

Sharma et. al., 2024

Volume 10 Issue 1, pp. 56-68

Received: 05th December 2023

Revised: 05th January 2024, 10th January 2024

Accepted: 21st February 2024

Date of Publication: 15th March 2024

DOI- <https://doi.org/10.20319/pijss.2024.101.5668>

This paper can be cited as: Sharma, Y., Seetharaman, A. & Maddulety, K. (2024). Employees' Resistance to Change During Post-Merger Integration in Services Organizations. *PEOPLE: International Journal of Social Sciences*, 10(1), 56-68.

This work is licensed under the Creative Commons Attribution-NonCommercial 4.0 International License. To view a copy of this license, visit <http://creativecommons.org/licenses/by-nc/4.0/> or send a letter to Creative Commons, PO Box 1866, Mountain View, CA 94042, USA.

## **EMPLOYEES' RESISTANCE TO CHANGE DURING POST-MERGER INTEGRATION IN SERVICES ORGANISATIONS**

**Yashasvi Sharma**

*FCA, Scholar – Doctor of Business Administration Program, SP Jain School of Global Management, India*

[yashasvi.dm23dba008@spjain.org](mailto:yashasvi.dm23dba008@spjain.org)

**Prof. A. Seetharaman**

*PhD, Dean – Research, Doctor of Business Administration, SP Jain School of Global Management, Singapore*

[seetha.raman@spjain.org](mailto:seetha.raman@spjain.org)

**Prof. K. Maddulety**

*PhD, Professor, Deputy Director - Doctor of Business Administration, SP Jain School of Global Management, Mumbai, India*

[k.maddulety@spjain.org](mailto:k.maddulety@spjain.org)

---

### **Abstract**

*Mergers and acquisitions are an important strategic option for a corporation to drive higher growth and profitability. Despite significant investments being made in mergers and acquisitions, past experiences indicate that many mergers and acquisitions fail. The failure is often attributed to employees' resistance to change. Factors, such as organisation change, culture, leadership, trust, and communication, among others, lead to employees' resistance to change. This issue has a significant impact on service organisations since human capital is their key source of competitive advantage. The purpose of this study is to determine factors influencing employees' resistance to change during the post-merger integration. This paper synthesises findings from a systemised literature review of 'peer-*

*reviewed' research papers, published from November 2020 to November 2023, in ProQuest and EBSCOhost databases with keywords 'employees' resistance to change' and 'post-merger integration'. The findings establish strategies managers could adopt such as creating a continuous learning environment, recognition of the existence of subcultures within a culture, greater involvement of middle managers in the integration phase, devising an appropriate reward plan for early adopters, and focusing on the pace of changes. The study outcomes will help organisations in designing effective post-merger integration programmes leading to efficient use of capital.*

### **Keywords**

Mergers and Acquisitions, Employees' Resistance to Change, Post-Merger Integration

---

## **1. Introduction**

M&As have become an important strategic choice for corporates. The importance of M&As in the global economy has been steadily increasing. During the five years from 2018 to 2022, the M&A deal market value each year ranged between USD 3.6 tn to USD 5.9 tn (Haller et al., 2023).

There are multiple drivers for an organisation to carry out an M&A. It could either be to acquire more parts of the value chain of its existing product or services (referred to as the vertical merger) or combine with another organisation in a similar industry to increase market share, expand product portfolio, realise revenue and cost synergies (referred to as the horizontal merger).

Regardless of whether it is a vertical or horizontal merger, one of the key objectives of an M&A is to benefit through synergies. Synergy, the increase in value that is generated by combining two entities to create a new and more valuable entity, is the magic ingredient that allows acquirers to pay billions of dollars in premiums in acquisitions. While there is some evidence of synergy in the aggregate across all acquisitions, most mergers fail to deliver any synergy (Damodaran, 2005).

