



Vaasan yliopisto
UNIVERSITY OF VAASA

Kia Haapakoski

**An exploratory study of factors facilitating key employee retention during
implementation process of Mergers and Acquisitions**

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UNIVERSITY OF VAASA**School of Marketing and communication****Author:** Kia Haapakoski**Title of the Thesis:** An exploratory study of factors facilitating key employee retention during implementation process of Mergers and Acquisitions**Degree:** Master's degree in international business**Programme:** Global sustainable business**Supervisor:** Ali Tahir**Year:** 2024 **Pages:** 72

ABSTRACT:

Globalization and intense competition during the last two decades have led many firms to form mergers and acquisitions (M&As) in order to seek new markets, products and economies of scale. However, despite the popularity and many potential benefits of M&As, prior research shows that more than half of M&As fail to meet their objectives.

Prior research has indicated that most important factor for M&A success is the retention of key employees. However, we have very limited understanding of factors companies use to retain key employees during M&As. Hence, the main purpose of this thesis is to investigate the factors companies use to retain key employee during the implementation process of M&As. Qualitative research method is used to collect interview data from three different case companies that have recently formed mergers or acquisitions. Two cases are cross-border M&As between two companies, and one case is a combination of multiple firms in Finland.

The findings of this research show that leadership, integration speed, autonomy, integration type, benefits, communication, and commitment affected the employee retention. Some of the factors had more effect on the retention than others. However, employee retention cannot be fully predicted and ensured as human issues are so complex and as everyone reacts differently to these factors. However, this thesis offers an overview of these factors and how they should be used and how they affect the employee retention. These findings have important implications for companies planning to use M&As as their growth strategy.

KEYWORDS: Employee retention, Mergers and Acquisition, Integration process, Management

VAASAN YLIOPISTO**Markkinoinnin ja viestinnän akateeminen yksikkö**

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TIIVISTELMÄ:

Globalisaatio ja voimakas kilpailu ovat lisänneet fuusioiden ja yritysostojen määrää viime vuosikymmeninä, kun yritykset etsivät uusia markkinoita, tuotteita ja skaalaetuja. Suurin osa fuusioista ja yritysostoista kuitenkin katsotaan epäonnistuneiksi, sillä ne eivät saavuta niille asetettuja tavoitteita ja mahdollisia synergia etuja.

Aikaisemmat tutkimukset osoittavat, että tärkeä osa fuusioiden onnistumisesta on avainhenkilöiden säilyttäminen, jotta heidän osaamisensa ja tietonsa säilyvät yrityksessä. Kuitenkin fuusioiden ja yritysostojen aikana tapahtuvan henkilöstön vaihtuvuuden taustalla olevat syyt eivät ole saaneet paljon huomiota tutkijoilta tai johtajilta. Tämän takia tässä opinnäytetyössä tutkitaan niitä avainasioita, joita yritykset käyttävät säilyttääkseen avainhenkilöitä ja mitä tekijöitä niiden tulisi käyttää työntekijöiden sitouttamiseen fuusion tai yritysoston toteutusprosessin aikana. Tämä tutkimus toteutetaan laadullisena tutkimuksena käyttäen puolistrukturoituja haastatteluja. Aineisto kerätään kolmesta eri yrityksestä, jotka ovat äskettäin fuusioituneet tai ostaneet toisen yrityksen. Kaksi tapausta on rajat ylittäviä fuusioita tai ostoja kahden yrityksen välillä, ja yksi on useamman yrityksen fuusio Suomessa.

Tämän tutkimuksen tulokset osoittavat, että erilaiset tekijät kuten johtajuus, integraation nopeus, autonomia, integraatiotyyppi, edut, viestintä ja sitoutuminen vaikuttivat työntekijöiden pysymiseen yrityksessä. Jotkut tekijät vaikuttivat työntekijöiden pysymiseen yrityksessä enemmän kuin toiset. Kuitenkin työntekijöiden säilyttämistä ei voida täysin ennustaa ja heidän lähtemistensä estää, koska inhimilliset kysymykset ovat niin monimutkaisia ja koska jokainen reagoi näihin tekijöihin eri tavalla. Tämä opinnäytetyö tarjoaa kuitenkin yleiskuvan näistä tekijöistä ja siitä, miten niitä tulisi käyttää ja miten ne vaikuttavat työntekijöiden sitouttamiseen. Näistä havainnoista hyötyvät yritykset, jotka suunnittelevat ja käyvät läpi yritysfuusioita ja -ostoja.

AVAINSANAT: Employee retention, Mergers and Acquisition, Integration process, Management

Contents

1	Introduction	7
1.1	Background of the study	8
1.2	Research question and objectives of the study	9
1.3	Delimitations of the study	9
1.4	Definitions of key terms	10
1.5	Previous studies	11
1.6	Structure of the thesis	14
2	Literature review	16
2.1	Defining M&As	16
2.2	Motives and process of M&As	17
2.3	Employee retention, importance and challenges faced by employees during M&As	21
2.3.1	Defining employee retention	22
2.3.2	Importance of retaining employees	22
2.3.3	Challenges faced by employees during M&As	23
2.4	Driving factors for key employee retention during M&As	25
2.4.1	Effective leadership	26
2.4.2	High integration speed	26
2.4.3	Given autonomy to employees	27
2.4.4	Chosen integration type	28
2.4.5	Financial and non-financial benefits for employees	28
2.4.6	Effective communication	29
2.4.7	Employee commitment	30
2.5	Framework of the study	30
3	Research Methodology	33
3.1	Research approach	33
3.2	Research Method	33
3.3	Research design strategy	34
3.3.1	Case study strategy	35

3.3.2	Case study context	36
3.4	Data collection	36
3.4.1	Sampling technique and size	36
3.4.2	Data collection	37
3.4.3	Semi-structured interview structure and data analysis	38
3.5	Validity and reliability	40
4	Empirical Findings	42
4.1	Interviewees background	42
4.2	Background of case companies and embedded cases	43
4.3	Within-case analysis	45
4.3.1	First embedded case: Case A	45
4.3.2	Second embedded case: Case B	47
4.3.3	Third embedded case: Case C	50
4.4	Cross-case analysis and upgraded model of factors driving/impacting the retention of key employees during M&A	53
5	Conclusion	56
5.1	Summary of the key empirical findings	56
5.2	Discussions of key findings	58
5.3	Theoretical contributions	61
5.4	Managerial implications	61
5.5	Directions for future research	62
5.6	Limitations	63
	References	64
	Appendices	70
	Appendix 1. Interview questionnaire.	70

Figures

Figure 1. Integration matrix by Haspeslagh and Jemison (1991, pp.145).	20
Figure 2. Framework of the study.	32

Tables

Table 1. Previous studies.	12
Table 2. Structure of the thesis.	14
Table 3. Cross-case analysis	55

Abbreviations

HR: Human resources

M&A: Merger and Acquisition

1 Introduction

Mergers and Acquisitions (M&As) are one of the main growth strategies companies use to reach market expansion and stay ahead of competitors (Khan et al. 2020). Davis and Kummer (2012, p. 4) list the three most common ways for companies to expand their operations: organic growth, joint ventures, or mergers and acquisitions. Company profits, aims, and capabilities reflect on the chosen way companies decide to take. M&A's have broader benefits than the other two options, which makes it the most popular and effective way.

