area.

K Lager comments that the case with a groups leaving for another organization has been occurring in relation to nearly all merger and acquisition deals. The loyalty is very tight within the work group and towards the people you work with, but not so much towards the organization. Thus, if a manager assumes a position with another organization it is often the case that the people in his or her team, who feel stronger ties with their manager than with the overall organization, follows with him, or her.

No detailed assessment of the organizational cultures was carried out, as this capability was introduced in NCC 1995 with the launch of HKI (document source), other than the defining of the cultures done by B Wootz. On top of that, the organizational aspect of combining ABV and JCC was unsuccessful, from an integration point of view. This was generally manifested by that a manager, with a history with ABV, tended to have his or her closest staff made up

of former ABV employees says K Lager. It took a long time for the organizations to actually integrate, and particularly many of the ABV managers found their way to Siab during the integration phase. K Lager recalls how it felt coming from ABV, which was owned largely by its management in contrast with JCC, which was family owned, and the hierarchical control within JCC rubbed off on new organization's management culture. K Lager says that it was quite a shock and our comments concerning the 1900's century feeling, was not appreciated. One could argue that both the employee survey tool, HKI (translated to human capital index) and the NCC University, which was founded 1990, were in some regards an outcome of the lessons learned from the takeover this case describe.

4.3 NCC merge with Siab – Case two

There were two main reasons why Nordstjernan, NCC's mother corporation, decided to pursue the offer put out by Fredrik Lundberg, largest owner of Siab. One was to buy an entire competence area that was active on the Swedish housing market, which NCC did not have incorporated into their organization prior to the merger says B Lundstedt. The other reason was according to B Wootz organization growth, both in terms of market penetration and industry mussel, a business opportunity in itself. The news that their organization was to be merged with NCC was hinted to the Siab employees when the company stock was put on freeze.

Aftermath

Overall, the confusion and stress was massive, and there appeared a vast number of rumors with regards to the staffing of higher positions in terms of how the NCC share would compare to the Siab share says B Lundstedt.

J Svensson is one of the few individuals left, as a former Siab employee, who holds a higher management position within NCC. Jan Sjöqvist was chief executive officer of the NCC Group 1993-2001. He kept all but one of the executive management members of NCC in their positions that they held prior to the merger. J Svensson reasons that, even though this is true, he deem that the fall-out of Siab employees, which can be observed in the aftermath, has more to do with retirements, than early strategic organizing during the merger.

K Lager, who held the position of communications manager during the acquisition of Siab, confirms that the employee survey tool HKI was used to determine the organizational cultures as the integration process was initiated. During the integration of the two organizations, she experienced the information flow was more consistent and rich compared with the integration of ABV and JCC. There was an emphasis put on oral communication in the form of formal meetings as well as during coffee breaks. K Lager says that she was informed even if she did not know anything, and it was appreciated by most, if not all, the employees. This also manifested itself as the information was not filtered through the management as it had been in the ABV/JCC integration

However, the organizational cultures did clash between Siab and NCC, this much is clear even if it is hard to define exactly how it manifested itself says B Lundstedt. B Wootz explains to us how the management educations were infused with parts that dealt with both organizational cultures. As the cultural differences had been defined to be quality and environmental driven within the

Siab organization and business driven in the NCC organization, this was reflected even in the organizational structure. After this had been done, the educations linked the spreading of the new organizational culture throughout the different levels of management and employees, mostly using cases descriptions of an actual event, which presented some kind of dilemma, and asking the student to suggest solutions. "This is what we are about" videos, printouts, meeting starting-messages, new educational educations, were infused into the daily business of the new organization, already a few months into the integration period.

4.4 NCC acquire Anjobygg – Case three

In the year of 2003, G Svensson, the owner and chief executive officer of Anjobygg, showed an interest in selling his organization, as there was a lack of an obvious succession, to the delight of a number of larger players in the industry. The business deal with PEAB was nearly sealed when NCC entered the game. NCC acquired Anjobygg, after six months negotiations, as it was a completely different organization compared to NCC, have specialist competence and is very successful on the local market says M Lundgren. G Svensson points out that Anjobygg was considered to be a suitable complement to the NCC core business, due to their niche profile of sewage plants, bath- and swimming centers and blast shelters.

Aftermath

The most challenging part of the integration of the two organizations is to inform the employees and making them trust me and my decision, says G Svensson.

It is being kept as a separate company and the people have, on purpose, not been integrated into the NCC organization. But still, the company has gone from independent to be a part of the NCC hierarchy which is an important difference compared with how the business was controlled prior to the acquisition, according to both G Svensson and M Lundgren.

Anjobygg has experienced some loss of key individuals, as a result of the acquisition, and when asked what could have been done differently, G Svensson would have liked to see that the new owner had been more active in communicating with the employees. It might have prevented a we-and-them attitude to spread. According to G Svensson, a number of individuals left the organization as they preferred the family owned business style. With them, it did not help to explain that nothings were going to change. They left anyway; nothing could have been done about that. However, it is a fact that most individuals who left assumed similar positions with larger organizations. There was even an entire unit that followed one of the key individuals who left to PEAB. G Svensson reasons that his active engagement in these fellow workers prevents individuals from resigning due to increased loyalty within the sub-entity.

After the acquisition, G Svensson feels that he has more time over to work on other thing than only the administrative, such as taking time with the employees, which eases acquisition aftermath. He has also, since 2003, hired many more persons, especially from a line manager perspective. G Svensson truly believes that, owing to the acquisition, he is in a position where he can be a better and more engage driving leader.

4.5 Cross-case – The deal process

M Lundgren accounts for the merger and acquisition process at NCC. The corporate merger and acquisition team work with the process from there is a need for a strategic purchase to the point when the deal contract is signed, either hands-on or acting as process support for the people who handles the deal locally. M Lundgren verifies that the merger and acquisition team did work actively with scanning for potential strategic purchase objects up until 2001, but today the team only scan when an operative unit requests it, e.g. if the Chief Operations Officer in Denmark requests a new function in a part of Denmark where NCC do not have any presence today.

The merger and acquisition team do involve the human resource department sometime during the due diligence phase, but purely for dealing with the legal aspects of the personnel related matters, which is referred to, by some of the interviewees, as personnel hard facts. In other words, says Lundgren, the members of the merger and acquisition team are excluded from the practical integration phase.