An M&A process has various phases, starting from the pre-merger evaluation phase, the closing phase (when an M&A transaction is closed, and the buyer acquires the seller's business) and the post-merger phase. The post-merger phase is a period of change and uncertainty for both organisations, more so for their employees. During the post-merger integration period, negative employee experiences and emotions can contribute to decreased satisfaction and commitment that can ultimately lead to employee resistance and unwillingness to cooperate. All these factors contribute to merger benefits not being realised (Bansal, 2020).

The impact of employees' resistance to change is even more amplified in service organisations where employees' skills and experiences are the most important contributors to the business valuation. This includes organisations operating in services sectors, such as information

technology, advertisement and media, banking, insurance, fintech, hospitality, healthcare and new-age digital businesses.

Therefore, understanding the impact of employees' resistance to change on M&As, specifically within the services sector, becomes important considering the significant capital (both financial and managerial) being invested in M&As and the difficulty in realising benefits.

## **2. Research Problem**

There are studies and discussion papers that focus on the financial and strategic dimensions of M&As. It is reasonably established that M&As are well planned and thought through from the point of view of legal and financial implications but not so much from the human resource planning perspectives (S. H.; Appelbaum et al., n.d.). Further, considering that almost half of M&As fail to meet desired goals, research is going deeper into the human dimension of M&As to decipher the behavioural and psychological effects of M&As on employees (Sharon, 2005).

An employee's reaction to an M&A is often termed as the merger syndrome, which expresses itself in multiple ways, such as employees focussing on safeguarding their personal goals and interests, operating through a lens of 'us' versus 'them', accentuating the reality to imagine the worst, triggering clash of cultures and experiencing heightened stress (Mirvis, 2016).

The stress and uncertainty associated with an M&A threaten employees, which leads to employees' resistance to change (Suryanarayana, n.d.).

The effects of M&As on employees through the integration period are profound and materially impact the adoption of a new culture, the process of change itself, and the stress levels experienced by the employees. (S. H.; Appelbaum et al., n.d.).

## **3. Research Problem, Question, and Objective**

Any research is driven by the research problem, questions, and objectives that a researcher sets out to answer. Research questions and objectives define the boundaries and are the guiding light for a researcher in their journey. This study will attempt to answer the following research problem, question, and objective.

| No. | Research Problem  | Research Question   | Research Objective  |
|-----|---|---|---|
| 1   | M&As often fail and synergies are not realised since employees do not fully embrace the M&A | What is the role of employees' resistance to change?  | Identify different types of resistance displayed by employees' during PMI   |
| 2   | Culture imprints are deep seated and may be difficult to change                             | To what extent does cultural alignment impacts employees' resistance to change?                                 | Assess how the alignment / misalignment between cultures impacts employees' resistance to change                  |
| 3   | Trust in management influences success or failure of a M&A                                  | What is the impact of leadership on the outcomes of post-merger integration?                                    | Examine the role of different levels of leadership on employees' resistance to change                             |
| 4   | Inconsistent, lack of communication to various stakeholders post a deal closure             | How does organisational communication influence employees' resistance to change during post-merger integration? | Investigate the effectiveness of communication frequency, channels, and transparency in meeting employee concerns |

*(Source: Self/ Author's Own Illustration)*

### 3.1. Resistance to Change

Resistance to change can be understood as any opposition to a change in an existing situation and represents a regular reaction to change. The insecurity felt by employees is the dominant element of the resistance to change (Grama & Todericiu, 2016). Employees' resistance to change is manifested in varying forms, such as loss of productivity, low morale, lack of optimism, and increased staff turnover. Coch and French, in their work on overcoming resistance to change, asserted that resistance does not arise from the individual but from the context in which the change takes place (Burnes, 2015).

Research identifies four key aspects impacting employees' resistance to change during post-merger integration. These have been briefly set out below:

### 3.2. Organisational Change

In the last decade or so, the body of research that applies the principles of organisational change to changes arising consequent to an M&A has been steadily growing. Acquisition integration challenges are basically in the nature of an organisational change (King et al., 2020). While important lessons can be learnt from organisational change theories, it is important to keep the context of an M&A in sight, which is fundamentally different from an internal organisational change.

