THE IMPACT OF MERGERS ON THOSE LEFT BEHIND – MAINTAINING EMPLOYEE ENGAGEMENT AFTER MERGER-BASED RESTRUCTURING IN A FINANCIAL SERVICES FIRM

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ABSTRACT

This study explored the impact of organizational restructuring on associate engagement in a financial services firm due to a merger. It determined how much weight interpersonal relationships carry on associate opinions of the new organization, and what the new organization can do to reduce uncertainty and re-engage their newly acquired associates. The literature review looked at Uncertainty Reduction Theory, Belongingness and principles from Social Information Processing Theory to identify solutions for a decrease in engagement. A survey distributed to all associates at a financial services firm that recently underwent a merger yielded data for this study, as did five individual interviews at the same firm. Qualitative analysis was conducted using Stake’s (2006) cross-case analysis.

Associates expressed their acknowledgement of the decline in engagement since the merger and their current uncertainty about the future. They indicated it was difficult to move forward because of the increased workload and stress it caused. They also recognized the impact their peers had on their opinions of the new company and their day-to-day attitudes in the workplace. Associates suggested an increase in training, proactive communication, decrease in workload and commitment to a shared future would aid them in reducing uncertainty and re-engage them to move forward with the new company.
## TABLE OF CONTENTS

ABSTRACT ................................................................................................................................. 3  
INTRODUCTION ......................................................................................................................... 5  
  Statement of Problem and Goal of the Study ................................................................. 5  
  Importance of the Study ............................................................................................... 5  
  Definition of Terms ....................................................................................................... 6  
  Organization of Remaining Chapters ........................................................................ 6  
REVIEW OF LITERATURE ....................................................................................................... 8  
  Theoretical Basis .......................................................................................................... 8  
  Philosophical Assumptions ......................................................................................... 11  
  Literature .................................................................................................................... 11  
  Research Questions ................................................................................................... 22  
SCOPE AND METHODOLOGY .............................................................................................. 24  
  Introduction .................................................................................................................. 24  
  Scope of the Study ....................................................................................................... 24  
  Methodology ................................................................................................................ 25  
  Ethical Considerations ............................................................................................... 28  
THE STUDY .............................................................................................................................. 29  
  Introduction .................................................................................................................. 29  
  Survey Results ............................................................................................................ 29  
  Individual Interview Results ..................................................................................... 36  
  Discussion ..................................................................................................................... 38  
CONCLUSION .......................................................................................................................... 44  
  Limitations of Study .................................................................................................... 44  
  Recommendations and Opportunities for Further Study ....................................... 45  
  Conclusion ...................................................................................................................... 46  
ACKNOWLEDGMENTS .............................................................................................................. 49  
REFERENCES .......................................................................................................................... 50  
APPENDIX A ............................................................................................................................ 54  
APPENDIX B ............................................................................................................................ 60
INTRODUCTION

Statement of Problem and Goal of the Study

In today’s economy, mergers among financial services firms have become a norm. After a merger, those that remain with the acquired organization are faced with a unique set of challenges. They must face uncertainty, determine if they belong in the new organization and manage relationships with both the employees they worked with before the acquisition and new colleagues at the acquiring firm.

When dealing with uncertainty, associates are forced to make predictions about what their future holds, how their new company functions, what the motives of their new coworkers are and what the leadership will cast for the company’s future. This non-exhaustive list of questions would cause any associate to feel insecure and seek more information to determine how he belongs in the new organization. The less information he or she discovers, the more likely he or she is to disengage from the company due to this uncertainty.

Importance of the Study

Following a merger, a financial services company must manage the psychological, emotional and professional needs of those left behind in order to increase fiscal solvency and organizational sustainability. Most often, associates look to their friends and peers for insight to reduce uncertainty. In the case of a merger, this could prove to be negative for the acquiring company if they have not taken measures to help the acquired associates adjust to the new normal. If associates at the acquired company discuss the negative aspects of the merger, pessimism may continue to breed and engagement may decline. Low levels of engagement means low levels of productivity and morale. If acquiring companies do not take the findings of
this study into account, they risk losing associates to other opportunities or productivity losses due to decreased engagement.

**Definition of Terms**

**Associate**: an individual employed by the financial services firm; another term for employee.

**Senior Leaders or Senior Leadership Team**: the individuals at the highest level of management for their particular segment of the acquired business, including finance, technology, sales and marketing. There were eight senior leaders at the financial services firm in this study.

**Home Office**: the acquired company’s main office where approximately 90% of associates come to work each weekday.

**Engagement**: level of commitment to the company, not only in daily tasks, but also in how willing associates are to engage in extracurricular activities, like social events or volunteer efforts. Engagement plays into morale and productivity.

**Interpersonal relationships**: relationships between people who are close in nature – another term for “friendships.”

**Transition**: time period between the announcement of the acquisition to stasis.

**Financial Services Organization or Firm**: a business that provides services pertaining to finance, investments or wealth management. This can include broker-dealers, Registered Investment Adviser firms, stock brokerages, banks, investment fund managers, insurance companies and credit unions.

**Organization of Remaining Chapters**

The remaining chapters of this study provide insight on how financial services firms can help their associates reduce uncertainty and engage in the new organization. Chapter two of this study includes the literature review which is divided into four sections. The first section
describes the theoretical basis for using Uncertainty Reduction Theory, Belongingness and principles from the Social Information Processing Theory to answer the research questions of this study. The second section describes the philosophical assumptions taken into account while performing the study. The third section provides a review of published findings on the current state of the financial services industry, the impact of mergers and layoffs on associates, best practices in improving associate engagement. Finally, the fourth section provides insight on the impact of relationships in the workplace.

Chapter three describes the scope and methodology for this study, while chapter four presents the results of the survey and individual interviews, as well as a discussion of those results alongside the theoretical basis for this study. Chapter five provides an overview of the study’s limitations, suggests opportunities for future research, provides recommendations for the studied financial services firm to implement and presents an overall summary of the study.
THE IMPACT OF MERGERS ON THOSE LEFT BEHIND

REVIEW OF LITERATURE

Theoretical Basis

Uncertainty Reduction Theory

When uncertainty is present, individuals try to predict how others around them might act, and therefore prepare themselves with a set of responses based on how their counterparts behave (Berger & Calabrese, 1975). In order to determine how to decrease uncertainty, Charles Berger and Richard Calabrese (1975) formed Uncertainty Reduction Theory from seven axioms and 21 theorems. Each axiom or theorem explained the increase or decrease of uncertainty in relation to the existence or non-existence of a specific type of interaction.

Berger and Calabrese focused their study on initial interactions between strangers, but their theory can also be applied to employees remaining at an organization following a layoff. Uncertainty Reduction Theory can be applied to this study because at its heart, the theory aims to prove how communication can be used to increase comfort levels and gain understanding (Berger & Calabrese, 1975).

Uncertainty Reduction Theory’s axioms draw on past work and studies from their peers and influencers in the fields of communication. The first axiom of Uncertainty Reduction Theory states that as verbal communication increases, uncertainty decreases, and as uncertainty decreases, verbal communication will increase (Berger & Calabrese, 1975). Think of two individuals sharing a cab after arriving at the airport. At first, they are unsure of one another, but after beginning a polite conversation, they may talk about the weather or the traffic, and as their verbal communication continues, their uncertainty begins to diminish.

The second axiom of Uncertainty Reduction Theory states that as the expressiveness of nonverbal communication increases, uncertainty will decrease, and as uncertainty decreases,
nonverbal expressiveness will increase (Berger & Calabrese, 1975). Those same two people sharing a cab may initially avoid eye contact or any sort of nonverbal affirmation. But as their verbal interaction increases, their nonverbal interaction also has the potential to increase. As they continue to affirm each other nonverbally, uncertainty will decline.

Uncertainty Reduction Theory’s third axiom states that individuals who are very uncertain tend to seek information more diligently. As uncertainty is reduced, information-seeking behavior also decreases (Berger & Calabrese, 1975). The fourth axiom of this theory states that the level of intimacy shared in conversation is low when uncertainty exists, but as uncertainty decreases, the amount of intimate information that is shared increases (Berger & Calabrese, 1975).

