Common Patterns of Behavior and Communication in Corporate Mergers and Acquisitions

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This study of common patterns of communication and behavior in mergers and acquisitions relied on a survey of twenty-one managers and professionals in acquired organizations in three separate mergers or acquisitions (M/A). The survey used focused interviews to construct three cases. Common patterns are identified and a syndrome is specified connecting communication variables with rumor mills, employee turnover, and employee commitment to the new organization.

INTRODUCTION

Corporate mergers and acquisitions (M/As) have become extremely common over the past 20 years. They have been used by executives to expand corporate size, power, and economic health. As such, M/As have been viewed as alternatives to internal growth. For strategists, M/As have represented a quick way to enter new markets, control markets, acquire a technology, etc. They have been viewed by finance professionals as ways to protect profits from taxation, portfolio additions (good places to put investment capital), and relatively cheap ways to expand quickly.

The problem has been that many, if not most, do not perform well. Magnet (1984) reports that well over two-thirds of corporate M/As examined in a study by McKinsey & Co. never earned as much as the acquirer would have made by investing the money in bank certificates of deposit. Kitching (1967) and Baker et al. (1981) both found that around 80% of the M/As they studied did not meet either financial or organizational expectations. Most of the studies of any aspect of M/As grant that post-M/A issues are very troublesome (cf.

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These results suggest that M/As are difficult and confusing to manage well.

Because of the breadth of issues associated with the post-M/A phase, scholarly activity has been somewhat diffused, with much of the research revolving around very high level strategic decisions or around retention of top management (Hayes and Hoag, 1974; Schoennauer, 1967). The result has been limited systematic and scientific study of patterns of organizational and personal accommodation in M/As, especially of the operational parts of merged or acquired organizations. A review of this literature, though, suggests that issues of employee motivation and retention, and communication are central aspects of the post-M/A organizational accommodation process. It also suggests that it is during this process that critical organizational problems arise.

This study is based on interviews with acquired company managers. It will examine these issues through: a) linking acquiring company communication and behavior with acquired company employee motivation, retention, and communication; and b) expanding the specifications of a common syndrome of organizational behavior in acquired organization in M/As as described by Marks and Mirvis (1985, 1986). This syndrome includes: a) the generation of worst-case rumors, b) high levels of personal uncertainty, c) resistance to change, d) culture shock, e) poor levels of retention of key employees, especially managers. (Marks and Mirvis, 1985, p. 52).

THE LITERATURE

The observations of Marks and Mirvis (1985, 1986) and the issues raised by other studies in the area lead us to the literature dealing with employee retention, culture clash, rumors, motivation, etc. Employee motivation toward personal or organizational goals is one commonly addressed in organizational literature. Galbraith (1977) devotes attention to the topic, stating that the willingness of employees to tie personal goals and activities to organizational goals is important to an organization's health. He further states that managers and professionals may identify primarily with either the organization or their professions. This presents a threat to employee retention, since personal goals (especially job security) may be more readily met by primary focus on professional rather than organizational identification under circumstances of personal uncertainty.

Related to this issue is another theme shown in Kanter's description of denial of access to power and promotion. In her discussion of being "dead-ended," she describes a syndrome that includes the reduction of energy devoted to organizational goals, a willingness to leave the organization, and, sometimes, hostility and even sabotage of the organization's work (Kanter, 1977).
Shibutani's study of communication patterns in Japanese-American detention camps during World War II found that, under the stressful circumstances of these camps, when communication from the authorities was scant, the internees used rumors to fabricate a reality that fit the situation (Shibutani, 1966). Among the more interesting aspects of this phenomenon was that the constructed 'reality' was usually the worst case, and was based on the worst possible motives of the authorities.

