

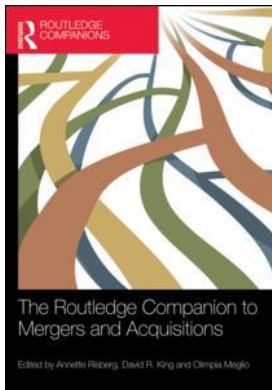
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## **The Routledge Companion to Mergers and Acquisitions**

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### **Engaged employees in M&A**

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# Engaged employees in M&A

## Illusion or opportunity?

*Satu Teerikangas and Liisa Välikangas*

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### Introduction

In this chapter, we approach mergers and acquisitions (M&As) from an engagement lens. Reflecting the assumptions of positive organizational scholarship (Cameron *et al.* 2003; Cameron and Spreitzer 2012), engagement offers a positive take on employee presence and involvement at work (Kahn 1990, Rothbard and Patil 2012). Such a take differs markedly from the reality of many a merger or acquisition, where negative emotionality prevails (Napier 1989; Cartwright and Cooper 1990; Marks and Vansteenskiste 2008). We begin by considering 1) the case for engagement and 2) the performance consequences of an engaged workforce. We then 3) review the theoretical perspectives through which engagement has been approached, discussing their relevance to M&As. This leads us to 4) propose a typology of engagement scenarios in times of M&A, be it by nurturing individual action or by means of organizational support. In light of the many audiences impacting M&As, we finish the chapter with 5) an overview of how differing audiences' engagement dynamics differ in pre- and post-transaction eras. In so doing, our chapter contributes to theorizing on M&As by introducing an engagement lens to employee reactions and involvement during M&As. We also contribute to theorizing on engagement by illustrating the need for engaged employees not only in seemingly static, i.e. normal, work contexts, but also in times of major changes, such as mergers or acquisitions. We argue that, given the radical change in ownership and psychological contract that they represent, M&As offer an arena, wherein the engagement of employees is particularly needed.

### The case for engaged employees in times of M&A

The significance of human capital to firm performance spans the history of management. In the present knowledge-based era, where innovativeness and the quality and speed of new ideas have become central to firm survival, human capital arguably takes center stage. In such a context, a firm's competitive advantage has shifted from the efficient management of physical assets to rely on the extent to which it is able to leverage the potential residing in its workforce (Davenport *et al.* 2002). This is reflected in theorizing on the resource-based view of the firm; beyond leveraging

tangible, physical resources, the resource-based view of the firm is keen to appreciate how to tap the human potential residing in organizations (Barney and Wright 1998). In the strategic management and strategic human resource management literatures, this resonates with a debate on the significance of a firm's human capital, and its performance implications (Pfeffer 1994; Kor and Leblebici 2005; Wright and Haggerty 2005).

Beyond academic interest, the significance of human capital to firm success has translated into organizations having adopted employee engagement as *the* human resources tool in order to harness the positive energy and enthusiasm of their workforce (Macey and Schneider 2008). Take the example of leading organizations such as Carlsberg, Tata, or Nokia Solutions and Networks—employee engagement is sought and measured. On a broader scale, the emphasis on engaged employees reflects the tenets of positive organizational scholarship, which advocates viewing individuals and organizations from the perspective of their potential, instead of focusing on their weaknesses or negative symptoms, as is the tradition in psychology and organizational psychology (Cameron *et al.* 2003; Cameron 2008; Cameron and Spreitzer 2012).

Despite a corporate emphasis on employee engagement, the reality is that of an employee engagement deficit in many of today's organizations, with engagement levels averaging 30 percent (Schuck 2011). Based on 32,000 respondents, the 2012 *Global Workforce Study* (Towers Watson 2012) warns that only 35 percent of the global workforce is highly engaged. A resource being currently deployed at 35 percent ought to be a serious concern. This explains why Cartwright and Holmes (2006) position the challenge as *regaining* employee engagement, arguing that factors causing a lack of employee engagement have gained an upper hand.

Paralleling corporate interest, employee engagement has gained research interest, particularly since the 2000s (for reviews, see e.g. Schuck and Wollard 2010; Rich *et al.* 2010; Attridge 2009; Maslach *et al.* 2001; Rothbard and Patil 2012). A critical overview of research in this area, however, posits most research being focused on employee engagement in static, or non-transformative, contexts. Whilst change appears to be a defining characteristic of the workplace of the twenty-first century (Hannan and Freeman 1977; Gersick 1991; Brown and Eisenhardt 1997), we appear to be lacking in knowledge about how employees engage in times of major change. Recent findings, though, posit the power of employees' positive emotionality (Avey *et al.* 2008; Huy 2012) and engagement (Sonenshein and Dholakia 2012) in support of strategic change (Golden-Biddle and Mao 2012). Positive emotionality has been found supportive in managing the unexpected (Sutcliffe and Christianson 2012), healing from organizational disruption (Powley 2012), responding to crisis (James and Wooten 2012), and growth following trauma (Maitlis 2012).