The fifth and sixth axioms of Uncertainty Reduction Theory are reciprocity and similarity (Berger & Calabrese, 1975). The axiom of reciprocity states that with high levels of uncertainty, there are high levels of mutual communication exchanges, or equal time spent speaking and listening from those involved. As uncertainty decreases, individuals grow more comfortable listening or talking for extended periods of time without fear of their actions being misinterpreted. The axiom of similarity states that similarities between people cause a reduction in uncertainty (Berger & Calabrese, 1975). Think of those same two individuals sharing a cab. In their conversation, they talk about the places from where they arrived. They discover they were on the same flight from Los Angeles to New York. Instantly, their conversation picks up steam and they discover more about one another, thereby decreasing uncertainty.

Uncertainty Reduction Theory’s seventh axiom states that as uncertainty decreases, liking increases and vice versa. As an individual grows more comfortable with his situation, he begins to like it more and more. Similarly, as an individual grows more uncertain, he begins to dislike
his situation (Berger & Calabrese, 1975). These axioms allowed Berger & Calabrese to deduce 21 theorems relating to uncertainty reduction that are discussed later in this review of literature.

**Belongingness**

Baumeister & Stillman (2009) state “feelings of uncertainty [are] frequently associated with some kind of belongingness threat” (p. 249). In fact, humans completely rely on one another to survive. They maintain that instead of death, most people’s worries center on belongingness. Baumeister and Stillman’s research stems from the Adlerian theory that all individuals need to belong to society and contribute to society’s needs (Ferguson, 1996). Drawing on that theory, they state that threats to belongingness can decrease someone’s belief in the meaningfulness of life (Baumeister & Stillman, 2009). In fact, encroachment on belongingness negatively affected all of Baumeister’s four needs for meaning, “purpose, efficacy, value and self-worth” (Baumeister & Stillman, 2009, p. 250). The theories set forth about belongingness will also play a significant part in this research’s aim to determine how belongingness or lack thereof can positively or negatively impact employee engagement in uncertain times in organizational contexts: a merger-based layoff.

**Social Information Processing Theory**

Salancik and Pfeffer’s (1978) Social Information Processing Theory states that individuals process their jobs subjectively based upon information they can access and their social interactions with coworkers. Moreover, this theory suggests that employees’ attitudes are directly affected by social interactions, broad-based statements and attitudes of their coworkers (Salancik & Pfeffer, 1978). Rice and Aydin (1991) concur, stating relationships in the workplace influence employees’ attitudes.
Studies have shown the relationship between an employee and supervisor is directly influenced by communication (Baird & Bradley, 1978). In fact, studies demonstrate that the stronger the communication between a manager and subordinate, the better the relationship. By asking questions, communicators, leaders and managers can communicate to employees they are valued and their opinions matter (Matthews, 2010), thereby building a sense of belongingness. Furthermore, managers who encouraged relationships among team members also had higher functioning teams than their peers who did not encourage relations among teammates (Baird & Bradley, 1978). This theory directly relates to this study to determine if views of the acquiring company and opinions on the success of the transition are influenced by interpersonal relationships.

Philosophical Assumptions

This qualitative research has underlying assumptions stemming from the interpretive tradition, implying that social structures make up the reality in which individuals live. Kaplan and Maxwell (1994) state that interpretive research focuses on how humans attempt to make sense of their environment as variables change and new situations occur. Using this approach allows the research to determine the social and organizational issues relating to employee engagement following a merger-based layoff in a financial services company.

Literature

The Financial Services Industry: Recent Major Mergers, Their Effect on Human Capital and Future Outlook

In 2008, the financial crisis that led to the now-named Great Recession caused several well-known financial services firms to crumble and fail. These firms include former highly reputable companies like Lehman Brothers, which was eventually liquidated, Merrill Lynch and
Bear Stearns, which were sold, and Goldman Sachs, which reorganized itself into a commercial bank to avoid further ramifications (Labaton, 2008). Other financial services institutions were also affected, many of them being purchased and merged with larger companies, including Washington Mutual and Wachovia, which were sold in whole or in part to JPMorgan Chase and Company (Grind, 2009) and Wells Fargo and Company (Dash, 2008), respectively. The mergers created between these large companies, such as Bank of America and Merrill Lynch, caused tens of thousands of individuals to be laid off (de la Merced, 2008) and left many employees in the wake of organizational change. Experts suggest that Bank of America Merrill Lynch will still lay off thousands of additional employees over the next few years (Freed, 2012). The problems created for remaining employees after a layoff in the financial services sector will continue to be present for some time.

Analysts at PricewaterhouseCoopers (2012, p. 3) reports there were 756 announced transactions in the financial services industry in 2011, and suggest there could be an increase in the number of mergers and acquisitions this year in light of continuing struggles among smaller financial services firms to remain solvent. Their research suggests mergers and acquisitions will continue to play a part in the financial services environment over the next several years. It is important to note that just because companies merge does not mean there will necessarily be negative effects on human capital in the form of layoffs. The poor health of the financial services industry, however, as demonstrated since 2008, may increase the likelihood of a layoff following a merger.

Organizational Change: Effects on Remaining Employees

Employees are valuable assets to their companies and have been called the “heart” of every organization by some researchers (Adubato, 1998). Since the first quarter of 2008, nearly
five million people have been laid off from their jobs across the country (U.S. Bureau of Labor Statistics, 2012). Research suggests employees who are left behind following layoffs experience something called “layoff survivor sickness” (Noer, 2009). Noer expresses that the emotions experienced within this sickness can include anger, depression, stress, fatigue and distrust. Experts suggest these emotions can drive employee behavior, causing previously top-performing employees to do things they wouldn’t have done in the past or to perform poorly. It is also proposed that destructive behavior can result from these emotions (Mack, 2009). Research advises that employers who assume their remaining employees are happy to have a job and are not emotionally impacted by their coworkers’ layoffs are quite mistaken. They assert this assumption may trigger worse reactions from their employees and could lead to even lower employee engagement levels (James, 2010). The assumption could then be made that employees who lose friends to layoffs are even more likely to be emotionally impacted in the wake of downsizing. Matthews (2010) even likens layoffs to a “death in the family” (p. 21). Members of the corporate family are deeply affected. They need time to adjust, grieve and move forward with the new company. This can be especially true if strong relationships existed between an employee who was laid off and an employee who remained.

Emotional implications are not the only factors of which employers should be aware when working with remaining employees following a layoff to reduce uncertainty and consider belonging. After several employees have been dismissed, scholars suggest the remaining force’s workloads are distributed to the remaining staff members, requiring those employees to do more with less (Gargan, 2011). The increase in responsibilities among remaining employees could lead to additional stress, anxiety and anger. Research suggests additional stressors may lead to
physiological issues, such as illness, that could result in more sick days and health care costs to
the employer (Mack, 2009).

Matthews (2010) states that remaining employees are often expected to return to work as
if a layoff never took place, and they should be grateful for their jobs. Employers often even
attempt to return to “business as usual” but fail to recognize that sizable layoffs, or even layoffs
that include individuals with long tenures, create a different company (Matthews, 2010). When
dealing with an acquisition, not only is the acquired company absorbed into the acquiring
organization, but also the site where the layoffs took place is drastically different. Both sides of
this coin need to be addressed during a transition, and communicators must paint the picture of a
new future (Matthews, 2010), both as a site and as a part of the acquiring company.

Many authors believe the issues discussed above lead a decline in employee engagement,
including employee morale. Morale is often described as the mental or emotional state of a
group, in this case employees who remain after a layoff. Each person in the group is responsible
for contributing to morale. Therefore, if the majority of individuals in the workplace are in a poor
mental state, morale will likely be poor (Fink, 2008). Research suggests that poor morale in the
workplace can result in lack of motivation, poor performance and increased absenteeism, among
other results (Fink, 2008).