Coping with cultural difference is an essential part of accommodating to an acquisition. Sales and Mirvis (1985) and Marks and Mirvis (1985, 1986) point out that in all M/As one should expect to see some level of anger in the acquired organization as a result of the change in dominant culture. Because of the depth of our attachment to culture (organizational, national, and ethnic cultures, family traditions, etc.), changes in organizational culture are difficult for the individuals who must change, and exposure to new cultural practices are troublesome for those who must accommodate. Sales and Mirvis (1985) point out that cultural change, imposed by the presence of a new dominant culture (the acquirer's), is a common source of conflict in M/As. Harris and Moran (1979) report that when one must accommodate to a new dominant culture, one will go through a four-stage process: a) awareness of the difference, b) rage about the differences, c) introspection, d) integration. The danger for those encountering a new majority culture is that they will become stuck at the second stage of rage. While certainly cultures have values, these values are inferred from observable behavioral practices such as who gets to decide, what rules of conversation will be followed, what jargons will be used, etc., and the reaction to a new dominant culture is first of all a reaction to its behavioral practices.

Marrow et al. have provided a detailed, multi-perspective case study of an acquisition in the garment industry (1967). Because it was a turn-around, many managers and employees were let go. Not much attention was paid to pre-turn-around communication, but one of the primary tools used to effect higher morale and productivity among the employees remaining after the turn-around was direct, face-to-face involvement in organizing, technical, and management decisions. Additionally, the management and personnel policies had previously been minimal and idiosyncratic. Acquiring company management brought the formal (policy) structure to the state of the current art. In other words, they increased both the volume and stability of both formal and interpersonal communication. Rather than discussing uncertainty, as do others, these authors address the new certainty provided by participation and communication. They reported dramatic improvements in employee morale, productivity, and profitability.

Marks points to the importance of acquiring company to acquired company communication: "Many observers of corporate mergers
suggest that communication may set a tone of security and reassurance.” However, he also cautions that “while communication can keep employee fears to a minimum, members of the acquired organization will always have some feelings of suspicion and never feel fully informed” (Marks, 1982). Marks and Mirvis state that this suspicion results in heightened attentiveness to the congruence of communication (1985, p. 53).

A change of ownership or top management is among the most traumatic of organizational changes, and generates a mood of profound uncertainty throughout the acquired company. Marks (1982) points out that the typical response to this type of uncertainty is for the manager to focus primarily on personal security rather than on organizational goals (cf. Galbraith, 1977).

**THE STUDY**

Data for this study were collected primarily through focused interviews (cf. Merton et al., 1952) with 21 individuals in the acquired company in three separate acquisitions. This method was selected for two reasons: a) the existing literature revealed no coherent theory upon which to base questionnaires or to identify relevant archival data, and focused interviews are appropriately used in this circumstance; and, b) the emotional quality of individual reactions to M/As is best captured by this method.

In cases #1 and #2, the interviews were conducted by the author, and in case #3, half were by the author, and the other half were conducted by an interviewer trained in focused interview methods. The focus in these interviews was, of course, the M/A in which the respondent was a participant. The basic issues of the interviews are captured by the questions: a) “What happened from the time you first knew of a pending acquisition?”; b) “How have the people around you reacted to those happenings?”; and, c) “How have you reacted?” In addition to these broad and general questions, the following information was collected from all respondents: a) length of time with the company; b) age; c) position prior to the M/A; d) position at the time of the interviews.

It was not possible to randomly select respondents from each organization, although all respondents except for one in case #1 were mid-level management staff. Only individuals from certain units were included in two of the three acquisitions. Furthermore, no data were collected from bottom organizational levels. All individual respondents were either line managers (identified as managers by their organizations, having functional responsibility for a unit, and having people report to them) or professionals (identified by their organizations as such, having a functional specialty, and salaried).
Upon completion of the interviews in each organization, the data from the separate interviews were aggregated to construct the cases following Yin’s principles of data collection in case studies:

1) Use of multiple sources of evidence (multiple interviews, in this situation);
2) Maintaining a data base (interview notes and tape recordings);
3) Maintaining a chain of evidence (the case histories presented) (Yin, 1984).