Globalization and intense competition between companies have increased the number of mergers and acquisitions over the past two decades (Anderssen et al. 2002; Bodner & Capron 2018). With Mergers and acquisitions, abbreviated to M&As, companies seek for organizational growth, economies of scale, risk reduction, shared development costs, and improved market shares and access (Anderssen et al. 2002). Gleibs et al. (2008) agree that mergers are the focus for companies, and they use mergers as a main strategy to increase competitiveness, reduce cost, and meet changing financial and demographic challenges.

Human elements can have a huge impact on the outset of the M&A and are one of the key factors in getting the full potential out of the deal (Schweizer & Patzelt, 2012). Increased turnover, especially among key managers and R&D personnel, during M&A negatively impacts the results, when valuable knowledge and expertise is lost. Ahammad et al. (2012) agree that retention of key employees is one of the most important factors for M&A success. However, the turnover of key employees and the underlying causes of it is only understood by a few scholars and managers.

1.1 Background of the study

M&A are the most popular and effective way even though most of them are considered to fail when they do not achieve all the set targets. M&A are not easy to complete and many of them fail to achieve the objectives and synergies that were set for them at the outset (Ruess & Voelpel, 2012). According to Young et al. (2019), nearly 70 percent of mergers fail as they do not subsequently add any shareholder value. Many of these failures are related to incorrect management and staff-related issues, as financial aspects are often prioritized by merging companies. Gleibs et al. (2008) agree that almost two-thirds of mergers do not meet the expectations created for them, mostly due to resistance to change by organizational members. They add that mergers often create psychological and behavioral reactions in organizational members such as turnover intentions, stress, anxiety, increased resistance, and decreased job satisfaction, which is why it is important for organizations to understand what makes the merger succeed and how these reactions can be avoided.

As the failure rate is so high in mergers, it is important to research what causes it, and whether the causes can be determined based on an examination of the company. Especially employee responses to mergers, and their behavior should be studied, since voluntary employee turnover during a merger has a negative impact on firm performance (Woehler et al., 2021). They add that employee turnover is not surprising in mergers as there are subsequent changes in organizations, and often the employees' relationship is not as strong to the post-merger organization as it was to the original one. Also, Sung et al. (2017) agree that company changes such as mergers can affect employee turnover and negative changes in staff well-being, such as a widespread sense of uncertainty and reduced loyalty which might have a negative effect on staff turnover, which in turn can negatively affect the merger result.

Although prior research has highlighted the challenges employees face during M&As (Vetter, 2014; Schweizer & Patzelt, 2012; Kavanagh & Ashkanasy, 2006) and importance

of retaining key employees during M&As (Atoniou et al., 2021; Al-Emadi et al., 2015; Ahammad et al., 2012), but very limited research has focused on the mechanisms and factors firms use to retain key employees during M&As. Therefore, there is a very limited understanding of the factors which firms use to retain key employees during M&As.

1.2 Research question and objectives of the study

The preceding discussion steers the course of the present thesis. The primary objective of this study is *to investigate the factors facilitating the key employee retention during the implementation process of merger and acquisitions*. Accordingly, the main research question is:

How do firms retain key employees during implementation process of mergers and acquisitions?

The main research question is approached and addressed by the following three sub-objectives:

- (1) To study the conceptualization, motives, and process of mergers and acquisitions.
- (2) To study the conceptualization and importance of employee retention and uncover key challenges faced by employees during the difficult implementation process of mergers and acquisitions.
- (3) To explore the factors facilitating the key employee retention in Mergers and Acquisitions.

1.3 Delimitations of the study

This study will focus on the human resource part of the merger and acquisitions as the HR managerial actions during the post-merger integration phase are still unclear in the research. Especially how companies and their HR prevent employees from leaving during

the M&A, so how they retain them in the company. It is an important topic as turnover is often increased during company changes such as M&As. Other delimitation of the study is the following:

- 1: focus of voluntary termination of employees
- 2: empirical part of thesis based on qualitative research methods because of exploratory nature of research questions...
- 3: Not focusing on the impact of employees' retention on M&A success etc.

1.4 Definitions of key terms

Gaughan (2015, pp. 12-14) defines **mergers** as a transaction where two companies are combined and the other one ceases to exist. Reuvid (2007, pp.1-2) has a similar definition where he states that in a merger two or more companies form together an entirely new company and both old companies stop existing. More specifically, Soofi and Zhang (2014, p.10) define merger as a transaction where two or more independent companies are combined, and they form one coherent business, in which one of the companies has legally absorbed the other one with all its assets and liabilities.

Acquisition differs from the term merger, but they are often used interchangeably in literature. The differences can be in the sizes of the company, what has been agreed in the deal, and how the companies work in the future. Acquisition often in literature refers to a takeover, which can be friendly or sometimes hostile, when the acquired company does not want to be acquired, but the acquiring firm has more power and funds over them (Child, Faulkner & Pitkethly, 2001, pp. 7).

M&A implementation process refers to the post-merger integration where two or more organizations are combined, and they start to perform as one company. According to Ruess and Voelpel (2012) the integration process includes strategic, structural, personnel, cultural, and stakeholder integration. Integration levels vary between different mergers in these areas, so the processes can be different from merger to merger.

Schuler et al. (2003, p. 6) define **human resource management** as all the activities that affects employee behavior in organizations. Human resource activities can include company policies and everyday practices. Human resource management is vital part of an organizations strategy as employee behavior affects for example profitability, effectiveness, and customer satisfaction.

Key **employee retention** refers to the actions of key employees staying in the organization after the M&A. Phillips and Connell (2004, p. 2) define retention as the percentage of employees staying in the organization. Most organizations prefer high levels of retention in most job groups but especially in the ones requiring more knowledge and considered key employees.

Opposite of retention is **turnover**, which refers to the percentage of employees leaving the organization (Phillips & Connell, 2004, p. 2). Turnover can be involuntary or voluntary. Voluntary turnover includes employees who are leaving the organization by their own means and reasons (Ongori, 2007). Involuntary turnover includes employees leaving after the organization has terminated their contract. This thesis focuses on voluntary turnover as with voluntary employee turnover, companies are losing valuable competencies and knowledge-based resources, and especially during mergers these are particularly needed (Whoehler et al., 2021). Overall, employee turnover means the rotation of people around the labor market from different jobs to another either in the same field or a different one or to unemployment.

