



Change Management Problems in Multi-organizations Merger

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By

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DECLARATION OF OWN WORK

I, Tebogo Jacob Lebudi, hereby declare that this dissertation submitted by me in partial fulfilment of the degree Masters in Business Administration at the Graduate School of Business Leadership, University of South Africa, is my independent work and has not been submitted in its entirety or in part, by me or any individual to obtain a qualification at another university. Furthermore I declare that all reference sources have been accurately reported.

Signature: _____

Tebogo Jacob Lebudi

02 May 2010

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- To God for His divine inspiration, wisdom and provision. To Him be praise.

EXECUTIVE SUMMARY

The National Health Laboratory Service (NHLS) was created in terms of the NHLS Act, No.37 of 2000 to create a single national entity to provide laboratory services to the public sector in South Africa. The NHLS is a National Entity (Schedule 3A) that derives income from charging fee for service. The organization came into being in 2001 by amalgamating five large independent pathology service providers. The transformation process started in June 1999, aiming at uniting the fragmented public health laboratory services, avoiding duplication of services resulting in wastage and cost-inefficiency and, most importantly, creating a world-class health laboratory service accessible to all South Africans in all corners of the country.

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The research will provide the NHLS management insight on how to manage change and stakeholder relations during the integration of other departments. It is expected that Forensic Pathology be integrated into NHLS in the near future and that this research will provide a framework that will ensure smooth integration of other organizations and departments

It is expected that the organization will undergo further changes due to technological innovations, political pressures, re-structuring or business process re- engineering. The report on the success or otherwise, of the change management program implemented during the merger will benefit the organization to effect painless and uneventful changes in the future.

It is envisaged that the research will provide a framework for similar mergers.

The research was conducted on subjects that were in the employment of NHLS during the merger. The Northern Branch employees of the NHLS were targeted. A qualitative research was conducted. Two types of data collection tools were utilized; the structured questionnaire and the semi-structured interview. 80 subjects were targeted, and 53 responses were received.

The research problems and objectives were formulated as follows:

Objective 1: To evaluate the success of a change management programme implemented during the merger of organizations to form NHLS.

Objective 2: To measure how successful was NHLS in managing stakeholder relations during the merger process.

Objective 3: To examine the role played by culture in the merger of organizations to form NHLS and provide a framework for enhancing the success of mergers.

The limitations of the research were insufficient time; therefore the stakeholders were limited to NHLS employees in the northern branch. This made generalization of the results difficult. Progress since the merger has taken place provided a further limitation

The conclusions highlight the fact that NHLS failed to implement an effective communication and human resource management (HRM) programme during the change process. Furthermore, cultural differences were not taken into consideration when the merger was planned. Cultural differences are still prominent. Although most participants indicated that they fully understood the reasons behind the merger, analysis of the results point to the fact that the merger itself was not fully supported. It is recommended that NHLS define and articulate the culture they want the organization to display and engage in collective learning to work towards attaining it. It is further recommended that any future organizational changes be preceded by carefully formulated communications and HRM plans.

Further research to determine the effects of change on the attitudes and performance of employees is recommended. How the employees' perceptions of new management's trustworthiness affect their behaviour and /or performance can also be examined.

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LIST OF ABBREVIATIONS

NHLS	National Health Laboratory Service
SAIMR	South African Institute of Medical Research
NIV	National Institute for Virology
NCOH	National Centre for Occupational Health
CSIR	Council for Scientific and Industrial Research
MRC	Medical Research Council
CEO	Chief Executive Officer
NDOH	National Department of Health
HRM	Human Resources Management

CHAPTER 1 INTRODUCTION OF RESEARCH TOPIC

1.1 Introduction and Background

Merger defines the combination of two (or more) companies into a single company, which includes acquisitions or any other forms of merging (Kloosterman 2005).

Reasons frequently cited for companies to merger include promotion of growth, adjusting with new management, reacting to the change in government laws and regulations. There are also benefits of change in the exchange rate of currencies of different countries. Mergers could also take place as a result of change in political and economic conditions, it is useful for lowering the labour costs, and there are chances of increased productivity and to find a new customer base.

A defining feature of a merger in all cases is that it represents an example of large scale and fundamental transformation, resulting in major alterations to the merging organizations structures, processes, and social systems (Kiefer, 2005 and Reilly *et al.* 1993).

Yet despite the business cases often presented to support organizational mergers, many mergers have been found to be fraught with considerable challenges, rarely proceeding as planned, and nearly always taking a major toll on the psychological well-being of both managers and employees involved (Mossholder *et al.*, 2000).

This study seeks to evaluate how change was managed during multi-organizations merger and identify possible problems associated with such a merger.

This chapter provides a general overview of the research dissertation. It begins with discussing the background and purpose of the study and the key questions for the research. The final section outlines the structure of the dissertation.

1.2 Problem in context

The National Health Laboratory Service (NHLS) was created in terms of the NHLS Act, No.37 of 2000 to create a single national entity to provide laboratory services to the public sector in South Africa. The NHLS is a National Entity (Schedule 3A) that derives income from charging a fee for its service.

The organization came into being in 2001 by amalgamating five large independent pathology service providers.

The transformation process started in June 1999, aiming at uniting the fragmented public health laboratory services, avoiding duplication of services resulting in wastage and cost-inefficiency and, most importantly, creating a world-class health laboratory service accessible to all South Africans.

The main players of the NHLS had proven track records not only nationally, but were highly renowned in the international healthcare field in their own right. They are:

South African Institute for Medical Research (SAIMR)

The SAIMR was established in 1912 by an agreement between the Chamber of Mines and the Union Government of South Africa. Its primary task was to carry out research, and, in particular, to try to reduce the high death rate from pneumonia and other diseases prevalent in mineworkers on the Witwatersrand. The SAIMR was also permitted to carry out diagnostic work and charge for this service and to sell vaccines it produced. The work was done on a non-profit basis, the surplus earned going towards the development of the organization. In the national interest, the SAIMR expanded its functions far wider, to include research into all the diseases that posed health problems in South Africa, such as pneumonia, diarrhoeal diseases, meningitis, malaria, poliomyelitis, tuberculosis, cancer, heart and genetic diseases and AIDS. This company established itself a worldwide reputation for excellence.

National Institute for Virology (NIV)

The NIV was established in 1976 when the government took over the laboratories of the Poliomyelitis Research Foundation. The NIV was the national virology reference centre in the country and had several reference laboratories accredited by the World Health organization, the only bio safety level-four laboratory in Africa. This is the highest safety status accorded to a laboratory and it provides the environment for scientists to work with highly contagious and dangerous bio-hazardous materials and pathogenic organisms such as viruses causing Congo fever, Lassa and Ebola fever.

National Centre for Occupational Health (NCOH)

The NCOH was established as the Pneumoconiosis Research Unit of the former SAIMR in the 1950's. It was subsequently transferred to the Council for Scientific and Industrial Research (CSIR), thereafter to the Medical Research Council (MRC) and in 1979 became a part of the then Ministry of Health. The centre has the capacity to investigate occupational diseases and laboratories for occupational environment analysis. It serves as the occupational medicine department for the University of Witwatersrand and was internally restructured in 1997 to accommodate a changing occupational health environment in South Africa's workplace.

University Pathology Laboratories

The pathology departments and laboratories of the medical schools of the universities of the Witwatersrand, Pretoria, Cape Town, Limpopo, Stellenbosch, Free State, Walter Sisulu and KwaZulu-Natal are involved in teaching, research, training and the provision of diagnostic services to the hospitals in which they teach their students. These laboratories were under the full control of the individual universities.

Provincial Departments of Health

These include laboratories set up by the various provinces particularly in the rural areas and were funded and controlled by the provinces in which they were set up. The NHLS was created to provide cost-effective and efficient health laboratory services to all public sector health care providers, any other government institutions and private health care providers as requested, to support health research and provide training for health science education. The newly formed organization does not receive funding from the government and charges a fee for service for self sustenance.

As a newly formed organization with a new mandate, the first challenge was to appoint a management team to successfully integrate and amalgamate the 5 entities into one harmonious organization. The vision of the new organization was formulated and made available to everybody (See Appendix B, Vision and Mission of NHLS). The mindset of the staff had to change from providing a free care service to providing a profitable service with carefully monitored income and expenditure.

The new management structure is a pyramid structure (See Appendix A) with numerous layers of management which is different from the flat structures the individual organizations had before. This created tension and some resistance to change because each group believed that the structure of their former organization was the best. They believed that the flat structure with decentralized decision making was more appropriate for the health industry, where decisions has to be taken quickly to intervene in a life and death situation. The issue was compounded by the fact that former managers of merged organizations were not necessarily part of the management team of the newly formed organization. The organization is structured functionally and all corporate functions are centralized and decision making takes place at this level. There have been no retrenchments arising from the new structure and centralization. However, some positions were rendered obsolete and the job holders had to be absorbed in other departments to perform functions

that they did not qualify for. Some managers chose to resign from the organization claiming that they either did not see what the future holds for them in the new dispensation and some went to the extent of saying that the way the organization was structured showed that they were not wanted anymore.

The new Chief Executive Officer (CEO) spend most of his early stages in office trying to come up with the model of operation of NHLS and assuring key stakeholders of the integrity of the organization. On the other hand, employees and stakeholders from the political side were interested in the issues of transformation within the organization. The top management appeared to be too white and male dominated for an organization that was created by the act of parliament in a new democratic South Africa. NHLS was under pressure to transform. Furthermore, everybody was eagerly waiting for the NHLS operational strategy that would see the realization of the mission and vision of the organization and deliver on the mandate as stipulated in the NHLS Act.

As the new CEO was grappling with political tensions and internal issues, clients seemed to be sceptical and doubted the new formed service provider. There was a lack of confidence in the new organization that was supposed to offer pathology services at national level. The level of service decreased during this time and the organization failed to meet its budgeted revenue.

Cultural differences appeared to be prominent in the organization. The corporate culture of each of the five merged entities remained prominent in the organization. The approach to service delivery from merged organizations was totally different. There seemed to be a challenge of integrating the activities of different groups of people so that their efforts combine to achieve organizational objectives. This resulted in the NHLS not achieving most of its strategic objectives in the earlier years of its existence.

Clearly defined responsibilities and specific sets of coordinated and measurable objectives were made available by the new management. It appeared however, that

the 'way things are done here' definition pointed to another more implicit integrating force, set of values and beliefs within staff members from a particular institution. Achieving organizational goals requires a unity of effort, commitment and working practices, such differences may need to be managed carefully.

Branches and business units seemed to be competing against each other and drifting apart. Each merged organization had its own rich academic and /or operational culture and history, and it was difficult to adapt a new culture and create a new history within the NHLS. As a result the organization found itself with numerous subcultures within itself.

The NHLS has adopted English as the language of communication. Some of the amalgamated institutions had Afrikaans as first language of communication. This created further tension within the organization and brought about another cultural issue that the organization had to deal with. The organization was however successful in ensuring that a common language was adopted and used by everybody in all official communications.

The merger brought about anxiety and uncertainty to some of the employees. Some took early retirement and some simply resigned to join other industries due to fear of the unknown. The new management tried very hard to convince all staff members that their jobs were safe and that NHLS will be the employer of choice, and in the process, creating expectations for those who chose to remain with the organization.

The major stakeholders, especially the customer, in this case the Department of Health in all provinces of South Africa, developed a negative attitude towards the new organization. It was seen as a private company that is there to make money at the expense of state health institutions. The NHLS is still introducing itself to its customers after ten years of existence. The evidence of this was the position of non payment or slackness in payment of bills by some of the health facilities, resulting in the debtors' days of the organization to be above 160 days. This resulted in cash

flow problems for the organization and further anxiety among staff members. The company found itself running in the deficit of hundreds of millions of rand in the first year of existence.

NHLS did not prepare itself for such an eventuality in which there will be outstanding bills that needed to be managed and collected. No credit control or debtors management structures were in place at that time.

It appeared as though some stakeholders, especially the paying clients, namely, the individual hospitals were not adequately briefed or involved in the creation of NHLS. Moving from flat rate charges for pathology services to a fee for a specific service took many hospitals by surprise as is evident in the budget allocation for the services that is not sufficient to pay for what the service provider charged. All of a sudden customers had to start paying monthly for their services, as compared to an annual flat rate payment for services. There was and still there is a feeling that the merger is in favour of the NHLS rather than the entire health sector, hence many service users were anti- NHLS. There was a clear lack of public relations and stakeholder management plans in place.

During the early phases of change there was communication to staff members on the process and the progress of change. This however, became intermittent and irregular as the actual merger and launch of the institutions drew nearer. Other institutions received communication more regularly than the others. Some groups, who were against the merger, simply chose to ignore communication regarding the process and the progress of the merger.