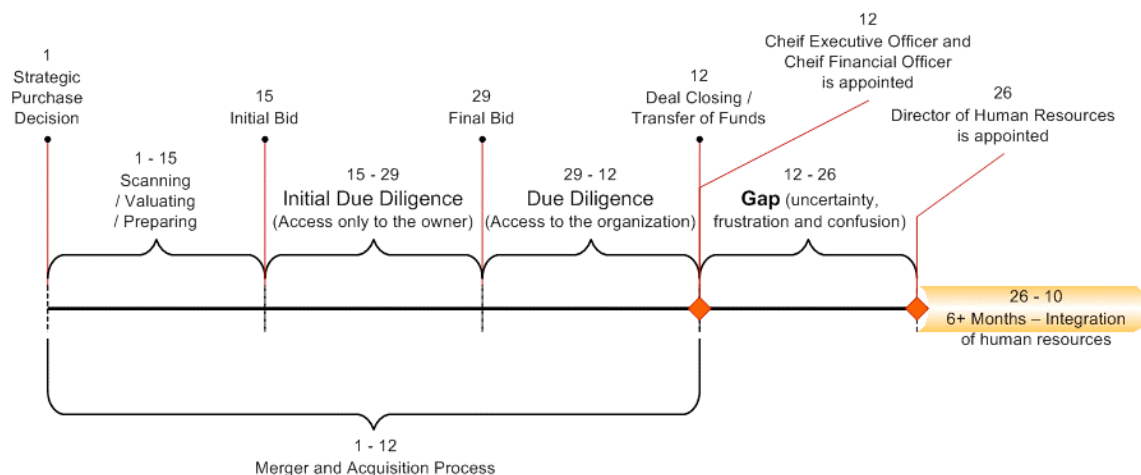


Figure 4-1 The NCC merger and acquisition process

The model (see Figure 4-1) is a summary made by this thesis based on the interviews with M Lundgren and B Lundstedt.

Even if NCC and Siab were both large organizations, the risk of Siab (about half the size of NCC) feeling like the little brother would be devastating and must be attempted to be avoided says P Gjörup. The fact that Siab's chief executive officer, Lars Wuopio quickly got the position as deputy chief executive officer helped the integration, as it is hard not to keep count of how many from each organization is appointed to the managing positions, according to P Gjörup and A Bergström.

In the case of Anjobygg, G Svensson first communicated the acquisition information, at the Gothenburg office by a mass meeting and a press release, and a few hours later the same procedure was repeated at the Halmstad office. He decided to sell the organization with the prerequisite to become a sub-entity instead of integrating his organization into NCC, which was the solution in the final bid.

Uncertainty



J Svensson emphasizes the importance of shortening the integration process, with regards to time, as much as possible, by comparing how he experienced the integration of ABV and JCC with how he experienced the merger process and its aftermath between NCC and Siab. He says that the Siab acquisition was fait accompli, as the owners were very quickly in an agreement with each other. JCC's hostile takeover of ABV rubbed off on the integration of the organizations, which dragged out into an uglier process than what was necessary. The result, of an owner agreed acquisition, is that the whole "is this really fair" discussion between colleagues is left out of the equation. J Svensson claims that the focus of the individuals' thoughts is the decision of whether or not he or she can picture him- or herself within the new organization that the owners of the old organizations have agreed upon.

Fusioncentralen – The integration project group

Building a new organization, in practice, means first looking at the desired effects of the merger or acquisition. After that, the chief executive officer of the new organization needs to appoint his or her five to ten key individuals who, with the market client structure and a demand for integration in mind, build their teams to deliver the desired effects says J Svensson. B Wootz shares with us, that during time when he started working with NCC, just after JCC's hostile acquisition of ABV, added to the cultural differences, the overall confusion with regards to what systems to use, processes to follow and who to contact, was obvious. It was clear to the people in charge that the integration was in need of some sort of a higher level decision function, and as a consequence the integration project group was formed. It was led by consultants, but, from an organizational perspective, it headed by upper management individuals from both organizations, according to J Svensson, who was directly involved in the integration project group work during the Siab/NCC merger. *There was no other route to reach a decision relating to the merger and its aftermath other than through the integration project group*, says B Wootz, who appointed, by the integration project group, to be in charge of the project to bridge organizational cultures.

J Svensson presents how the integration project group worked during both the ABV/JCC integration and the Siab/NCC merger. The group made issue lists, or lists of projects, like the example below, categorized according to the areas they belong to, and then the group decides how the projects should be evaluated.

1. What reporting tool should we use, in the new organization? – Financial area
2. What salary system should we choose? – Human resource area
3. What color do we paint our site sheds with? – Operational/cultural area

The projects related to the business functions are covered first to assure that the integration disrupt the day-to-day business as little possible, but the most time consuming issues, according to J Svensson, is the ones with symbolic value. Both B Wootz and J Svensson confirm that the color of the site sheds was the single most discussed issue in the workplace concerning both of the large integrations. J Svensson can not help but smirking a little when he recalls the discussions. When an issue reaches the magnitude, such as that one did, the outcome must to be decided by the board of directors says J Svensson. It is still

not clear to me how we all let us to be influenced so much by a matter that seems so trivial to solve. Why not simply choose a third color, and move on?

There must be a set time of length, normally six months, for the integration project group. They, in turn, were in charge of setting the time plan for the different integration projects. According to P Gjörup and A Bergström it is always a good idea to communicate the time plan to the employees. P Gjörup recalls that people felt relatively safe and the issue of employees being out on a job hunt during the period of uncertainty never rose in the north region. Having a time plan from the top down really helped and everyone could see how long time it was expected to take to fill each position.

4.6 Cross-case – Human resource management

A Bergström highlights that the tension is almost a non-factor to 75% of the people in the organization. The persons involved with production and sales need are needed to cover the business, and it is primary on the upper levels, where everyone sits in twos when integrating organizations, that the savings are made.

During all of the three cases, subject to this study, the discussion concerning the human resources during the merger and acquisition process, practice, only concerns the personnel hard facts which is confirmed in the interviews with K Lager, M Lundgren and J Svensson. The process is currently, within NCC, that the director of human resources is brought into the merger and acquisition process when it is time to secure the legal and practical preconditions of the integration. The following negotiations primarily take place between the human resource departments and with the unions, and rarely with individuals. The director of human resources, at the time of writing, M Pettersson exemplifies that the personnel hard facts are e.g. the compensation programs, the benefits, lists of seniority and the costs if one desires to go around the list of seniority. M Pettersson also confirms that these issues still are the focus of the NCC human resource department in relation to the merger and acquisition process.