The Gallup Organization reports that employees who are considered actively disengaged,
potentially cost the American economy up to $350 billion per year in lost productivity (Gallup,
2002). In fact, Gallup (2011) research also shows employees who are considered actively
disengaged also consider their lives to be even worse than individuals who are unemployed.
Research shows low productivity among surviving employees is recognized even by the
employees themselves. Of those surveyed, 64 percent of surviving employees say the
productivity of their colleagues has regressed and 77 percent of those who remain say they see more errors being made. Additionally, 81 percent of surviving employees assert that the service received by customers has declined as well (“Sagging productivity: A hidden cost of downsizing”, 2009). Not only can these behaviors affect the bottom line, they have the potential to affect all remaining employees in the organization. This study did not, however, identify which levels of employees were more prone to answer positively to those questions asked.

Strategies for Employee Engagement

Reducing uncertainty in remaining employees is a key aspect in helping them adjust to their new environment. As previously stated, Berger and Calabrese (1975) determined seven axioms to help reduce uncertainty: verbal communication, nonverbal affirmation, intimacy, information seeking, reciprocity rate, similarity and liking. Over the past several years, researchers and scholars have identified and tested several communication practices to assist employees through the transition created by a layoff and into their future roles at the company. All of these methods aid in building trust between employees and their managers and also between employees and their company with the ultimate goal of maintaining or increasing employee engagement among those who remain.

When handling remaining employees, managers must realize they themselves are remaining employees. Researchers point out an obstacle that managers must overcome is dealing with their own emotions as “survivors” while dealing with those of their employees at the same time (Reyer, 2008). By addressing and understanding their own emotions, managers are more likely to identify with their employees and therefore more likely to help them move forward following the layoff. Scholars tend to agree that even though managers may not be comfortable
in the role of counselor or coach, they must stretch themselves and act as mentors for their employees throughout the transition (Wharton School of the University of Pennsylvania, 2005).

One of the most important strategies that can be exercised with remaining employees is open communication and increased visibility (Danowski, 2004). Most scholars agree this strategy is crucial when addressing employee emotions, sensitivities and fears after a layoff. Without open communication, distrust can fester and build over time, resulting in a decline in productivity and morale (Mack, 2009). Open communication can be defined as honest, straightforward delivery of messages between two or more people throughout which no person fears retaliation for asking questions or providing feedback. Organizations lacking in internal communication, especially accurate, timely and frequent communication during a time of crisis or transition, could also open themselves to rumors and pessimism among associates (David, 2011). Rumors and pessimism can decrease employee engagement, affecting their morale and productivity.

To assist employees in moving forward during and after a transition, and to remain engaged, employers should provide as many details as possible to lessen emotional dissonance and questions like “What are they trying to hide?” (David, 2011). Face-to-face communication aids this process and can help keep employees engaged, give them a sense of belonging and build trust between supervisors and subordinates (David, 2011). Trust can be defined as “assured reliance on the character, ability strength or truth of someone or something” (Merriam-Webster, 2012). Supervisors and senior leaders can also communicate to the remaining employees how important they are to moving the business forward and make them feel valued (David, 2011). By emphasizing the importance of going on with daily tasks, and how vital those tasks are to the success of the business, employers can build a sense of meaning and belonging among
employees, who can lean on each other for support on projects and requests. Strong team relations can certainly help employees move forward with their duties and remain engaged (Baird & Bradley, 1978). While it is often difficult to manage additional workload requirements on remaining employees, a sense of belonging could aid associates in adjusting to their new roles and being honest with their managers when the new workload becomes too difficult to manage.

Compassion is also essential in maintaining engagement in a time of change or crisis (David, 2011). Following layoffs, employees feel threatened, stressed and possibly overworked. Emotions play an important role throughout a time of change, so much so that sometimes “emotions overtake reason” (Cohn as quoted by David, 2011). Compassion can help keep emotions in check and provide comfort to team members throughout the transition period. By creating transparency and vulnerability, scholars believe managers may better equip their employees to deal with the results of the layoff, reduce uncertainty and to move forward. Transparency is the practice of being clear and not covering up facts that are pertinent to the situation. Vulnerability in this case can be defined as opening up emotionally and speaking about feelings that are a result of the situation at hand. Communicating openly and regularly with employees about the difficult situation at hand will assist managers in keeping a better pulse on employee engagement and provide counseling and assistance to employees who need it.

Research suggests it is not only important to share information with employees, but also important to listen to employee feedback (Syracuse, 2009). Field (2005) stated “the more uncertain the situation, the more likely it is employees won’t correctly process what [communicators] say” (p. 3). It is important to be clear and detailed, and to be sure to adapt communication style to the situation. Employers and communicators should also aim to provide
outlets for employees to voice concerns, ask questions and provide honest feedback (Fullerton et al., 2010).

Research implies that meeting the needs of employees at the individual level can also help keep engagement from declining. This begins at the beginning of the merger process by explaining as clearly as possible how the merger will affect everyone to each person individually (Peet, 2007) and by ensuring all employees, even those who are laid off, are treated with dignity, respect and gratitude for their hard work (Kowske, Lundby & Rasch, 2009). By building trust from the beginning, managers are more likely to have a good working relationship with their employees throughout the transition and to keep productivity and morale on track (Mack, 2009).

Scholars believe employers and managers must also help their remaining employees “create a new tomorrow” and assist them in reaching that goal (Lewis, Schmisseur, Stephens & Weir, 2006). By reviving corporate pride in employees, managers could potentially move their direct reports into acceptance, and even excitement, about their new company and new role, thereby increasing employee engagement (Magee, 2011). This sense of purpose could also include reengagement with career goals and long-term objectives. By becoming involved in their employees’ professional development, managers can help keep talented employees with the company despite the trauma they may have experienced during the layoff and transition period (Schade, 2009). Research suggests this interest in employee development is especially important following a layoff because the likelihood of turnover increases even after a relatively small layoff (Mack, 2009). By making employees feel valued and invested in while helping them move toward the future, managers can help improve employee engagement (Garcia, 2009).

The theorems presented by Berger and Calabrese (1975) can also be considered when determining measures to take to improve employee engagement. Berger and Calabrese (1975)
deduced a number of positive relationships based on the seven axioms of Uncertainty Reduction Theory. They determined that the amount of verbal communication and nonverbal warmth relate positively. This positive relationship was verified in studies by Mehrabian, and another by Mehrabian and Ksionzky (Berger & Calabrese, 1975). Mehrabian and Ksionzky’s work found positive correlations between number of statements per minute and percentage of time spent in eye contact and number of head nods per minute, among other findings. Mehrabian’s work also supports another of Berger and Calabrese’s theorems, that nonverbal affirmation and liking are positively related. Mehrabian’s work, as well as Exline’s (1971) studies, states that people who find one another attractive have a greater amount of eye contact, nod their heads more often and gesture more frequently with their hands per unit of time. They also tend to show more positive facial expressions, like smiling, than individuals who dislike one another (Berger & Calabrese, 1975).

Another of Berger and Calabrese’s theorems states the amount of communication and the level of intimacy shared are also positively related. This theorem is supported by the work of Lalljee and Cook who discovered the number of words spoken per time unit increased (Berger & Calabrese, 1975), thereby suggesting that the levels of intimacy increase over time as well.

Another two theorems Berger and Calabrese (1975) deduced was that the amount of communication is also positively related to liking and to similarity. Lott and Lott’s work in 1961, as well as Moran’s work in 1966, supports the theorem that the intimacy level of content shared while communicating is also positively related to nonverbal affirmation. Berger and Calabrese (1975) determined that nonverbal warmth and similarity relate positively as well. While there are no studies that prove this empirically, Berger and Calabrese maintained that it is likely to hold true because of the positive link between nonverbal affirmation and liking.
As individuals find more similarities between one another, Berger and Calabrese (1975) deduce that they are more likely to share intimate information. This theorem does not have any support, but as individuals determine similarities, uncertainty reduces, and a reduction in uncertainty breeds an increase in sharing intimate information. Berger and Calabrese (1975) also deduced that information seeking and reciprocity relate positively.