1.3 Problem Review

1.3.1 Change Management

The approach and the way things are done in a new organization are totally different even though the core functions remain the same. The junior and middle managers have to acquire competencies and attitudes that will enable them to be business minded. There is supposed to be a complete change in management of business units to incorporate financial and stakeholder management. The above state of affairs appeared to demoralize some managers as they felt that their core competency, which is pathology, was clouded by business management which in their view was unethical for their profession. The new management emphasized that, if there was no budget or funds for a particular special project that would help in better management and diagnosis of patients, it cannot be carried out. Before the merger, institutions had the autonomy to make decisions relating to the benefit of patients without having to consider financial implications to the institution, or rather; they did not have to make financial decisions in such a situation. This function was done by employees in the financial sections. The money was provided for by either the government or by the universities.

The business model developed by NHLS was similar to the model of one of the merged organizations, namely the SAIMR. The other four institutions felt as if they were absorbed or acquired by SAIMR because of this. There has always been competition among some of the merged institutions. The feeling that they were acquired by a less successful institution in SAIMR resulted in resistance to change.

1.3.2 Culture

The adoption of a uniform language was necessary in a merger where there is a mixed culture and language.

The adoption of English as a medium of instruction, even in Institutions which were historically Afrikaans, appeared to be a problem that made the integration process even difficult. Some could have politicized the whole move as possibly the plan to get rid of the Afrikaans language in the government institutions in the country. Employees from the same institutions seemed to be clinging to the culture and values of their former organizations. There seems to be a mixed culture operating in the new organization.

The practices in different business units appeared to be different even after merging into one organization, for example, some laboratories still allow Friday afternoon off for staff members without having to fill in a leave form while others insist on officially applying for time off. This is in spite of the policies and procedures NHLS had put in place. Some managers chose to carry over the practices of the former organizations. It seems that it will take some good long years before the NHLS displays a homogenous culture.

The practices within the NHLS appear to be dislocated from those of the management and leadership. It is however expected that the policies and systems introduced and applied by the leadership will bring in homogeneity within the organization through compliance.

1.3.3 People Management/Employee Trust

There seems to be an element of mistrust between management and employees. This possibly stems from the fact that some of the expectations created by management at the early stages of merging appear to be not fulfilled. For example, in the pre merger communication it was stated that no one will be worse off in the new organization than in the old one. There seems to be a feeling of being worse off,

especially amongst the former employees of University Pathology Laboratories and State Laboratories. This could be the cause of low morale, absenteeism and job dissatisfaction among some staff members. Broken promises and increased uncertainty lead employees to self serving behaviours, hence an increased number of disciplinary cases NHLS had to deal with.

1.3.4 Communication

The communication of the amalgamation appears to have been inconsistent, leading to feelings of anxiety and possible development of resistance to change and mistrust. In situations like this, individuals may fail to identify with the intent of a given change project. It appears that the company did not develop and communicate a clear vision of the future of the new organization. No feedback mechanisms were built into the communications, thus the ideas and the feelings of the people may not have been heard and possibly not considered at all.

1.3.5 Stakeholder Management

The stakeholders in NHLS are the National Department of Health (NDOH), the provincial health facilities (hospitals and clinics), the suppliers, the unions and the general public and all these are external stakeholders.

The employees and managers of NHLS are the internal stakeholders.

The NDOH demands that the NHLS complies with the mandate as outlined in the NHLS Act. The health facilities and general public require on site uninterrupted quality service. They also want to know that the organization is financially stable to remain in business and supply services efficiently and on time.

The suppliers of goods and services expect the organization to meet its obligations to them.

Employees are responsible for delivering the needs of other stakeholders, and are dependent on the survival of the organization and possibly the strength and the organization of the trade unions for their wages and salaries

Managers are important internal stakeholders and perform the duty of stewardship towards the organization.

The expectations of the above stakeholders, especially the external ones, increased over time more over that the NHLS was viewed by certain sectors as a company that makes money out of them.

The major stakeholders appeared to have not been fully part of the change process in this organization. The organization may not have included the stakeholders in their change communication strategy. Stakeholder expectations and opinions may not have been taken into consideration when the merger was planned and executed. This may have resulted in some stakeholders taking a position of mistrust and a non- cooperative stance.

The NHLS does not have a communication and marketing department. This may imply that there was no constant and consistent communication between NHLS and its stakeholders.

1.4 Problem Statement

1.4.1 Primary Research Statement

Change Management Problems in Multi-organizations Merger.

1.4.2 Secondary Research Questions

Was the change management program and stakeholder relations properly managed during the merger of institutions to form the National Health Laboratory Service?

Did the NHLS management ensure and implement effective change management and communication programmes during the integration of different organizations?

How can the merger foster the development of a single organization which will receive the support and trust of all the stakeholders and meet the needs of the clients?

How did the cultural differences affect the success of the merger? What was the role of culture in the merger process?

How can the NHLS management demonstrate effective leadership in areas of change, policy development systems implementation and strategy implementation?

1.5. Research Objectives

In view of the questions formulate above, the objectives of this research are:

Objective 1: To evaluate the success of a change management programme implemented during the merger of organizations to form NHLS.

Objective 2: To measure how successful was the NHLS in managing stakeholder relations during the merger process.

Objective 3: To examine the role played by culture in the merger of organizations to form NHLS and provide a framework for enhancing the success of mergers.

1.6 Importance of the Research

The research will provide the NHLS management insight on how to manage change and stakeholder relations during the integration of other departments. It is expected that Forensic Pathology be integrated into NHLS in the near future. This research will provide a framework that will ensure smooth integration of other organizations and departments.

It is expected that the organization will undergo further changes due to technological innovations, political pressures, re-structuring or business process re- engineering. The report on the success or otherwise, of the change management program implemented during the merger will benefit the organization to effect painless and uneventful changes in the future.

Cultural differences may not only affect the success of the mergers but also the success of organizations is based on a strong corporate culture. This research will provide opportunities for top management to pay attention to understanding the

different cultures of merger partners and to managing people in ways that will help them to come to terms with and accept the realities of cultural difference.

It is envisaged that the research will provide a framework for similar mergers.

1.7 Limitations and ethical considerations

This investigation was constrained by the following factors, namely:

- Insufficient time.
- Stakeholders limited to employees of NHLS in the Northern Region.
- Although the study provided qualitative findings, the limited number of samples in this study makes it difficult to generalize the findings. The results of the study are specific to the region selected and constituting the subject of the study. It would be of interest to compare the findings of the sample region against other regions in the organization.
- Progression since the merger took place may affect the nature of the responses.

1.8 Summary of the chapter

The study consists of six chapters, with each chapter focused on unfolding in great detail the process towards answering the research questions, aims and objectives.

Chapter one sketched the context of the study by giving an outline of what to expect in the following chapters. The underlying aim, research questions and background of the study were addressed.

The key issues highlighted in the chapter were the following:

The culture element in the merger's integration process has been identified as one of the key issues around the problem. Cultural differences among the merging organizations constituted a key factor in the success of the merger. The organization appears not to have taken into consideration the cultural differences of merger partners and how will those differences affect the merging process.

Furthermore, stakeholder relations and management were issues identified around the problem. It appears as though there was no adequate involvement and engagement of both internal and external stakeholders during the merger. This might have been due to poor communication in change management.

The management of the whole change process seemed to have been handled poorly resulting in the standoff between the organization and some of its employees and external stakeholders.

Chapter Two will cover the theoretical considerations relating to the key issues identified in chapter one. This involves application of management and business frameworks relating to the research questions posed.

Chapter Three will cover the literature review, in which concepts and theories of mergers are dealt with in detail to set the scene for the research questions being addressed by the study.

Chapter Four gives an outline of the research methods selected to conduct the study in a scientifically prescribed manner in order to successfully achieve the study objectives.

Chapter Five presents the research results and discusses them in detail.

Chapter Six highlights the overview of the main findings, identifies appropriate recommendations and presents concluding remarks.

CHAPTER 2: PROBLEM ANALYSIS

2.1 Introduction

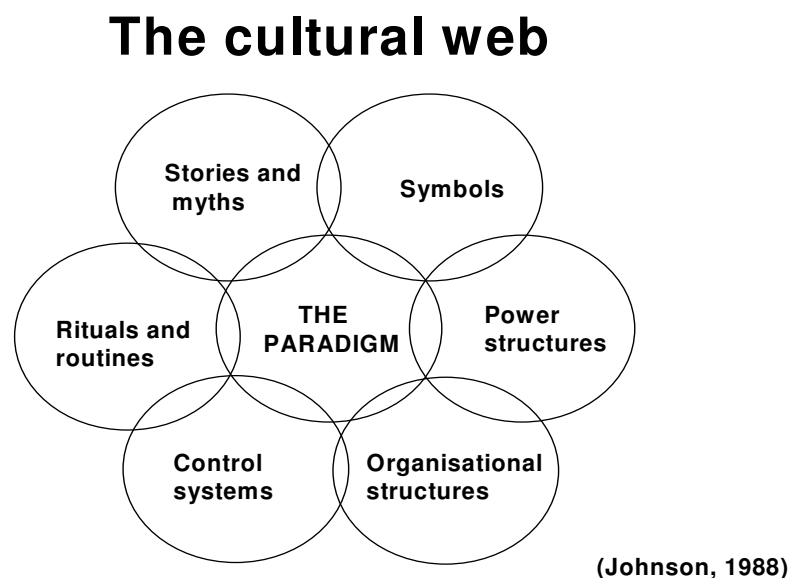
The problems identified in the Problem in Context and the Problem Review will be subjected to further analysis in this chapter.

These fall under the following key headings/themes, namely:

- Merger Management.
- Corporate Culture.
- Change and stakeholder relations Management.
- Communication.

2.2 Theoretical Considerations

Figure 2.1: Culture.



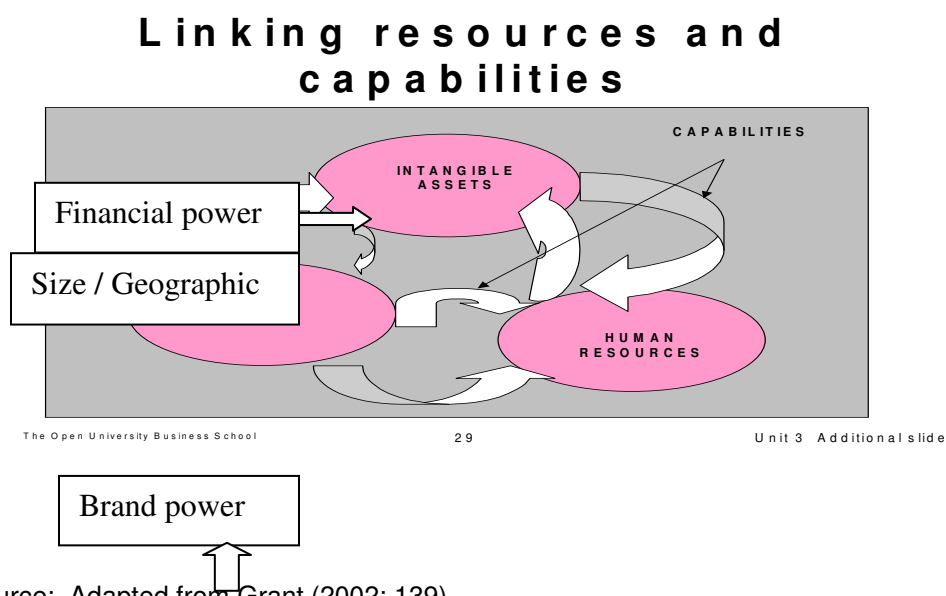
Source: Johnson (1988).

Arguably, NHLS is now facing a paradigm shift challenge. Each of the five merged organizations comes with its own history and organizational culture. Such a major change or paradigm shift is unavoidable as it is by law that individual organizations cease to exist and NHLS must be formed.

The extent of this change naturally reflects on the resources and capabilities required to manage the change. If it is a radical change requiring a paradigm shift, then the impact is considerable. Johnson (1988) suggests such a paradigm shift demands a renewal of each and every related process and activity around the original paradigms as well as of course the redevelopment of the new paradigm itself. The interaction between the numerous elements around the paradigm is illustrated in figure 2.1. A change of this magnitude is a daunting task indeed and the ability of the NHLS to rise to the occasion is an unknown factor and hopefully this research will unveil some of these issues.

One step that the NHLS may need to consider is the full leverage of merged current assets. The dynamics illustrated in Figure 2.2 below, suggest that this is not a simple task if they are to successfully link existing resources to generate competitive capabilities and successfully merge the five organizations.

Figure 2.2: Resources and Capabilities.