1.5 Previous studies

Research on factors impacting the retention of key employees during M&As has received very less attention from scholars. Mostly scholars have focused on one factor at a time, and how it affects employee retention during the event of M&A. In the following the key studies on the topic of this thesis are summarized in below table 1.

Table 1. Previous studies.

Author(s) / Year	Focus of the study	Methodology	Findings of the study
Schweitzer and Patzelt (2012)	<ul style="list-style-type: none"> - They study how integration speed and leadership affect employee retention during the post-merger integration process. - Also, how different leadership styles affect the retention, and they have studied styles such as contextual, relational, inspirational, stewardship-based and supportive leadership styles. 	A quantitative study of US and European employees. Sample size consisted of 91 respondents to the survey.	Fast integration affects positively on employee's motivation to stay in the company. Also, leadership style can enhance the effects of the fast integration.
Ahammad, et al. 2012	<ul style="list-style-type: none"> - They study how financial incentives affect top managements retention in the acquired firm, and how autonomy affect retention and the link between autonomy and incentives. - They also study how commitment affects retention and how commitment affect the effects of financial incentives. 	Quantitative research. Data collected via survey from UK firms that had cross-border M&As. Sample size was 65 participants out of 592 sent surveys.	Autonomy in the post-integration phase has a positive effect on top management retention as well as acquirer's commitment to the process. These overrule financial incentives when it comes to the retention of top management.
Ahammad et al. (2014)	- They aim to study factors affecting knowledge transfer and how knowledge transfer affects the cross-border acquisition.	A quantitative questionnaire survey of UK firms who had	Knowledge transfer has a substantial positive effect on

	- They developed a conceptual framework that indicates that knowledge transfer, national cultural distance, organizational cultural differences, employee retention affects the performance of the acquisition.	cross-border acquisitions. Sample size was 65.	employee retention. Also, national and organizational cultural differences should be differentiated in studies as they affect the results differently.
Degbey et al. (2021)	- They study how employee commitment and ownership affects the retention of employees during M&As. - They develop a moderate mediation model for linkage between employee retention in M&A and their psychological ownership of the company.	Theoretical review	Employees commitment and involvement affect positively to acquired firm's employee retention

Schweitzer and Patzelt (2012) have research how integration leadership and speed affect employee commitment in the new organization. This thesis will use their study to explain challenges faced by employees during mergers and acquisition. Together with multiple other research this thesis will have a complete overview of the challenges companies should expect their employees to face in M&As. Schweitzer and Patzelt (2012) research will also be used in driving factors for employee retention, as their research is focused on integration speed and how that affects employee retention.

Ahmad et al. (2012) have researched how financial incentives affect top management retention in cross-border mergers. Later, they (2014) have moved to research how cultural distance affect retention in cross-border mergers. Their research will be used when

explaining driving factors for key employee retention. Moreover, Degbey et al. (2021) have research how employees psychological ownership affect retention.

1.6 Structure of the thesis

This thesis will be structured as the following table 2 shows. This thesis is divided to five main chapters, and they all have their own subchapters. Moreover, these include an introduction, literature review, empirical part, and conclusions, which includes the key findings and discussion.

Table 2. Structure of the thesis.

Introduction	Explains the background, research question and objectives of the study. It explains the key definitions and previous studies done on the topic.
Literature review	Goes over the main theories and concepts of the topic of mergers and acquisitions as well as employee retention.
Research methodology	Explains the basic theories and concepts of research methodology and methodology used in this paper.
Empirical findings	Explains the findings of the data collection and goes over the interviews and case companies.

Conclusion	Concludes the paper with key findings, discussion that ties the empirical part to the literature, managerial implications, limitations to it and proposes future research topics.
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2 Literature review

2.1 Defining M&As

Mergers and acquisitions do not have one simple definition, but the definitions vary from case to case, and between sources. M&A are often used as a singular term in literature, even though they can mean different things, and it is important to know the difference between the two terms. Mergers can be transactions between two or more companies either where one of the companies stops to exist, and they start operating completely under the other company's name (Gaughan, 2015, pp. 12-14). In another case both of the merging companies cease to exist, and they together form a new united company (Reuvid, 2007, pp. 1-2).

The difference between mergers and acquisition is often the style of the negotiations and the different sizes between the firms. Acquisition is a takeover, that can be hostile and involve battles between the two companies, but it can also be accomplished with friendly negotiations (Child et al. 2001, p. 7). Acquisition companies can often have difference in size, where the bigger company acquires the smaller company with all its assets and liabilities, and the acquired company starts operating under the other company as it did before independently.

Merger as a term is used in literature as two companies are combined even though the combinations can differ massively from each other. Therefore, it is important to divide mergers into subtypes to achieve clarity on what is happening in them. Berk and Demarzo (2017, p. 997) divide mergers into three different subtypes: horizontal, vertical, and conglomerate. Horizontal merger means that the two merging companies are potential old rivals and working in the same industry. Vertical mergers happen between companies that work in the same supply chain vertically, for example, as supplier and buyer. When companies from two completely different industries merger it is called a conglomerate merger.

Furthermore, mergers can be divided into different types based on the final company that is formed in the merger. Gaughan (2010, pp. 12-13) divides mergers into merger through consolidation and absorption. Consolidated merger happens when the merging companies create a new company after the merger and the two former companies do not exist anymore. Busuioceanu (2016) explains merger through an absorption as a merger where the other company gets full control of the other company, and it is fully absorbed into the company.

Absorption mergers can be divided into further and Gaughan (2012, pp.12-13) explains three ways to divide them. These are a subsidiary merger, a statutory merger, and a forward triangle merger. A subsidiary merger refers to a merger where a company buys another company which becomes their subsidiary or part of their subsidiary. A statutory merger refers to a merger where two companies merge, and they continue to work under the other company's name. Lastly, the forward triangular merger refers to a merger where a subsidiary of a buyer company is merged to another one and they continue working under the subsidiary's name. Overall, there are many definitions of M&As, but common definition of M&A is that it means the combination of two or more companies that can be done through several types of transactions.

2.2 Motives and process of M&As

Motives of M&As

As mentioned earlier, M&A are ways for companies to fight against intense competition, think ahead, and grow their operations. Main motive behind everything for M&A is to increase corporate revenue and profitability (Kumar & Sharma, 2019, p. 31). However, this can be done in different ways depending on the company's other motives and strategies. These motives can include for example expanding to new geographical locations, new markets, new technologies, new products, or services. All these done correctly will

lead to more revenue and profitability, which is often the end goal. Moreover, there are three main categories in literature for M&A motives: better economic performance, managers wanting personal benefits, and increased market power (Hassan et al., 2018).