Whenever respondents presented differing understanding of the facts of the case, those differences were presented in the case, and whenever respondents had differing reactions to or opinions about agreed upon facts, both of those sets of reactions or opinions were likewise presented. In the first case, interviews were conducted starting three weeks before the actual formal acquisition. In the second, they were conducted within nine months following the acquisition, and in the third, they were conducted less than two weeks following the exchange of ownership. One of the three was presented as a merger rather than an acquisition, so individuals on both sides were interviewed.

CASES

Case #1 (1JCo acquired by 1SCo)

This was an acquisition of a large national consumer finance institution (1JCo) by a larger international consumer finance institution (1SCo). Prior to the acquisition, 1JCo had been privately held by a family corporation. All five respondents in 1JCo reported both the actual events in the acquisition process and their individual reactions with remarkable consistency. Multiple interviews were conducted with three of the five, resulting in some longitudinal information. Although there was an early period when several of the respondents reported being ready to leave, later interviews had these same respondents change their minds completely. In later interviews, all indicated that they were very pleased with the acquisition, the new owners, the new top management, and that they intended to stay.

All of the respondents found out about the acquisition within a few hours of each other from an article in the Wall Street Journal. There had been no previous official communication to the employees, even though there had been rumors that the company might be up for sale. While there was uncertainty expressed, none reported strong negative reaction to the news itself, but all did report feeling angry and uncomfortable about the way that they heard about it.

Bastien: Common Patterns of Mergers / 21
About a month after this news in the Wall Street Journal, a large group of people from the 1SCo arrived to do an on-site assessment. Except for the CEO and a few top executives, most of the group were technical people; accountants, systems analysts, etc. The evening before the executives were to go home, a dinner meeting was held with the executives from 1SCo and some of the management of 1JCo. The 1SCo people were described by 1JCo management as being extremely rude and uncivil at this event. Some of the 1JCo managers, including one of the respondents, were so offended that they walked out of the dinner. This incident was discussed by all of the five respondents. Two of them reported considering resigning as of that event and the others reported being upset by it.

About three weeks after the dinner, the Wall Street Journal ran a story indicating that 1SCo was no longer interested in the acquisition. The reason cited was that the price was too high because the management was not as good as had been thought. Again, 1JCo's employees greeted the media of the message with resentment and the message itself was greeted with both anger and relief. The respondents did not want to be sold to 1SCo, and they were relieved that it no longer seemed to be likely. They were, however, offended by the perceived slap from the published comments about their not being a strong management.

About six weeks later, an official announcement was made to 1JCo staff that negotiations were back on with the same company. Although the internal formal communication system beat the Wall Street Journal, it did not beat the rumor mill. The news was greeted with resignation but not as much anger. Upper management in 1JCo were informed of the negotiations several days before the announcement was made, but were cautioned against mentioning it to the rest of the employees. Shortly after the negotiations were announced, the announcement of a deal came through.

About two weeks after the deal was agreed upon, the CEO of 1JCo went to the offices of 1SCo for several days. He was well liked by 1JCo employees, and when he came back with the news that he was to be replaced as the CEO, three of the respondents reported that this caused or confirmed their intentions to leave. All, however, decided to wait for a while before searching for other jobs.

Six weeks before the actual exchange of stock and money, a new CEO arrived from 1SCo with a small team that included only one other executive. A few weeks after his arrival, the new CEO had dinner with one of the respondents. This was a critical incident in the course of the accommodation for this manager. The dinner was very successful in the sense that during it, the 1JCo manager completely changed his opinion of 1SCo and the acquisition, especially the CEO. Prior to this dinner, the respondent had referred to the new CEO by his last name only; following it he referred to him by his first name.
only. In an interview conducted the following day, the respondent stated that he was reconsidering all of his previously held opinions (although he maintained reservations). He reported being treated in an extremely civil and collegial way.