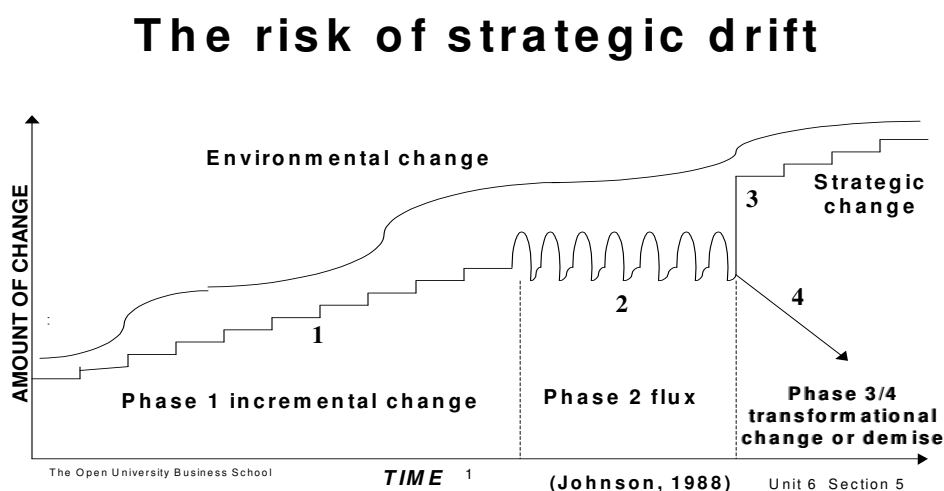


Source: Adapted from Grant (2002: 139).

As NHLS grapples with the issues of integration and paradigm shift, it could be subjected to the risk of strategic drift.

Figure 2.3 below should be considered a conceptual model of developments within the organization rather than a factual model.

Figure 2.3: Strategic Drift in Change.



Source: Johnson (1992).

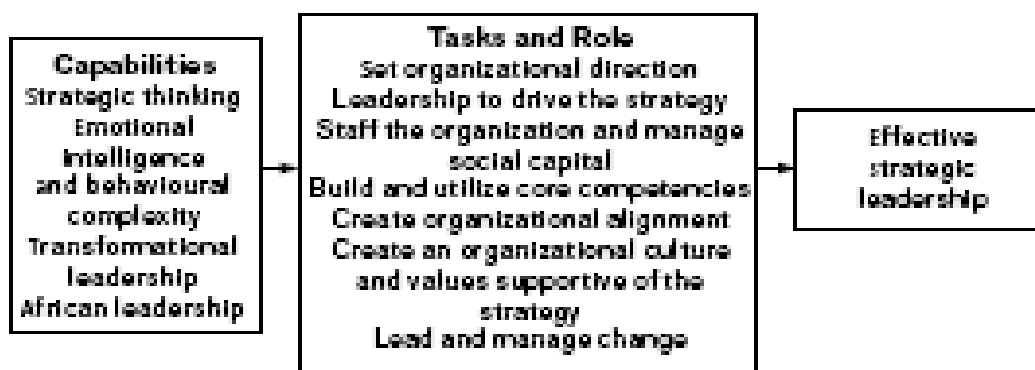
The dramatic change that NHLS has to go through may not have impacted immediately on the Pathology industry in general. The environmental demands from the newly created state organization could have exceeded the level of internal change thus introducing the concept of strategic drift. One might further suggest that over time the strategic drift increased dramatically due to the slow reaction time and thus the NHLS subsequently finds itself at the point of no return (phase 3 or 4). Change management demands are thus radical at this stage.

It is interesting to speculate whether the NHLS leadership possess the capabilities suggested by Louw and Venter (2006:355-65).

What Louw and Venter are essentially saying in figure 2.4 below is that, as organizations undergo a change or transformation, leadership should be aware and execute their roles and tasks fully. They mention specific capabilities which change

management leaders should possess. The merger of five organizations to form one entity is a rare occurrence and strong leadership is required to ensure a successful merger. It is not certain whether NHLS leadership possess all these qualities.

Figure 2.4: Capabilities and Tasks.



Source: Louw and Venter (2006).

In ensuring the success of the merger, the NHLS might well consider and have strategies to deal with all factors that may bring resistance to change.

The model in Table 1 below identifies sources of resistance to change. It shows that resistance can come from within the organization at an individual level and organizational level, as well as from outside the organization.

There was very little external resistance towards the formation of NHLS, mainly because the merger enjoyed political backing. However, it seems the NHLS was ignorant of internal resistance in the form of culture and structure as well as uncertain consequences and reduction in personal role and influence.

Table 2.1: Resistance to Change.

Resistance to change

INTERNAL RESISTANCE		EXTERNAL RESISTANCE
<i>Individual level</i>	<i>Organisational level</i>	
Fear of failure	Board members	Investors
Ignorance	Culture	Suppliers
Loss of jobs or career status	Structure	Collaborators
Inertia	Sunk costs	Regulators
Uncertain consequences	Limited resources	Media
Reduction in personal role and influence	Contractual agreements	Politics
	Beliefs and recipes	

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Source: Whipp (2003:259).

Furthermore, one can view the NHLS handling of the merger using the concepts illustrated in figure 2.5. The philosophy behind Figure 5 as developed by Faulkner (1994) is that a merging organization must adopt a positive partner attitude with clear organizational arrangements and a clear communicated vision of the future. This is likely to result in gaining employee trust during and after the merger. It would appear that the NHLS did not consider Faulkner's model of successful alliance management, and more over, that the business model of one of the five organizations was used without necessarily reaching an agreement with the other four role players. A more inclusive approach that ensures participation of all role players is likely to result in a successful merger.

Figure 2.5: Merger Management.

Successful alliance management

- **Positive partner attitudes**
- **Clear organisational arrangements**
- **A learning philosophy**
- **Congruent long-term goals**

(Faulkner, 1994)

Source: Faulkner (1994).

On reflecting further, other important issues may be at play in influencing the merger of organizations to form the NHLS.

Mergers are best thought of as proceeding through 3 phases (Marks & Mirvis, 1998). The first phase is pre-merger (announcement to closing), and is primarily concerned with information gathering and evaluation. The second phase is the merger of operations which typically lasts about 6 months and is focused on implementing the decisions that are informed out of phase 1. The third phase of the merger is the consolidation and institutionalizing of changes made in phase 2; this phase will last up to 18 months depending on the degree of change occurring in the core parts of the company.

Each of these phases addresses the three components of the dialectic: Core Company, market and employees. A snapshot of the issues addressed is shown in Table 2.2.

Table 2.2: Phases of Merger.

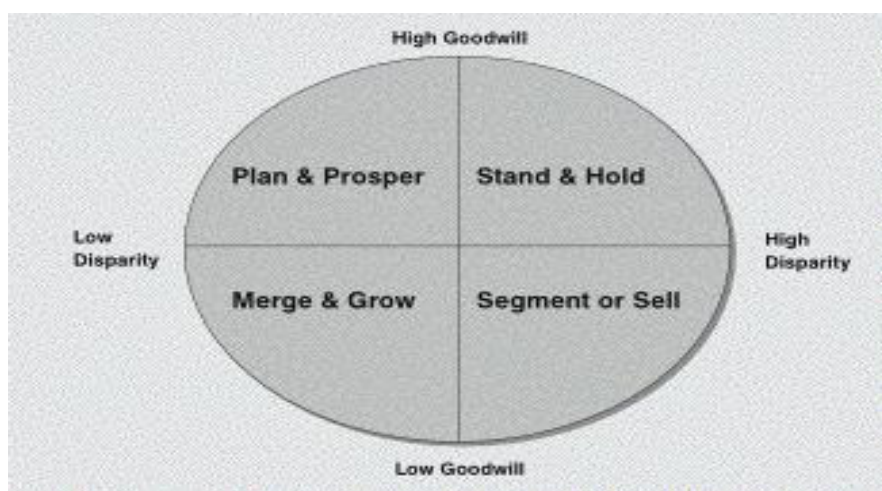
	Pre-Merger	Merger	Consolidation
Core	Strategic Intent Merger Office Structure Process	Operating Philosophy System Selection	Organization Alignment Values Structure Resolution
Market	Middle Mgmt. Strategy Sessions Market Communication	Middle Mgmt Selection Business Unit Strategy Marketing Blitz	System Enhancements Cross-sell – new product offerings Customer Svc Migration
Employees	Employee Communication Policies (selection, severance)	Selection Process Downsizing Teambuilding	Culture Program Talent Management Middle Mgmt Training

Source: Marks and Mirvis (1998).

In the NHLS, the challenges of a common strategic intent and transformation and the corresponding management issues it poses may possibly have been severely underestimated. The intent of understanding and agreeing as to why the merger makes sense from the strategic point of view appears not to have been well communicated. Because this task was seemingly not done well, the remaining task of getting employees and customers on board appeared to be severely hampered, and even worse, executing the merger plan could possibly have become a piecemeal exercise of overseeing a series of combinations rather than an integrated exercise designed to achieve a certain strategy. Hence NHLS experienced a number of resignations of key employees in key positions.

This underscores the need to perform in depth due diligence pre-merger, and its value as a means of organizing the integration process. There are 4 basic acquisition types (Lynch and Lind, 2002). They are shown in Figure 2.6, which represents a Merger Management Model, through which it is possible to examine disparity and goodwill.

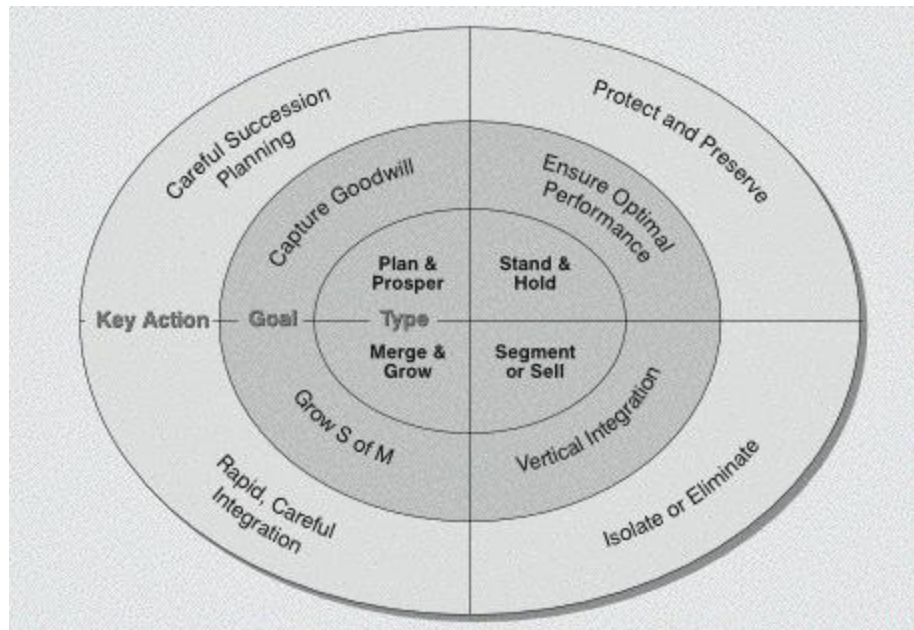
Figure 2.6: Merger Management Model.



Source: Lynch and Lind (2002).

The NHLS merger falls into the *merge and grow acquisition*. Low goodwill/Low disparity. This is a classic type of acquisition and is usually a strategy for gaining market share. The key behaviour here is fast, but careful integration. The speed with which redundancies are reduced is a key indicator of success. The general goal is to reduce expenses to pre-acquisition levels while attempting to maximize the revenues. Careful customer management needs to be done at the same time.

Figure 2.7: Merger Strategies.



Source: Lynch and Lind (2002).

Taking M3, analysis further identifies a series of steps (strategies) the managers can follow which follow the basic types of acquisitions or mergers described above. Lynch and Lind (2002) suggest that there is no specific order in which those should be carried out (Figure 2.7).

The model suggests the following, for the Merge and grows acquisition as in the NHLS' case:

- Identify swiftly those business elements with common characteristics, methodologies, technology and skills. In NHLS, these could be the University Pathology Laboratories as well as NIOH and NIV. The objective here is to merge these quickly, and demonstrate early success for both internal and external audiences.
- Find parts of organizations that can be collapsed into each other easily.

- Reduce duplication and expenses rapidly. Make sure the empowered managers collapse these organizational elements into each other with the least disruption of the main business.
- Make successes visible inside and outside the organization. Empower people to consider the most beneficial culture and climate they wish to inculcate right at the beginning.

This is the strategy that NHLS could have adopted and implemented when five organizations were merged to form one entity.