To begin with, an M&A-triggered transformation can encompass change across almost all facets of an organisation, such as a new strategy, new organisational structure and leadership, operational and technical changes, new ways of working, and a new culture paradigm. Further, considering that an M&A process is generally accompanied by chaos, turbulence, and uncertainty, it

is unlikely that employees may receive the clarity they need. At an individual level, this lack of clarity further fuels fear, and the employees start imagining the worst.

Additionally, another distinctive feature of changes brought about in an M&A is that post M&A, there will be changes to a company's core identity and value. This is extremely important to note since many employees (particularly those who have worked for a long period) relate their own identity with the organisation's identity. Hence, when an M&A leads to changes in organisational identity and values, it has a direct impact on individual employees. Employees will be required to adopt a new identity and move away from their old one. They perceive this as a loss, and employees may find it challenging to adopt the new identity. Thus, put together, the heightened uncertainty and loss of identity can stoke their resistance to change and make employees reluctant to embrace the integration. The impact of this resistance gets manifested through either disengaged and fearful employees or loss of top talent, since they are more likely to find better opportunities outside their organisation. In both these situations, there is an adverse impact on the success of an M&A (Balle, 2008).

### **3.3. Organisational Culture**

The impact of cultural differences on success or failure on M&A has been studied and research findings seem to indicate mixed outcomes. Most of the studies conclude that cultural adversely impacts M&A outcomes due to lower levels of acculturation and culture differences can create impediments to human integration. The studies argue that differences in cultural thumbprints can lead to ambiguity and uncertainty among employees. Further, there is a possibility of a collective culture shock emerging, which indicates a major source of resistance by employees that have been acquired. However, certain studies present that cultural differences can improve the outcomes of M&As and may even form a key source of synergies. Similarly, there are studies that reason that an M&A provides an opportunity to craft a refreshed organisational pattern that could lead to a competitive advantage for both companies. Researchers from this school of thought opine that it is not the differences in cultural values that cause M&As to fail, it is rather the mismanagement of these cultural differences (Dauber, 2012).

### **3.4. Leadership**

Various studies have shown that leadership plays a key role during any change process. Lewin's classical model of change laid out three phases: unfreeze, change, and refreeze. Across these three phases, the leadership's dominant role and active employee engagement are critical aspects that may bring down the resistance to change. The leader's transparency enhances employee's trust in

organisational change. Being a leader amid an organisation change requires a leader to provide emotional support, communicate, and channelise employees towards the stated goal. Employees tend to inculcate positive feelings towards the organisational change in case they are actively involved in the change process. A leader needs to ensure employee involvement as it will decrease employees' resistance to change. Therefore, a leader must engage as a change agent for behavioural integration in social and task dimensions (Hussain et al., 2018).