The office holiday party season started the following week. The new CEO made a point of appearing at them. At the one the respondents attended, the new CEO introduced himself to the individuals attending, then, when it was appropriate, he answered questions from the group of partyers. His communication with the group was reported to be very friendly, personable, and open. This contrasted so strongly with the earlier experiences with 1SCo that the respondents left the party feeling very happy about their new CEO and questioning their earlier opinions about 1SCo.

During this same eventful week, new combined logos and corporate names were announced, along with a major national advertising campaign. All respondents referred to this with some appreciation and pride. The lower-level managers indicated that this was more important to them than it was to the higher-level managers. Three lower-level managers pointed to this with considerable pride and claimed that it allowed for not only much greater public recognition of 1JCo, but also accounted for an immediate increase in sales.

On the day of the official change in ownership, a cocktail party was held for all 1JCo employees. This, again, was an important event for the managers. Several of the respondents commented that the previous ownership probably would not have had an all-staff event in the first place, but if they had, it would have been with cookies and coffee rather than cocktails and canapes. As one of the respondents said: “They treat us like adults.” Again, the new CEO circulated at the reception, talking with 1JCo employees freely, particularly lower-level employees.

Following the exchange of ownership by one month, the new CEO initiated a program in which he weekly chose several mid- and lower-level employees to be invited to lunch. During these lunches the CEO set a social and conversational tone, not telling the employees, but encouraging them to talk. All of the respondents commented on the lunches and the improvement in morale that accompanied the program. That the new CEO carefully listened to the employees was mentioned by all of the respondents, and a high degree of commitment to the new owners was attributed by them largely to the CEO’s ability to pay respectful attention to the employees.

Case #2 (2ACo merger with 2BCo)

This was a merger between two large regional health care organizations, based in the same midwestern urban area, that had been each
other's direct competition prior to the merger. There were eight respondents, five in 2ACo and three in 2BCo. Although there was little outright hostility expressed, there was considerable turnover on both sides. In fact, one respondent resigned within days of her interview.

While the negotiation discussions between the CEOs of the two organizations started in March, it wasn’t until July that the official announcement of the negotiations was made. A few of the managers of both organizations were informed of the negotiations (including three of the respondents) in March, but were told not to mention them. The five respondents who were not informed knew of the negotiations through active grapevines. Those five expressed resentment at not being officially informed, and the three who knew also expressed discomfort at not being able to communicate with their peers and employees. During this period, seven of the eight respondents indicated that they knew of several other 2ACo and 2BCo employees who started actively seeking other employment as a direct result of the impending merger.

By the time of the actual announcement, the respondents indicated that they felt they already knew most of the details of the merger, so there were no immediate surprises. The actual announcement made it clear that this was not an acquisition of one company by the other, but a merger in which one hierarchy would be created from two without a power differential between them, even though 2BCo was somewhat larger than 2ACo. The announcement also included a ‘no fire’ statement, saying that layoffs and firings would be suspended for two years following the merger.

The two CEOs had developed a respectful, cordial, and cooperative relationship, but in the necessary reorganization into a single hierarchy, the CEO of 2BCo became the CEO of the merged organization while the CEO of 2ACo would be subordinate to him. This pattern held in the subsequent reorganization of the functional units of the merged organization, and some staff from both sides started to view it as a ‘polite acquisition’ of 2ACo by 2BCo. The pattern also held in that relationships between 2ACo and 2BCo managers and professionals in the merging functional units were also cooperative, respectful, and cordial, although there was a sense of resignation expressed by most respondents rather than the sense of joy evident in the first case.

Organizational integration was approached functional unit by functional unit, using group dynamics (OD) approaches to planning the combined functions. This phase of the merger, which is still in progress, proved to be a discouraging and upsetting time for five of the respondents. Not only were there serious technical problems (i.e., financial systems kept track of different things using different procedures, different hardware, and different computer programs), but
in the effort to gain agreement among the staff members about both technical and organizational problems a great deal of turf guarding emerged. Two years after the merger, these problems remain unresolved in several units, with the prognosis that they may take another three years to work out. A number of the respondents said that they found the time frustrating and would “just like to get back to regular business.”