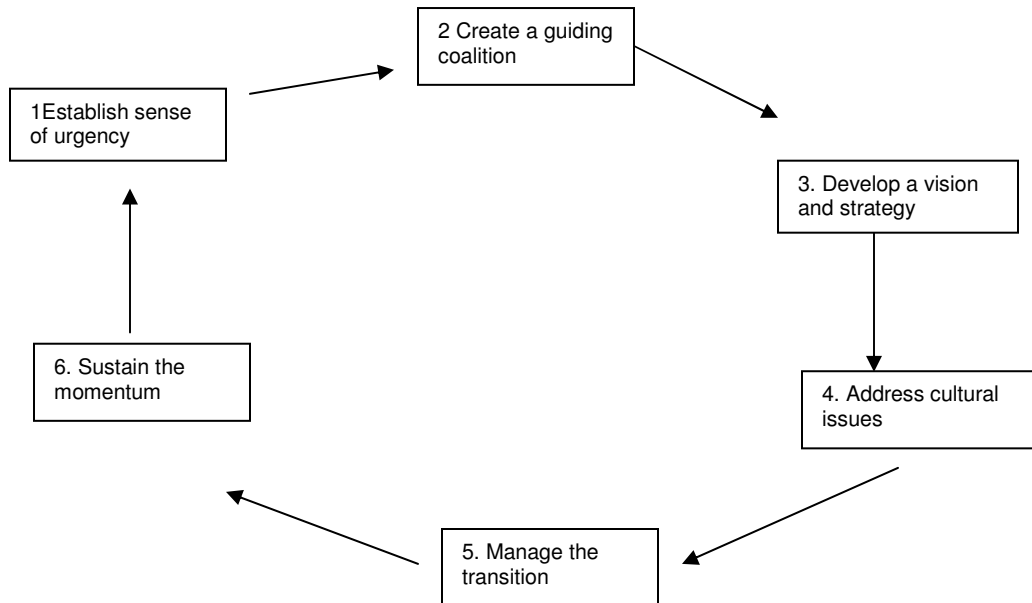
One can also view NHLS' handling of the merger using the six step model of change shown in figure 2.8 below, which is similar to the change phase's model of Kotter, 1990.

The philosophy behind the model is that, for change to be successful, it is crucial for companies to follow a structured approach to manage the change and follow the phases of change in the below exact sequence. If the process of change does not follow the articulated phases it could further complicate the issues in that change may be ignored and this could eventually devolve to crisis management rather than change management.

It would appear that the NHLS did not follow the model to the core as a number of employees showed their disapproval of the merger and lack of trust in the entire change by either tendering their resignations from the organization, or failed to show emotional commitment to the change.

The question that still needs to be answered is whether the problems that the NHLS is currently facing, whether or not, are due to inadequate change management.

Figure 2.8: Change Management.



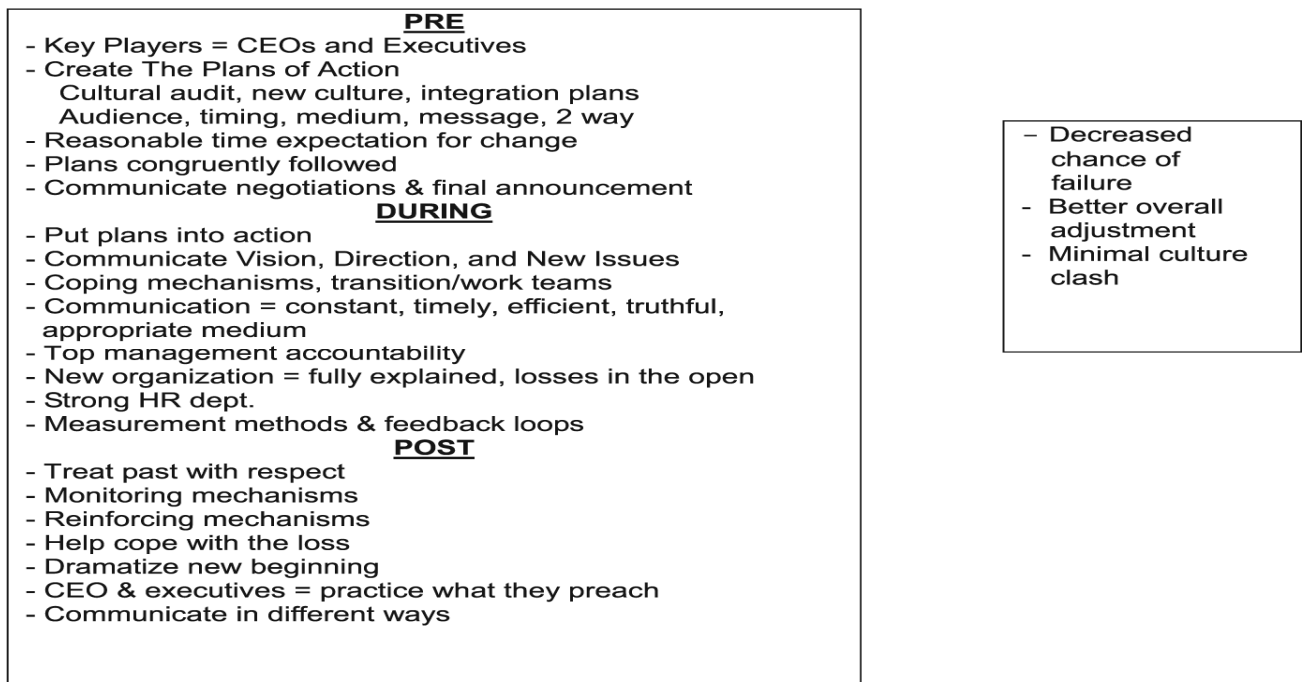
Source: Mabey (2006:15).

The revised unified Merger and Acquisition Human Resource Management (HRM) model developed by Appelbaum and Gandell (2003), for the proper and successful implementation of mergers and acquisitions is shown in Figure.2.8. The principle of the model is based on the fact that the majority (60-80 percent) of the mergers and acquisitions do not reach their intended objectives owing to the fact that the merging organizations do not realize the impact of neglecting the human resource factor. Although they properly assess and address the financial and legal issues, they continually overlook this critical factor. The model presents key steps that could be followed to ensure a decreased chance of failure and better overall adjustment. The NHLS experienced and is still experiencing a culture clash as articulated in Chapter One. One of the key achievements of applying the model is minimal culture clash. The NHLS could have benefited from the application of this model. The model emphasizes timely, constant and efficient communication during the merger. Again, in Chapter One it was pointed out that communication in the NHLS seemed to be irregular and not reaching all employees. Some employees appeared to know before and more than the others on issues pertaining to the merger. One other aspect that

the model is clear on, which the NHLS seems to have failed to do and as evident in the resignation of key employees and integration problems, is treating the past with respect and helping to cope with the loss.

Some of the NHLS employees feel worse off in the NHLS than in their former organizations. NHLS Human Resources appears not to have given support to such employees to make them cope with the perceived loss, not only of benefits, but the loss of organizational autonomy and rich history.

Figure 2.9: Change and HRM Management.



Source: Appelbaum and Gandell (2003:385).

2.3 Summary

The Problem analysis unravelled further areas that need to be researched. These factors include the cultural differences, resistance to change. Issues pertaining to the management of change during a merger as well as leadership functions are unravelled. It is further revealed that there is a risk of strategic drift during the merger. The role of human resources is also revealed. The merger has brought further demands and challenges that need also to be investigated, such as successful linking and merging of resources from merged organizations.

CHAPTER 3 LITERATURE REVIEW

3.1 Introduction

Saunders *et al.* (2003) are of the view that there are two main reasons for conducting a review of relevant literature. The first reason is to generate and refine the research ideas. The second is to demonstrate the researcher's awareness of the current state of knowledge of the subject and its limitations.

In view of the above, this literature review was to explore how the literature review fits in this study.

It will comprehensively expand the theoretical insights briefly introduced in Chapter 2. It will explore the key concepts relating to mergers, organizational culture in mergers, change management, communication as well as stakeholder management (employees) in mergers.

3.2 Corporate Culture

Corporate culture, as stated by Fred Weston (2001), is defined by an organization's values, traditions, norms, beliefs, and behaviour patterns. Corporate culture can be represented in a formal manner as organizational values and expectations. It also is expressed in informal relationships and networks. Either way, it can be defined as all kinds of behaviour which are appreciated and rewarded by the organization.

A company's corporate culture has to be defined, promoted and managed effectively before it can engage in mergers and acquisitions. If a company can't deal with its own problems, combining two or more would only create even more difficulties.

Past research on Mergers and Acquisitions has focused on either the effect of various financial issues, such as the mode of transactions and the number of bidders, or the performance implications of various strategic issues, in particular, the level of relatedness. For example, a general but still questionable claim is that related mergers and acquisitions display superior performance as compared to

unrelated mergers and acquisitions by providing better synergy due to economies of scale and scope (Datta, 1991). Neither financial nor strategic perspectives provide sufficient explanations of why nearly half of mergers and acquisitions fail to fulfil expectations. However, recent researchers attention has shifted to the human side of mergers and acquisitions, exploring the issues of organizational fit and/or the actual organizational integration processes (Hogan and Overmyer-Day, 1994).

Gilkey (1991), argues that mergers and acquisitions failure ratio is high because they are still planned with business and financial fit and consider it as primary condition rather than psychological and cultural issues - "A close examination of these issues could have brought about a learning process, directed at successfully managing such ventures" (Gilkey, 1991: 331).

Risberg's (1997: 257) view is that by "studying the concept of mergers through a different perception, a cultural ambiguity structure, helps us to understand the complexity of these phenomenon in a better way and perhaps it can prevent some unwanted results". Riseberg's study concluded communication as the most useful device to negotiate meaning out of the acquisition ambiguities during the integration process.

Researchers such as Cartwright and Cooper (1992), Bueno and Bowditch (1989), and Gilkey (1991), are all of the opinion that, during the last two decades the study and management of the "Human factor" has become an important source of success in mergers and acquisitions. These authors agree that culture played an important role in mergers and acquisitions. However, it is not that easy to spread knowledge about the importance of culture differences within merged organizations. If the organizations want to work to achieve a higher level of integration, then they have to answer the "how" part that culture plays in the success or failure of the organizational melting processes that is to be predicted (Cartwright and Cooper, 1992).

Researchers such as Fralicx and Bolster (1997), Cartwright and Cooper (1993), Daniel and Metcalf (2001), and Evans and Mendenhall (2004), support this line of reasoning and suggest that incompatible cultures are the main causes of mergers and acquisitions failure. While it is acknowledged that a lack of cultural fit is an important factor in mergers and acquisitions' failure, relatively few studies have investigated the role of culture and its integration in mergers and acquisitions processes. Moreover, studies on the impact of cultural differences on mergers and acquisitions' performance have yielded mixed results and do not provide a framework for managing cultural integration (Weber *et al.*, 1996; Stahl *et al.* 2004; Brock, 2005).

3.3 Culture differences

Cultural differences are considered to be the most prominent issue for the lack of predicted performance, loss of key employees, and time consuming conflicts in merging of business (Bijlsma-Frankema, 2000). According to Bijlsma-Frankema (2002), the term 'Culture clash' could be used to describe the conflict between the merged organizations. This may include differences in their styles, norms sanctions, philosophies, and objectives. This may, in fact, be the most dangerous factors when two companies decide to combine.

Covin, Kolendo, Sigheter, & Tudor (1997) argue that, even if the conditions for mergers and acquisitions are favourable, still mergers can so change the nature; orientation and character of one or both of the merged partners. This means that it will require five to seven years where employees can feel whether they have truly understood one another's culture.

Many adjustment problems have been witnessed during the post-merger period (Mirvis and Marks, 1992). According to them, these problems arise due to the employee fearing of losing their job and financial debt due to job loss.

Also, fears that arise due to the loss of close team members, appointment of new team members and new supervisors can lead the organizations into an ambiguous situation.

By forcing employees to deal with new supervisors and new team members, they could build up worries of taking certain risks and raising sensitive issues. This can lead to develop an 'us versus them' scenario, where trust for new members will be nominal (Mirvis and Marks, 1992). Organizations who have this kind of situation may find themselves in a dilemma due to the loss of collaboration and interest among the employees of the new business amalgamation. It will be difficult to achieve the synergies that were initially sought; it will also be difficult to resolve conflicts and sensitive issues, if at all, this resistance arises often. Post-merger can be the most difficult time for the new team to move forward as a whole (Appelbaum *et al.*, 2004).

3.4 Stakeholder (employees) Management

The integration, retention, and motivation of key employees from merging firms are central to a successful acquisition. Some previous research has investigated the effects of mergers on a variety of management issues, such as culture (Buono, Bowditch & Lewis, 1985), structure (Mirvis, 1985), human resource policies (Profusek and Leavitt, 1984), and employee reactions (Wishard, 1985). Expertise in this area is critically important since acquisitions affect many stakeholders, including shareholders, customers, and employees (Marks, 1982; Rhoades, 1983).