The last positive theorem set forth by Berger and Calabrese (1975) states that similarity and liking relate positively. This is supported by research that studies the relationship between attraction and similarity. Berger and Calabrese reference Byrne, Clore and Worchel’s research that found this to be true in terms of attitude similarity and economic background similarity.

Berger and Calabrese also determined a number of inverse relationships between axioms. They deduced that the amount of communication and information seeking behavior relate inversely. This is supported by Lalljee and Cook’s work in 1973 that found significant increases in speech rate over time, as well as by Frankfurt’s study that discovered the number of questions asked decreases as an interaction progresses (Berger & Calabrese, 1975). Berger and Calabrese (1975) also deduced that the amount of communication and the level of reciprocity are inversely related. Another of Berger and Calabrese’s theorems states that nonverbal warmth and information seeking, as well as nonverbal affirmation and reciprocity rate are inversely related. While there are no studies they reference to support these theorems, logically, they seem to stand.

The relationship between the level of intimacy in communication content and both reciprocity and information seeking also seems to be inverse. While Berger and Calabrese (1975) do not cite any studies that prove this directly, they reference Altman and Taylor’s social penetration theory that suggests that information seeking tends to decrease over time, while
intimacy levels seem to increase. Berger and Calabrese (1975) also deduced that the level of intimate information shared increases as liking increases. This makes sense and is also supported by Pearce and Sharp’s (1973) literature review that stated self-disclosure is most likely to occur within positive relationships.

As individuals find out more similarities between themselves, they are less likely to practice information seeking tactics. They are also less likely to continue with information seeking practices if liking increases. Interrogation is no longer necessary when people determine they are a lot alike, or that they like one another (Berger & Calabrese, 1975).

Finally, as reciprocity rate increases, liking and similarity are likely to decrease. In this context, reciprocity is defined as an equal number of exchanges between two parties. As the parties become less uncertain with one another, they are more comfortable being silent for a longer period of time, or talking for a longer period of time. Those who are uncertain may not speak for an extended period of time because they do not want to be viewed as dominating the conversation. Likewise, they may not want to remain silent for long periods of time because they do not want to be viewed as unengaged (Berger & Calabrese, 1975). These theorems do not have much support, but when paired with the axioms set forth by Berger and Calabrese, they seem to hold firm.

Many studies have been conducted that have determined steps employers can take to help employees who remain after layoffs maintain morale and productivity. However, this study will look specifically at merger-based layoffs which include the integration of new team members, the possible change in direct management and the introduction of new systems and values, all of which can have a significant impact on employee engagement.

*Relationships in the Workplace*
Ishii (2006) states that employees with high levels of uncertainty may resist change and therefore decrease their engagement levels with the new company. Also, employees with relationships within the organization are directly influenced by their friends’ opinions (Ishii, 2006). Studies also suggest that strong interpersonal relationships in the workplace correlate positively with job satisfaction (Pollock et al., 2000). These studies examine the impact of interpersonal relationships within the workplace and their impact on employee satisfaction, but do not determine if friendships in the workplace can help shape employees’ opinions of the company by which they were acquired.

**Research Questions**

This study will focus on a financial services firm in the greater Chicago area that recently underwent layoffs due to a merger. The name of this company will be kept private due to legal and ethical concerns. The company was founded 30 years ago and was purchased at the beginning of 2012. The acquisition legally closed in April of 2012, at which time there were layoffs across the company.

This data gathered and interpreted in this study will be beneficial for financial services practices that are planning to acquire or be acquired. Human capital is one of the most valuable assets a company has, and maintaining employee engagement throughout the merger process, especially following layoffs, is vital. Berger and Calabrese (1975) note that people often seek to “make sense” out of interactions and surroundings, which aligns with Heider’s psychology of interpersonal relations. Belongingness is also crucial to determine the impact a layoff has on employee engagement, as those left behind are thrust into a new environment where they need to determine their new place. If employers do not rightly calculate the steps they must take to ensure employee engagement does not decline, they may lose revenue or talented employees.
This study aims to determine if a decline in engagement exists following merger-based restructuring at a financial services firm and

RQ1: What steps can employers take to improve employee engagement and reduce uncertainty in the post-merger environment within the financial services industry?

RQ2: Do existing interpersonal relationships in an organization impact individuals’ viewpoints of the acquiring company, either positively or negatively?

This research will benefit the company studied specifically, but can also benefit other financial services firms as well as other firms who have acquired or plan to acquire another company.
SCOPE AND METHODOLOGY

Introduction

Throughout the transition period of a merger, different communication tactics are used to help reduce uncertainty and to provide clarity in a murky situation. The best source of information on what approaches work and do not work are the employees involved in the transition itself. This study will aim to discover what amount of influence interpersonal relationships have on employee engagement among those left behind following layoffs. The results of this study can provide insight to management and senior leaders on what they can do to ensure employee engagement does not decline in the new organization, and how they can leverage interpersonal relationships to ensure the rebirth of a positive culture in the new corporate environment.

Scope of the Study

The evaluation of transition-related uncertainty, employee engagement and the influence of interpersonal relationships on moving forward with a new company will be focused on a case of a financial services organization founded nearly 30 years ago. The company was acquired officially in the second quarter of 2012 and underwent restructuring to appropriately distribute services and staff across the new business. This restructuring included layoffs of approximately 25 percent of the existing workforce, as well as a shift in responsibilities and scale for several remaining individuals. Prior to the acquisition, employee engagement was extremely high; nearly 90 percent of employees attended company-sponsored social events and/or were engaged in fundraising activities throughout the year for nonprofit organizations including Relay for Life, March of Dimes and the United Way. In order to determine how they can engage employees in
the new organization, the CEO and Human Resources Manager provided verbal approval for the study in October 2012, with the Human Resources manager providing written approval as well.

Methodology

Kaplan and Maxwell (1994) state that interpretive research focuses on how humans attempt to make sense of their environment as variables change and new situations occur. Using this approach determined the social and organizational issues relating to employee engagement following a merger-based layoff and the impact of interpersonal relationships on engagement. This study analyzed communication in a natural setting, and allowed individuals to share their opinions, utilizing survey research to help shed light on employees’ current attitudes and thoughts (Rubin et al, 2010). Using Uncertainty Reduction Theory, Belongingness and principles from Social Information Processing Theory, this study analyzed results to determine what tactics individuals in this financial services firm used to reduce their uncertainty, find somewhere to belong and engage in the new organization, and how their interpersonal networks influenced their behavior.

This study used two forms of data collection: an anonymous survey distributed to all associates and five individual interviews with employees of varying tenure and career level at the financial services firm. The data was actively assembled for this research in October 2012. Where the survey collected data by way of providing answers to choose from, the individual interviews allowed subjects to answer on their own terms and in their own words, providing unique insight into the situation (Kaplan & Maxwell, 1994). The individual interviews were structured to ensure constructive conversations take place, but were also flexible enough to ensure a natural flow of communication.

Data Collection
The purpose of this study was to accurately depict the present employee engagement level, determine what steps the organization can take to improve that engagement level and determine the impact of interpersonal relationships on the perception of the transition and the new company. In order to gain an accurate reading of these items, all remaining employees in the acquired company received an electronic survey to fill out anonymously. According to Rubin et al. (2010), surveys must be poignantly worded, precise, arranged in a logical manner and have clear instructions.

This survey included 33 questions ranging in type from open-ended to a rating system. It was distributed to associates whose makeup was split between male and female at 60 percent and 40 percent, respectively, and included eight senior leaders, five additional mid-level managers and 36 non-manager employees, including six remote employees. See Appendix A for a copy of the survey. The longest tenured employee at the company has worked for the company for 25 years. The survey was distributed on October 19 and was open for seven days before closing. The data will then be analyzed in conjunction with Uncertainty Reduction Theory, Belongingness and principles from Social Information Processing Theory.