Informants from both sides commented at length about differences in the cultures of the two organizations, claiming that those differences were in part responsible for the delays. 2ACo had been a consensus-oriented culture in which members had grown to expect consultation before decisions were made, while 2BCo’s culture was built around a more traditional chain of command. Professionals and managers from both sides indicated that they learned to resist the commands through claiming of technical problems. One of the older respondents said, in fact, that she and her peers from the other side had simply agreed to disagree until her retirement, keeping the two operations separate. In 2ACo, management was in frequent personal contact with employees prior to the merger, but the 2BCo CEO was not personally well known by the employees. His style was to make a decision, communicate it to the appropriate manager, then assume that it would be done. His style prevailed in the merger, but his assumptions were not always warranted.

As the efforts at integration ground on, most of the respondents indicated that they gained respect for their peers from the other side, but increasingly lost commitment to the new organization. At the time of the interviews, all but three of the respondents indicated that they were either actively searching for new jobs or at least ready to accept offers from other employers. Overall, the turnover rate has been high from mid-level managers and professionals from both sides.

Case #3 (3JCo acquired by 3SCo)

This is an acquisition of a small (less than 50 employees), rural, equipment leasing firm in a small town (3JCo) by a large regional financial institution (3SCo). The leasing firm was a separate business owned by an equipment dealer, but there was an association between the two operations in that they were housed together and, several years ago, shared some employees. There were eight respondents in 3JCo. The interviews were conducted about ten days after the final approval of the deal by the 3SCo Board. Because it was a “white knight” acquisition, these early interviews indicated that the 3JCo staff felt excitement and optimism about the acquisition, and none indicated even thinking about leaving.
3JCo had started as a sidelight to a family equipment dealership during the 1950s, but had grown tremendously during the 1960s and 1970s under the management of three professional managers (two of whom are still vice presidents with 3JCo). The dealership side of the operation had always been directly run by the family owners. Over the past several years the family owner had encountered such personal problems that he had been unable to effectively manage the business. The result was that both businesses suffered, although the leasing business had been somewhat more insulated from the problems than the dealership.

All of the respondents knew by February of 1985 of the intent of the owner to sell 3JCo. All indicated that they knew of the owner's problems long before, and had been concerned that if something weren't done, the leasing business would eventually lose its insulation from the owner's problems. All indicated that they saw this intention to sell as hopeful. They learned of it, in all cases, through interpersonal sources. The first official confirmation from the owner came in the announcement that a company was interested in acquiring 3JCo and that this company would be looking through the books. After the first two "suitors" lost interest, the two vice presidents became concerned that these first two were not the type of company that would be best as a senior partner in 3JCo's operations. They therefore decided to go out and find a more suitable acquirer.

No surprises were expressed by any of the 3JCo staff interviewed. They indicated that they had always been kept well informed of everything going on in the company. This was due, in some measure, to the small size of the organization and the community in which it resides, but all respondents indicated that the two vice presidents had been very open about all management issues including both the acquisition and the pre-acquisition problems. The interviews revealed an organization that had a genuine family atmosphere in which 3JCo employees socialized together, frequently ate together, knew each other's families well, and participated in civil functions together. All 3JCo respondents, including the receptionist, referred to all other 3JCo people only by first name. There were few formal staff meetings, but there were also few management secrets. Both of the vice presidents shared all information through casual communication channels (at meetings of community organizations, at lunch, at golf, having a beer after work, etc.), and information got quickly to all organization members. The freedom of the information flow through the informal organization was further enabled by the generally long tenure of the employees. The respondents were aware that 3JCo was a very close social system, all mentioning it and several saying that the closeness was one of the real benefits of working for 3JCo. The two vice presidents were credited with maintaining the closeness over the years.
The 3JCo vice presidents chose their next “suitor” on the basis of knowing both the company and the individuals who would be associated with the acquisition from the acquiring side. Their choice was 3SCo, an institution that had done quite a bit of business with 3JCo over the years. Additionally, 3SCo had acquired a leasing business years before and had done well with it. Several of the 3JCo managers had known the top manager in the 3SCo leasing operation for some time and both liked and respected him. The 3SCo manager had visited the 3JCo offices frequently and made no attempts to hide the acquisition, and talked freely of the stage of it in the 3SCo decision process with several 3JCo managers and employees on his visits. Additionally, there were two ex-3SCo employees in 3JCo who were able to provide corroboration and added detail, and a “mole” (a 3SCo employee who was an ex-3-JCo employee providing inside information to both sides).