Shareholders are concerned because acquisitions ultimately affect their investments, particularly in the target firm (Lubatkin and Shrieves, 1986). Customers feel the impact of a merger when their neighbourhood business becomes part of a larger organization, which may give the perception of being less personal. Employees typically receive the brunt of a merger's impact, particularly if there is a massive layoff or there are radical changes in the target firm (Napier, 1989).

There are some studies that have emphasized the importance of the human factor in merger success. For example, the results of many previous studies emphasized the phenomenon of the loss of autonomy of target managers, a situation which invokes tension and negative attitudes toward the merger (Levinson, 1970; Blake and Mouton, 1985; Perry, 1986), and which ultimately leads to post-acquisition/merger integration problems and acquisition failures.

Other studies highlighted the fact that conflicts and communication problems during mergers and acquisition may reduce the necessary devotion of the target managers and employees to the implementation of the post-acquisition integration process (Schweiger and DeNisi, 1991).

Awareness of human resources issues in mergers is important because human resource practices have influences on outcomes. Most human resources issues can be affected by mergers during the implementation stage. Because of this, implementation has been the primary area of human resource related research dealing with mergers and acquisitions. Primary topics investigated in the literature include the importance of formal internal communications about an acquisition or merger (Bastien, 1987; Perry, 1986; Schweiger and DeNisi, 1987), changes in organizational structure (Adams and Shea, 1986; Mirvis, 1985), and problems of meshing different cultures and human resource policies (Marks and Mirvis, 1985). Ivancevich, Schweiger & Power (1987: 37) identified some crucial implications of employees' personal stress by saying that:

“Although merger-produced stress is inevitable, its effect can be minimized. Probably the biggest step that can be taken toward more effective management of merger stress is to become aware of how damaging are its consequences. Many employees do not have the resources and knowledge to effectively eliminate merger-produced stress; however, together organizations and employees can take specific steps to better control and minimize stress. The truth is that merger-produced stress has not been on the ‘must do or must consider’ agenda of

management and human resource professionals. Statistics tell us that, although most mergers do not turn out as planned, management's success rate can be improved by doing something about employee stress".

Mayer *et al.* (1995) view that, managements' ability to implement change affects the way employees perceive the trustworthiness of post merger leadership. The speed of change process is an issue of strategic and managerial decision which will influence the way the acquired employees perceive managerial ability and thus, its trustworthiness.

Since employees expect and wait for changes in the acquired company, quick-change implementations helps them reduce uncertainty (Schweiger *et al.*, 1993; Shrivastava, 1986), and may be interpreted as the strength of the new management.

3.5 Change Management and Resistance to Change

Organizations need to change to adapt to external or internal developments, but realizing effective change is very problematical. According to Kanter, Stein, & Jick (1992), change is so difficult that it is a miracle if it occurs successfully.

One major barrier for change is resistance of people in organizations (Bennebroek Gravenhorst, Werkman, & Boonstra, 2003; Heller, Pusic, Strauss, & Wilpert, 1998). Resistance is commonly considered to be a standard or even natural reaction to organizational change. It is described as an almost inevitable psychological and organizational response that seems to apply to any kind of change, ranging from rather modest improvements to far-reaching change and organization transformation.

Change and resistance go hand in hand: change implies resistance and resistance means that change is taking place (De Val and Fuentes, 2003).

Three factors relevant to resistance to change emerged from a review of the literature. These were;

- Employee perceptions of the change.

- Employee perceptions of the change agent, and
- Commitment of resources.

A fourth factor, while not directly involved, was also indicated, that is, employee commitment to the organization.

Several authors have attempted to explain the reasons for employee resistance and the means to cope with it. Lewin's (1951) force-field theory explains the forces in favour and against behaviour - in this case, accepting organizational change. Lewin suggests identifying these forces and attempting to reduce the negative forces. In applying Lewin's theory, several authors, Coch and French (1948) and Katz (1978), proposed that employees may perceive economic, psychological or social threats. Such threats raise fear and anxiety resulting in negative employee reactions. Specifically, these could concern task requirements, social relationships or uncertainty about other implications of the change. Menlo (1985), in an exploratory interview of 30 adults, found that none of the respondents indicated that the change itself was the target of their resistance. Instead, they referred to real or imagined losses resulting from the change. Thus, employee expectations from the change are a major dimension to be considered. Another factor that was identified in influencing resistance to change was employee perception of the change agent.

The way employees feel toward their supervisor (the change agent in this case) can have a marked influence on how that person is perceived (Coch and French, 1948). And, if the change agents are perceived positively, the resistance to change is less. Change agents must manifest the desire and support for the change, explain the employees about the change and its benefit to their jobs and the organization; and communicate freely with the employees (Ackerman, 1986; Lawrence, 1986).

The above authors concluded that the active role of the change agent in clarifying the implications reduces the anxiety level, and change is more readily accepted and the transition is smoother. Gillam (1986) explained that, often employees direct their energy into resistance due to lack of knowledge that would allow them to channel

their energy into support. He suggested using education, training and active listening by managers to overcome this problem.

Many authors, Maurer (1996); Strebel (1994); Waddell and Sohal (1998), stress that the reasons for the failure of many change initiatives can be found in resistance to change. Resistance to change introduces costs and delays into the change process (Ansoff, 1990) that are difficult to anticipate (Lorenzo, 2000), but must be taken into consideration. Resistance has also been considered as a source of information, being useful in learning how to develop a more successful change process (Beer and Eisenstat, 1996).

3.6 Communication

Communication difficulties and ambiguity play an important role in the success or failure of mergers and acquisition (Risberg, 1997).

Feldman (1991) emphasizes that ambiguity begins in an organization when there is “no clear interpretation of a phenomenon or set of events.”

However, understanding of an event by individuals can be varied throughout the organization (Martin and Meyerson, 1991). Meyerson and Martin further explain that ambiguity can exist in the entire organization, as well as among the individual's and depends on their culture's knowledge. Thus, ambiguity exists at various levels of an organization and each individual's experience is at different intervals (Risberg, 1997).

In a nutshell, insufficient information and a lack of proper communication among individuals is the main cause of ambiguity in organizations (Khan *et al.*, 1964). They further argue that ambiguity is the lack of clear and consistent information.

Frost *et al.* (1991) also binds ambiguity and communication. He asserts that, with proper information ambiguity can be resolved.

Once the firms merged with each other and a new firm is established, then the employees previously working independently will have to adapt to the new

infrastructure and work environment. Changes will occur because previously independent firms show less similarity in work environment, and once they become organized, their expectation will be different from their employees (Martin & Meyerson, 1991).

According to Schein (1993), if organizations want to understand one another's culture, they have to acknowledge it. Therefore, proper communication can lead towards acknowledging various cultures inside the organization.

Davis and Jasinski (1993) further view the importance of communication that it must be used as a meaningful device for individuals involved.

The proper management of change in an organization can be possible due to proper communication in the organization.

According to Young and Post (1993: 36), "... communication was too important to make employees less resistant to change."

Furthermore, from their study, they also point out that proper communication should be initiated from top management and should be continued through out the transformation period. Schweiger and DeNisi (1991) elucidate that there should not be any disagreement between the words spoken and action taken.

They further explain that, proper communication is an important tool in management of change particularly during merger and acquisition. However, it must be consistent to shun any confusion.

3.7 Conclusion

The literature review played a very important role in this study because it provided knowledge and guidelines on the theoretical background to the study. It shows that there are various factors that need to be carefully managed during a change brought about by a merger.

CHAPTER 4: THE RESEARCH METHODOLOGY AND THE DESIGN OF THE RESEARCH

4.1 Introduction

The introduction, background and literature review has been discussed in the previous chapters. The methodology in which this research is approached can now be discussed in this chapter. Insights gained from the literature review in Chapter 3 enhanced and guided the research process. Particular attention is given to specific methods used and the field procedure to be followed to collect the data in order to answer the research questions successfully. The experimentally accessible population is defined, and contents of the measuring instruments are briefly discussed together with the reliability and validity issues. Data analysis, quality of data and limitations of the data collected are discussed towards the end of this chapter.

4.2 Research design

The study is approached with a qualitative research method. According to Denzini and Lincoln (1994), the word “qualitative” implies an emphasis on the processes and meanings that are not rigorously measured. The researcher relied heavily on descriptive data derived from participants’ views. The reason for the choice of the research design is because the selected respondent sample is small. A complete quantitative study relying on statistical analysis and numerical data is therefore not possible. The small sample size makes it impossible for critical parameters at an acceptable statistical level of probability or confidence level to be acceptable. A structured questionnaire (See Appendix 1) will be used to collect the data, and in addition, a semi-structured interview will also be undertaken.

When investigating the change management in the merger process, more verbal and descriptive data is also important. In contradiction to structured quantitative

approaches, qualitative designs are not as strictly formalised. While the scope is more likely to be undefined, a philosophical mode of operation may be adopted. This makes the design very flexible and unique and allows evolution throughout the research process.

Denzin and Lincoln (1994) state that qualitative researchers stress the socially constructed nature of reality, the intimate relationship between the researcher and what is studied, and the situational constraints that shape the enquiry.

Qualitative research means that the research findings are not subjected to formal quantification or quantitative analysis or cannot be analyzed by means of mathematical techniques (Coldwell and Herbst, 2004: 13).

It is a type of a scientific research that consists of an investigation that seeks answers to a question and systematically uses predefined set of procedures to answer the questions and collect evidence. A qualitative approach produces findings that were not determined in advance.

The qualitative approach deals with how people understand their experiences.

The most central characteristic of a qualitative approach is its emphasis on the perspective of the individual being studied. The qualitative researcher seeks to elicit what is important to individuals as well as their interpretations of the environment in which they work through in-depth investigations of individuals and their milieu (Bryman, 1998: 24-5).

Furthermore, the qualitative approach seeks to understand a given research problem or topic from the perspectives of the people it involves. It obtains culturally specific information about values, opinions, behaviours and the social context of the particular group of people, and creates openness and encourages people to expand on their responses which can open up new topic areas not initially considered and explore new areas of research. This is the appropriate method to accomplish the defined research objectives.

The limitation of the methodology is that the results cannot be generalised to a larger population; however, a critical question for generalising the findings is this: have we

learned something about the case that can inform us about another case? Generalisation can only be made on a case-by case basis.

4.2.1 Field Procedures

It is important that ethical values are not compromised in the process. The researcher takes responsibility for the nature and consequences of the research project. Human rights of the participants are protected in this manner, namely:

- The right to privacy and non-participation, in that, individuals have the right to decide whether or not they will participate and choose to disclose or not disclose certain information.
- The right to remain anonymous - the researcher altered names and details according to which individuals might be identified.
- The right to confidentiality is respected. Access of data is and will be restricted at all times. Electronically distributed questionnaires will contain researcher's e-mail address and personalised facsimile number for sending of responses.
- The right to experiment responsibly, meaning that the researcher is sensitive to human dignity. Participants will not be harmed in any way by their participation.
- Reasons for the study have accompanied the questionnaire.

4.2.2 Population and sampling procedures

The population refers to all potential subjects who possess the attributes in which the researcher is interested. In the case of this study, the total population consists of 80 people in senior, middle and junior management as well as general employees who were in the employment of NHLS during the merger process. The population

also sets boundaries on the study units. It refers to individuals who possess specific characteristics.

To collect information about a group of persons or things, one can examine every single person or a member of the group. However, it is also possible to reach a reasonably accurate conclusion by collecting information from a small part of the group.

4.3 Research Method

4.3.1 Research Instruments

It is more effective to collect information by means of a questionnaire. The structured questionnaire holds the following characteristics: the respondents will have to make a choice between alternative responses that are given; the responses are more direct than indirect. Additionally a semi structured interview was used to collect data allowing the respondents a free choice of response and the opportunity to express their own opinions in descriptive detail.

Questionnaires are easy to analyze, and most statistical analysis software can easily process them. They are cost effective when compared to face-to-face interviews mainly because of the costs associated with travel time (Bachrack and Scoble, 1967).

Questionnaires are familiar to most people (Berdie, Anderson, & Niebuhr, 1986). Nearly everyone has had some experience completing questionnaires and they generally do not make people apprehensive. They are less intrusive than telephone or face-to-face surveys.

4.3.2 The reliability validity of research instruments

Written questionnaires reduce interviewer bias because there is uniform question presentation (Jahoda *et al.*, 1962). Unlike in-person interviewing, there are no verbal or visual clues to influence a respondent to answer in a particular way.

Maturation of participants may affect validity, meaning that natural processes of change and growth may have taken place within individuals who are taking part in the research. After the merger, many employees may have progressed psychologically, in turn, becoming more matured in responding to changes. The maturation, development and progression process is beyond the researcher's control.