In this chapter, we seek to build and extend on this emerging body of knowledge on the role of engagement in times of radical change by focusing on mergers and acquisitions. Though the human dimensions have been identified as having performance consequences for M&As (Larsen and Finkelstein 1999), firms seem to fail in tapping into the positive and generative agency residing in their workforce (Napier 1989; Cartwright and Cooper 1992; Cartwright 2012). We argue that this might be due to the fact that an appreciation of employees actively engaging in times of M&A is lacking. Extant theorizing tends to portray the workforce as a passive recipient of change following M&A (Buono *et al.* 1985; Buono and Bowditch 1989; Haspeslagh and Jemison 1991; Cartwright 2012). Recently, the significance of individual managerial agency following M&A has come to be highlighted, be it as regards acquired firm managers (Graebner 2004), human resource managers (Antila 2006), or acquiring firm integration managers (Teerikangas *et al.* 2011). Beyond an appreciation of individual managerial action, based on extant research, the generative effect of human agency in times of M&A is insufficiently explored. This is the theoretical setting into which our chapter is positioned. Through the lens of engaged employees, we

consider the dynamic human agency in times of M&A. This leads us to contribute to theorizing on M&As by introducing an engagement lens to employee reactions and involvement during M&As. Such a take extends our view of active human agency in times of M&A from individual managers to the many employees that make up the M&A arena. In parallel, we contribute to theorizing on engagement by illustrating the need for engaged employees not only in seemingly static, non-transformative, work contexts, but particularly in times of major changes, such as mergers or acquisitions.

## Engagement—a theoretical tour

Whilst the term employee engagement is recent, the question “What motivates me?” can be considered central to the managerial agenda. Researchers have had an interest in human motivation since the early twentieth century. In the 1930s, the human relations movement began to draw attention to the human side of the enterprise (Burnes 2009). Since the 1950s, be it in psychology or organizational behavior, work on employee motivation has burgeoned (Miner 2005; Steel and König 2006). Various ways of capturing the motivated employee at work have been sought, ranging from intrinsic vs. extrinsic motivation, employee vs. life satisfaction, work commitment, involvement, participation, and meaningfulness, to the more recent trends of passion (Perttula and Cardon 2012), thriving (Spreitzer *et al.* 2005), fun (Huy 2005), and engagement at work. In this and the following sections, our focus shifts to describing how the study of engagement has evolved and where the field stands at present.

In parallel to the notion of engagement having gained societal and corporate currency, the term is receiving increasing research attention (Macey and Schneider 2008;). Whilst research on engagement emerged in the early 1990s with the work of Kahn (1990, 1992), it was thereafter fed by practitioner interest (see Macey and Schneider 2008). Led by social psychologists and scholars in organizational behavior, since the early twenty-first century, the field has witnessed a burgeoning and rebirth. The study of engagement has been strongest in the areas of applied psychology and sociology, with increasing interest from organization scientists (for reviews, see Shuck 2011; Schuck and Wollard 2010; Rich *et al.* 2010; Attridge 2009; Maslach *et al.* 2001; Rothbard and Patil 2012).

Despite these advances, the field is critiqued for lacking appropriate conceptualizations of what engagement is (Macey and Schneider 2008; Little and Little 2006; Ho *et al.* 2011). Macey and Schneider state: “engagement is a concept with a sparse and diverse theoretical net—the relationships among potential antecedents and consequences of engagement as well as the components of engagement have not been rigorously conceptualized, much less studied” (2008: 3–4). The concept of engagement appears related to cognition, affect, and behavior (Zigarmi *et al.* 2009; Shuck 2011). Also, the relative independence and uniqueness of engagement as a concept and its links to other related concepts has been raised (Hallberg and Schaufeli 2006; Macey and Schneider 2008). Engagement has been argued to differ from job involvement (Hallberg and Schaufeli 2006; Saks 2006), commitment (Hallberg and Schaufeli 2006; Saks 2006;) and workoholism (Bakker *et al.* 2008; Schaufeli *et al.* 2006). Whilst it has been found to differ from job satisfaction, it is also highly related to it (Wefald and Downey 2009). Rich *et al.* (2010) argue that engagement offers a more comprehensive explanation of the relationships with performance than do the related concepts of job involvement, job satisfaction, or intrinsic motivation.

## Engagement and performativity

Though difficult to define and capture in academic terms (Mainemelis 2001), engagement appears to matter with respect to individual, team, and corporate performance. The positive performance effects of engagement have received confirmation in a number of studies.

Engagement has been found to be positively related to employee performance (Britt *et al.* 2005; Salanova and Schaufeli 2008). Kahn (1992) observes that engagement results in improved outcome quality and a positive work experience. Engagement has been evidenced to relate negatively to turnover intentions (Schaufeli and Bakker 2004) and positively to job performance, extra-role behavior, good health, and positive work affect (Sonnentag 2003). Engaged individuals produce work that is creative and of high quality, resulting in personal commitment to the outcome and contagious enthusiasm toward others (Teerikangas and Välikangas 2012). Engaged individuals have further been found to experience greater happiness in their lives than non-engaged individuals (Schaufeli *et al.* 2006). Similar positive performance effects have been found as regards cousin concepts such as the meaning of work (Pratt and Ashforth 2003), work as calling (Hall and Chandler 2005), job involvement (Brown and Leigh 1996), and intrinsic motivation (Grant 2008).

Beyond individual-level outcomes, high degrees of engagement impact team creativity (Gilson and Shalley 2004), firm performance, and customer satisfaction (Salanova *et al.* 2005). In terms of corporate performance, a meta-analysis of the Gallup industry database found employee engagement and satisfaction to strongly correlate with employee turnover, customer satisfaction, and safety, and also to correlate with productivity and firm profitability (Harter *et al.* 2002). Recent research posits engagement as a glue binding different organizational levels and units together, shaping firm performance (Ployhart and Moliterno 2011). It would appear that the more one is attuned and emotionally attached to one's job, the better not only one's own, but also one's team's, and, ultimately, the organization's performance.