Individual interviews were used to answer “why” and “how” questions in a more in-depth setting (Rubin et al., 2010). According to Rubin et al. (2010), individual interviews can further probe results from other research techniques, including a survey. Individual interviews took place the week of October 22 with five individuals with differing tenure and position at the company. See Appendix B for a list of the individual interview questions. By holding the individual interviews toward the end of the survey period immediately thereafter, was able to further probe interviewees based on responses from the survey. The researcher interviewed a manager with a two-year tenure at the company, a manager with a twelve-year tenure at the
company, and three non-managers. The non-managers had a five-year tenure with the company, a two-year tenure at the company and a seven-year tenure with the company respectively. Each individual interviewee is a member of a multi-person team and was involved with company-sponsored social events and volunteer efforts prior to the acquisition. Individual interviews lasted about 60 minutes each and were structured, following a pre-determined set of questions (Rubin et al., 2010), but also allowed participants to have an open forum to provide feedback and allowed the researcher to ask probing follow-up questions.

Data Analysis

After collecting the data, the researcher created document transcripts from the interviews as well as created a spreadsheet and graphs from the survey results in order to immerse the researcher in data and familiarize her with all the responses. Following transcription and protection measures, the researcher analyzed themes within the data case by case, and then used Stake’s (2006) cross-case analysis to determine themes and outliers. Stake (2006) suggests the best method for qualitative study analysis is called merging findings procedure which allows the researcher to determine patterns among cases and group like findings into generalizations. Data was analyzed using Survey Monkey’s analytics tool to determine patterns that implied the best communication practices for this situation, what the current level of engagement is in comparison to the level of engagement prior to the acquisition, and how interpersonal relationships impact employee engagement during an organization-wide transition, including layoffs. All files are kept on the researcher’s personal computer to which only she has access and are kept under password protection.
Ethical Considerations

Although no direct risks to participants of this study have been identified by the researcher or by corporate human resources, ethical guidelines of the American Psychological Association and the Institutional Review Board will be followed. Because of the delicate organizational climate, anonymity and protection of data were at the foremost of the researcher’s priorities. The survey was completely anonymous and was presented as optional. Those who participated could have chosen to do so either at work or at home to provide further reassurance that the organization would not and could not track responses. The researcher aimed to halt corporate pressure to participate in the survey and interviews as well as encourage honest feedback in a sensitive environment. The researcher disclosed to all survey participants that an executive summary would be provided to the senior leadership team upon completion of the study.
THE IMPACT OF MERGERS ON THOSE LEFT BEHIND

THE STUDY

Introduction

This section provides an analysis of the data gathered from associates at a financial services firm in the greater Chicago area that recently underwent restructuring as a result of a merger. Data was collected via anonymous survey hosted by Survey Monkey Pro and was also collected from five individual interviews during which the interviewer kept detailed notes. Data collection occurred over a two-week period in October 2012. As the data was analyzed using Stake’s (2006) cross-case analysis, three themes emerged linking directly to Uncertainty Reduction Theory, Belongingness and Social Information Processing Theory, respectively. This study offers an analysis of these themes and provides insight that may help the organization assist associates in moving forward.

Survey Results

The survey allowed individuals to share their opinions, shedding light on employees’ current attitudes and thoughts (Rubin et al, 2010). The survey was distributed to all associates and was allowed to be completed anonymously. The survey response rate was considered by Babbie (2007) to be rather good, with 72% of all associates responding and 43 respondents in total. Nearly 90% of respondents have been working for the company since the announcement of the acquisition in January. The best represented segment of survey respondents were from the sales side of the business, and the least represented segment of survey respondents were from the operations side of the business. The nature of the survey was anonymous, so no further demographic data was gathered.

At the monthly birthday celebration held on October 19, an announcement was made to attending associates (approximately 50% of all associates) that the survey would be distributed
that afternoon and they had the opportunity to provide their feedback on the transition by responding. Following the birthday event, the survey was distributed via email and remained open for one week. The response rate grew significantly when a reminder email was sent the final day of the survey.

The purpose of the survey was to determine the current engagement level; if that engagement level was lower than prior to the acquisition; measures associates took to manage uncertainty; the impact of relationships on perception of the transition and the new company; and satisfaction with different aspects of the transition process. The survey was divided into five sections – engagement, team environment & management, relationships, communication and moving forward. Each section had several questions with multiple response options from which survey takers could choose.

Findings from the survey confirmed that 72% of associates believed engagement had declined since the acquisition. Figure 1 and Figure 2 indicate the engagement levels of respondents prior to the transition and presently, respectively. Prior to the merger, 98% of associates classified their engagement levels as very good or excellent, and no respondents indicated they had below average or poor engagement levels. Following the merger, 44% of associates classified their engagement levels as very good or excellent, and 24% of respondents went so far as to classify their engagement levels as below average or poor. Respondents provided different reasons for the decline in engagement levels, but 49% of respondents reported their decline in engagement was due to increased workload, and 37% due to uncertainty for the future, as depicted in Figure 3.
THE IMPACT OF MERGERS ON THOSE LEFT BEHIND

Figure 1

**Engagement Level Prior to Acquisition**

- Excellent
- Very Good
- Average
- Below Average
- Poor
- Did Not Answer

Figure 2

**Engagement Level Presently**

- Excellent
- Very Good
- Average
- Below Average
- Poor
- Did Not Answer

Figure 3

**Reasons for Decline in Engagement**

- I have an increased workload and feel stressed
- I don’t have an understanding of my new role
- I don’t feel like I fit in to the new organization
- I don’t understand how I fit into the greater new organization
- I am nervous about the future
- I am upset about friends and colleagues leaving the company
- Other
Sixty-three percent of the survey respondents indicated they were uncertain about their futures with the new company, as depicted in Figure 4, with 83% of respondents indicating they had taken measures to help reduce that uncertainty, as depicted in Figure 5. Uncertainty was also a common theme throughout the “Comments” sections of the survey that allowed respondents to provide open-ended feedback. For example, one respondent stated, “I still think there is a great amount of uncertainty within the organization…. ” Another survey respondent said, “[There is] lots of uncertainty. Positions were eliminated…. ” One associate simply said, “Uncertainty,” in the comments section when asked if there had been a decline in engagement since the transition.

**Figure 4**

Uncertainty about Future with New Company

**Figure 5**

Steps Taken by Employees to Reduce Uncertainty
Sixty-six percent of survey respondents also confirmed that they had taken information from friends within the office into account, either some or a little, while forming their opinions of the transition and of the new company, as depicted in Figure 6. The majority of respondents indicated that the transition was a topic of conversation at the “water cooler” with the most popular merger-related topic discussed in social settings being the layoffs that took place, as indicated in Figure 7.

Additionally, survey respondents provided feedback on several aspects of the transition,
including managing new relationships with employees of the acquiring organization, having the appropriate communication from both the greater organization (human resources, leadership) and their direct managers, and, for some associates, adjusting to a change in direct managers. Fifty-six percent of respondents expressed their happiness with the fact that the new organization continued with events as in the past, including volunteer and social efforts that associates already enjoyed. Respondents also provided insight regarding what the new organization could do more of to help them adjust to the new structure, with 44% of associates requesting the new organization provide additional time for interfacing with new associates, as depicted in Figure 8.

Figure 8

What the Company Could Do More of

![Bar Chart]

Most associates who experienced a change in direct management felt that aspect of the transition went well, and 60% of respondents indicated that interfacing with associates at the acquiring organization was somewhat easy. Associates noted that the individuals at other sites of the acquiring organization are incredibly nice, but the lack of training and understanding of the operations on each side of the conversation make it more difficult to work together. Associates
believe that with more training, both for themselves and their new teammates at the acquiring organization, there would be more ease in working with those at other business sites.

Finally, associates were asked to rank their satisfaction with the communication provided throughout the transition, both from their managers and from the organization as a whole. Managers scored well, with 79% of respondents stating their manager had communicated enough and clearly, as well as helped them adjust to their new roles and meet their new goals, as depicted in Figure 9. However, while managers seemed to have helped employees navigate through the transition, only 48% of survey respondents’ direct managers were able to ease their uncertainty about their place at the new company, as depicted in Figure 10.