There is a possibility of scorers being aware of the purpose of the research and consciously or unconsciously attempting to increase the likelihood that the desired research outcome be supported. Often, subjects try to help the researcher by providing the results they think they anticipate.

Test validity is the extent to which the structured questionnaire and the semi structured interview measures what it purports to measure (Fink, 1995: 49). According to Fink (1995: 50), content validity refers to the extent to which a measure thoroughly and appropriately assesses the skills or characteristics it is intended to measure. Clearly the questionnaires and the topic and the objectives of the research should be aligned.

Fink refers to face validity as how a measure appears on the surface. Do the structured questionnaire and the semi- structured interview ask all the needed questions? There is strong evidence that the questions are related to change management in a merger process.

4.3.3 Data Collection

Data collection was undertaken through the use of a structured questionnaire (See Appendix A) and semi- structured interviews (See Appendix B). The choice made to use both structured and semi structured interviews is that both instruments combined sufficiently to reflect that which the researcher wished to investigate in order to answer the research questions satisfactorily. The data was collected in two stages. Stage one involved collecting data through self administered questionnaires using the structured questionnaire. The final stage involved face-to- face semi-structured interviews. The guiding questions of the face-to-face interviews attempted to answer whether or not the change brought about by the merger was managed effectively. Though questions were formulated in advance, the interviewer was flexible in altering the order and formulation during the interview to suit specific circumstances and responses to probe for more detailed information. Development and refinement of interview questions proceeded throughout the study, based on information obtained from background research, interviews and site visits. The face-to- face interviews lasted 10-20 minutes each. The participants were assured that their voluntary participation would be kept anonymous.

4.3.4 Gaining access to subjects/ Ethical Considerations

The researcher obtained permission from the Chief Executive Officer (CEO) of the NHLS, through the researcher's Executive manager. The structured questionnaires, the covering letter and the letter of approval from the Executive Manager were electronically mailed by the researcher to the employees who were in the employment of NHLS during the merger process. This information was obtained from Human Resources Department. Face-to-face interviews were scheduled and conducted during March 2010 at the participants' workplace.

4.3.5 Data Analysis

According to Yin (2003: 109), data analysis consists of examining, categorising, tabulating, testing or otherwise recombining both qualitative and quantitative evidence to address the initial proposition of the study. Data analysis is the process of labelling and breaking down raw data and reconstituting this into themes, patterns and concepts (Mouton, 2001: 108). Ghauri (2004) lists six different techniques for analysing interview data. These are shown in table 4.1.

This study uses the coding technique (second item in Table 4.1) to classify and rearrange data from the transcribed interviews. All relevant data is collated, broken down and then regrouped into themes. This coding or classification technique helped to interpret the data and relate it to the research questions and objectives Ghauri (2004). Some of the responses from the semi structured interview were recorded and quoted in their primary descriptive format. The researcher used this data to substantiate and link with relevant information from the structured questionnaire. The findings are presented in a form of narrative using the three broad research questions and themes as a framework for organising the data.

Data analysis from the structured questionnaires was focused on counting the frequency of the descriptive word mentioned by the participant in the percentage format. The statistics from the questionnaire will be elaborated by descriptive wording from the semi structured interview.

Table 4.1: Case Study Analysis

Techniques For Case Study Analysis	Explanation
Chronologies	Narratives of the events that took place, organized by date.
Coding	Sorting data according to concepts and themes.
Clustering	Categorizing cases according to common characteristics.
Matrices	Explaining the interrelationship between identified factors.
Decision Tree Modelling	Grounding a description of real-world decisions and actions by using multiple cases.
Pattern Matching	Comparison between a predicted and an empirically based pattern.

Source: Ghauri (2004: 118).

4.3.6 Validity and Reliability of data.

Because of the importance of the reliability of the data gathered, particularly in this instance where the researcher is also a staff member at NHLS, triangulation of the data is very important. To this end the researcher will ensure that evidence provided is corroborated by at least 3 sources (semi structured interview and structured questionnaire) which provides validity to the research in terms of triangulation (Trochim, 2002; Welman and Kruger, 2001). According to Trochim (2002), qualitative validity can be judged by the criteria of credibility, transferability, dependability and confirmability, rather than against some external objective standard.

In order for the research to be credible, dependable and confirmable, it should clearly reiterate the views of the participants, the data should be triangulated and the description should be 'rich' or 'thick' (Smith, 2003a). Confirmability will also be assessed by noting whether the written records, interviews and questionnaires (triangulation) all lead to similar conclusions being drawn.

Transferability can also be described as generalization. It is often thought that the inferences and conclusions drawn from a single case study cannot be generalized.

Mitchell (2000: 183) notes however, that "the validity of the extrapolation depends not on the typicality or the representativeness of the case but upon the cogency of the theoretical reasoning". Thus, any generalizations from this research should be based on the theoretical framework applied.

4.3.7 Limitations and gaps in the data.

In this case, the researcher is also a staff member of the NHLS and a senior manager and has been during the merger in question. The researcher was aware of the limitations (Welman and Kruger, 2001) of being the research instrument and carefully kept interview notes, and avoided summarizing information where possible.

4.4 Conclusion

The research design and methodology served as the platform for the study. This chapter has tried to outline the methods employed in the collection and analysis of data and the reasons for choosing them were discussed. The findings of the research are discussed in the following chapter

CHAPTER 5: RESEARCH FINDINGS AND ANALYSIS

5.1 Introduction

The previous chapter provided an underlying structure for data collection and analysis. This chapter focuses on the analysis, presentation and discussion of the results.

5.2 Sample

A total number of 60 employees, ranging from managers, supervisors, technical and support staff, had the questionnaire mailed to them. A total number of 41 respondents returned the questionnaire. 20 face-to-face semi-structured interviews were planned. A total of 12 took place; the other eight did not agree to participate in the interviews.

5.3 The demographics of participants

The demographics of the participating sample are tabulated in table 5.1. Presented information is based on categories of gender, position and age. All the participants are employees who were in the employment of one of the merged organizations.

Table 5.1: Demographics of Participants

Gender	Male 53%	Female 47%		
Position	Manager 48%	Supervisor 12%	Technical 21%	Support 19%
Age	20-30 years 0%	31-40 years 23%	41-50 years 36%	>50 years 41%

Source: Own Source

5.4 Discussion of results

The results are presented and discussed comprehensively in this section.

5.4.1 Structured Questionnaire results

Data analysis from the structured questionnaires was focused on counting the frequency of the descriptive word mentioned by the participant in the percentage format. Table 5.2 represent the statistical analysis of the responses from 41 participants in percentage form.

Table 5.2: Analysis of the responses

Questions	Strongly agree	Agree	I am not sure	Disagree	Strongly disagree
1. I understood the objectives behind the merger.	27%	56%	10%	0%	7%
2. The communication from top management about the merger plan was assuring.	10%	28%	22%	30%	10%
3. I was nervous about my future when I heard about the merger.	32%	34%	7%	22%	5%
4. I felt sufficiently informed about the process of the merger.	7%	46%	15%	25%	7%
5. I was adequately involved in changes to my work environment.	12%	27%	12%	22%	27%
6. My supervisor /manager provided me with necessary orientation concerning the merging process.	5%	39%	15%	27%	14%
7. There was leadership commitment to consistent and ongoing communication.	2%	56%	22%	15%	5%
8. There was a focused face to face communication about the merger and the merger process.	0%	22%	37%	34%	7%
9. The communication was clear and useful to answer my queries and worries.	2%	32%	20%	39%	7%
9. As an employee I was offered the opportunity to ask questions and get answers about the merger.	5%	48%	17%	15%	5%
10. I believe that the merger is the right way for the company to provide better service.	22%	61%	12%	5%	0%
11. My suggestions and feedback were always received by my supervisors	2%	17%	37%	29%	15%
12. I felt out of place in the new organization.	7%	20%	10%	36%	27%
13. I experienced frustration and stress from my attempts to adapt to the merged organization.	10%	37%		41%	12%
14. I felt nervous and uncomfortable when meeting individuals from other merged organizations.	10%	12%	2%	54%	22%
15. I was adequately informed and trained on the expectations of the new organization	5%	24%	19%	40%	12%
16. I knew who the change agents were.	5%	36%	20%	29%	10%
17. I know someone from my former organization who were part of the merger management team.	12%	49%	12%	17%	10%
18. The merger had my full support	8%	20%	36%	34%	2%
19. I benefit more from the new organization than in my former one.	2%	20%	22%	24%	32%
20. I look towards my professional future at the company in a positive way.	12%	34%	31%	15%	8%

Source: Own Source

5.4.2 Analysis in relation to broad themes, objectives and research questions.

The research questions as described in Chapter 1 are:

Was the change management program and stakeholder relations properly managed during the merger of institutions to form the National Health Laboratory Service?

Did the NHLS management ensure implement effective change management and communication programmes during the integration of different organizations?

How can the merger foster the development of a single organization which will receive the support and trust of all the stakeholders and meet the needs of the clients?

How did the cultural differences affect the success of the merger? What was the role of culture in the merger process?

How can the NHLS management demonstrate effective leadership in areas of change, policy development systems implementation and strategy implementation?

The broad themes are:

- Merger Management
- Corporate Culture
- Change and stakeholder relations Management and Communication

The objectives are:

Objective 1: To evaluate the success of a change management programme implemented during the merger of organizations to form the NHLS.

Objective 2: To measure how successful the NHLS is in managing stakeholder relations during the merger process.

Objective 3: To examine the role played by culture in the merger of organizations to form the NHLS and provide a framework for enhancing the success of mergers.

The researcher noted that the questions may overlap into different themes.

The results of the communication theme are presented in table 5.3

Table 5.3: Results of Communication

Theme and relevant questions	Strongly agree	Agree	I am not sure	Disagree	Strongly disagree
Communication					
2. The communication from top management about the merger plan was assuring.	10%	28%	22%	30%	10%
7. There was leadership commitment to consistent and ongoing communication.	2%	56%	22%	15%	5%
4. I felt sufficiently informed about the process of the merger.	7%	46%	15%	25%	7%
9. The communication was clear and useful to answer my queries and worries.	2%	32%	20%	39%	7%
6. My supervisor/manager provided me with necessary orientation concerning the merging process.	5%	39%	15%	27%	14%

Source: Own Source

The majority of the participants reported to have been sufficiently informed about the process of the merger. However, a significant 32% felt that the communication was not sufficient with 15% indicating that they were not sure if it was sufficient or not. This is an indication that communication might have been inconsistent and not reaching all stakeholders.

46% of the participants reported that the communication was not clear and useful to answer their queries and worries versus 34% who agreed that their queries were adequately answered by the communication.

Interestingly, 58% of participants indicated that there was leadership commitment and ongoing communication about the merger. Furthermore, there is an equal split between the non committal respondents and those who disagreed with the above statement. It is noted however, that many respondents (40%) feel that the communication above was not reassuring.

The results of the theme, Merger Management are presented in table 5.4.

Table 5.4: Results of Merger

Theme and relevant questions	Strongly agree	Agree	I am not sure	Disagree	Strongly disagree
Merger					
1. I understood the objectives behind the merger.	27%	56%	10%	0%	7%
18. The merger had my full support	8%	20%	36%	34%	2%
19. I benefit more from the new organization than in my former one.	2%	20%	22%	24%	32%
20. I look towards my professional future at the company in a positive way.	12%	34%	31%	15%	7%

Source: Own Source

A highly notable 83% of the participants reported to have understood the objectives behind the merger. A notable 36% of respondents did not however give the merger their full support. The same number of respondents were not sure whether they supported the merger or otherwise.

Over 50% of the respondents reported that they benefited less in the new organization than in their former organizations. A low 22% indicated that they benefited more in the NHLS. Despite the above, 43% of interviewees were looking towards their professional future at the new company in a positive way; while 31% are still not sure that the NHLS is an organization for their future.

The results of the theme Corporate Culture is presented in table 5.5

Table 5.5: Results of Corporate Culture

Theme and relevant questions	Strongly agree	Agree	I am not sure	Disagree	Strongly disagree
Culture					
12. I felt out of place in the new organization.	7%	20%	10%	36%	27%
13. I experienced frustration and stress from my attempts to adapt to the merged organization.	10%	37%	0%	41%	12%
14. I felt nervous and uncomfortable when meeting individuals from other merged organizations.	10%	12%	2%	54%	22%
15. I was adequately informed and trained on the expectations of the new organization	5%	24%	19%	40%	12%

Source: Own Source

A highly significant 66% did not feel out of place in the new organization; however 57% of the respondents indicated that they experienced frustration and stress in attempting to adapt to the new organization. This indicates that 66% could be mostly employees who chose not to support the merger and carried on in their normal way - hence they did not feel the impact of the new organization at their workplaces, or did not let it bother them. They however experienced frustrations when systems and policies of the new organization were beginning to be imposed.