Somewhat later in the summer, more formal pre-acquisition activity began with an audit team sent in from 3SCo to 3JCo. Again, this team included people previously known to some of the 3JCo staff, and communication was open and personal. During this time the tentative decision was made to put the current 3SCo leasing manager in charge of both his own and the 3JCo operations. This was based both upon his knowledge of the industry and on his personal relations with the 3JCo staff.

Between July and October there were several delays in the acquisition. The nature of 3SCo was that decisions of this sort were never hurried, and the employees of 3SCo involved with the acquisition knew that decision making delays would happen. The 3JCo managers and professionals were not used to months of delay and became anxious. During this time, the respondents reported, there was both an increase in anxiety and a drop in productivity. Several reported feeling that they didn’t know what to do, so they just waited and maintained what ongoing work they could. The presence of the ex-3SCo employees and the mole were of considerable influence here, as they kept reassuring the 3JCo people that this was normal and no cause for concern. Even with this assurance, however, high levels of anxiety were reported.

It was also during this time that several of the respondents indicated that they started thinking about what might happen after the acquisition. One of the respondents said: “You read that they (business acquirers) say that there won’t be any personnel changes, then they fire everybody.” All respondents reported that morale in 3JCo went down each month when the 3SCo board didn’t approve the acquisition even though several 3SCo managers (including the leasing manager) and the ex-3JCo employees tried to assure 3JCo that these delays were normal.

During this period, the respondents reported high levels of emo-
tional energy being expended, especially by the two vice presidents. Emotions were strong enough that there were threats to call off the negotiations after both the August and September 3SCo board meetings. This was reported to be a period of emotional ups and downs for all members of the organization interviewed.

During the delay time, 3SCo management continued negotiations as if there was no question of the acquisition. The audit team continued to work in 3JCo offices and there was regular presence of 3SCo managers on-site. In September a new benefits package was announced as well as a minor reorganization. All of the respondents wanted to get the acquisition consummated for a number of reasons: a) the benefits package was vastly superior to the 3JCo one; b) 3SCo was perceived as a comfortable and very stable senior partner; c) working for 3SCo was perceived as allowing greater opportunity for upward mobility or to move to the headquarters in the Twin Cities; and d) the situation with the family owner of 3JCo was getting worse by the day.

The interviews were conducted about ten days after the 3SCo board finally approved the acquisition. The overall mood of the interviews was celebratory and optimistic. Optimism and personal confidence were high despite the awareness by several respondents that many acquisitions become sites of great unpleasantness. As one 17-year 3JCo employee said, “It can't be any worse with them than it has been under XX (the family owner).” A final point here is that all of the 3JCo respondents referred to the change of ownership as a merger, implying some measure of co-equality, while the 3SCo management referred to it as an acquisition.