The fact that for instance the finance function is one of the absolute first functions to be effected in conjunction with an integration of organizations is controlled by national corporate law in the form of a demand for e.g. quarterly reports and balance sheets on a continuous basis. B Lundstedt clearly remembers that it was very stressful first year, and that they were even given permission not to meet the first quarter's deadlines as an exception, due to the system and process complexity that the integration resulted in. This exemplifies that the focus on the softer human resource aspects, i.e. the individual's expectations on the new organization, must take a secondary role compared to the individual's function and role in the new organization (the expectations on the individual). M Pettersson confirms that, in his experience, the individuals rather see themselves deciding about their future, than that someone else is doing it for them. In relation to that, he also points out, that the risk of losing key individuals is great, if an alternative employer approaches the individual and speaks with them about the softer values, whilst that discussion is absent in the integrating organizations.

Key individuals are approached as soon as possible, but they can not be approached immediately, due to the need for negotiations. This phase causes a

lagging of the choosing of the new organization's key individuals. The negotiations normally arise when choosing between two similarly qualified persons and one wants to offer the position to the least senior person. M Pettersson points out that everything is possible, but special arrangements all have a price and they must be negotiated.

The cultural aspects of the merger and acquisition process, according to M Lundgren, are to research what actually makes people to stay within the organization. He recognizes that stay bonuses work, (G Svensson was offered something similar), but only to secure the key individuals within the organization until the end of the agreement. After the time is up, there is still insecurity in the organization, therefore M Lundgren consider them a tool that shoves the problem downstream. He concurs with the views K Lager expresses with regards to the need for more channels of communication, other than mass communication, in order to make the integration of the organization successful.

B Lundstedt, P Gjörup and A Bergström all mention that the discussion about the key individual's future need to take place between him or her and with the human resource manager of the new organization.

Communication

According to B Wootz and J Svensson is it important that everybody in the new organization somewhat recognize themselves. B Wootz argues that this is why it is crucial, once the new organizational culture is set, to steer the cultural development using the key words of the former organizations. He was in charge of finding these key words, in conjunction with both the ABV/JCC takeover and Siab/NCC merger, using sources such as organization magazines, chief executive officer messages, internal documents, annual reports, etc. J Svensson emphasizes the importance of setting the organizational culture of the new organization as early as possible in the merger and acquisition process.

When the integration is a result of acquiring a much smaller organization, the smaller organization must to adapt to NCC, concerning all possible areas of integrating organizations. The integration process really only become a factor when the two organizations it concerns is somewhat comparable in terms of size and business area claims both B Wootz and J Svensson. B Wootz points out that when there is no apparent reason for wanting to merge cultures, processes, or even the organization, when the acquisition concerns entering a new geographical market or a temporary need for specialists, then people working in the acquired organization does not necessarily feel any notable changes. He exemplifies this with the Polimatka acquisition, which today is named NCC Finland, where the people in the two integrated organizations did not even speak the same language.

In M Pettersson's experiences, the field that tends to affect the integration the most is the communication to the employees. He further states that the communication should be clear in order to prevent frustration and the communication flow must not stop even if the management does not have anything new to communicate. According to K Lager the oral informal information is the single most important communication channel. P Gjörup discussed the need for an information time plan as a very important part of the merger and acquisition process and its aftermath, K Lager concurs. K Lager develops this further and confirms that, according to her experience, it often boils down to the closest

manager's attitude and that he or she realizes the need to provide information applies also when there is no new information to communicate. K Lager does, however, reason that there could be a way of incorporating the most crucial human resource needs into the merger and acquisition process. She uses the organization loyalty issue, to demonstrate how an organization needs to highlight the factors that make the working environment special, to the individuals modifying the welcome package. The welcome package is today a message directed to the individuals including information about NCC, but it does not focus on how the individual's work life will or can change, with regards to opportunities of education, career development, organization project history, stable employment, etc. Less than 5 % of the welcome package that was communicated to in relation to the Anjobygg acquisition includes information that relate to the individual's expectations on the new organization when it mentions, without specifying details, that there are development opportunities in their new organization (NCC Communication, 2001 & 2003; NCC Construction, 2003). The rest of the welcome package was dedicated to the new organization's expectations on the individual, and particularly focusing on how the individual can contribute to the organization's profitability.

K Lager argues that many of the key individuals, who left ABV for Siab, did it for the climate similarities compared to JCC. K Lager argues that communicating that nothing is going to change in relation to the merger or acquisition, as the case with Anjobygg, should be avoided. Ordinarily, the individual mostly is concerned with what is going to happen to him or her in terms of personnel hard facts, i.e. whether or not the individual has a future in the new organization. Therefore, the discussion regarding the softer human resource aspects can not take place until a few weeks after the ownership change announcement says K Lager.

J Svensson and B Wootz both highlight that integrating organizations results in overcapacity, and primarily so from an administrative and managerial aspect. Clear communication, in the beginning of the integration, concerning how many administrators and managers are needed to handle future production; alternatively how much the production needs to increase to justify the administrative and managerial staff, might be the thing that saves the organization from a much more disruptive firing and cost cleansing to catch up with industry competition, two years after the announcement of the acquisition.

Action

In M Lundgren's opinion, NCC have historically worked actively with integration of organizational cultures but not with the integration of individuals. After the integration, Siab managed departments, such as NCC Housing Sweden, were still kept relatively intact. He argues that integration should mean an actual mix of individuals from the two organizations. M Lundgren was pretty impressed with the way a buyer, Coor, who acquired a sub-entity from NCC. Fifteen minutes after the contract was signed, they were talking face-to-face with all of the ten key account managers. They talked about themselves, where they were from and how they usually handled processes, as well as informed the key account managers where to find information, who to contact if they had any enquiries (including their home phone numbers). They brought with them, the new human resource manager as well as the operative manager. M Lundgren emphasizes that it was extremely professional integration work with a vast number of communication channels, instant access to the intranet as well as a temporary inte-

gration message board, where the new persons could through up any questions they might have. This was around Christmas time and with only two days notice the employees was invited to the Christmas party only to talk about nothing. They had weekly and monthly meeting, not for discussing practical stuff, just for time to bond and get to know each other and ventilate. This was all done in parallel with the usual integration of the personnel hard facts.