Paralleling interest in the role of positive emotionality in times of change (Cameron and Spreitzer 2012), Avey *et al.* (2008) find that positive emotions support the engagement of employees in times of organizational change. Marks (2007) argues that engagement is a means to intellectually distance the workforce from the old regime, before energizing them toward the new one. Based on their study of employees' engagement to strategic change, Sonenshein and Dholakia (2012) suggest that not only managers, but also colleagues influence employee reactions during strategic change. These influence mechanisms appear to operate differently. They conclude that everyone bears a role in supporting strategic change. Beyond performance outcomes in static contexts, it appears that engagement bears meaning also in shifting organizational landscapes. In order to further such an appreciation, we turn our attention next onto the perspectives from which engagement has been studied.

## Perspectives on engagement and implications for M&As

In defining engagement and its antecedents, a number of approaches can be identified. Despite differences between these approaches to engagement, it is generally agreed that engagement is manifested in a flow of positive emotions, extra-role behaviors, vigor, and energy. Yet, the ways in which these manifestations are defined vary across studies. After reviewing each perspective on engagement, we move onto discussing their implications for M&A, which are summarized in Table 8.1.

Table 8.1 Alternative perspectives to employee engagement and their implications for M&As at personal, managerial, and organizational levels of analysis

Perspectives to engagement Implications for M&As	Perspective 1: <i>Engagement as authenticity</i>	Perspective 2: <i>Engagement as a dyadic process</i>	Perspective 3: <i>Engagement as resources vs. demands</i>	Perspective 4: <i>Multiple foci for engagement</i>
<b>Implications for individuals</b>	The ability to find oneself and one's role in the combined organization. Identity work in relation to the new organization	The ability to find and know one's rhythmic requirements for edging and retreating. Challenge oneself and rest intermittently and regularly. Use digital tools and virtual work smartly in support of such a dyadic process	The ability to manage one's psychological and physical resources to avoid burnout. To know one's limits and manage work-life balance	Consider what are the foci of one's engagement. How can the many foci of engagement act in mutually supportive ways?
<b>Implications for managers</b>	Provide psychological safety in changing situations. Invite engagement rather than control for it.	Provide socio-emotional spaces for challenging people and for recuperation. Design work rhythms to fit individual employee requirements. Manage the intensity of work over time	Balance resources vs. demands in a way that allows calibration as needed.	Accept and support employees' many foci of engagement.
<b>Implications for organizations</b>	Design the organization to suit the employees' needs. Ensure ethical behaviors. Connect isles of engagement to each other.	Design the new organization primarily based on the way employees work (productively/creatively) rather than on the (assumed) requirements of a particular job. Cultivate orchestrated action between highly engaged and less engaged groups of employees in support of engagement contagion.	Set limits to the demands on employees and provide support resources (e.g. mentors). Make resource-scarcity a driver for innovation. Develop organization-wide tools and practices for inviting engagement	Accept and support employees' many foci of engagement.
<b>Underlying literature</b>	Kahn (1990)	Teerikangas and Väil kangas (2012)	Schaufeli <i>et al.</i> (2002)	Saks (2006); Macey and Schneider (2008)

## *Perspective 1: engagement as authenticity*

### Overview

The seminal academic study on engagement is that of Kahn (1990), who coined the terms personal engagement vs. disengagement at work. Kahn argues that prior literature has taken a static view on a person's fit to one's job, be it in the job involvement, commitment to work, or work alienation literatures. In contrast, Kahn considers engagement from a dynamic, constantly changing lens. Basing himself on Goffman (1961), Maslow (1954), and Alderfer (1972), Kahn defines personal engagement as "the extent to which employees harness themselves in their work roles, i.e. employing and expressing themselves physically, cognitively and emotionally during work role performances" (1990: 701). This is contrasted with personal disengagement, which is likened to automatic or robotic behaviors, effortlessness, and defensive, inexpressive, impersonal, or closed behaviors, i.e. situations wherein one does not fulfill one's role with authenticity (Harter 2002). Kahn (1990) identifies psychological meaningfulness, safety, and availability as enablers of engagement. These factors can be further broken down into psychological, interpersonal, and organizational antecedents. One's psychological availability depends on the degree of physical and emotional energy available for work. Psychological meaningfulness stems from meaningful activity and work interactions. A climate of psychological safety is enabled by the quality of interpersonal interactions at work, group dynamics, management style, and organizational norms (Kahn 1990).

### Implications for M&A

Translating Kahn's perspective on personal engagement into an M&A context, the issue is how to maintain one's degree of personal engagement in a changing, shifting situation, where the future is unknown. M&A transactions tend to be paralleled with competitive positioning, uncertainty of one's future employment, worries and protective actions, which are all likely to disable employees' manifestations of authentic behavior (Cartwright 2012; Tienari and Vaara 2012). Such activity discourages personal engagement, given that authenticity is the defining characteristic of personal engagement (Kahn 1990). Kahn's (1990) definition of personal engagement appears to contradict much of the practiced reality in times of M&A.