Process of M&As

Merger as a whole is a complex process, so it is often divided into different phases. There might be some differences about the phases in different literature but often the main phases are similar and include the same aspects. Parentau and Wenston (2003) have divided the merger process into four phases: strategy planning, candidate screening, due diligence and deal execution, and integration. Soofi and Zhang (2014, p.19) have also divided the process into four similar phases: strategic planning, screening, execution, and integration. Moreover, Davis and Kummer (2012 p.22) have divided into four similar phases: strategic planning, screening, acquisition, and integration. As a merger is a complex process, it is important that the management and the members of the organization understand the different phases and have a clear overview of them.

The first phase is planning, and companies are constantly doing it to acknowledge new business and growth opportunities (Parentau & wenston, 2003). Intense competition in all industries forces companies to be a step ahead and have different development and growth plans scanned. In the planning phase, companies analyze their objectives, available resources, market trends, and customer feedback to identify synergy opportunities. After the strategic planning, the company should have a clear and comprehensive strategy to guide the merger process including clear direction, objectives, possible risks, and plan for integration. Careful planning lays the foundation for a successful execution and integration, so it is important that it is done carefully and comprehensively (Soofi & Zhang, 2014, p. 19).

The next phase is candidate screening, where companies find possible candidates to merge with that match their plan made in the first phase (Parentau & Wenston, 2003).

Different criteria for the candidate are prize of the target, industry, geographical location, size of the firm, and possible synergies (Soofi & Zhang, 2014, p. 21). Comparing these factors allows the company to find the best candidate that matches their plan and intentions for the merger. Finding a potential candidate can take time and it is important to do it properly to maximize the benefits and a successful ending for the merger.

The third phase is execution that incorporates due diligence, negotiations, valuation, and structuring. According to Quinn (2007, p.201) due diligence refers to the thorough examination of the candidate company, where all its operations are assessed. During due diligence, every aspect of the candidate's business is examined, including their finances, legal matters, and tax obligations. The goal with due diligence is to determine the strengths and weaknesses of the candidate company, and whether the deal is being made at the right price, time, and for the right reasons. Valuation means finding the financial value of the candidate company. Negotiation and structuring involve all the discussions and arrangements between the two companies (Sherman, 2011, p.117). The goal is to reach an agreement with all the rights and responsibilities of the two companies. Both parties need to be satisfied with the agreement to ensure a successful merger.

The fourth and the last phase of the merger is integration, which is often listed as the hardest part of the merger. According to Sherman (2011, p.240) the integration phase includes the integration of all the business activities of the two entities. These are human resources, production, finances, and marketing. After this phase, the two companies become one and the value of the merger is either created or destroyed (Bodner & Capron, 2018). However, companies need to decide on what level the entities will be integrated and during what period. Depending on the type of the merger, the integration process can be different whether the new entity is only partly or fully integrated. Proper integration is an only way to generate resources and make the deal useful for the company.

Figure 1. Integration matrix by Haspeslagh and Jemison (1991, pp.145).

		Need for strategic interdependence	
		Low	High
Need for autonomy	High	Preservation	Symbiosis
	Low	Holding	Absorption

There are different ways to integrate the two merging companies. Haspeslagh and Jemison (1991, p. 145) introduced a matrix above that has been used in literature ever since. Their model shows four types of integration depending on how much there is need for autonomy and strategic independence. The four types of integration are preservation, symbiosis, holding, and absorption. Later, Iborra and Dolz (2006) have studied integrations and they propose that integration types should be two dimensional: integration level and integration style. They believe that with Haspeslagh and Jemison (1991) model, it can be difficult to divide integrations to their four types as looking at business unit level it can seem to be another one than looking at a functional unit level. And they also add that the holding type is not seen in literature as the acquirer does not need to integrate it.

Integration level means the level of structural integration between the firms and integration style means how the integration will be done (Iborra & Dolz, 2006). So, integration level includes functional areas and systems such as manufacturing, human resources, information systems, control systems, logistics, and commercialization. The higher the integration level is the more of these functional areas will be integrated.

Whereas integration style means whether the other firm is dominant, and all the integration level aspects comes from the dominant firm rather than also adopting parts from the other firm. To conclude, the two steps relate to managers choices to make concerning the integration: how many functions to integrate and in which form.

Furthermore, it is important to remember that all these phases explained above require their own planning, analysis, and execution phases. All phases should be gone through extremely carefully to maximize the value and success. These phases also help to navigate through challenges that will occur during the merger. Also, companies should have professionals ready for each phase to minimize the challenges. Employees should not be forgotten in all the phases, and it is important to also focus on them while getting through the merger process.

2.3 Employee retention, importance and challenges faced by employees during M&As

Mergers and acquisitions affect several organizational changes and employees' reactions to these can vary between positive and negative feelings (Veen, 2013). Some employees are excited, but others might feel stressed as the future is unknown, and it is not guaranteed that their role will stay the same or they will have a role in the future with the organization. Zahoor et al. (2022) agree that M&A are highly emotional events for employees. Depending on the emotions they can affect positive or negative outcomes, which can influence the success or failure of the M&A. The employees who have positive feelings about the M&A can help in the integration process, and quickly identifies themselves with the new organization, but employees with negative feelings easily shows more dissatisfaction, which can lead to lower productivity and increased turnover. Ahammad et al. (2012) list the retention of key employees as the most important factor when considering whether the M&A was successful or not.

According to Degbey et al. (2021) turnover rates increase in the acquired firm during M&A activities. They argue that 25 percent of key employees of the acquired firm left the company during the first year of M&A and 76 percent of managers had left by the fifth year following the merger or acquisition. These numbers are a lot higher than the normal 8 percent turnover rate in managerial positions in firms that have not gone through a M&A event. Moreover, they mention that the performance of the firms was heavily influenced by the high turnover rate after the M&A, which is important why companies need to focus on employee retention during mergers. Dreyer (2011) agree that managers as well as other key employees leave the organization after the M&A is completed, which negatively affects the new organizations performance.

2.3.1 Defining employee retention

Employee retention means organization's process of forming an environment where employees feel motivated and encouraged to remain in the organization (Atoniou et al. 2021). This can be done through different initiatives such as rewards, creating a safe work environment, and keeping a positive relationship between employees and managers. Furthermore, employee retention can be seen as an investment for the company, which will generate in the future. More simply, retention can be defined as the percentage of employees staying in the organization (Phillips & Connell, 2004, p. 2).

2.3.2 Importance of retaining employees

One of the primary causes to M&As failing is the problems related to employees during integration process (Atoniou et al. 2021). Companies fail to support the implications that affects employees caused by the M&A, which leads to unsatisfied employees. Not reaching M&A targets is costly for the organization, but so are turnover costs. It can cost up to annual salaries for each position to be filled, when counting recruitment costs and the costs to train new staff members. And consequently, some intellectual knowledge cannot be replaced. Employee retention is important as failing to do so is expensive for the organization in monetary and knowledge costs.