5 Empirical findings - Telecom Sounding Board

Bertil Abrahamsson (2006-05-12, duration of interview 116 minutes). He has worked within human resource related areas for twenty years, ten of which have been abroad in Poland, Lithuania and Ecuador. He has held positions as the director of human resources in numerous organizations owned by what is, at the time of writing, known as TeliaSonera, and in particular during the build-up years that relates to a merger or an acquisition. B Abrahamsson currently holds a position of corporate senior advisor at TeliaSonera, and is in this thesis considered as a representative of the individuals with extensive experience from the merger and acquisition process.

5.1 The merger and acquisition process

In my view, it is obvious that the two representatives, closest to the chief executive officer, who represent the values of the organization is the chief financial officer and the director of human resources. Why would the issues related to those two departments not carry equal weight when discussing mergers or acquisitions?

– B Abrahamsson

Coming from a telecom background with heavy international infusion, B Abrahamsson finds the management focus in conjunction with both evaluating and building organizations to be *strikingly misdirected*. This occurred to him about ten years ago when he was reforming the human resource routines at Telecomas, acquired from the Lithuanian government in a joint venture between Telia and Sonera, as Telecomas was about make their stock introduction. *What did strike me as odd, as I observed the international investment companies who evaluated the organization, was their lack of interest in the only thing that differed from organization to organization*, says B Abrahamsson. He continues to account for how all the organizations in the telecom industry have access to nearly exactly the same technology, and even packages their service in practically the exact same way. *The only thing that, today, makes any difference in organization's value is the people who work there. The organization with the smartest and the most loyal workforce wins the business race* says B Abrahamsson. In the merger and acquisition process the phenomena presents itself as, if possible, even more clearly. Traditionally, in the telecom industry, the Chief Executive Officer and the Chief Financial Officer of the new organization are appointed immediately, presented to the organizations that are about to be integrated, but the director of human resources tends to be appointed and introduced two-four weeks later. The newly appointed individual also is likely to be somebody from the recently acquired organization, who later has difficulties understanding and implementing the culture that the mother corporation was hoping for. This could very likely be due to the lack of focus that organizational culture has in the merger and acquisition process, according to B Abrahamsson, and it causes

a stalling of the human resource management within the new organization, which risks having a greater effect on the organizational value than any other business category has, e.g. strategic, financial or organizational. *It is only after the closing phase of the merger and acquisition process, that the conversation begins with regards to who the key individuals are and the cultural aspect of the process aftermath*, he says.

5.2 Managing the workforce

The five categories that make up human resource management, according to B Abrahamsson, is to attract the right individuals to become interested in working with the organization; a secure recruitment process; actively working with retention as a strategy, continually develop the human resources of the organization; and to gradually phase out people who no longer fit the organizational concept.

The phase involved in any merger or acquisition when the human resource department is brought in to sort out the legal- and financial human resource perspectives of the deal, does not belong to the more central fields of human resource management, according to the interview with B Abrahamsson. It does involve important negotiations and the phase provides an opportunity for familiarizing with the preceding working conditions, as well as affecting the new working conditions of the personnel, but it does not fall into any of the above listed categories of human resource management. *As a director of human resources, you want a sense of the attitudes, loyalties and such, within the organization. That should be possible to retrieve quite early in the due diligence process, even before the buyer is given access to the employees*, says B Abrahamsson.

If one already have the routines to identify key words that incorporate the organizational cultures of both the two organizations that are being integrated, B Abrahamsson suggests a way to use that effort to target an all ready set human resource strategy. However, it prompts the strategic formulators within the organization to ask themselves the question of e.g. culture and norm strategy, when the strategic purchase decision is being made. That would also make for more clear directives for the human resource department, about e.g. education focus and what the workforce surveys should measure, than without a set human resource strategy. The key to this approach is for the upper management to view the human resource function purely as a strategic tool, and not as an administrative support

He relates this problem to an anecdote about when he first went to Lithuania. He was sent over as a director of human resources secondee, who is meant to support the local director of human resources, since it had been decided that the director needed to be familiar with the local rules and regulations. B Abrahamsson says *This secondee method can sometimes work but it normally does not. In this case I felt like I was running with a backpack. We had a ton of work to do, and I had to carry him against his will and convictions. After six months, I assumed the director role, and we had lost tempo at a stage where that is undesirable*.

Communication+Action=Human resource management

Working at his most recent positions, B Abrahamsson has tried to formulate a communication of ambitions to the employees, in the lines of *Within five years*

Telecomas will be one of the three most attractive employers in Lithuania. After that has been done, the ambitions need to be filled with actions that are strongly tied to that statement.

Human resource actions at Telecomas:

1. The human resource strategy was set to:

The smartest and most loyal workforce in the country

2. A new leadership development program for all the twenty five top managers
3. A trainee program that got a massive media coverage
4. A leadership education program accepting young internal applicants
5. An internal cross-divisional cooperation council

It is only when you know where you are going, that you, from a human resource perspective, can work practically with things that develops and supports the behavior you want in the organization. However, a word of caution, if you are not able to balance your communication with actions, if you can not fill your ambitions with practical work, then you are better of keeping quiet, according to B Abrahamsson. He does not believe it is possible to assure what have been discussed above through implementation of a process, although the an influenced merger and acquisition process in conjunction with that continuous human resource strategy work should provide a solid base for keeling the key individuals. Those influences must be illustrated through an articulation of ambitions with regards to the new organizations loyalty, its culture, norms, attitudes, etc, from the upper management, and it must be an ambition that can be measured together with e.g. the growth targets and the demands for profit.

During the conversation, B Abrahamsson argue that the communication, which lays the grounds for the executions of the human resource strategy, is not a declaration of ambitions and actions plans, but it is the questions you ask when talking to the individuals and surveying the workforce. He states *by taking an interest in employee loyalty and development aspiration, the new organization captures the people attention in a time when their daily lives have turned upside down overnight.* B Abrahamsson would like to send in a consultancy firm, somewhere between the firm offer and the transfer of the funds, to carry out and deliver an audited human resource statement covering questions that relate to the set human resource strategy.

6 Analysis

6.1 The merger and acquisition process

Strategy

The theoretical frame of reference points out potential merger and acquisition strategies that do coincide well with the empirical findings from NCC. The NCC strategy has changed through the years, and is different in all three cases

brought up in this thesis case description. The hostile takeover of ABV was meant to bring JCC to a position as one of the major players on the construction market, both growing their market share significantly by buying the larger organization, ABV, as well as introducing the JCC organization on the stock market through the already established ABV.