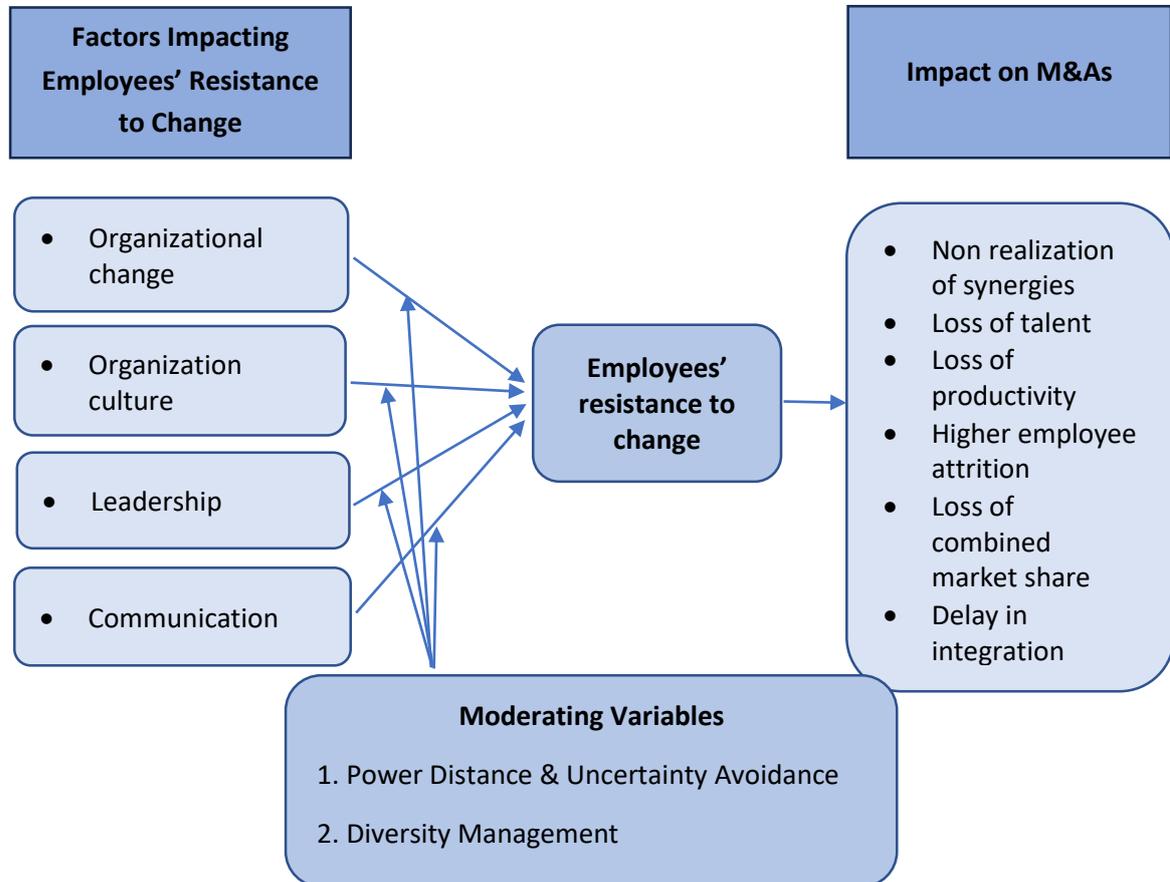
### **3.5. Communication**

Along with culture and the role of leadership, organisational communication is a key aspect that significantly influences the outcome of any change process, be it an organisational change or post-M&A change. However, it is not just what is communicated that is important but the action taken on the promises that are communicated. If any action is communicated during an M&A process but not implemented, it will likely lead to loss of credibility, diminished productivity, higher attrition, and employee absenteeism, all of which combined may lead to an unsuccessful M&A (S. H. Appelbaum et al., 2007).

## **4. Conceptual Model**

Based on the literature review and the stated research questions, a conceptual model has been developed, which is set out below. A conceptual model is used to illustrate the relationship between variables being considered as part of the research. Considering the answers to the research questions, this study has established employees' resistance to change as the dependent variable and four independent variables.

## Conceptual Model



(Source: Self/ Author's Own Illustration)

## 5. Research Methodology

A systematic literature review was carried out for the research topic 'Employees' resistance to change and its impact during post-merger integration'. The literature review was written based on two databases: EBSCOhost and ProQuest. The search was executed by using the following terms: 'employees' resistance to change' AND 'post-merger integration'.

To capture the latest management research, the period of the search was restricted to three years, starting from November 2020 to November 2023. The quality of individual research papers was ensured by selecting only peer-reviewed papers.

Based on the above criterion, the search showed a total of 303 research papers, of which 302 were from ProQuest and one from EBSCOhost. These publications were then screened for the journals listed in the ABDC ranking of journals, 2022 as either in the 'A+', 'A' or 'B' category. Following this screening and ensuring the broad relevance of the research papers to the field of M&As or organisation

change, 52 research papers were found eligible for the literature review. A content analysis was carried out of these shortlisted research papers to synthesise findings and identify future research areas.