IMPLICATIONS FOR HUMAN RESOURCE MANAGEMENT

These cases describe some common patterns of behavior and communication in M/As in context. They call the attention of human resource managers to critical but commonly occurring problems that must be addressed. Three central issues are evident: a) personal uncertainty is pervasive and must be managed through communication management; b) the individual and social processes of coping with this uncertainty involve sudden switches between opposites (flight-fight, commitment-rejection) rather than gradual change from one state to another; and, c) culture contact and culture shock are definitionally present in M/As, and must be managed if Marks and Mirvis’ (1985, 1986) syndrome is to be avoided.

All respondents in all cases reported feeling a great deal of personal uncertainty (insecurity) associated with the merger or acquisitions, supporting Marks (1982) and Marks and Mirvis’ (1985, 1986) observations. It is important to note, however, that this insecurity is
not confined to executives and top managers, but pervades all organizational levels sampled. The highest points of uncertainty were expressed immediately prior to the acquisition in the first case, during the early integration process in the second, and during periods following an acquiring board’s non-decision in the third. The details of personal uncertainty are different, however, from case to case and between individuals. With a few of the respondents, uncertainty was expressed principally in terms of income (job) security. In a greater number of cases, though, it was expressed as a fear of diminished power, control, or influence. In this latter aspect, uncertainty can be seen to be closely related to the dead-end syndrome described by Kanter (1977). Uncertainty also seems to be associated with a fear of loss due to change in locus of control from within the individuals (in their known organizational context) to outside of the individual (in an unknown organizational context).

The aspect of personal uncertainty expressed as fear of the unknown alternated with expressions of resentment at the forced intrusion or invasion by the acquiring company, showing the fight-flight reaction noted by Marks and Mirvis (1985). The response was a genuine bipolar ambivalence in which managers in the junior company swung back and forth between planning resistance to the new management and quietly preparing their resumes and setting up job interviews. It is worth noting that the flight end of the polarity was manifested not as simple resistance, but involved an attempt to coalesce the organization or unit around the resistance plan, while the fight end was solely individual.

As was suggested by Marks (1982) and Marrow et al. (1967), communication sets the climate for uncertainty or assurance. Figure 1 shows that formal communication is associated with either positive reactions in the acquired company, or with stabilizing volatile situations. Formal communication generally proved to be important in the first case, in that it was an issue early in the negotiations, and threw questions of credibility at both 1SCo and 1JCo managements. Later, prior to the actual take-over, formal communication in the forms of house organ articles and the debut of a new advertising program and logo had the effect of stabilizing an extremely volatile situation so that the new CEO could infiltrate the organization. In case #1, formal communication served as a stabilizing and enabling preliminary to interpersonal communication between the new CEO and the rest of 1JCo. Uncertainty and its formal communication link were evident in the second case, but did not appear to be as large an issue as in the first case because the situation prior to formal events was not as uncertain or volatile as in case #1. In the third case, formal Junior/Senior communication was only an issue during the 3SCo Board’s inactivity. Here the ‘communication gap’ was filled by informal interpersonal communication. Because of the size and open
Sequence of events and reactions in the acquired organization:
(months before or after the actual exchange of ownership)

<table>
<thead>
<tr>
<th>Case</th>
<th>Description</th>
<th>-6</th>
<th>-5</th>
<th>-4</th>
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<td>Acquisition of 1 good company by another with no intent to change acquired company</td>
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<td>1</td>
<td>2</td>
<td>1</td>
<td>3a</td>
<td>2,3a</td>
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<tr>
<td>#3</td>
<td>Acquisition of good company by another with the intent to integrate</td>
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<td>1</td>
<td>1</td>
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<td>3a</td>
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<td>M-</td>
<td>/</td>
<td>M-</td>
<td>R+</td>
</tr>
</tbody>
</table>

Event Codes:
1 = event not intended by acquirer as communication event, but read by acquired as one
2 = formal, intentional communication event
3 = collegial communication event;
   a = vertical
   b = horizontal

Reaction Codes:
M− = decrease in motivation or certainty
M+ = increase in motivation or certainty
/  = stabilized motivation and intentions
R− = increase in expressed intention to withdraw/resign from organization
R+ = increase in expressed intention to remain/commit to organization

Figure 1. Chronology of the relationship between communication events and personal uncertainty in the acquired organization.
communication of 3JCo, though, formal communication channels have tended to be less important than in other cases.