The merger with Siab largely followed the strategy set by new chief executive officer, Jan Sjöqvist. The specialization strategy brought on an active scanning of merger and acquisition targets by the merger and acquisition team on a corporate level. Siab had a well developed unit on a market that NCC had not yet fully tapped, the consumer real-estate market. And so, when the majority owner showed an interest in selling NCC initiated the negotiations. Again, NCC had to compare the option of growing organically versus a merger or an acquisition, and considering that whoever acquired Siab would be a major competitor to come if they would attempt to grow into the consumer home market organically, they chose to the merger with Siab.

The Anjobygg case also reflects the specialization strategy, set by Jan Sjöqvist. NCC acquired Anjobygg that were strong on a niche market, water and sewage. There were other aspects that made Anjobygg an interesting acquisition choice, but in terms of strategic aspects, the fact that they brought in developed units in a market where NCC was present was the fact that finalized the decision. The active scanning for potential merger and acquisition candidates is not a part of the merger and acquisition strategy that NCC exercises anymore.

Due diligence and valuation

The preparation steps at NCC prior to the initial offer follow a textbook example, but between the initial offer and the firm offer there are significant discrepancies with regards to the human resources aspects. Gendron (2004) points out that there is no need for employee access for the initial human resource due diligence process to start. This is the phase where the buyer requests audited statements, such as financial and human resource, from the seller.

After the firm offer is presented and accepted, and the buyer is awarded access to the employees, the actual human resource due diligence is initiated. If NCC only considers the administration aspects of the merger and acquisition ramifications, only one of the two functions the human resource department should see to in relation to the merger and acquisition, according to Gendron (2004). NCC taps the second function of managing the human resource pool in the new organization, when they work with structuring the organization, but with regards to the of the human resource management of e.g. education and career opportunity the NCC management abandon its key individuals in all three cases that are subject to this study. This said, NCC is well aware of the role that cultural plays in the organization and that the organizational culture needs continuous managing. The NCC University is actively used to manage it, there is awareness behind the writing of top management communication, yet the welcome package is inconsistent with the message, which according to Young and Post is unfavorable.

As B Abrahamsson also points out, and the human resource management theoretical frame of reference in this thesis concurs, the employees must be considered the largest contributor to the total value of the organization. Even though it is not the focus of this thesis, it is worth mentioning that none of the merger

and acquisition process theories and none of the interviewed individuals, accounted for in this thesis, point out how the value contribution of the human resource should be measured.

Human resource influence in the process

What the three cases have in common is the individual and its behavior. When being informed about the acquisition they all more or less experienced the event as stressful, confusing and bringing a lot of uncertainty into their day-to-day life. According to among others B Lundstedt and A Bergström, there is a gap between when the announcement of the closing of the deal is made and when the human resource integration work is initiated. This gap, during the three cases we have studied, has been approximately two to three weeks. The theories put forward by Cartwright and Cooper (1996), the interviewed process representatives and key individual representatives agree that it is healthy for the integration to cut the gap as short as possible. B Abrahamsson even presents an alternative to the process being used by NCC until today, when he suggests that the director of human resources should be included in the preparation phase before the initial bid is presented, to ensure that workforce related questions are asked when negotiating with the owner, when performing the post-final bid due diligence, as well as making sure that the director of human resources in the new organization is appointed as early as possible and has a strategy to work with. This suggestion can be argued to be in line with the description, presented in the thesis's theoretical frame of reference, of what the merger and acquisition process consists in from a human resource perspective.

If an organization introduces the human resource aspect in the formulating phase of the new organization's strategy it should, according to the theoretical frame of reference, result in a human resource aspect contribution to the entire due diligence process. The initial due diligence phase should thus be infused with questions to the target organization's owners with regards to e.g. what the human resource strategy and defining organizational values of the target organization. Furthermore, this should rub off on the phase following the presentation of the final bid, in terms of satisfaction and culture surveys being added to the ordinary financial, process and legal aspects of the due diligence process. According to all the conversations and theoretical frame of reference, presented in this thesis, the human resource management aspects of the merger and acquisition process, from the individual's point of view, start with communication as soon as the final bid is presented. Following the suggestions in this paragraph, the communication during the latter part of the due diligence phase, when the access to the individuals of the workforce has been granted, is infused with the human resource aspects that are important to the new organization. In a time of uncertainty this would provide comfort to the individual, according to the conversations with the NCC key individuals.

The most common reasons why individuals leave their employment, according to Hale (1998), is a better opportunity elsewhere, a lack of opportunity for advancement and enrichment and dissatisfaction with pay, prioritized in that mentioned order. Bastien (1987) established that during periods with communication shortage the individual's uncertainty peaked among the workforce. He further found that the members of the new organization changed their attitudes during those periods; their motivation decreased, and they expressed an increased intention to resign from the organization. Based on the empirical findings for this

thesis, it seems imperative that the two researchers, Bastien and Hale, combined account for a reasonable explanation to why individuals leave an organization.

6.2 The aftermath

Communication

With regards to how the individual's needs are met, there are discrepancies between the thesis's theoretical frame of reference and the empirical findings from the three studied cases. Hertzberg (Fincham & Rodes, 2005), as well as Gorman and Gorman (2006), discuss a broader span of needs than what is possible to meet with the NCC approach in the three cases. Concerning the individual's relation to the new organization, only the most basic needs (hygiene factors) can be met. The motivational factors, such as recognition, growth and achievement are rarely discussed, and have during the three studied cases not been integrated into the structure of the merger and acquisition process. Both process representatives and key individual representatives at NCC indicate that the individual's needs were met in terms of administrative and organizational aspects, but, going back to the individual's need summary model, that only includes top part of the model. The expectations in the NCC human resource management during the merger and acquisition process and its aftermath are, in other words, one-sided.

B Abrahamsson confirms that this phenomenon of one-sided expectation flow, in most cases, is the case also in the Telecom industry. However, both in the three NCC cases and in the Telecom industry, expectations are allowed to flow the other direction when it is time for the ordinary PLUS (employee planning and development conversations). Gorman and Gorman's reasoning (2006) how to build the individual employee's loyalty compares with how G Svensson accounts for how he acts as a manager towards his employees. The statement by K Larger, that the loyalty is much stronger in the work group than it is towards the organization can possibly be explained by that it is, with the communication strategy used by NCC in the studied cases, only possible for the local manager to adopt the suggestions in the employee engagement section. This could be built out using a different strategy where the organization plays a more prominent role in coaching and career supporting the individual employee.