According to Kahn, securing psychological meaningfulness, safety, and availability amidst changing conditions is critical, if organizations are to enable employee engagement. This translates into actions at the individual, interpersonal, managerial, and organizational levels of analysis. In a merger or acquisition setting, there is thus a role for management in sustaining the conditions for authenticity, hence engagement. Further, how can ethical and fair organizational norms and values be maintained amid a transformation? Beyond managerial and organizational action, Kahn (1990) suggests a role for colleagues in enabling the engagement of others. Positive and trustful interactions help in creating a climate of psychological safety at work. Kahn's findings offer a radical take on M&As and radical change, where interpersonal interactions tend to be characterized by rumor mongering (Cartwright 2012, Ivancevich *et al.* 1987) rather than positive interactions. Finally, the individual employee has a role to bear in supporting one's engagement, be it e.g. by managing one's energy levels or making one's tasks meaningful, even when they are changing. Given the fragility of the engagement experience and its enabling factors, we begin to recognize why achieving personal engagement in normal work contexts, notwithstanding radical transformations, represents a personal and managerial challenge.

## *Perspective 2: engagement as a dyadic process of edging vs. retreating*

### Overview

Building on Kahn's (1990) seminal work on personal engagement, a more recent approach posits that, instead of a focus on peak instances only, sustainable, long-term engagement is enabled through a rhythmic, processual dance between edging, consisting in peak states of engagement, and retreating, the need to wind down (Teerikangas and Valikangas 2012, 2014a, 2014b). Given the intensity that peak states represent, engagement is found to be bounded (Teerikangas and Valikangas 2014b).

Engagement appears to peak in "edge" instances (Teerikangas and Valikangas 2012). Such peak experiences exhibit a characteristic of being in a non-space, or at the edge of a cognitive state, hence the term, edging. Such a non-space experience occurs as one stretches toward a challenging goal, as one moves beyond one's habitual daily practices, routines, and boundaries toward unknown, novel, previously untraveled work territory. We consider the edging moment as a ritual transfer from a static, known state toward an unknown one. As long as the future state remains unknown or the situation uncertain, one remains highly engaged (at least within certain limits of time and individual persistence). In essence, these challenging, even wonderful (Carlsen and Sandelands in press), situations require high degrees of cognitive, emotional, and physical vigilance. Such high engagement experiences occur when individuals are engaged in an activity that bears meaning, an element of survival/challenge, and discovery. What these instances of high engagement share is having to be fully alert, vigilant, present (Kahn 1992) in the moment, owing to the inspirational nature of the task (e.g. meaningful work), the intensity of the task (e.g. challenge, survival), or the novelty of the task (e.g. discovery through renewal or learning).

Given the high intensity of these moments, though, they cannot be sustained over long periods of time. For individuals to maintain sustainably high levels of engagement over time, they also need time to retreat. This finding parallels recent work on engagement, where the significance of recovery has been brought to attention (Sonnentag 2003). Teerikangas and Valikangas (2012) argue that such an ongoing dyadic dynamic between edging and retreating is at the core of an individual's personal engagement process. This dyadic tension was found to be characteristic of engagement to the extent that neither full edging, nor continuous retreating, by themselves, are enough to purport high degrees of engagement in the long term. Instead, it is the maintenance and rhythm of this dynamic that enables the sustenance of engagement over time. The dyadic engagement process is supported by engaging physical, socio-emotional, and personal spaces (Teerikangas and Välikangas 2012). Organizations need to consider how physical work contexts, inspiring work interactions, serendipitous work encounters, task autonomy, and meaningful personal ambitions can be accessed as means of encouraging engagement in the workplace.

### Implications for M&A

This line of work argues that, in M&A settings, in order for employees to maintain sustained levels of personal engagement, the dyadic process of edging and retreating needs to be respected. Perhaps many a merger or acquisition presents employees with an emphasis on edging only, as a result of which this experience fails to be an engaging one. Where are the opportunities to retreat in times of radical change? Further, is attention paid to engaging physical, socio-emotional, and personal spaces in times of change? As the collective mood veers toward the negative, it becomes harder to sustain an engaging socio-emotional work environment. This means that individuals



are left to deal with the change and the resulting cognitive and emotional turmoil with their personal resources only. The lack of socio-emotional resources might explain the employee engagement deficit that is often witnessed in times of radical change.

### *Perspective 3: engagement as resources vs. demands*

#### Overview

The most empirically tested approach to engagement is one that has its roots in research on burnout (see Maslach and Jackson 1981; Maslach *et al.* 2001), where engagement initially emerged as the conceptual opposite of burnout (Maslach and Leiter 1997; González-Romá *et al.* 2006), though the nature of this relationship remains debated (Schaufeli and Bakker 2004). An individual's psychological relationship to one's job is conceptualized as a continuum between the negative experience of burnout and the positive experience of work engagement (Maslach and Leiter 2008). Work engagement is defined as "a positive, fulfilling, work-related state of mind characterized by vigor, dedication and absorption" (Schaufeli *et al.* 2002: 74).

With its origin in burnout studies, this research stream has developed the "job resources–job demands" model of engagement (Bakker and Demerouti 2007). This is the most empirically tested model in the field (Demerouti *et al.* 2001). The model assumes that each occupation has its own risk factor, defined either as a job resource or a job demand. While job resources (be they organizational, social, or work or task-related) and personal resources (e.g. optimism, efficacy, resilience, self-esteem) create motivation, job demands (whether physical, social, psychological, organizational) create strain. Work engagement results from the ongoing negotiation between job resources and demands. Job resources that are supportive of engagement include social support, feedback, skill variety, autonomy, and opportunities for learning (Bakker and Demerouti 2007). Job demands, on the other hand, related to workload and reorganizations, do not affect engagement but affect burnout by creating exhaustion and cynicism (Bakker *et al.* 2003). The significance of sufficient job resources increases with the demands of the job (Hakanen *et al.* 2005). Instead of being a state to be achieved, engagement is considered as a process requiring constant attention (Maslach and Leiter 1997).