This is supported by Question 15, where 52% of the participants did not agree that there was sufficient training and collective learning on the expectations of the new organization.

The results of the theme Change Management are presented in table 5.6.

Table 5.6: Results of Change Management

Theme and relevant questions	Strongly agree	Agree	I am not sure	Disagree	Strongly disagree
Change Management					
10. I believe that the merger is the right way for the company to provide better service.	22%	61%	12%	5%	0%
16. I knew who the change agents were.	5%	36%	20%	29%	10%
17. I know of someone from my former organization that was part of the merger management team.	12%	49%	12%	17%	10%
5. I was adequately involved in changes to my work environment.	12%	27%	12%	22%	27%

Source: Own Source

A very high number of respondents, 83%, believe that the merger is the right way for the company to have gone in order to provide a better service. This supports the statement in table 5.3, that the NHLS has done a good job in selling the reasons and objectives behind the merger. Participants were almost equally divided in answering the question whether they knew the change agent. 39% indicated that they did not know and 41% knew the change agents.

49% of the respondents reported that they were not involved in changes to their work environment while 39% of the participants were.

The results of the theme, Human Resources Management (HRM) are presented in table 5.7.

Table 5.7: Results of HRM

Theme and relevant questions	Strongly agree	Agree	I am not sure	Disagree	Strongly disagree
Human Resource Management					
3. I was nervous about my future when I heard about the merger.	32%	34%	7%	22%	5%
5. I was adequately involved in changes to my work environment.	5%	39%	15%	27%	14%
8. There was a focused face to face communication about the merger and the merger process.	0%	22%	37%	34%	7%
9. As an employee I was offered the opportunity to ask questions and get answers about the merger.	5%	48%	17%	15%	5%
11. My suggestions and feedback were always received by my supervisors	2%	17%	37%	29%	15%

Source: Own Source

An extremely significant 66% of the participants were nervous about their future when they heard about the merger. This is supported by 46% of the participants in table 5.3 above who reported that the communication was not clear and useful in answering their queries and worries, whilst 40% reported that they felt that the communication on the merger was not assuring. 44% indicated that their suggestions and feedback were not received, while 37% were not sure if their suggestions were received. Although most participants (53%) acknowledge that they were offered the opportunity to ask questions about the merger, it appeared as though the questions and queries were not taken into consideration because 44% of the respondents disagreed with question 11, whilst 37% of them were not sure. This could be because there was no focus face-to-face communication with 41% of the respondent who disagree to it as well as 37% of the respondents who were not sure if such form of communication took place.

5.4.3 Results from Semi- Structured interviews

The semi-structured interviews were conducted to answer the following questions:

- How did you know about the merger and what were the reasons given for it?
- How would you describe your reaction to the news?
- Did you play any role in implementing the change?
- Do you think the merger was the right thing?
- Did you at any stage think about quitting?
- Are you better off in the new organization?
- Has your role changed?
- Do Branches and Business Units of the new organization operate the same?
- Do you think the objectives of the merger were achieved?

The findings are presented in the form of a narrative using three broad research questions and emerged themes as a framework to organize the data. It also includes excerpts from interviews. The researcher acknowledges that the questions may overlap into 3 or more themes.

Communication

In response to question 1, the participants indicated that there were brochures, pamphlets, memos and road shows informing them about the merger. The reasons that were given were that there is a need to create uniformity across the laboratories through the formation of one entity that must provide laboratory service. One of the key findings from the data was the extent to which the emotional impact of the

merger was still palpable 9 years after it had occurred. Most participants indicated that they were not given enough opportunity to attend organized information sessions:

No equal opportunity was presented to us to attend the road shows. These were centralized in cities and did not take the people in rural areas into consideration (Respondent 12: Manager).

There was a question and answer session organized, not everybody was invited (Respondent 4: Manager).

There was a workshop organized in Nelspruit. You must remember Nelspruit is too far. No equal opportunity was given. I think only the laboratory manager attended. We were all still apprehensive at that time (Respondent 3: Manager).

Human Resource Management

In answering question 6, there were a number of those interviewed who expressed their dissatisfaction and shock with many aspects associated with the new jobs and roles as a result of the merger. In most instances, this reflected what for some were major changes or losses to their previous levels of responsibility and status. Although many new jobs in the new organization had been open to application from all merged organizations. The loss of responsibility and satisfaction gained from this resulted in a number of those feeling that they had been treated unfairly and downgraded in the merger. This caused resentment. There were those interviewed who suggested that the process had been biased, and that they were treated unfairly. They further indicated that the process benefited employees from other merged organizations.

No, I am not better off in the new organization. I don't know where I stand with my package. I do not get my notch increase at the beginning of the year anymore. Since NHLS took over, I have never been promoted. My role has changed, with more responsibilities but less rewards (Respondent 2: Technical).

I am not better off; my benefits have been taken away. I do not get my notch increase; they say I have reached the ceiling. The service has improved though but at our expense (Respondent 6: Manager).

There are people who experienced worse than me. That is how I think. As long as my salary does not go down. Although I don't receive a salary increment. I don't bother to think much about it. Previous management was even worse once. Sometimes we were not paid our overtime on time (Respondent 9: Technical).

I am still in the same position as I was ten years ago. My role is still the same. I have more responsibilities but nothing to show for them (Respondent 7: Support).

However, amongst those interviewed were also those who felt they are better off as a result of the merger. In many cases this was either due to promotion or better condition and/ or responsibility associated with performing their new role. This included monetary incentives and training opportunities that improved their qualifications.

Yes, I am happier now. I was promoted. My role has changed for the better (Respondent 3: Manager).

I am far better off. I got an opportunity to be trained as a technician. I am happy now because I earn more money (Respondent 5: Technical).

Despite some interviewees expressing their desire to quit, in answering question 5, their financial obligations and the fact that all major laboratory service providers were being merged represented a major obstacle preventing them from taking such a decision. Many of these had financial commitments with their employer, and knew that seeking another job would be costly.

The difficulty of getting a job outside was also another reason for employees to remain in the organization. For some, jobs outside offered lower pay and poorer benefits in comparison to what they were receiving from their current employment.

Yes, I wanted to quit. I was not happy with the developments. I did not trust the people. They brought people from SAIMR and some unknown consultants; I did not believe what they said (Respondent 6: Manager).

Yes I thought of quitting. I was afraid I was going to be transferred to another province in the rural areas (Respondent 2: Technical).

No, actually Yes, but I did not have a choice. There are no other employers in the rural areas. I actually wanted to go back to the government (Respondent 1: Manager).

Yes, there was a lot of uncertainty, I was not happy. I did not trust those guys. This was not a merger, we were taken by force (Respondent 4: Manager).

The fact that restructuring should feature as a major aspect of a merger is clearly not new. The observation here that there are those who consider they may have gained or lost from the merger is not surprising. However, what is important here is to recognize that the emotional impact of the change was still being acutely felt years

after it had taken place and many of these negative feelings were shaping attitudes by staff towards the merged organization, in particular relating to job satisfaction, commitment and motivation.

Change Management

On the question of reaction to the news of a merger, the majority indicated that the news came as a surprise to them. They indicated that they were worried that they may lose their jobs. They did not trust what the change agents were telling them and what was written on the communication documents.

I was worried; I thought there was nothing wrong with the way we operated. I wondered how we were going to operate. I was part of The Department of Health. Why take the management of health care away from of Department of Health? (Respondent 3: Manager).

I was anxious, worried. Will I have better or worse opportunities? Why change something that is already well established. I was quite sad. My fear was that the family was going to be broken or maybe our business taken away. I cried when they removed the sign, I loved my company (Respondent 7: Support).

I was worried about my employment. We were in the minority, anything could happen to us. That was my fear. Was my job secured, I asked myself. I am happy it's all over now (Respondent 6: Manager).

Organizational culture

A major problem identified by all those interviewed was the considerable difficulties still posed in attempting to merge the organizations that clearly had different types of cultures with respect to work practices and relationships. In answering question 7,

most participants indicated that there was definitely a lot of diversity in the way things are being done.

We are still different, we work together, but we are still different. My friends in Jo'burg tell me. They don't work as hard as we do. They have enough staff and do things differently from us. When I go for training there, I feel like a real stranger at home, I feel like an outsider (Respondent 11: Technical).

No, people in rural areas do things differently, it's like we are two different organizations (Respondent 6: Manager).

Definitely not! The Job grades for the same job description are not the same. In Jo'burg, the manager can motivate a higher grade for a staff member and HR approves it. Here, it is not happening (Respondent 2: Technical).

Not really, there is a lot of diversity. I don't want to talk about it. Maybe it is the type of management they have or something else (Respondent 8: Technical).

Excerpts from the interviews also illustrate the presence of culture diversity in the organization. For most these cultural differences still persisted 9 years after the merger and were felt not just in the preferences and styles for different ways of working but also in terms of how the groups socialize together in the new company. On the question of whether the merger was the right thing, the majority felt it was only for the service provision. It has improved at the expense of the employees.

Yes, the services have improved quite considerably, but we are not happy. Employees are not taken care of (Respondent 1: Manager).

Yes, management of service delivery is far superior, but they seem to have forgotten about u (Respondent 4: Manager).

Yes, more expertise was gained and profits are better, but we lost out in the process. No lateral movement in our salaries (Respondent 10: Technical).

5.5 Summary of the major findings

The initial communication on the change that the NHLS had undergone was reported to have been adequate by many participants. Memos and letters of the imminent change and its reasons were distributed. The ratio of those that were happy with the communication to those not happy is very small. This indicated that the size of the organization and its geographic spread meant that the communication may not have reached all employees. Communication was also reported to have been ambiguous and not useful to answer queries and fears employees had. Face to face meetings were held with employees; however from the findings it is clear that no equal opportunity was provided for employees to attend. This was a serious concern by the employees who were in the rural areas of the country.

Many participants indicated that they clearly understood the reasons behind the merger and did not necessarily support the merger fully. They further indicated that the merger was a good thing. However, they qualified this by saying that it was good for service delivery only, but not a good thing for employees who seemingly lost out.

Most participants expressed a feeling of shock and anxiety at the news about the merger. There was apparently assurance that their jobs are safe; however they did not trust the change agents.

Evidently, the NHLS did not consider and address cultural differences among the merged organizations. The majority of participants expressed their frustrations and stress and still are attempting to adapt to the new organization. There was no sufficient training and collective learning instituted to address the expectations of the new company, and no attempt was made to try to create a common organizational

culture. The participant clearly indicated that to date, practices and styles are still quite diverse in the NHLS.

Clearly, the change programme can not be declared successful when there is an outcry by employees and as tangible as in these findings. Most respondents indicated that they were treated unfairly during the merger and they are worse off in the new organization than before. Many expressed their desire to quit. There was no opportunity presented to express their views and fears in a face-to-face type of meeting. The communication was reported to be not assuring either. Those who had an opportunity to give feedback and suggestions felt that the suggestions and the feedback were not always received by their supervisors.

It was mentioned that at that time human resource management was nowhere to be found and that was the time they were needed more to provide answers and assurances. The participant indicated that there was leadership commitment to the change process, but on the contrary they did not trust the change agents even though they knew some of them.

5.6 Conclusion

It can thus be concluded from the above results that the findings address and support the research objectives and also sufficiently answer the research questions. It is clear from the findings that some of the basic requirements and structures of change management in a merger were put in place, for example, communication, identifiable change agents; however these were not adequately implemented. The company and its employees is still affected by its failure to address cultural issues during the change process, as well as the failure to have an active Human Resource Department to deal with employee relations issues .

The next chapter will focus on conclusions drawn from this study and provide some recommendations.

CHAPTER 6: RESEARCH CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusions

The problems statement of this research is: Change Management Problems in Multi-organizations Merger. The Literature review in Chapter 3 has alluded to a number of issues or themes that form a core of managing change in mergers and acquisitions. Evans and Mendellah (2004) suggest that incompatible cultures are the main causes of mergers and acquisition problems and difficulties. According to Bijlsma-Frankema (2002), the term 'Culture clash' could be used to describe the conflict between the merged organizations, which may include differences in their styles, norms sanctions, philosophies, and objectives. This may, in fact, be the most dangerous factors when two or more companies decide to combine.

The analysis of the research result in Chapter 5 failed to indicate that cultural issues were addressed in the merger being studied. The results seem to reflect that cultural differences among the companies were not considered and carefully planned for to ensure the smooth integration of merging companies. Hence, the results of the research suggest that the NHLS is still battling with cultural issues. Operations, processes and practices are reported to be different.