## **6. Summary of Findings**

### **6.1. Resistance to Change**

At its core, resistance to change is a negative or unfavourable attitude towards any change. Previous research on this subject identifies employees' resistance to change manifesting across the following three dimensions:

1. The Affective Component, which reflects feelings of anxiety or anger and so on in connection with the change.
2. The Behavioural Component, which shows up as intentions or actions in response to the change. These intentions or actions could be in the form of being a critic of the change or trying to convince others about the unfavourable aspects of the change, or both.
3. The Cognitive Component, which refers to one's opinion about the justification for the change and whether the change is required or not.

It may be noted that the affective and cognitive components are related to anticipated changes in change outcomes, such as intrinsic rewards and job security. On the contrary, the behavioural component of resistance had an association with the factors involved in the change process, such as social influence concerning the change and trust in management (Singh et al., 2022).

Notwithstanding the above, there is a group of researchers that views resistance to change as a useful force. According to this school of thought, organisations could benefit by leveraging resistance to change rather than looking for ways to eliminate it. However, this assertion holds a minority position and, by and large, the management research ascribes a negative connotation to the concept of resistance to change, which needs to be actively countered to achieve a successful outcome of a change process (Singh et al., 2022).

### **6.2. Organisational Change**

There are several aspects to organisational change, such as change in organisation structure, policies, and processes. Considering there is a heightened level of anxiety, uncertainty, and negativity associated with organisational changes accompanying M&As, organisations that invest in creating a continuous learning environment are able to transform this negative way of thinking into an open and inclusive mindset of employees (Budhiraja, 2021).

Continuous learning also leads to improving the performance of the employees as well, as it also strengthens the cultural integration among the acquired and acquiree organisation (Budhiraja, 2021).

Enhanced change efficacy and continuous learning develop an environment of harmony and trustworthiness, both of which are an area of concern during the post-merger phase (Budhiraja, 2021).

There is a two-way continuous loop between employees' motivation to participate in the change process, which is based on trust in management and which, in turn, affects their contextual performance.

### **6.3. Organisational Culture**

Culture, be it corporate or national, is full of nuanced and complex dimensions. Culture has a significant influence on the M&A process. However, previous studies have shown that cultural integration does not get enough emphasis during the post-merger integration phase, thereby, adversely impacting the M&A outcome.

In the context of cultural nuances, while the acquired entity may cease to exist as a separate legal entity post M&A, the culture of the acquired entity may continue to exist as a subculture in the overall merged entity. The subcultures may allow for employees of the acquired entity to operate with historical ways of working, norms, objectives, and so on, which may deviate from the overall goals of the combined organisation (Mello & Schloemer, 2022).

### **6.4. Leadership**

Evidence shows that transformational leadership has a positive impact on M&A outcomes. Also, the role of the immediate manager is key in providing direction and stability in the uncertain environment of M&A. Thus, there is a need for greater involvement of middle managers in the post-merger integration phase (Savović & Babić, 2021).

### **6.5. Communication and Other Key Factors**

Communication of change is found to have a significant effect in implementing change (Singh et al., 2022).

Rewards are seen as change drivers and influential in encouraging appropriate behaviour in employees that supports the change process as well as in creating a positive work environment. The studies suggest rewarding early adopters to create momentum towards change. Rewards inherently build an environment of psychological safety, which leads to greater employees' participation resulting in reduced resistance (Singh et al., 2022).

The pace of changes during the post-merger integration phase has a direct impact on the overall success of the integration programme by minimising potential negative factors, such as disagreements, uncertainty among the employees, and distrust. A faster pace of change minimises the impact of potentially negative factors, which, in turn, increases employees' commitment and realisation of synergies (Savović & Babić, 2021).

**The Impact of Moderating Variables** – The literature review has also indicated the presence of two variables that moderate the relationship between our four independent variables and the dependent variable. These are:

1. *Power Distance and Uncertainty Avoidance* – Each organisation has its unique cultural thumbprint. Certain national or organisational cultures demonstrate a large power distance (PD) and a high uncertainty avoidance (UA) index. Employees working as part of these organisations demonstrate low readiness to change and, consequently, greater resistance to change (Samal et al., 2020).