Figure 9

Manager's Impact on Feelings of the Transition/New Responsibilities

Figure 10

Manager's Impact on Feelings of New Company
Communication from the greater organization (human resources, organizational leaders) was not as well received as communication from managers, with the majority of survey respondents ranking internal communication throughout the transition as average, below average or poor, as depicted in Figure 11. However, 56% of survey respondents did think the frequency of communication was just right.

**Figure 11**

![Overall Rating of Communications between Greater Organization & Employees](chart)

**Individual Interview Results**

Individual interviews provided the researcher with further clarification and insight to supplement the survey responses. The researcher conducted five individual interviews with associates of varying tenure and department. Several key themes emerged in the interviews and were consistent among interviewees, regardless of their background.

The first theme confirmed the survey’s findings that engagement had taken a hit due to the acquisition, but especially due to the increase in workload without additional recognition or reward. When asked what the engagement level of associates in the organization was prior to the acquisition, interviewees responded with an average ranking of “8” on a scale of 1-10 with 10 being highest. When asked what the current engagement level was using the same scale,
interviewees responded with an average ranking of “4.” All survey respondents stated they themselves had an increased workload that was more difficult to manage due to the decrease in headcount, and that they knew their fellow associates felt the same based on intra-office conversations. However, four of the five survey respondents agreed that engagement was on the mend, albeit slowly, with two of them stating, “Time heals all.”

The second theme derived from the interviews was that more training is required to help reduce uncertainty and to help associates fit in at the new organization. All five interviewees stated there was a lack of internal processes and they no longer knew who to contact about what. Two interviewees believed training was reactive and not proactive, and that clients were thought of prior to associates. One interviewee stated that if the company trained and treated their associates as well as they did their clients, turnover would be minimal and associates would be much more engaged in the new organization. Three interviewees mentioned their belief that training has suffered because managers were unable to manage due to their increase in workload and inability to care for their teams. To combat this workload increase on managers and to increase the understanding among associates about transition-related projects, three interviewees also suggested more non-manager participants in project teams. This would not only help cross-train associates but also provide them with a better understanding of the new company.

The importance of vision and future possibilities among associates emerged as the third theme of the individual interviews. Four of the five interviewees expressed their dissatisfaction with the lack of career opportunities at the firm, and that since the acquisition, they are even less knowledgeable about career opportunities even though the number of organizational positions had nearly quadrupled. Those same interviewees came to the conclusion that without the opportunity for growth, they were less likely to apply themselves, especially if all they were
working toward was a cost of living increase each year. This desire for career development is an extension of the desire for a company vision. All interviewees felt the home office business had a clear vision and path prior to the acquisition, but now feel a sense of chaos in the office. Associates do not know how they fit in to the greater picture, and are unsure of what they are working toward. Without this vision, associates are unable to determine if their values and goals align with the company’s, and therefore cannot determine if the new company is an appropriate place for them to stay.

Finally, individual interviews uncovered the reliance on others in the office for more information and to reduce uncertainty. All interviewees agreed that their friends’ opinions and experiences throughout the transition or with the new organization had some weight on their own. Most interviewees also expressed the reciprocal nature of this aspect of uncertainty reduction – that they either sought out or took to heart others’ opinions and others either sought out or took to heart their opinions. Information uncovered in the interviews also confirmed that the most popular topics of conversation in social settings among associates were the transition, including the layoffs that occurred during the merger and the uncertainty of the future.

Discussion

This study discovered the impact merger-based restructuring at a financial services organization can have on the acquired employees. The study revealed that merger-based restructuring does indeed have a negative impact on employee engagement, and uncertainty is absolutely certain to exist among the majority of those who remain. There was clear evidence that much work is required on the organization’s part to help employees reduce uncertainty and re-engage in the newly formed organization. However, there were positive findings regarding
direct managers as well as the ability of associates to lean on one another as they attempt to move forward as a team.

The acquiring organization must take some steps, even small ones, to re-engage home office associates before it is too late to do so. Trust must be built by leading by example and re-invigorating the commitment to corporate values that associates valued prior to the acquisition. If the organization does not take steps to increase associate engagement, it is possible that several associates may choose to depart for other opportunities. If certain identified “lynchpins” in the organization choose to do so, it may set off a domino effect among other associates.

Reflection: Uncertainty Reduction Theory

Uncertainty Reduction Theory states that individuals in situations that are uncertain will take measures to reduce their uncertainty. These measures include but are not limited to increasing both verbal and nonverbal communication, seeking information and finding similarities between themselves and the uncertain (Berger & Calabrese, 1975). Both the survey and individual interviews confirmed that a decline in engagement did occur due to the acquisition, and a very large reason for that decline was uncertainty. Therefore, the argument could be made that as uncertainty increases, employee engagement decreases.

It was noted by a few survey respondents and some interviewees that their friends in the office helped them “feel better” or allowed them to “vent” about an issue. After this interaction, they moved forward with their days, feeling better because their issues were understood by others. This suggests that one of the best ways to reduce uncertainty is to encourage the presence and prevalence of interpersonal relationships among associates. This will be discussed further in the “Reflection: Social Information Processing Theory” section of this chapter.
Associates also indicated they sought additional information to help reduce their uncertainty. This included attending informational meetings and researching the acquiring company. Some associates specified that they looked for similarities between their old roles and their new roles, or between their prior processes and new processes to help them comfortably adjust to the new environment. As associates discovered similarities, uncertainty decreased, confirming Berger & Calabrese’s (1975) axiom of Uncertainty Reduction Theory that states as similarity increases, uncertainty decreases. While this axiom often applies directly to relationships, in this case it also applies to the corporate setting.

Finally, from data analysis, this study discovered that as uncertainty increased, the amount of chatter in the office increased. If an associate was unsure about something, he spoke to a friend or colleague. Then that colleague spoke with other colleagues about the matter. This continued until the majority of the office heard about the specific incident or specific question and made their own determinations about the company, and most of the time, that determination was negative. This implies that as uncertainty increases, chatter increases and negativity about the acquiring company increases.

**Reflection: Belongingness**

According to Adlerian theory, all individuals need to belong to society and contribute to that society’s needs (Ferguson, 1996). As this study shows, this theory of belongingness also seems to apply to the workplace. Most interviewees expressed that if they felt a sense of belongingness, they were less likely to feel uncertain. Some survey respondents indicated their engagement declined because they did not understand how they fit in to the new organization. This, however, was not the most popular choice for a decline in engagement. Belongingness does
seem to have some bearing on engagement levels, but does not weigh as heavily as other transition-related changes, such as an increased workload and layoffs.

*Reflection: Social Information Processing Theory*

Social Information Processing Theory states that individuals are directly influenced by the attitudes and opinions of those they work with and interact with socially in the workplace (Salancik & Pfeffer, 1978). Most survey respondents and interviewees indicated they were indeed influenced by the opinions of their fellow associates while forming their thoughts on the transition and on the new company. An acquiring company can leverage these interpersonal relationships to build trust and gain credibility among acquired associates. Survey respondents and interviewees also indicated that the transition period had been easier because they felt they could lean on their fellow associates for support and understanding.

However, interpersonal relationships in the office can also prove costly for the acquiring organization if the transition is going, in the eyes of the associates, poorly. When probed further about this subject, interviewees mentioned that negativity breeds negativity and that associates with negative mindsets could easily bring other associates down and it was more difficult to instill a sense of positivity among associates than that of negativity. This implies if the number of negative associates outweights the number of positive associates, the company will have trouble gaining trust and improving engagement. This may be best tackled by working with associates individually instead of at the greater organizational level. Because, according to this study, associates clearly have an impact on their friends’ attitudes, more individuals who think positively about the future are required to help ease uncertainty and transform the conversations at the water cooler.

*Reflection: Trust*
Throughout the areas in the survey that left room for comments and open-ended responses and in each of the individual interviews, the topic of trust was discussed. The absence of trust is one of the most detrimental dysfunctions of a team (Lencioni, 2002). Survey respondents noted that trust was no longer present in all areas of the business, and it was difficult to build trust with associates at the acquiring organization for a few main reasons. The first reason is due to physical location. Associates mentioned that not having new teammates physically in the office with them made building trust a longer process due to decreased interaction.