#### Implications for M&A

This perspective considers engagement from the lens of resources vs. demands. Mergers and acquisitions are here viewed as a demand factor that needs to be balanced against sufficient job and personal resources. This suggests that perhaps M&As demand more than they bring. Under such circumstances, the role of management is to provide a supportive work context (i.e. job resources) and to help employees balance their personal (i.e. psychological, social, and physical) resources in order to avoid burnout and maintain engagement. When this balancing is experienced positively, employees experience sufficient resources.

Taking a critical stance, in this framework, less attention is paid to the possibility of resources being elastic; they will be interpreted and experienced differently, from one person to the next. Moreover, the model ignores the capacity of employees to be creative in their resourcing (Feldman 2004; Sonenshein 2013). Instead of a limiting factor, resource scarcity can be conducive to novel problem solving (Välikangas and Gibbert 2005) or act as a driver for innovative teamwork (Hoegl *et al.* 2008). Notwithstanding, when dealing with human capital resources, there are limits to be observed. Instances of radical change, such as M&As, thus posit an ontological challenge to the job resources–demands model. What kinds of available resources to draw from

in order to make the experience of radical change engaging? How to also account for the creativity and elasticity of resources? What kinds of personal resources might individuals draw upon and create?

#### *Perspective 4: multiple foci of engagement*

##### Overview

Some researchers seek to deconstruct engagement. To this end, Saks (2006) distinguishes between job (or work) engagement and organizational engagement. Tyler and Blader (2003) find that group engagement has psychological and behavioral components. Recently, Macey and Schneider (2008) divide engagement into trait (i.e. positive stance to life and work), psychological state (i.e. absorption, pride, alertness), and behavioral engagement (i.e. extra-role behaviors). The model has been subject to a heated debate (see e.g. Macey and Schneider 2008).

##### Implications for M&A

This perspective reminds us of the complexity of the engagement concept. There are many foci to an employee's engagement. Employees can be engaged with their jobs, their organization, their tasks, or off-work activities. In times of a merger or acquisition, the question is—how to also build engagement toward the M&A transaction and the new owner.

Assuming that contexts of radical change challenge one's experience of engagement, the transferability of engagement across its foci becomes of interest; to what extent is one's engagement in areas outside of work transferable to one's work engagement? Such transfer effects might become particularly salient when securing a high level of engagement in one's work context becomes challenging, as in times of radical change. This might call for seeking engagement beyond the mere work context. Would non-work contexts offer a source for sustainable engagement in times of corporate change? To what extent is engagement a matter of a personal capacity to be positive and the amount of energy available to a person? Where do individuals draw upon their personal resources when the workplace faces turbulence and chaos? How do M&As affect and draw upon these personal resources?

##### **A typology of engagement scenarios in M&As**

The above review of perspectives towards engagement suggests that engagement, though differently defined by the scholarly community, is enabled by both personal and organizational resources and resourcing. In the following, we propose a typology of engagement scenarios in times of M&A (Figure 8.1). These scenarios propose that engagement is co-created on the basis of individual employees' actions and the organization's support for engagement. In the following, we consider the implications of these scenarios for engagement in M&As.

##### *Scenario A: low engagement*

In the first scenario, the employees in the target firm(s) are disengaged vis-à-vis the M&A transaction. In addition, the practices, structures, and culture of the employing organizations are unsupportive of the employees' engagement. In an M&A setting, low degrees of engagement are expected to make the acquisition particularly vulnerable: few mechanisms to increase employee engagement are readily available.

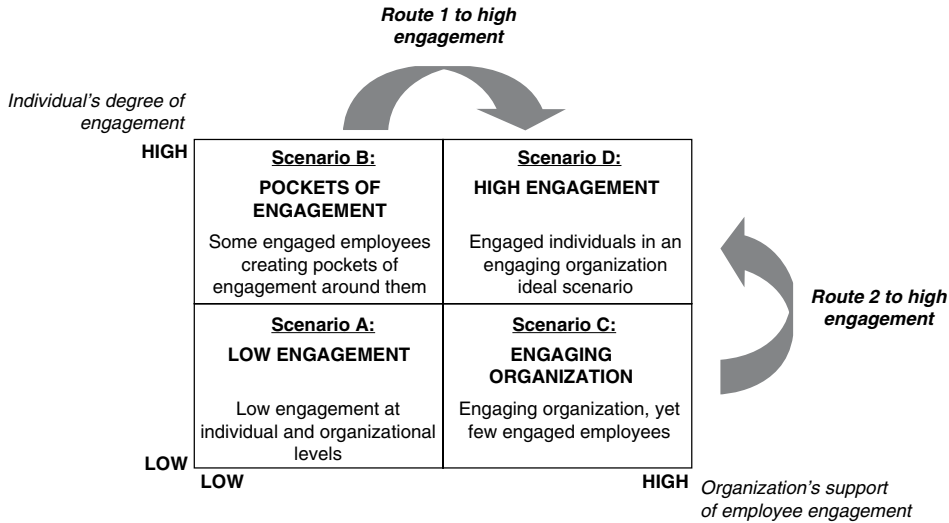


Figure 8.1 Engagement scenarios in M&A

Even if the integration practices would make employees engaged to the deal, this is unlikely to be sustainable, given that the employing organizations' practices are disengaging in themselves. The organization's culture might be unethical or fear-based. There could be elements of workplace bullying. Leadership styles are autocratic and focused on control. Reward systems might not reflect the work conducted. Structures might not provide enough space for autonomous decision-making. In this scenario, we expect employees to fall into the well advertised trap of negative emotional states amid M&As, which may be visible as regards a lack of authenticity, edging-retreating dynamic, and personal creativity in resourcing. The available job resources are perceived as insufficient, and individuals do not leverage their personal resources to make up for this.