Employees also possess skills and knowledge that are critical for the organization and its growth and competitiveness (Atoniou et al. 2021). Therefore, it is important to enhance those skills and knowledge. Resource based view of retaining employees means that companies focus on characteristics of employee skills and knowledge and how those contribute to value creation (Al-Emadi et al., 2015). Moreover, the skills and knowledge that are critical to the business and value creation needs to be enhanced and developed. Employees can possess skills that are impossible to copy so it is important to retain them. Resource based view of retaining employees encourages companies to invest in human resource management systems, career development, promotion opportunities, and training programs to gain more competitive advantage.

It is argued that retaining employees is more critical than hiring (Al-Emadi et al., 2015). Therefore, it is important for companies to have retention management practices. If the organization does not have the practices to retain their employees, they will lose their competitive advantage as they leave to go work for a competitor. And looking at it through resource-based view, they possess skills and knowledge that are not easily replaced. Moreover, Ahammad et al. (2012) argue that retention is critical as the company culture, dynamics, and strategy is dependent on the management and employees.

2.3.3 Challenges faced by employees during M&As

Employees face many challenges, when two organizations are combined. It is not easy to combine two separate cultures and groups of people. Too little attention and insufficient communication are often the reasons why employees face different challenges, as they do not have enough knowledge about the future to come in the new organization and they feel like they are not being heard (Schweizer & Patzelt, 2012). According to Gleibs et al. (2008) employees have behavioral and psychological reactions to mergers including stress, lower self-esteem, increased resistance, and turnover intentions. By minimizing these challenges and reactions, the organizations have a better chance of

success keeping their employees satisfied during and after the merger and in the merger overall.

Uncertainty is a common challenge faced by employees during a merger. Often when merger is announced, employees start having some uncertainty as they do not know what it means for them. According to Vetter (2014) uncertainty is caused by limited access to information, which can often lead to turnover intention. Schweizer and Patzelt (2012) agree that the level of uncertainty the employees feel about the future is related to their willingness to stay. Therefore, employees are more likely to stay if they perceive fewer uncertainties about their role in the new organization. Uncertainty is caused by too little information and knowledge about the future and what will happen to each employees' role in the new organization. Employees prefer predictable and controllable situations, so they make their career choices to eliminate uncertainty.

Stress is also a challenge employees face when going through a merger. Stress is part of any big organizational change as stress is created through the loss of existing structures and not yet knowing what the new structures are (Schweizer & Patzelt, 2012). Davies (2003) agree that mergers are stressful events as in their research they found out that middle managements stress levels were a lot higher than before the merger. Stress is also created by uncertainty as the unknown can be stressful when you cannot plan ahead. According to Veen (2013) employees facing too much stress can lead to them leaving the organization. Employees feeling stressed about their work and the merger can lead them to be less committed and satisfied to the organization.

Whenever there is change, there is resistance for it. During M&As resistance can be coming from employees but also from the managers (Kavanagh & Ashkanasy, 2006). When change happen, it alters the measuring tools for performance and loyalty, which decreases trust that the employees have to the organization and can make them defensive and resisting to the change. Employees normally goes through four stages when change happens: disbelief and denial, anger and resentment, emotional bargaining, and acceptance. Resistance of change need to be managed well in order to reach the last step

of acceptance. Appelbaum et al. (2017, part 3) agree that there will always be resistance of change when organization goes through a merger, but it can be dealt with managing the issues well to achieve successful M&A.

When M&As happen, the company and the corporate culture changes. Changes during and after M&A also changes the social identity employees have and feel towards the organization (Spoor & Chu, 2018). It can change either to being more positive or negative. Positive organizational identification leads to better job satisfaction and commitment and negative vice versa. However, M&As are mostly claimed to have a negative effect (Dasborough et al., 2003). Often, M&As result in loss of corporate identity as employees fail to connect with the new organization (Atoniou et al., 2021). According to Davenport and Barrows, (2009, p.3) organizational identity is important as often employees see as a big part of their own identity. Therefore, when the organizational identity changes it directly affects the employee's own identity, job satisfaction, and commitment.

All these challenges combined decreases the job satisfaction employees have after the M&A. Especially, managers have these feelings, and they cause discomfort, sense of that their decisions are no longer valued or welcomed and feeling of being an outsider (Weber & Drori, 2011). All this leads to managers leaving the company unless something is changed. Weber and Drori (2011) mention that the severity of these problems such as stress, low levels of cooperation and commitment leads to post merger turnover.

2.4 Driving factors for key employee retention during M&As

There are different types of driving factors for key employee retention during M&As that companies need to handle to retain its employees. The success of M&As and employee retention during it depends highly on intangible and tangible factors. Human resource management is considered to be one of the most important intangible factors, but often human resource issues are neglected during M&As, even though literature highlights the importance of human resource management (Atoniou et al. 2021).

This thesis will list and explain factors that the organization and management need to be taken into consideration when going through organizational change such as M&A. Some these factors are related to management and their behavior and some needs to come from the organizational level.

2.4.1 Effective leadership

According to Atoniou et al. (2021) senior level managers have a great role in reducing challenges faced by employees in the M&A. They should have a leading role in reducing employees stress and uncertainty during the integration. Effective leadership should include a strong leadership attitude and clear vision so employees feel like they can trust their leaders and all the necessary information is being shared with them. Antoniou et al. (2021) also mention that the leadership style should be empathetic. Leaders should be able to emphasize and understand what their employees are going through in order to reduce their uncertainty, stress and resistance to the merger. Schweizer and Patzelt (2012) agree that effective leadership and organizational performance are positively related. In addition, Kavanagh and Ashkanasy (2006) agree that leaders are responsible for creating an atmosphere of psychological safety, where employees feel secure to test the new behaviors and culture in the organization. Effective leadership affects positively employee commitment to the organization, which reduces employee turnover during and after the M&A. Therefore, following proposition is developed:

Proposition 1: Effective leadership enhances the employees' retention during M&As.

2.4.2 High integration speed

One of the success factors for merger overall and employee retention is considered to be high integration speed. It is seen as a factor that makes the employees more committed to the post-acquisition process (Schweizer & Patzelt, 2012). They also mentioned that high integration speed reduces uncertainty and stress among employees. However, high integration speed can also have its negative effects. High integration speed can

make it difficult for employees to adapt to the new culture and develop trust to the organization. Employees might still feel uncertain about their behavior and whether they can trust yet their leaders and promises made about their job. So, high integration speed together with effective leadership make employees more committed and willing to stay in the new organization. Although both point of views exist, but dominant view is that high integration speed enhances the employee's retention during M&As.

Therefore, following proposition is developed:

Proposition 2: High integration speed enhances the employees' retention during M&As.

2.4.3 Given autonomy to employees

Autonomy means strategic freedom that employees and managers have when doing their tasks (Ahammad et al., 2012). Autonomy is known to have an impact on job satisfaction and organizational commitment (Veen, 2013). He explains that employees who have the freedom to perform their tasks in their own way are more committed and satisfied compared to employees who are told to do their job in a certain way. He also argues that if employees feel that they have enough autonomy, they will more likely stay in the organization as they feel recognized and supported by their supervisors and the organization. Degbey et al. (2021) agree that autonomy is a key element to employee retention. So, knowing that autonomy affects voluntary turnover, it is important for managers to deal with it during and after the M&A. They need to make sure that their employees feel satisfied to the level of autonomy they have. Therefore, following proposition is developed:

Proposition 3: Greater employees' autonomy enhances the employees' retention during M&As.