The second reason for lack of trust was due to the absence of long-term goals and strategy from the acquiring company. Several times in the survey and multiple times in interviews, the heightened number of short-term goals and lack of long-term vision was mentioned. It was mentioned that prior to the acquisition, a long-term vision was easier to see and was discussed often. Without this vision, associates are wary of what they are working toward and are less likely to trust leadership and individuals at the new organization that they do not know personally. This implies associates are not willing to work as diligently or implement their best ideas because they do not trust the company they are working for. The company must cast a long-term vision and position it to associates not only on a grand scale, but also on an individual level.

Finally, associates consistently mentioned a small number of “lynchpins” in the organization that had worked hard to earn their trust. Associates mentioned they would “follow [lynchpin] blindfolded” or “follow [lynchpin] over a cliff.” These lynchpins are also responsible for driving engagement and commitment in other associates. Should these four individuals decide to leave the organization, multiple associates would likely consider following and have
even less reason to trust the acquiring organization. This small number of lynchpins is detrimental to the acquiring organization because turnover does occur during mergers. Should one of these individuals personally decide to pursue opportunities elsewhere, the acquiring organization could have a problem on their hands. The acquiring organization must work diligently to increase the number of lynchpins in the organization to ensure retention and increase engagement.
CONCLUSION

Limitations of Study

The limitations of this study include the fact that it was completely supported by senior leaders of the firm. While this may seem like an advantage, and can be considered one for the purpose of being able to physically perform the study, it may have been viewed as a cover-up for senior leaders wanting more information from employees. The researcher took careful measures to ensure employees felt safe, comfortable and above all understood that the data collection methods were not firm-sponsored, but pertained directly to this research. This limitation can be extended to the overall aspect of trust. Because there were layoffs due to the acquisition, many employees may not have felt empowered or safe enough to share their true feelings in response to the survey or individual interviews. While measures were taken to ensure trust was communicated, the researcher could not control the responses of individuals employed at the firm.

Another limitation of this research lies in the prior engagement level of the studied firm. The engagement level was very high – ranked an “8” on a scale of 1-10 – prior to the acquisition. Any disturbance of the existing engaged culture, including layoffs, could have had an extreme effect on associates’ views of the acquiring company, most likely negative in nature. Another limitation of this research exists in the timeframe allotted for individual interviews. While a survey painted a fairly clear picture of all employees’ thoughts, opinions and feelings, additional individual interviews or focus groups, or even observations, could have been used to further clarify findings in the survey responses.
Recommendations and Opportunities for Further Study

This study uncovered several opportunities for the examined financial services firm to improve associate engagement and help associates reduce uncertainty. By using some of the recommendations outlined in this study, it is possible for the examined financial services firm to recreate a sense of belonging among associates and give them something to work toward, thereby increasing their engagement levels. For example, the acquiring company could create more internal training documents and distribute them to the acquired associates describing the new systems, processes and point-people each team needs to know to do their jobs well. By doing this simple activity, the acquiring company is not only providing the necessary information, but also showing an investment in associates, proving their commitment to seeing them grow. While this simple step can go a long way, a more thorough and robust internal training program is essential to building associate satisfaction with their jobs and decreasing frustration that is often shared among teammates. A state-of-the-art internal training program will also aid in associate retention and recruiting new associates.

The acquiring company can also create a career development program to help associates find a sense of hope and see a long, successful future with the acquiring company. This can include re-instating a tuition reimbursement program and creating job paths that make it easy for associates to see how they can move from one level, or one department, to the next. With a more constant flow of promotions and inter-departmental movement, associates will feel as though there is room for growth and they are not “stuck” at one place in the organization. The possibility of working remotely for the other organizations provides new opportunities for home office employees to advance in their careers. By highlighting this or providing a “position spotlight” communication program, associates will have something to work toward and hope for their
future with the company. It will also play a part in calming fears of more layoffs by showing open positions and hiring from within to fill vacancies.

Finally, the acquired company can not only continue to do social and volunteer activities as they did in the past, but also can promote and implement those activities across the greater business. This will help associates at the home office feel as though they contributed to the organization as a whole and played a part in developing the acquiring company’s culture. It will also continue to promote a fun and engaging work environment with the “family” feel that home office associates loved about the prior state of their business. Keeping these activities will promote the longstanding legacy of the home office’s values and promoting them at other sites will increase communication among new colleagues.

This study can be furthered by looking at other industries and determining if the same holds true for those as well. Research also must be done to determine if level, tenure or department plays a role in engagement levels and willingness to move forward with the new organization. It would also be interesting to continually survey and interview associates throughout a transition, from beginning to full integration and see what activities are working and what activities are not. While a study like this could take years to complete, the data compiled and analyzed could provide excellent insight to firms looking to go down the acquisition path.

Conclusion

This study investigated the impact of mergers on associate engagement at a financial services firm, taking into account the influence of interpersonal relationships on individual engagement levels. The study’s survey and interviews explored associates’ feelings about the acquisition, their levels of engagement and what they felt was going well or not well. The results
of the survey and interviews provided feedback about the acquisition and provided insight on what the company could do moving forward to increase engagement.

First, the company has indeed suffered a decrease in engagement since the acquisition in January. The vast majority of associates believe that engagement has declined, mainly due to the increased workload and loss of some colleagues. Additionally, survey and interview respondents clearly stated the need for proactive communication among associates and an increase in visibility with the acquiring company’s associates and leaders. Uncertainty is very apparent among almost all associates and it is something they discuss regularly both in the office and at social outings.

The importance of management was made abundantly clear in both the survey results and interviews. Survey respondents indicated that their managers were supportive and helpful, as did interviewees. However, all associates seemed to acknowledge the lack of visibility with their managers due to management’s increased workload and heightened number of meetings. The satisfaction with the greater organization’s communication and assistance through the transition was not as well received, meaning managers’ roles are even more crucial since they are the ones associates trust to deliver news and help make adjustments. Because of this belief, smaller meetings with managers or a senior leader were by far the most preferred method of communication for transition-related topics.

Finally, associates mentioned the importance of a clear vision for the future, both for themselves individually and for the company as whole. Without this vision, uncertainty remains, and associates struggle to find where they belong in the current environment. This also causes more chatter in the office, often negative chatter, which impacts engagement and continues to make uncertainty abound.
In summary, this study provided an in-depth look at the impact of uncertainty among associates in a post-merger environment and how that uncertainty influences their engagement levels. An acquiring organization that takes steps to ensure the emotional health of the acquired employees remains intact will likely see more success in associate retention and associate engagement levels. Mergers and acquisitions are incredibly complex undertakings, but by putting associates first, a company is likely to progress through the transition quickly and positively, and associates are more likely to dig in their heels, get to work and grow excited about the future.
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Communicators and researchers who laid the groundwork for me to be able to conduct this study
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APPENDIX A

The Survey

Thank you for participating in this survey and contributing to the graduate thesis of Victoria Basinger. This survey will include about 30 questions and ask you about the transition, communication regarding the transition and the impact your relationships have had on you personally throughout the transition. It will also ask you questions regarding your current engagement level, as well as your engagement level prior to the acquisition.

This survey is completely anonymous. There is no way for Victoria Basinger or the company to track who answered which questions, or which answers belong to individual responders.

Please be honest! This is your chance to provide feedback anonymously to the company as the transition moves forward. Your feedback will be gathered and analyzed, and themes and feedback, both constructive and positive, will be shared with the organization.