*Scenario B: pockets of engagement*

In the second scenario, some or many individual employees are engaged in their work roles, yet the employing organization has not yet realized its role in supporting its employees in this pursuit. As a result, engaged individuals either 1) exit the organization in due time, as captured in much acquisition research (Walsh 1988; Krug and Nigh 2001), or 2) develop personal adaptation and resourcing strategies to avoid being discouraged by the organization's lack of engagement support mechanisms: they become resiliently engaged.

In so doing, they have potential to create engagement in their immediate organizational vicinity that then, as positivity spirals, enthruses engagement around them (Wrzesniewski 2003; Salanova et al. 2010). Pockets of engagement emerge within the organization. This scenario has potentially supportive effects in M&As, provided the isles of engagement can be effectively mobilized to support integration efforts and do not become overwhelmed by the broader lagging sentiment. In this scenario, the capability to engage is strong amongst a handful of individual employees, but weak at the level of the organization. Engagement is thus dependent on the will and persuasive power of particular individuals rather than on organizational mechanisms.

Such a scenario points to the potentially contagious effects of (dis)engagement and has a radical humanistic perspective towards organizations (Burrell and Morgan 1979). It also puts

a heavy burden on the individuals, including managers, seeking to engage others. They would need to be able to tap into and resource their surroundings toward engagement. Recent findings on the role of individual managers, whether from the acquired firm (Graebner 2004; Teerikangas 2006) or the acquiring firm sides (Antila 2006; Teerikangas *et al.* 2011) points in this direction. Nevertheless, it remains to be observed whether such activity occurs beyond the managerial level, i.e. those whose role is the “engaging of others.” If all organizational actors become engaged in engaging one another, what are the consequences?

### *Scenario C: engaging organization*

In this scenario the individual employee is not engaged, or has lost her engagement owing to the changing circumstances, as in an M&A. However, the organization has realized its role in supporting its employees’ engagement; it is seeking to actively engage its employee base. In so doing, it develops and nurtures an organizational-level engagement capability. Managers are engaged and promote the engagement of others. Aspirational goals motivate the workforce, coupled with meaningful rewards. Opportunities for retreating are provided, as in the example of Google offices where food is always close at hand. The organizational culture seeks innovative and entrepreneurial behavior amid a friendly landscape. Workplace interactions are encouraging and inspiring.

In such an organization, employees have the potential to flourish and become engaged if they so wish, yet for some reason (perhaps due to cynicism stemming from poor prior management) the employees have not responded to the engagement call. The employees may, for example, not mobilize their personal resources creatively or do not have an opportunity for edging and retreating.

The organization portrays dormant potential for engagement, provided it can convey credibility and sincerity in its ways of evoking its employees’ engagement in the M&A process. Perhaps the shock waves created by a merger or acquisition, challenging and changing as they may be, can also act as a wake-up call prompting engagement. This is a potential managerial tool for enabling an edging-retreating dynamic based on the feelings arising from the radical change, if positively marshaled.

### *Scenario D: high engagement*

In this scenario, high engagement occurs as both individuals are engaged and the employing organization supports these efforts. The microclimate effect (as in scenario B) further enriches the existing organizational engagement efforts, as positive, contagious engagement spirals are created. This results in flourishing individuals who intuitively self-resource for creative outcomes and manage their engagement dynamics. In this scenario, the capability to engage rests both at the level of the individual employee and at the level of the organization. Engagement is co-created in their interactions. Subsequently, high levels of engagement are to be expected. This is the ideal situation for M&As, yet perhaps rare among most acquirers. Companies claimed to excel in their M&A integration practices may fall into this scenario.

### *Resulting routes to engagement*

Going forward, we identify two alternative routes for management to navigate the four scenarios for enhancing engagement in M&As. Building on Teerikangas and Välikangas (2012), we term the first managerial route, *evocation through individual action and engagement*. This refers

to situations wherein a high degree of engagement at the level of employees gradually radiates and transforms toward higher levels of employee engagement across the organization. In M&A situations, the transaction acts as the catalyst to such proactiveness. We claim that in the two high-engagement scenarios (i.e. scenarios B and D), engaged individuals radiate enthusiasm to their surroundings, with these micro behaviors bearing potential for macro-level changes, e.g. causing an engagement-supportive microclimate in the entire organization.

Large organizations could be argued to consist of nests that are to different degrees implicitly engaged, depending on the degrees of personal engagement amidst their leaders and key personnel. This mirrors Losada's work on high-performing teams (Losada 1999; Losada and Heaphy 2004), where positive interactions were found to bear the greatest effect on the degree of member connectivity, and thus team performance. Wrzesniewski (2003) also draws attention to the transfer effects of persons who have a work-as-calling attitude toward the larger social group. The work on emotional contagion (Bartel and Saavedra 2000; Barsade 2002) also attests to such effects.