Hence, in organisations with large PD and high UA, the leaders need to clearly establish the rationale and appropriateness of the change, have an action plan to be executed, and reinforce that with clear and effective communication. This would help employees to foster positive behaviour towards desirable organisational outcomes (Samal et al., 2020).

2. *Diversity Management* – Diversity management in an organisation reflects the inherent ability of an organisation to be more open and tolerant of a range of differences. The differences are assimilated by institutionalising a broader set of policies with greater flexibility. The previous research asserts that an acquiring firm with greater diversity management is better positioned to realise synergies while reducing clashes arising from cultural differences in the merged firm (Jeong, 2021).

## **7. Contribution to Management Practice**

This paper encapsulates a comprehensive set of strategies that would be of immense value to managers in addressing employees' resistance to change during post-merger integration. Key strategies that could be adopted by the managers may include:

- Creating a continuous learning environment,
- Recognition of the existence of subcultures within a culture,
- Greater involvement of middle managers in the post-merger integration phase,
- Devising an appropriate reward plan for early adopters, and
- Focusing on the pace of changes.

## **8. Limitations and Areas of Future Research**

Certain limitations impact this paper. To begin with, the review of the shortlisted research articles is based solely on qualitative evaluation and is an outcome of the author's interpretation. Other limitations include:

1. The research articles identified for this study had to be 'peer-reviewed'. Further, they were shortlisted based on the keywords 'employees' resistance to change' and 'post-merger integration'.

2. The period of three years, November 2020 to November 2023, acted as another filter in the selection of research articles. The selection process covered only two databases, although they were the popular ones.

3. Lastly, the selection of journals that were ranked as 'A+', 'A' and 'B' as per the ABDC ranking 2022 limited the number of shortlisted research articles.

The key areas for future research as emerging from the literature review are highlighted below:

1. Though differentiated cultures are generally regarded as having the potential for negative outcomes, there may be value to this differentiation if it can be harnessed appropriately. However, further study is needed to corroborate this postulation and determine boundary conditions of any positive effects.

2. Investigate the effects of national cultural differences on acquisition performance.

3. A study on the appropriate leadership style for creating change readiness within organisations that are contextual in nature.

4. Studies can also be replicated in countries with low PD and a UA culture to check the efficacy of results.

5. How do intergroup dynamics shape other types of post-merger integration, such as absorption or preservation, involving a diverse degree of autonomy between the acquired and acquiring firm?

## **9. Conclusion**

This literature review concludes that employees' resistance to change is of immense strategic importance influencing the overall success or failure of any M&A. The insights gained through this literature review also identify measures that can be adopted to manage employees' resistance to change, particularly, service organisations where employees are the key value differentiator.

The effectiveness of these measures will depend on unique circumstances of each M&A, principal among them being the existing leadership and organisation culture at the acquired and the acquiree companies.