Here are some definitions that will help you as you complete the survey:

**Engagement**: level of commitment to the company, not only in your daily tasks, but also in how willing you are to engage in extracurricular activities, like social events or volunteer efforts

**Interpersonal relationships**: relationships between people who are friendly in nature – another term for “friendships”

**Transition**: time period between the announcement of the acquisition to present

How long have you worked at the company?
- 1 year or less
- 2-5 years
- 6-10 years
- 10+ years

What area of the business do you work in?
- Sales (business development, recruiting)
- Operations (advisor services, business processing, trading desk, licensing/registration)
- Shared Services (for purposes of this survey and to help maintain anonymity, this includes marketing, compliance, finance/commissions, technology, human resources and senior leaders/senior leader support staff who do not fall into sales or operations)

**Engagement**

How would you rate your engagement with the company prior to the acquisition?
- Excellent
- Very Good
- Average
- Below Average
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- Poor
- Comments (free form)

How would you rate your engagement with the company during the transition period (presently)?
- Excellent
- Very Good
- Average
- Below Average
- Poor
- Comments (free form)

If there has been an increase in your engagement level, why? If you answer other, please specify in the comment box. (Multiple answers can be selected)
- I am excited about joining a new company
- I am excited about my new role
- I am excited about the new capabilities provided by the new company
- I fit in better at the new organization
- My future has great promise at the new company
- I enjoy working with my new team and/or new manager
- Other
- Comments (free form)

If there has been a decline in your engagement level, why? If you answer other, please specify in the comment box. (Multiple answers can be selected)
- I have an increased workload and feel stressed
- I don’t have an understanding of my new role
- I don’t feel like I fit in to the new organization
- I don’t understand how I fit into the greater new organization
- I am nervous about the future
- I am upset about friends and colleagues leaving the company
- Other
- Comments (free form)

Do you believe there has been a decline in the overall engagement of associates since the acquisition? If yes, why?
- Yes
- No
- Why/Comments (free form)

What has the company done well to maintain your engagement during the transition?
- Continued with activities as in the past (summer outing, Relay for Life, etc…)
- Given me opportunities to ask questions and reduce my uncertainty/had an open door policy
- Provided me with additional support to maintain my productivity
• Helped me feel like a part of the new company and not just a part of an acquired company
• Other
• Comments (free form)

What could the company do more of to gain your engagement during and following the transition?
• Communicate more frequently
• Have more opportunities to interface with the new organization (leadership, etc…)
• Bring over new company traditions/events to help us feel like part of the greater organization
• Other
• Comments (free form)

What employee engagement practices do you enjoy most?
• Social events: out of the office (Top Golf, offsite holiday parties, etc…)
• Social events: in the office (tailgate parties, 2011 holiday party, jersey days, etc…)
• Volunteer events (Relay for Life, United Way, etc…)
• Spontaneous happy hours
• Birthdays
• All associates meetings

**Team Environment & Management**
How has the team environment at your office has changed since the acquisition? If you answer other, please specify in the comment box. (Multiple answers can be selected)
• My team has grown in size
• My team has declined in size
• I now work on a new team with new colleagues at other sites
• I now support additional businesses
• Morale has declined and my home office teammates are less positive than they were prior to the acquisition
• There is more chatter in the office
• Other
• Comments (free form)

Do you currently have a different manager than you did prior to the acquisition?
• Yes, I have a different manager
• No, my manager is the same person as prior to the acquisition

If you answered yes to the previous question, how easy has it been to transition to new management?
• Very easy
• Somewhat easy
• Difficult
• Incredibly difficult
How would you rate the ease of working with employees at the other company locations?

- Very easy
- Somewhat easy
- Difficult
- Incredibly difficult
- I am not in contact with employees at other company locations

What could the company do to help ease working with teammates at other company locations? Free form

**Relationships**

How much weight has the influence of your interpersonal relationships and their opinions had on your perspective of the new organization?

- A lot – I have been greatly influenced by the perspectives of others in the office when forming my opinion of the new organization
- Some – I have taken bits and pieces of the information told me by friends in the office and used it to form my opinion of the new organization
- A little – I have only taken one or two people’s insight into consideration when forming my opinion of the new organization
- None – I have formed my own opinion of the organization based solely on my experiences

What topics do you think are most discussed at the “water cooler” regarding the new organization? (more than one answer may be selected)

- The new capabilities it brings
- The new role you find yourself in or new responsibilities you are in charge of managing
- The uncertainty you have about the future
- The shakeup to the home office team structure
- Other – please clarify below in the comments section
- Comments

How has the relationship between you and your manager impacted how you feel about your new role and responsibilities, or about the new organization as a whole?

- I have a good relationship with my manager and he/she has made it as easy as he/she can for me to adjust to my new role and meet my new responsibilities
- I wouldn’t classify my relationship with manager as either good or bad; it has been somewhat difficult for me to adjust to my new role
- I don’t have the best relationship with my manager, so it has been hard for me to want to adjust to my new role
- Other
- Comments (free form)

How has the relationship between you and your manager impacted how you feel about the new organization as a whole?
• My manager has made me feel comfortable and valued, so I feel good about my place in the new organization
• My manager has been somewhat unclear about the future and my new responsibilities; I’m still not quite sure how I will fit into the new organization
• My manager has not provided what I view as adequate support throughout the transition; I’m very nervous about what the future holds for me
• Other
• Comments (free form)

How have your relationships with your teammates impacted you during the transition?
• The transition has been easier for me because I’ve had friends and colleagues going through the same things I’ve been going through, so we can lean on each other
• The transition has been more difficult for me because I don’t have many supportive relationships in the office that I can lean on for support
• The transition has neither been more easy nor more difficult for me because of the support of my teammates – they have not had a bearing on my reaction to the transition or on my support system
• Other
• Comments (free form)

Communication

Which type of communication have you preferred throughout the transition?
• Email
• Large all associates meetings
• Smaller meetings with a senior leader or my manager

How would you rate the FREQUENCY of communication between the greater organization (senior leadership/human resources/corporate communications) and you during the transition?
• Too much
• Just right
• Too little

What did the greater organization do well during the transition?
Free form

What could the greater organization have done to improve communication with you during the transition?
Free form

How would you rate the communication between your manager and you during the transition overall?
• Excellent
• Good
• Average
• Below Average
• Poor
THE IMPACT OF MERGERS ON THOSE LEFT BEHIND

- Comments (free form)

How would you rate the FREQUENCY of communication between your manager and you during the transition?
- Too much
- Just right
- Too little
- Other
- Comments (free form)

What did your manager do well during the transition?
Free form

What could your manager have done to improve communication with you during the transition?
Free form

Moving Forward
Do you feel uncertain about your future with the new company?
- Yes
- No

What have you done to decrease your uncertainty and move forward with the new organization? (More than one answer may be selected)
- I have been diligent in finding out information on the new company, my new role, etc…
- I have gotten to know teammates at different sites and began to build rapport with them
- I have been sure to attend informational meetings as much as I can
- I have tried to identify similarities between our old organization and the new organization
- Other
- Comments (free form)

What can the company do to help decrease your uncertainty and help you move forward? (More than one answer may be selected)
- Be transparent and communicate what they know when they know it
- Provide me with additional training on the new company’s capabilities and any new processes
- Continue with regular communications on transition updates
- Other
- Comments (free form)
APPENDIX B

Individual Interview Questions (non-exhaustive – used as a guide for conversation)

Have you completed the survey yet?

IF YES: How would you classify your answers overall?

IF NO: Has been a decline in your engagement level since the acquisition? Why?

Do you think other people here in the office have seen a decline in their own engagement as well? How do you see this? Why do you think that is?

When you find yourself in a casual group (2 or more) setting at work, does the new company come up often? What do you find yourself talking about the most?

How would you classify the overall engagement level on the floor? Why do you think that is?

What do you think can be done to increase employee engagement?

How has your relationship with your manager influenced how you’ve decided to move forward?

How have your relationships at work influenced your perception of the new company?

Is there any one (or two) people that you think have influenced your perception of the new company most? Why is that?

Have you found that your opinion of the new company has influenced anyone else in your circle of interpersonal relationships? Why or why not?

Do you find that any teams in particular have struggled to move forward with the new company? If so, why do you think that is?

If you were to gauge employee satisfaction today, with 10 being ecstatic and 1 being abysmal, what would you rate it? Why?

Tell me about what you think could have been communicated better during the transition.

Tell me about what you think was communicated well during the transition.

How would you have communicated to employees during the transition?

How do you feel about the new direction the company has taken?

Have you sought to belong at the new company? Is belongingness important to you? Discuss.