We term the second route, *evocation through orchestrated action*. This refers to situations wherein high levels of engagement capability in the employing organization, when practiced over time, result in high degrees of employee engagement across the organization. Our suggestion is that, rather than attempting to manage or force-induce engagement in M&As, managers, through their understanding of the micro-level foundations of engagement, should learn to *invite* and enable engagement-supportive conditions. This may require a degree of management innovation (Birkinshaw *et al.* 2008). High engagement is voluntary and fragile. Clearly, if management interventions are used wrongly or superficially, engagement encouragement efforts can contribute to employee cynicism.

## Engagement dynamics differ per audience type

The previously presented perspectives bring forth an appreciation of employee engagement as a highly personal and sensitive state of authenticity, presence, and exposure. Whilst our typology offers a lens to the individual and organizational factors shaping engagement levels following M&As, we lack an appreciation of the role-level variation in engagement levels. As engagement is a subjective and personal experience, we can expect different degrees of engagement within a particular transaction, depending on the individual concerned. This parallels models of change management, where individual differences to change have been explored from the lens of personality differences (Cameron and Green 2004). In times of M&A, we argue that not only do personality differences matter, as indicated earlier regarding personal traits and resources, but, further, the timing and degree of one's involvement with the transaction in question matter. This leads us to identify three audiences portraying, respectively, different engagement dynamics.

### *Engagement dynamics of pre-deal actors*

Executives, investors, and consultants engaged in the pre-deal transaction are likely to be engaged—with making the deal! This is an era of excitement; there is limited time, the clock is ticking. A potentially significant deal is to be signed off and closed. The stakes are high, the rewards for those concerned, be they senior executives, investment bankers, or consultants, are potentially significant. Such experiences are captured in a recent study of engagement dynamics in the experience of M&A professionals (Preston 2013; Preston and

Teerikangas 2014). These characterize what we earlier identified as “edging” instances in an engagement process.

There is clear pressure in the pre-deal era to close deals. Such pressure can be attributed to escalating momentum and commitment (Jemison and Sitkin 1986), chief executive hubris (Sudarsanam 2012), and investment bankers pushing deals through in order to secure financial rewards. Working under such intense pressure thus requires skill and intelligence from the acquiring firm’s executives to make the right judgment in the face of the information available. This might explain why Happonen (2009) found chief executives to rely on their “gut feeling” amidst the high adrenaline of pre-deal decision-making. If the situation lasts too long, burnout may be near.

### *Engagement dynamics of post-deal change agents*

Managers and consultants engaged in implementing post-deal change are engaged with a different outcome—implementing the change. In contrast to the pre-transaction era, though, the strategic windows in the post-transaction phase are less strict, the outcomes and stakes less tangible, and the immediate rewards not as high. Therefore edging, despite its peaks, may be less intense and harder to sustain over time, occasionally evolving into retreating or disengagement.

For example, despite 30-, 100-, or 300-day plans (Angwin 2004), the completion of post-deal integration cannot be expected to be signed off after a set number of days. It has been shown that integration can last beyond 3 years and all the way to 12 years (Birkinshaw *et al.* 2000; Quah and Young 2005; Barkema and Schijven 2008). The responsibility of the integration team concerns the official integration era, i.e. the first 3, 6, or 12 months post-deal. When this timeline has been reached, integration team members cannot actually sign off on integration; on paper yes; in practice no. Integration is expected to continue over the years to come, without ever reaching a definite end point (Teerikangas and Geraldi 2011).

As a result, the expected outcomes from the integration team are of a less finite nature than for those engaged in closing the transaction. Integration team members are responsible for pushing through change in one or more organizations over the long term. This has been shown to be a difficult task and unlikely to result in finite outcomes, notwithstanding outright success (Haspeslagh and Jemison 1991; Birkinshaw *et al.* 2000). In order to maintain the integration team’s engagement levels, tracking progress and measuring success would be critical. Yet, neither is an easy or explicit task.

Finally, the expected (financial) rewards, whilst perhaps interesting, nevertheless do not rival those of pre-acquisition investment bankers and executives. Integration management concerns project and change management, both well known to be difficult endeavors (Burnes 2009; Morris *et al.* 2012). As a result, the goals, and thus the rewards of integration team members, are not only less explicit and difficult to track, but also harder to reach.

In summary, the implementation task, though engaging for those involved, has a different nature to the pre-deal activity. In an ethnographic study of integration experiences in a university merger, Teerikangas and Tienari (2012) capture the inner experience and turmoil of integration involvement at middle-managerial level. Though the experience has its engaging moments, longer-term resilience is required to maintain high levels of focus throughout the months and years of change that a larger change entails. Resilient engagement is also required, as many pieces of information cannot be disclosed to the wider organizational audience. All the while, workloads remain high, this further challenging a sustainable long-term engagement experience.

## Engaging employees

The experience of engagement is of quite a different nature for those less (or not) involved in making the change happen. This is the largely passive audience that has been found to react negatively easily (Napier 1989; Cartwright and Cooper 1990; Marks and Vansteenskiste 2008), yet be prone to positive reactions (Fairfield-Sonn *et al.* 2002; Froese *et al.* 2007; Teerikangas 2012) under more resourceful circumstances. For this audience, radical change, such as M&As, challenges the experience of personal authenticity. This is the audience that has been largely captured by extant research on employee reactions to M&A.