2.4.4 Chosen integration type

The chosen integration type can also effect the merger result. According to Iborra and Dolz (2006) the higher the level of integration is the higher the turnover level will be. Whereas the higher level of innovation in the integration style would keep the turnover level lower. However, it is not as simple as Iborra and Dolz (2006) also mention that high levels of innovation in the integration style also brought more uncertainty and anxiety as well as communication problems, which can lead to greater levels of turnover. Ahammad et al. (2012) agree that high levels of integration between the firms can lead to higher turnover rate as autonomy decreases. To conclude, lower levels of integration mean lower level of turnover as managers and employees still feel like they have their own place in the organization and they and their expertise is still valued. Therefore, following proposition is developed:

Proposition 4: Low level of integration enhances the employees' retention during M&As.

2.4.5 Financial and non-financial benefits for employees

Financial and non-financial benefits can be used in merger when trying to retain employees. Benefits and rewards are necessary for job satisfaction as they help employees to fulfill basic needs and motivate them to reach higher goals (Ahammad et al., 2012). There are different financial incentives employers may use including long-term contracts with bonuses, stock options, increased salary and staying bonuses. According to Ahammad et al. (2012) merging companies should not only depend on financial benefits for retention of key talents. Financial benefits are not long-term solutions to employee retention in mergers as once they are paid, employees may consider other opportunities elsewhere. Therefore, it is important to focus on mix of benefits with financial incentives but also non-financial incentives. Especially, merging companies should focus on training and development of the employees to gain their trust and show commitment to the merger and to the employees. Degbey et al. (2021) agree that merging companies should not only lean on to financial benefits. They mention that if financial benefits interfere

with social variables such as autonomy, it has a negative impact on retention. Therefore, following proposition is developed:

Proposition 5: Combined financial and non-financial benefits for employees enhance the employees' retention during M&As.

2.4.6 Effective communication

Effective communication, which means clear and timely communication with employees, play a huge role in employee retention. Effective communication is built on the content and the amount of communication, meaning recurrence and duration (Dolphin & Reed, 2011, p. 68). Ineffective communication often leads to M&As failing (Atoniou et al. 2021). Furthermore, ineffective communication leads to best employees first leaving the organization after the M&A and it can also scare investors away leading to company share value to decline. Therefore, it is important to plan strategically what type of communication to use and how to make it as effective as possible to make sure that everyone has the information they need.

According to Epstein (2004) everyone in the organization should be given a presentation about their role in the new organization to diminish their stress and uncertainty about their future. Furthermore, it is important to have solid communication throughout the process, so everyone knows what is happening and what will happen next. Appelbaum et al. (2017, part 1) add that early communication limits the amounts of rumors that start circling in the company about the M&A. Maintaining a steady flow of information is a key to M&A success as it reduces uncertainty and resistance of change. In addition, stress employees face during M&As can be decreased with information that is given in a proper and understandable way (Veen, 2013). Therefore, following proposition is developed:

Proposition 6: Effective communication enhances the employees' retention during M&As.

2.4.7 Employee commitment

Employee commitment to the organization should be managed to retain them after the merger. According to Jackson (2019, p.220) employees that are committed to the organization before changes in the organization, are also committed to make the change work. Kyei-Poku and Miller (2013) agree that commitment is important as committed employees benefits the organization better when rebuilding it after the M&A. Committed employees are attached to the organization and they feel moral obligation to stay in the organization as well, so turnover is lower. To grow employee commitment, employees need to be involved in the organization and its processes as better employee involvement generates identification and commitment to the organization after M&A (Degbey et al., 2021). To grow the commitment to the new organization after the M&A, it is important that employee expectations are fulfilled (Kyei-Poku & Miller, 2013). Therefore, following proposition is developed:

Proposition 7: Employees' commitment enhances the employees' retention during M&As.

2.5 Framework of the study

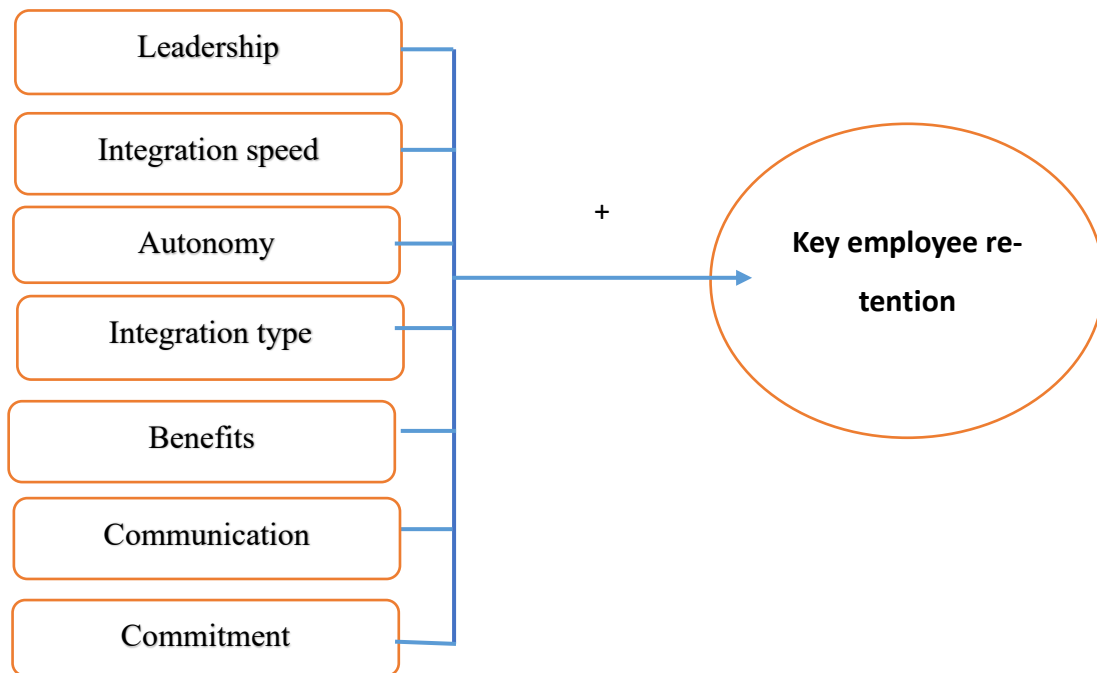
Literature shows that M&As are a popular part of growth strategy for companies. However, literature also shows that there are many reasons to failure of M&As to reach their full potential. In the context of mergers and acquisitions, as well as in all organizational development and change, it is important to focus on to the management of human related variables. The management and employees in the organization have a significant influence on the company performance, culture, and success of going through organizational changes. Therefore, it is mandatory for the organization to focus on employee

retention, and especially when going through changes such as M&As, to also have a successful organization after the change. Retention is influenced by many factors that the company needs to take into consideration before, during, and after the change.