Collegiality (interpersonal communication of social acceptance and equality) positively affected cases one and three, supporting the observations of both Marks (1982) and Marrow et al. (1967), while it had a negative effect in case #2. In case #1, it was the ability of the new CEO to communicate collegially with the staff of 1JCo that allowed the acquisition to proceed. In case #2, collegiality among mid-level peers, however, allowed them to come to informal agreements to stall and delay integration activity. In case 3, collegiality was a mark of the basic organizational style and allowed some of the emotions stemming from uncertainty to be kept under control. It should be noted that collegiality was primarily expressed vertically in case 1, but in case 2 it was horizontal between peer units in 2SCo and 2JCo. In case 3, both directions are obvious. This leads to the proposition that collegiality expressed vertically is more effective than horizontal collegiality between the two joining organization's operating units, although collegial communication in both directions may be the most effective.

At times there were communication shortages in all cases. During those times personal uncertainty peaked and the predicted change in orientation emerged (Marks, 1982; Galbraith, 1977). In case one, the time length of the communication shortages was short, so 1JCo employees did not completely retreat into professional (rather than organizational) orientation, thereby keeping employee turnover very low. In the second case not only was there a retreat from an organizational orientation, but several management resignations as well. These data, combined with the acquisition success correlations of Hayes and Hoag (1974) and Schoennauer (1967), suggest that low employee turnover is generally desirable in acquisitions, and that high quantity of communication from the acquiring to acquired organizations is important to achieve acceptable levels of employee retention.

Congruence of communication with the perceived reality was as important to effective communication as was quantity and collegiality of the communication. Marks (1982) and Marks and Mirvis (1985, 1986) note that in times of uncertainty and stress, people's attentiveness to congruence and detail of communication is considerably heightened. Figure 1 shows that actions by the acquirer are read as communication even though they were not intended as such. These events, as opposed to self-conscious communication events, typically have a negative effect on the acquired organization. All respondents reported being suspicious of the new ownership, and were constantly scanning their communication for signs of being deceived. In times of extreme uncertainty caused by either low quantities of communication or the perception of incongruency of
Communication, rumor mills developed to “fill in the blanks,” lending new worst case meanings to acquiring company behavior.

Finally, culture clash was an explicit problem in cases 2 and 3 at least, and perhaps in case 1 also. In case 2, the clash (and resultant shock) revolved around a basic change in the way decisions were made, especially in 2JCo. These changes combined with a few other issues to generate a good bit of negative reaction and, according to some respondents, a decrease in willingness to accommodate to the new organizational culture. In case 3, the problems centered on the delays by the 3SCo board were understood by both 3SCo and 3JCo staffs to be related to cultural phenomena. Despite this, the delays generated resentment towards the 3SCo board (and organization). In case 1, the initial problems stemming from the dinner meeting could have been culturally related, but there is some evidence that a faction of the 1SCo management did not want the acquisition to go through and they deliberately behaved in ways that would create resentment and resistance within the 1JCo organization.

Communication and culture are certainly aspects of the same ultimate social rules of an organization (or other social system). Under circumstances of stress to the organization, such as in a merger or acquisition, communication is the key to managing uncertainty in the acquired organization. If communication is inadequate in quantity, quality (formal or collegial), or congruence for the acquired organization, rumor mills, a decrease in productivity, and an increase in employee turnover can result. Human resource managers in M/As need first of all to be aware of these problems and issues. Secondly, they need to understand that managing communication is crucial for effectively managing acquisitions. Finally, they need to be conscious of their own organizational cultures and the cultures of the other party so that differences in values and practices do not become sources of rejection and resistance.

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