For the average employee who is less involved in implementing the acquisition, not only is there change, but, beyond this, the previous seemingly secure and stable workplace has veered toward fundamental uncertainty. More often than not, the very idea of change brings forth negativity in the organization, if only for a while. Beyond a mere change, mergers and acquisitions represent a violation to one's psychological contract, given that they represent an ownership change. Negative stamina, in parts or islets of the organization, can result in negative emotional contagion (Barsade 2002; Bartel and Saavedra 2000).

Thus, as one's workplace undergoes change, the pillars supportive of engagement, including interpersonal, managerial, and organizational factors, are in temporary turmoil. When one's workplace and psychological contract are under threat, questions such as "How to remain authentic?"; "Who am I as an employee in the new organization, what is my role, my identity?"; "Do I have a future in the merged entity?" abound. Under such circumstances, at least temporarily, the burden and responsibility for engagement comes largely to rest on the individual employee. In other words, the organizational context, undergoing change, is less able to support employees' experiences of engagement, than it might be under normal (static) circumstances. This means that, during the M&A experience, if one seeks to remain motivated, one needs to rely on personal resources, such as personal resilience, optimism, or (non-work) support networks. Some employees may show more resilience than others, again depending on personal traits, the creative resourcing of one's engagement, and available support.

Going forward, this raises intriguing research questions. For one, despite all the uncertainty and lack of organizational support, what explains why some individuals remain engaged over the course of a merger or acquisition? For another, why and how do some employees positively radiate enthusiasm and optimism even in times of radical change? Examples of such behavior are noted at the level of middle managers; motivated target firm managers or acquiring firm integration managers are experienced as motivating others toward the future (Graebner 2004; Teerikangas *et al.* 2011). Going a step further, how many engaging others are required to create an engaged workforce; is there a tip-off point, and if so, what is it? We consider these to be appealing future research themes.

## Conclusions

In this chapter, we explored the nature of employee engagement amidst changing conditions such as M&As. By drawing from existing theory and findings, we presented alternative perspectives to appreciating the engagement challenge in M&As and developed a typology of engagement scenarios. Whilst the present chapter calls for future research and practical trials, our findings suggest the following.

Building upon extant literature, we propose alternative perspectives toward engagement in M&As: 1) enabling and supporting authenticity, 2) enabling the dyadic process of edging and retreating in a timely, rhythmic, and socio-emotionally sustainable manner, 3) balancing resources and demands, and 4) considering the many foci of engagement (see Table 8.1).

Acknowledging these perspectives, we suggest some means of enabling engagement in M&As. We premise the consideration of employee engagement on the finding that, when employees see an M&A as an opportunity rather than a threat, they are likely to react more positively to this news (Teerikangas 2012). In the tradition of positive organizational scholarship (Cameron *et al.* 2003), such positive reactions are then likely to further positive, even contagious, spirals, leading to higher degrees of engagement (Bartel and Saavedra 2000; Barsade 2002). The managerial challenge in M&As is hence to leverage individuals who are engaged, islets of engagement, or organizational resources to evoke engagement. Using these levers, the managerial routes to enable higher engagement can be designed based on individual or orchestrated action. Such interventions likely call for nuance and sophistication, as cynicism may easily pre-empt such efforts amid radical change and uncertainty.

Finally, given the nature of the M&A context, we argue that M&As are not arenas for homogeneous displays of engagement; rather our analysis posits that M&As are engagement platforms, wherein a number of actors and audiences, bearing varying stakes and ambitions, portray different dynamics with respect to engagement. This diversity in audience types needs be recognized when discussing engagement in times of radical change.

If persuasively included in the managerial repertoires and scenarios described, employee engagement may not remain the illusion that it often is in M&As today. We advocate considering the different theoretical perspectives presented in this chapter and harnessing them for more nuanced and targeted personal, managerial, and organization action in support of engagement. In part this agenda includes the appreciation of human agency as a resource that is capable of engaging itself and others and creatively resourcing organizational challenges; in part the challenge is that of more supportive managerial action in view of sustainable engagement dynamics. The intensity of M&As tends to invite only edging that may lead to burnout, or retreating that may mean total disengagement, and thus a balanced approach is to be encouraged. In addition, organizations ought to seek to 1) provide a psychological safety net so that individuals do not lose their sense of authenticity amid the uncertainties encountered, 2) balance job demands and resources, 3) encourage the creative resourcing potential of employees, 4) offer socio-emotional spaces that invite engagement dynamics, and 5) appreciate the multiple foci of engagement in that employees differ in their sources of resilience. Managers should tune their capabilities to sensing whether particular employees need more edging or retreating at a particular instance, and time M&A integration activities in such a way that personalized dynamics are possible. Finally, as engagement is contagious, as is disengagement, individual employees matter in their engagement. Each individual's engagement has an impact on others around them. This leads us to ask the reader, "How engaged are you amid change? What is the span of your responsibility in times of change?"

To conclude, the present analysis offers multiple opportunities for future research. To begin with, how do the identified perspectives inform engagement, a central managerial challenge, in M&A? What is the balance of individual, managerial, and organizational resourcing needed in support of employees' engagement? Under what conditions is engagement witnessed during M&A? Beyond M&As, how is engagement manifest in changing organizational conditions? And in what ways are engagement dynamics in times of M&A different from other kinds of change scenarios? Clearly, going forward, intriguing opportunities for research on more nuanced engagement abound in situations of radical and transformative change.



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