People react to the news of M&As differently. but the reactions are often strong, so companies need to be prepared. Employees face different challenges during the mergers and acquisitions. Companies and managers need to be aware of these challenges so they can support their employees through those to have a successful merger outcome. Mostly, previous research has focused on one or two success factors or challenges that employees face during M&A, so this thesis will tie all those together and present the key factors facilitating M&As. So, here the research gap lays over the need to find tools to help managers to deal with employee emotions and reactions during the M&A. As employee commitment is reduced during organizational change, it is important to know how to keep it during the change and build it even stronger after.

This research will focus on the impact M&As have on the employees and how they impact the company. The focus is to find success factors for managers to make the M&A process as smooth as possible to their employees and make them want to stay in the new organization after the M&A. Below you will find a concluding framework for the study illustrated. The framework consists of seven factors which firms can use to retain key employees during M&As. These factors include leadership, integration speed, autonomy, integration type, benefits, communication, and commitment.

Figure 2. Framework of the study.



3 Research Methodology

3.1 Research approach

Research can be inductive or deductive depending on the structure of the research. Deductive method means starting from existing literature, drawing a hypothesis from it, testing it, and then revising the theory (Woiceshyn & Daellenbach, 2018). So, deductive method starts from the general perspective and moves on to a particular perspective. Whereas inductive method starts from the particular perspective and moves on to a general perspective. Inductive method starts from observations and then the theory is formed based on those observations. Woiceshyn and Daellenbach (2018) argue that inductive approach has recently started to challenge the dominance of deductive approach. However, inductive approach has received criticism for its theory not being valid as it is based on an observation and not multiple grounded research.

This thesis is using deductive approach as it starts from the general perspective with its literature review. The conceptual framework for this thesis is drawn from the existing literature and then data is collected to test the framework. Deductive approach is chosen as there are so much existing literature on M&As and employee retention that this thesis can use to study their connections, and how firms can retain their employees during the events of M&A.

3.2 Research Method

Data collection in research can be done qualitatively, quantitatively, or by mixing of both methods (Saunders et al., 2007; Saunders, 2023, p. 181). Quantitative data is numeric such as numbers and qualitative data is non-numeric such as words, videos, audio, or images (Saunders, 2023, p. 181). Quantitative data collection procedures can be any collection procedure or analysis technique that generates numerical data. Qualitative data

collection procedures generate non-numeric data often through interviews and observations, and those can be analyzed by using techniques such as narrative analysis or grounded theory (Saunders, 2023).

Saunders (2023, p. 184) say that quantitative data is often collected by standardized surveys and questionnaires and analyzed by graphs and statistics. Quantitative data collection methods often allow more data to be collected (Saunders et al., 2007). Contrastingly, qualitative data collection methods refer for example to open-ended questions and semi-structured interviews, where the respondents can elaborate on their opinions and ideas and be more descriptive. Research can also use more than one quantitative method to collect data and then it becomes multi-method quantitative research and same with qualitative, if more than one qualitative data collection procedures are used it will be multi-method qualitative research (Saunders, 2023, p. 184). And if quantitative and qualitative procedures are both used it will be mixed method research.

This study will be conducted by qualitative research, more specifically by utilizing semi-structured interviews. Semi-structured interviews consist of pre-determined open and closed interview questions. I plan to interview the HR department from three different companies to see what strategies they have used while merging with another company. The semi-structured interviews aim to support and deepen the theoretical part. If possible, I will try to find a quantitative data to support the qualitative data.

3.3 Research design strategy

A research design refers to a plan how the planned researched questions will be answered. Exploratory study seeks to find new insights and explain issues that the answer is not clear (Saunders et al., 2007, p. 133-134). They add that there are different ways to conduct exploratory studies such as literature research, interviewing experts on the matter, and conducting focus group interviews. In exploratory studies the research question often starts with how or what (Saunders et al. 2023, p. 179). Moreover, exploratory

studies start with a broader focus and then move onto narrowing it down. As something new is explored, it may turn out that the phenomenon is not worth further research, or it might change completely on the way.

Other way to conduct a study is to do a descriptive study. Descriptive study aims to describe a certain phenomenon fully (Saunders et al., 2007, p. 133-134). Descriptive study can be useful when you need to have a clear picture of a certain phenomenon. In descriptive study, the research question often starts with who, what, where, when or how (Saunders et al. 2023, p. 180). Descriptive study can be a part of exploratory study to extend or conceptualize it as it is crucial to have a clear understanding of the phenomenon before starting the data collection process.

This thesis is an exploratory study as it has its own research gap. The theoretical framework can be considered descriptive study as it is describing M&As and employee retention and already existing theories on the topics from different angles. Therefore, it provides a clear view of the phenomenon before the empirical part. But as this research is answering its own research questions with the data collected specifically for this research, it makes it an exploratory study.

3.3.1 Case study strategy

Case study is way of doing research where a phenomenon is studied with real life context and with multiple sources (Eriksson & Kovalainen, 2015, p. 134). Case study studies certain case that can vary from being for example a group, institution, or community. They mention that case study can be intensive or extensive. Intensive case study means that it is a single case study, that tries to understand a case from the inside of one case. An intensive case study fits to a study where there is a need to understand a particular case and what happened in that. Whereas extensive case study involves multiple cases and tries to find similarities in them. Therefore, extensive case study tries to generate a theory and generalization based on the multiple cases.

This thesis is a multiple case study, that uses multiple cases from different companies to answer the research questions and try to generalize the results based on the different cases. However, only few cases are used so the research might not provide generalizable results, but more particular ones. Case studies can be informative as such without the need to generalize. Moreover, this thesis tries to understand the cases own their own and their particularities and then see how they compare to each other and to the theory, if there are common factors.

3.3.2 Case study context

This thesis studies different companies and their mergers and acquisitions, which are considered different cases. The cases differ from each other by industries, company sizes as well as countries they are located in. Therefore, a broader knowledge of the phenomenon can be obtained. In this research there is one embedded case from each company, so one merger or acquisition from different companies. Other possibility could have been to have more embedded cases from one company and not multiple companies, but in this case, there is one company and case.

3.4 Data collection

3.4.1 Sampling technique and size

There are different sampling techniques available for researchers and they are divided into two main categories: probability and non-probability sampling (Saunders et al. 2023, p.293). The choice between them depends on how the research question wants to be answered. If there is need for statistical estimates or need to test a theory, a probability sampling should be used. If there is more of a need to understand and generalize a theory, non-probability sampling should be used. In probability sampling, the of each selected case is known and equal between the cases, and probability sampling is frequently associated with survey and experiment strategies.