## REFERENCES

- Appelbaum, S. H., Gandell, J., Yortis, H., Proper, S., Jobin, F., & Appelbaum, S. H. (n.d.). Anatomy of a merger: Behavior of organizational factors and processes throughout the pre-during-post-stages (part 1): [1] FULL TEXT.
- Appelbaum, S. H., Lefrancois, F., Tonna, R., & Shapiro, B. T. (2007). Mergers 101 (part one): Training managers for communications and leadership challenges. *Industrial and Commercial Training*, 39 (3), 128–136. <https://doi.org/10.1108/00197850710742225>
- Balle, N. (2008). Hearts at stake: A theoretical and practical look at communication in connection with mergers and acquisitions. *Corporate Communications*, 13(1), 56–67. <https://doi.org/10.1108/13563280810848193>
- Bansal, A. (2020). Thinking of mergers and acquisitions? Think of justice: A people perspective. *International Journal of Manpower*, 41(4), 435–456. <https://doi.org/10.1108/IJM-02-2019-0087>
- Budhiraja, S. (2021). Can continuous learning amplify employees' change-efficacy and contextual performance? Evidence from post-merger Indian organization. *International Journal of Manpower*, 42(6), 1144–1158. <https://doi.org/10.1108/IJM-05-2020-0208>
- Burnes, B. (2015). Understanding resistance to change – building on Coch and French. *Journal of Change Management*, 15(2), 92–116. <https://doi.org/10.1080/14697017.2014.969755>
- Damodaran, A. (2005). The value of synergy. <https://doi.org/10.2139/ssrn.841486>
- Dauber, D. (2012). Opposing positions in M&A research: Culture, integration and performance. *Cross Cultural Management*, 19(3), 375–398. <https://doi.org/10.1108/13527601211247107>
- Grama, B., & Todericiu, R. (2016). Change, resistance to change and organizational cynicism. *Studies in Business and Economics*, 11(3), 47–54. <https://doi.org/10.1515/sbe-2016-0034>
- Haller, A., Haxer, J., Spits, J., Directors Dahlnae Yu, P., Nancarrow, S., Senior Managers Amy Wall, P., Rohrer, D., Knowledge Specialist, S., Bain Research, as, Services, D., Lane, E., Peverley, J., Caringella, L., Riney, B., Szostakowski, P., & Kotylo, O. (2023). Acknowledgments Contents.
- Hussain, S. T., Lei, S., Akram, T., Haider, M. J., Hussain, S. H., & Ali, M. (2018). Kurt Lewin's change model: A critical review of the role of leadership and employee involvement in organizational change. *Journal of Innovation and Knowledge*, 3(3), 123–127. <https://doi.org/10.1016/j.jik.2016.07.002>
- Jeong, N. (2021). Diversity management and postmergers and acquisitions performance. *Management Decision*, 59(10), 2369–2384. <https://doi.org/10.1108/MD-05-2020-0635>

- King, D. R., Bauer, F., Weng, Q., Schriber, S., & Tarba, S. (2020). What, when, and who: Manager involvement in predicting employee resistance to acquisition integration. *Human Resource Management*, 59(1), 63–81. <https://doi.org/10.1002/hrm.21973>
- Mello, J. E., & Schloemer, H. (2022). Do organizational subcultures matter? A case study of logistics and supply chain management. *International Journal of Logistics Management*, 33(1), 141–164. <https://doi.org/10.1108/IJLM-04-2021-0230>
- Mirvis, P. H. (2016). Merger syndrome: Stress and uncertainty community of leaders view project. <https://www.researchgate.net/publication/286630960>
- Samal, A., Patra, S., & Chatterjee, D. (2020). Impact of culture on organizational readiness to change: Context of bank M&A. *Benchmarking*, 28(5), 1503–1523. <https://doi.org/10.1108/BIJ-10-2019-0454>
- Savović, S., & Babić, V. (2021). Impact of behaviour factors on acquisition performance: Mediating role of speed of post-acquisition change. *Journal of Organizational Change Management*, 34(5), 929–956. <https://doi.org/10.1108/JOCM-02-2020-0056>
- Sharon, N. (2005). Understanding the human side of merger and acquisition: An integrative framework. *The Journal of Applied Behavioral Science*. <https://doi.org/10.1177/002188630528190>
- Singh, R., Goel, G., Ghosh, P., & Sinha, S. (2022). Mergers in Indian public sector banks: Can human resource practices ensure effective implementation of change? *Management Decision*, 60(3), 606–633. <https://doi.org/10.1108/MD-09-2020-1279> s
- Suryanarayana, A. (n.d.). An empirical study into the effects of organization culture and person-job fit on post-merger and acquisition resistance to change in select commercial banks. *Review of Integrative Business and Economics Research*, 12, 28. [https://buscompress.com/uploads/3/4/9/8/34980536/riber\\_12-2\\_02\\_k22-028-032\\_28-57.pdf](https://buscompress.com/uploads/3/4/9/8/34980536/riber_12-2_02_k22-028-032_28-57.pdf)