Inappropriate communication is the root cause for many of the ambiguities seen in mergers and acquisitions (Riseberg, 1997). Organizations need to develop a system before integration, which must encourage proper communication among employees from top to bottom. This approach will lead to decrease the severity of ambiguities found among the employees during the integration process.

Looking at the results of the research, they seemed to indicate that there was communication breakdown between the organization and its employees. This appeared to have made the change process a stressful time for the employees.

The proper communication system also has to understand cultural backgrounds of the employees and needs to be acknowledged. This can prevent some of the ambiguities if they occurred because of misunderstanding in the communication.

Awareness of human resources issues in any change is important because human resource practices have influence on the outcomes.

Ivancevich, Schweiger and Power (1987: 37) are of the opinion that probably the biggest step that can be taken toward more effective management of merger stress is to become aware of how damaging its consequences are. Many employees do not have the resources and knowledge to effectively eliminate merger-produced stress; however, together organizations and employees can take specific steps to better control and minimize stress.

The conclusion here is that, in this change process, human resources issues appear not to have been given the attention they deserve. The organization appears to have failed to address concerns and fears of the employees. According to the results, the emotional impact of the merger is still palpable in the organization.

One major barrier for change is resistance of people in organizations (Bennebroek-Gravenhorst, Werkman, & Boonstra, 2003). Three factors relevant to resistance to change emerged from a review of the literature. These were employee perceptions of the change, employee perceptions of the change agent, and commitment of resources. The question is - was there resistance to change in the organization under study?

Resistance to change may be a too general a term and wrongly leads us to believe that people's conservatism and need for stability are major barriers to change. People do not resist change as such; they resist being excluded from a change process that affects every aspect of the organization, including their work. This appears to be the case in this study. People were apparently not given an equal opportunity to participate in the change process; hence the organization is still struggling with the integration of business units. It is clear from the results that the

majority of the employees clearly understood the reasons for the change/merger; however most did not give the change their full support.

6.2 Recommendations

- It is recommended that the organization clearly defines and articulates the culture it wants to develop. This should be followed by a culture audit to determine what culture is prominent within the organization. Trust in the process of cultural integrations can also enhance co-operation between groups belonging to different cultures. This can be achieved by developing an acculturation system in the organization. The acculturation system must consist of how to develop regular dialogues, enhanced share goals, shared knowledge about differences and similarities in norms, values, and expectations making agreements, monitoring conformity and agreements, proper handling of non-conformity, and in advance agreement on conflict resolutions. The process may be costly, especially in view of the NHLS's size. The exercise needs to be properly costed and budgeted for.
- Organizations undergo continuous change. It is recommended that further changes in the organization be preceded by a very good communication plan and an articulate Human Resource Management plan.
- More empirical studies are needed to examine how the various elements of the change process and the integration influence employee attitudes, behaviours and performance. It would be helpful to examine changes and their effect on employees' attitudes more closely.
- Future research need to proceed at both the individual and organizational levels of analyses. At the individual level, we need to examine how employee perceptions of new management's trustworthiness affect employee behaviour

and/or performance. However, trust is not unilateral; one also needs to examine factors that affect post change management perceptions of employees' trustworthiness.

- It would be interesting to see how change affects other attitudes and behaviours and it would be helpful for all parties involved to know how to handle change implementation.

It is hoped that this study can be useful to practitioners for better managing the change processes in a merger, and stimulating to academics for future research in this area.

CHAPTER 7: CRITICAL REFLECTION AND LEARNING

The plan and the aim of the study were to assess the success or failure of change management process that the NHLS implemented when it was formed through a merger of five organizations. The plan was obviously to select a sample that is as wide as possible and representing former employees of each of the five merged organization. The above plan did not however materialize. The plan was hampered by a delay by management (the new CEO of the organization) to give permission for the researcher to continue with the study as he thought it may destabilize the organization by opening wounds that may have healed or about to heal.

As a result, only a sample from one of the 4 regions of the organization was used. This made this study to be a single centre study which limits the generalizability of the results to the entire organization.

In future, the researcher needs to consider the possible size and geographic spread of the sample for the research and also conclude all ethical issues on time to ensure sufficient time for data collection.

Furthermore, the researcher hoped to have a higher percentage of return of responses from data collected by face-to-face interviews. It was clear however, judging by the low response rate, as opposed to the structured questionnaire. On reflecting upon this outcome, the researcher identifies the following as possible causes; the researcher might have not made it very clear about why the research was done. People (especially lower level employees) became suspicious about how their views will be used. This was exasperated by the fact that the researcher is the manager of the sample chosen for the interview. The researcher could have used the questionnaire for the employees under his management and perhaps interviewed those who do not report directly to him. This issue appears to point out the researcher's weakness in preparation for the interviews. It appears that the researcher did not give enough thought about how to embark on doing interviews and the steps involved in preparing for and conducting them. The choice of the

venue was also critical since the researcher experienced a lot of disruptions and interruptions in a workplace where the interviews were conducted.

The researcher is reflecting on the above issue because the interviews conducted uncovered employees experiences, feelings, opinions and reflections that were very important for the general objectives of the research. The more respondents, the better conclusions could have been made.

For future research the researcher needs to improve on the preparations for the research; deciding who to interview, the choice of venue and developing the interview schedule.

It was not apparent in the initial stages of the project that one could come across resistance from management as well as from some employees to relive the events of the merger that took place eight years ago. Assumptions made were that most of them would warm up to the process and give it their support, because in the researcher's opinion this was something of the past that should be easy to relive and talk about. However, what surfaced during the investigation was the extent to which the emotional impact of the merger was still palpable 8 years after it had occurred. This the researcher perhaps should have realised earlier and more carefully plan on how to challenge it so that it may not affect the quality and the timing of the study; moreover that the researcher is the employee and senior manager in the organization under study.

One could not however say a lesson learned from the above issue is to avoid research on topics or events that elicit emotions and opens up scars that are about to heal within the organizations. In business research, the purpose is to understand how and why things happen in the commercial context. As such, business research corrects our misconceptions about the business world and provides new perspective about it (Ghauri *et al.*, 1999).

Some of the responses from the interviewed employees were quite moving and sad. They changed the researchers view and understanding of the impact the merger had on some employees and how to manage employees during change. People don't believe in a new direction simply by suspending their disbelief. They believe because they see behaviour, action, and results that illustrate that the change can and will work. The management of change and uncertainty is fundamentally about feelings. Managing people is managing feelings.

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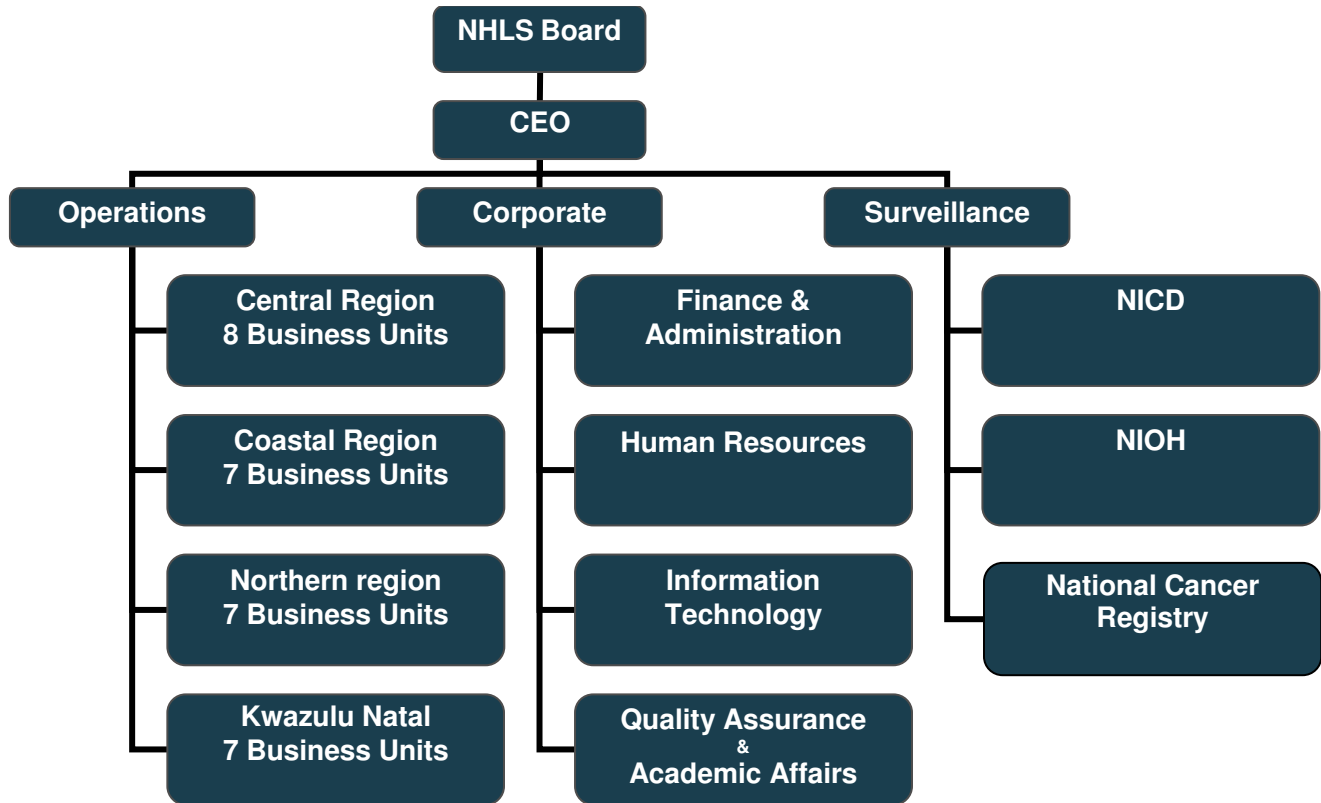
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8. APPENDICES

Appendix A: NHLS Structure



Appendix B: NHLS Vision and Mission

MISSION

To provide cost-effective and professional laboratory medicine, through competent qualified professionals and state-of-the-art technology supported by academic and internationally recognised research, training and product development to maximise healthcare delivery to the nation.

VISION

- To provide cost effective and efficient laboratory services to:
 - All public sector healthcare providers
 - Any other government institutions inside and outside of the Republic that may require such services
 - Any private healthcare provider that requests such services
- To support health research
- To provide training for health science education

Appendix C: Structured Questionnaire

Section A					
Please answer the following personal questions before proceeding with Section B Below.			(tick the appropriate box)		
Age of respondent	20-30yrs	31-40 yrs	41-50yrs	Over 50 yrs	
Gender	Male		Female		
Your position in the company	Manager	Supervisor	Technical	Support	Academic
Section B					
The following questions should be answered by ticking the appropriate (either Strongly agree, Agree, I am not sure, Disagree or Strongly disagree)					
Questions	Strongly agree	Agree	I am not sure	Disagree	Strongly disagree
1. I understood the objectives behind the merger.					
2. The communication from top management about the merger plan was assuring.					
3. I was nervous about my future when I heard about the merger.					
4. I felt sufficiently informed about the process of the merger.					
5. I was adequately involved in changes to my work environment.					
6. My supervisor /manager provided me with necessary orientation concerning the merging process.					
7. There was leadership commitment to consistent and ongoing communication.					
8. There was a focused face to face communication about the merger and the merger process.					
9. The communication was clear and useful to answer my queries and worries.					
9. As an employee I was offered the opportunity to ask questions and get answers about the merger.					
10. I believe that the merger is the right way for the company to provide better service.					
11. My suggestions and feedback were always received by my supervisors					
12. I felt out of place in the new organization.					
13. I experienced frustration and stress from my attempts to adapt to the merged organization.					
14. I felt nervous and uncomfortable when meeting individuals from other merged organizations.					
15. I was adequately informed and trained on the expectations of the new organization					
16. I knew who the change agents were.					

17. I know of someone from my former organization that was part of the merger management team.					
18. The merger had my full support					
19. I benefit more from the new organization than in my former one.					
20. I look towards my professional future at the company in a positive way.					

Appendix D: Semi-Structured Interview

Semi –structured interview questionnaire-

Gender

Male	Female
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Age

20-30yrs	31-40 yrs	41-50yrs	Over 50 yrs
----------	-----------	----------	-------------

Position

Manager	Supervisor	Technical	Support
---------	------------	-----------	---------

Please elaborate and explain as much as possible.

1. How did you know about the merger and what were the reasons given for it?

2. How would you describe your reaction to the news?

3. Did you play any role in implementing the change?

4. Do you think the merger was the right thing?

5. Did you at any stage think about quitting?

6. Are you better off in the new organization? Has your role changed?

-

7. Do Branches and Business Units of the new organization operate the same?

8. Do you think the objectives of the merger were achieved?