Action

B Abrahamsson argues that the communication in relation to the merger or acquisition must be complemented with actions. This is in line with theories by e.g. Young and Post, Bastien (1987) and Risberg (1996) that this thesis presents in the theoretical frame of reference. Following this reasoning together with analysis of the communications role in relation to the merger or acquisition, this thesis accounts for how to view human resource management in relation to the merger and acquisition process and its aftermath (see Figure 6-1). The need to cut the gap short has already been accounted for. Hale's theory (1998), that organizations are benefited from having separate strategies for attracting employees and retaining employees, can influence actions that shorten the gap of uncertainty. The situation that he describes as ideal for using an attraction strategy is similar to the situation when the new organization communicates the personnel hard facts. To already at this point prepare the human resource management of the organization for the retention strategy conversation when the indi-

vidual's expectations on the new organization are discussed, could be an action that shortens the gap. It needs to be considered that individuals are reluctant to accept circumstances that correspond to a lower level of need, according to Maslow's reasoning (Fincham & Rhodes, 2005).

The findings from the interview with B Wootz and K Lager brings up another action that address the issue of cutting the gap short, namely the education system that incorporates the culture foundation building. That finding is supported by Brown and Starkey (1994), in the thesis's theoretical frame of reference. This work did however not occur in the Anjobygg case, and in the two other studied cases the educational systems were introduced only once they had been finalized, which was a couple of months after the announcement of the closing of the deal process. In the interest of cutting the gap duration, one could utilize one of the actions B Abrahamsson mentions.

1. A new leadership development program for all the top managers
2. A trainee program
3. A leadership education program for young internal applicants
4. An internal cross-divisional cooperation council

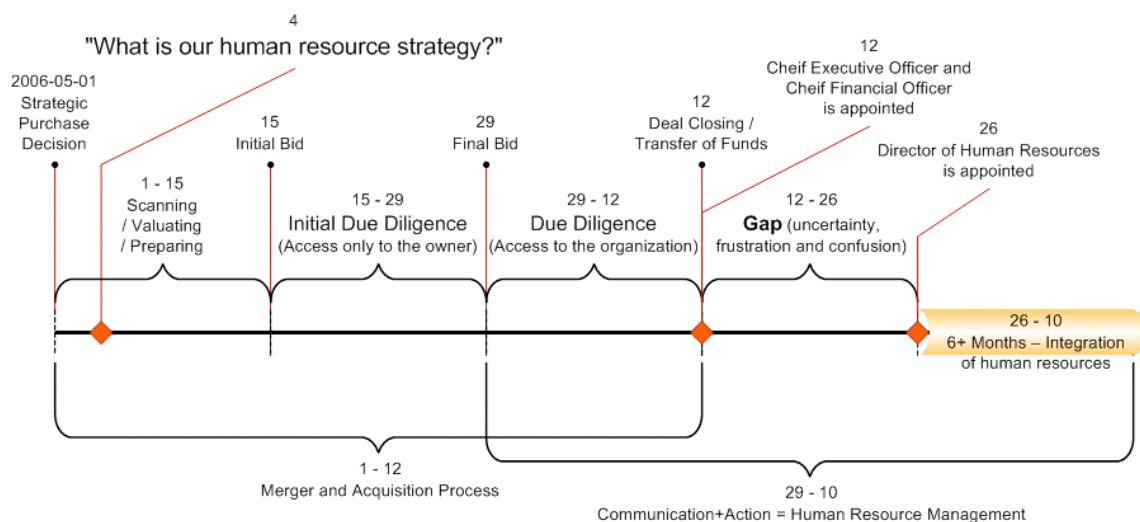


Figure 6-1 The human resource management influenced merger and acquisition process

6.3 Improving the process

J Svensson and B Wootz argue along with the uncertainty theories, presented by Cartwright and Cooper (1996), with regard to the focus of the process from a human resource aspect. The planning of how to deal with the employees and how to communicate with them need to be the management focus in order to best handle the aftermath, and cutting the process short. Derived from those sources it is clear that a long process in filling positions after the announcement leaves people in limbo and creates uncertainty which might encourage an individual to become more available on the employment market than he or she normally is, as was the case with A Bergström.

NCC should be derived from the theoretical frame of reference, e.g. Schweiger and DeNisi (1991) and Risberg (1996), as well as from the interview with B Abrahamsson, adopt a human resource management strategy prior to the due diligence process is initiated. This should result in that the initial due diligence process is infused with enquiries to the owner of the target organization that relate to the human resource management strategy. The initial due diligence phase and its focus should, according to this thesis's theoretical frame of reference, be directly interlinked with the due diligence conducted once the access to the workforce has been granted. The integration planning was fulfilled in the cases where NCC utilized the integration project group, Fusionscentralen, but it can further be built into the process if the suggestion made by K Lager is integrated. She highlights the possibility to modify the welcome package that is communicated to the individuals who will work for the new organization once the official announcement is made in conjunction with the closing of the deal process. That package should include a list of communication channels, as well as contact information and a message in alliance with the communication strategy, according to e.g. Gendron (2004), Schweiger and DeNisi (1991), and Bastien (1987). This covers the expectation flow need of the individual within the new organization better than the strategy that was used in any of the studied cases.

This thesis has taken a process that initially was developed with financial value focus and interprets it with the help of the human resource theoretical frame of reference and empirical findings, presented in this thesis. Our findings are presented in our model (see Figure 6-1). This thesis argues that this modified view of the merger and acquisition process and its aftermath provides a value to NCC when considering a merger or an acquisition.

This thesis found that there were very large similarities between the NCC merger and acquisition process with regards to the administrative and organizational aspects of the human resources, both from a general perspective as well as from a key individual's point of view. This was true for all three studied cases, but also true for them was the discrepancy with regards to the individual's, as well as the general, expectations on the new organization (see Figure 6-2).

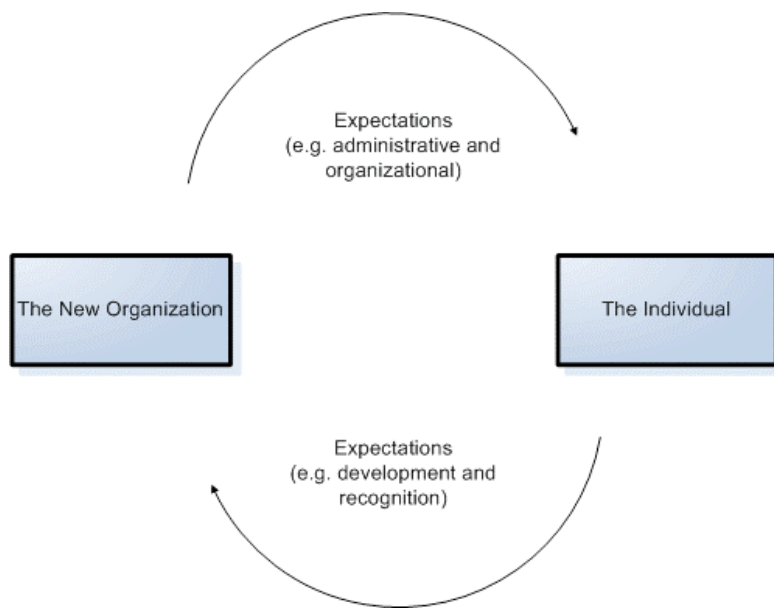


Figure 6-2 The expectations flowchart from an individual's point of view

The development plans, education systems and career opportunities are a mystery until the individual within the organization is approached in their ordinary employee planning and development conversations (PLUS in Swedish). An absent conversation about the individual's expectations on the new organization is damaging to the outcome of the organization integration, according to Herzberg (Fincham & Rhodes, 2005) and Gorman and Gorman (2006). The adding of what the new organization's human resource values are, during the due diligence phase, should consequently be followed up with actions that start with an extraordinary PLUS conversations with the key individuals.

7 Conclusion

The human resource aspects of the merger and acquisition process and its aftermath, from a key individual's perspective, is accounted for in the analysis and summarized by the two models, Figure 6-2 The expectations flowchart from an individual's point of view and The human resource management influenced merger and acquisition process. The analysis has further studied the most common reasons why individuals leave their employment, which are

1. A better opportunity elsewhere
2. A lack of opportunity for advancement and enrichment
3. Dissatisfaction with pay

Nevertheless, whilst the reasons for resigning might differ between individuals a strong link to uncertainty has been demonstrated that can largely be a result of communication shortage, in relation to the merger or acquisition.

This thesis concludes that the following human resource influences should improve the NCC merger and acquisition process in order to prevent the loss of key individuals

- ∞ Introduce the human resource aspect into the strategy discussion during the merger and acquisition preparation phase.
- ∞ Infuse human resource related enquiries into the discussion with the target organization's owners, during the initial due diligence phase.
- ∞ Conduct qualitative and quantitative human resource research that relate to the set human resource management strategy, during the due diligence phase as soon as access to the workforce individuals have been granted.
- ∞ Implement extraordinary PLUS conversations with key individuals shortly after the closing of the deal process.
- ∞ Modify the welcome package that is communicated in relation to the merger or acquisition so that it includes a list of communication channels, a contact information list and a message in alliance with the human resource strategy. This message should put the individual in the center by focusing equally on the expectations flowing from the individual to the new organization and vice versa.

8 Final discussion

Trustworthiness

Gummesson (1988) and Yin (2003) both argue that the trustworthiness of a qualitative study is determined by to what extent its research result or something similar can be replicated using the same method over again. Yin (2003) develops this further into the two aspects of trustworthiness, validity and reliability, where reliability refers to how the gathering of the empirical data was conducted. The reliability of this thesis has been addressed by a significant method section and an aim to express clarity on how the study has been conducted.

The validity of a study is concerning that the researcher has studied data that is valid to the research problem and thus focuses on systematic errors in the empirical findings. As we have not studied interview method we consulted a psychologist, who has studied the subject and is working with interviewing people in her day-to-day work, in order to confirm that the interview was constructed in a sufficient way and that the questions are valid to our problem. The only times closed, and somewhat steered, questions where used was to confirm if we as interviewers had understood the answers given. This is described in the interview guide in greater depth.

Since this thesis has not constructed a way to measure its results, or use pure logic, these actions, together with an extensive interview guide, are the only actions used for this thesis to guarantee a high level of trustworthiness.

Reflections

The choice of sources could have been made to make further triangulation possible, mostly with regards to the acquiring of Anjobygg. We still argue that our research approach is the best suited with regards to including a representative data sample for the Swedish construction industry and with regards to the study timeframe of less than six months, yet had the situation permitted for an

extended gathering of data then this delimitation could have been addressed, e.g. with re-visitation and relation analysis.

When gathering data for this study, it is clear that the general view in the construction industry of what provides value to an organization includes both the financial aspects, as well as the human resource aspects. It is important, when discussing the value of an organization, to include both product value and production creativity as well as to take into account both sales figures and sales ability. Yet the human resource strategy and management takes a backseat to the pure financial aspects of the merger and acquisition process. This revelation is the largest contribution of this thesis to the field of human resource management and how it relates to the merger and acquisition process and its aftermath.

A natural continuation from this point is to further confirm that our findings not only apply to the studied cases but it also is a common practice in other organizations. It is also reasonable to compare if organizations with different human resource influence to their merger and acquisition processes also differ in terms of key individual turnover rate.

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Appendix A

Interview Guide

Our role, as process analysts, will be defined to the interviewees prior to our visit, and it is under those circumstances this guide is to be used. It serves two purposes. The first section is meant to retrieve empirical information in a manner that suits our research questions and provides an adequate base for researching our purpose. The second section is created using a design that is common in psychological doctoral analysis when wanting to confirm essential steps of the interview.

Below, a large portion of the interview guide is shaped in a list of areas to be dealt with in accordance with the purpose of the thesis. The areas is in turn further explained a number of questions that needs to be answered, but ideally without being asked. This means that the conversations with the interviewees were semi-structured to allow for elaborations and directed predominantly by the interview areas.

Areas – process aspect

The work role

- ∞ Please describe your experience with regards to human resource management and the merger and acquisition process.

The merger and acquisition process

- ∞ Please describe the process from a general overview.
- ∞ How does human resource management fit into the process?
- ∞ Please describe how the deal should be presented to the employees, and how it can differ for key individuals.
- ∞ Please describe any pattern regarding how the employees experienced the process.

The four stages the employee experiences: disbelief and denial; anger through rage and resentment; emotional bargaining beginning in anger and ending in depression; acceptance

Human resource management

- ∞ Please define how you feel one best attracts and retain an individual in the organization.
- ∞ When in the process and its aftermath do you feel it is preferable to have the expectancy communication with key individuals, and why?
- ∞ Please describe the tools you use to assist you in the process, from a human resource perspective. (Checklist, model, software, databases, etc)

Areas – the key individual's aspect

The work role

- ∞ How do you define your current role?
- ∞ How do you define your previous role?

- ∞ What are the trends in your line of profession?
- ∞ What are your current responsibilities?
- ∞ How did your responsibilities change compared to before the deal?

The merger and acquisition process

- ∞ Please describe how you first found out about the deal.
- ∞ Please describe how you first felt when you got to now that the organization would change.
- ∞ Please describe how you first felt that the organization had changed.
- ∞ How did you experience the deal's different stages, (pre/during/post)?
 - *(The four stages the employee experiences: disbelief and denial; anger through rage and resentment; emotional bargaining beginning in anger and ending in depression; acceptance)*
- ∞ How was the process and its aftermath regarded/experienced in general within the company (during/post)?

Human resource management

- ∞ What contact with other people besides your previous management did you have, and when in the process and its aftermath (pre/during/post)?
- ∞ How would you have liked to come in contact with NCC?
- ∞ How did you experience NCC handled the expectancy communication (during and post)?
- ∞ Could it be handled differently?
- ∞ What factors are influencing your decision of where to work?
- ∞ Please map out your management for us. (Overview)
- ∞ How did you perceive your management pre, during and post the deal?
- ∞ How did your responsibility towards your management change as a result of the deal?

Self-message

This technique helps the researcher narrowing in on the specifics of an individual's answer. It utilizes a way of forcing the interviewee to reflect upon their answers by offering external angles to the answer from the interviewer's point of view. It was developed by Lindh and Lisper (1990) and it consists in that the interviewer after listening to the interviewee e.g.

1. expresses the need in general, using subjective terms.
2. describes how the interviewer feels about the answer and what the consequences would be to him or her.
3. describes the positive aspects of what was expressed
4. describes the answer in a concrete and detailed manner
5. concrete describes the potential change it would result in



6. demonstrates that he or she understands the interviewee's situation

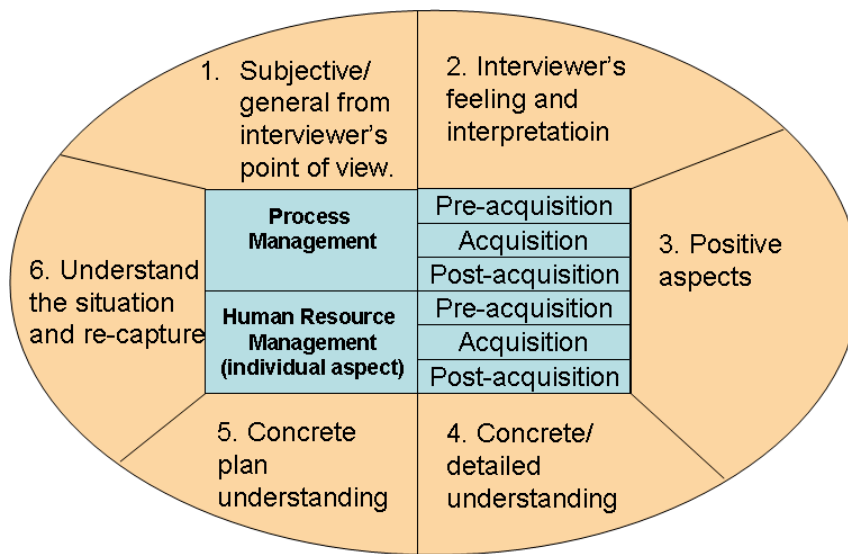


Figure 8-1 Appendix A Interview Guide Summary (adapted from Lindh & Lisper, 1990)

The inner **rectangle** of the model refers to the interview itself, and the **oval** is a forced interviewee reflection – using the point of view of the interviewee.

Appedix B - Human resource management due diligence

Checklist is modified by Lind and Samuelsson using the human resource aspects of due diligence accounted for in Due-Diligence.ca (2005) and Gendron (2004), and the findings from the thesis analysis.

Initial due diligence (no access to employees)

Structural

Obtain an organization chart indicating employees and open head count, and request a list of key individuals (Gendron, 2004).

Request a mapping of the whether the production need match the capacity to fulfil. Thus indicating if there is a short-term need to increase or decrease production staff (Robbins, 2006).

Immediate issues

Review turnover statistics to identify any critical areas that must be addressed before a successful integration. (Gendron, 2004).

Legal

Any history of employee legal actions against the company? Any individual employee agreements that the terms could be problematic in the future (Robbins, 2006)?

Is the company subcontracting work? Any current roles within the company that could be subcontracted, and to what financial impact (Robbins, 2006)?

Policies

Does the company offer training programs for employees (Robbins, 2006)?

Softer aspects

What techniques does the company use to resolve conflict within staff & management (Robbins, 2006)? Are the employees encouraged to meet informally to discuss and resolve conflict and what record of following up on these issues?

What does the Employee Retention situation look like and how has it been for the last couple of years? What is the average tenure of senior management and middle management? What are the most common reasons for employees leaving the company (Robbins, 2006)?

Is there a repository of information for the company's BOK – Body of Knowledge (Robbins, 2006)? Are employees on all levels encouraged to contribute?

How often, and in within what criteria, are Employee Evaluations conducted (Robbins, 2006)? Are historical reports available for review? Re-

quest audited human resource statement covering questions that relate to the set human resource strategy

Due diligence (access to the employees)

Structural

Identify key individuals, such as essential managers and other skilled staff that must be retained in the transition plan together with the human resource department, the team members and the functional management (Gendron, 2004).

Softer aspects

What are the most common reasons for employees leaving the company (Robbins, 2006)?

Are employees on all levels encouraged to contribute (Robbins, 2006)?

Conduct human resource assessment covering questions that relate to the set human resource strategy.

Compensation planning

Obtain summaries of all profit sharing, stock, option or pension plans, incentives bonuses, non-cash acknowledgements and commission plans in effect. Determine if any new or unusual plans other than existing in the procedures at the buying organization have been implemented recently or will be. (Gendron, 2004).

Check the benefit such as; life insurance, dental & medical, vacation policies & scheduling procedures (Robbins, 2006).

Rules regarding Overtime and if they are in line with the government regulation wages (Robbins, 2006).

Policies

Is an Employee Handbook available, outlining all Human Resource policies and when was it last updated (Robbins, 2006)?

What is the company's policy for dealing with staff Absenteeism & Tardiness and sick days (Robbins, 2006)?

Union

Check if the company has any prepared strategy for negotiations with the union, as well as the when the contract expires and if it contains and outstanding grievance (Robbins, 2006).

Legal

Have there ever been any official discrimination actions brought against the company for Age, Gender, Race or other (Robbins, 2006)?