Moreover, in non-probability sampling the chance of each case being selected is unknown (Saunders, 2023, p.294). One way for non-probability sampling is haphazard sampling and more precisely convenient sampling. In convenient sampling the cases selected for the research are selected because they are easily available (Saunders, 2023, p. 325). Moreover, as this study is trying to understand and generalize, a non-probability sampling method is chosen and more specifically convenient sampling. This means that these interviewees that this thesis uses were the easiest to access as they are the ones willing to answer the questions. As they are willing to participate in this research, it means that they already have the knowledge of this topic. Therefore, convenient sampling is typical for qualitative research as you are not providing statistics and non-numeric data but more in-depth knowledge of a phenomenon.

The sample size in this research was three as there was three case companies and interviews with their HR. More companies were contacted, but as this topic is related to companies' strategies, most have this as confidential information that cannot be give, some did not respond at all, and some said that they do not have the knowledge or time to answer as team has changed after the events of M&A.

3.4.2 Data collection

In research, there can be primary data and secondary data collected. Primary data refers to data collected by the researcher itself specifically for the research being conducted (Saunders et al. 2023, p. 830). Primary data can be obtained through observations, interviews, diaries, or questionnaires depending on the form of the research method. Primary data can be in different forms depending how it is collected and whether it is numeric or non-numeric.

Secondary data refers to data that was collected for some other purpose or research (Saunders et al. 2023, p. 833). Secondary data can be reused to analyze further so that it can be used to provide additional knowledge and conclusions. Secondary data can also be multiple-sourced, where two or more secondary data sets are combined (p. 825).

Secondary data can be both quantitative or qualitative and it can be in different forms such as raw data, compiled data, structured data, or unstructured data. Benefit of secondary data is that it allows the researcher to save time and money as data collection can be very complicated and time consuming.

This study combines primary and secondary data. Primary data in this research is conducted by semi-structured interviews. Data collected for this research is verbal data and text data. Verbal data refers to data collected from the interviewee's speech (Saunders et al. 2023, p. 652). Verbal data is often in the forms of audio or audio-visual recordings, or it can be transformed into text form, but it is still considered to be verbal data as it is based to the audio. Text data can be in the form of notes from interviews, written diaries, or derived from different documents such as reports, emails, or news articles. Data can also be in a visual form such as videos, drawings, or digital images, but such visual data is not used in this research.

3.4.3 Semi-structured interview structure and data analysis

This research is conducted with semi-structured interviews. Semi-structured interviews are non-standardized interviews with some pre-set themes and questions to help guide the interview (Saunders et al. 2023, p. 833). There can be one or multiple set themes for the interview and different number of preset questions for each theme. In semi-structured interviews, the interviewer needs to be prepared to modify the questions and their orders as well as ask more in-depth questions related to the topic and the answers the interviewee is providing.

Semi-structured interviews are most likely to be used for exploratory studies as they help to found out causal relationships and reasons for decisions (Saunders et al. 2023, p. 450). In semi-structured interviews, there is an opportunity to probe the responses from the interviewee, when you want them to explain something further. Therefore, you can add significance and depth to the answers and to the data they are providing. There is also a possibility that some data and insight is covered without any intension or knowledge

that it could be useful for the research. However, it is important how the interviewees are probed as you do not want to alter the data or push them to say something they do not really mean.

In the semi-structured interviews conducted for this research, there was three themes to get all the necessary information from the interviews. The interview started with background information first about the interviewee and then about the merger and acquisition, they were interviewed about. Then lastly, the interview focused on the employee retention in M&As and challenges and strategies the company used. Questions related to the employee retention and factors impacting the employee retention were adopted and modified from prior research (e.g. Ahammad et al., 2012; Ahammad et al., 2016; Schweizer & Patzelt, 2012). The interviews were conducted in Microsoft themes on one-to-one basis, but on top of the interviews the interviewees filled up the question form used for the interview, and they could also write comments to the questions.

As qualitative research produces non-numeric data, it requires its own kind of data analysis. Qualitative research method provides a mass of data that first needs to be explored, analyzed, categorized, and transform to a form that can be used to answer the research questions (Saunders et al., 2023, p.654). Qualitative data is analyzed during and after the data collection, which makes the process different from quantitative data, where it is only analyzed after the data collection.

The choice of method for qualitative data analysis is not as simple as choosing a method for quantitative data, where the method is based on the type of data collected (Saunders et al., 2023, p. 655). The choice between the methods relates to the methodological and philosophical basis, the approach to theory development, and the analytical techniques used. This thesis uses different analysis methods as it has some data where the answers are fully preserved as in narrative analysis, but in some questions the answers are just grades that the interviewees give. There is also pattern matching and deductive

explanation building used as this research has collected the data based on the theoretical part and then aims to recognize patterns between the cases and the theory.

3.5 Validity and reliability

Reliability indicates whether the research method can produce the same results when repeated multiple times, so to the consistency of the results obtained (Saunders et al. 2023, p. 214). If the results stay the same when repeated multiple times, the research method and results are reliable. There are also different threats to reliability such as participant error and bias and researcher error and bias. In qualitative research, reliability as such is hard to measure.

Reliability can be external or internal (Saunders et al. 2023, p. 214). Internal reliability refers to consistent during the research project, and this can be obtained by using multiple researchers within the project. This way you can measure whether they all end up in the same conclusion or are there observation errors. External reliability refers to the external factors and that the data collection methods and analysis would obtain similar results if repeated with a different sample or by a different researcher.

In this research, the reliability as such can be hard to measure as it is qualitative research. But to avoid the participant threats, the participants had chosen their time for the interviews, and they had enough time to get to know the subject and the interviews were done in private, so that they are capable of giving well thought answers to the questions. Moreover, to improve the reliability the process of this thesis is well thought out and constantly evaluated by a professor.

The quality of research is not only evaluated by reliability but also validity, which means how well the chosen methods measures what they need to measure and are the results about what they are supposed to be about (Saunders et al. 2023, p. 214). Validity can also be internal or external. Internal validity means that the results obtained represent

the truth and not error in the research and external validity refers whether the results are valid outside the research in real life.

Validity in this study is confirmed by creating theoretical framework necessary for this study. In the theoretical framework, all the main theories and relevant concepts were explained, and research questions and data collection methods formulated. Validity is also confirmed by using multiple previous research on the relevant topics in the theoretical framework. Validity is also included by using different data analysis methods and comparing the cases to each other. Due to the small number of interviews and data collected, the generalizability of this study is limited, but it should not threaten the validity of the study. As the cases in this and all other M&As have their own uniqueness and they are overall hard to generalize. Overall, the validity of this research is ensured by using trustworthy and relevant sources for the theoretical part, collecting proper data specified for this research, and properly analyzing the data with different methods.

4 Empirical Findings

4.1 Interviewees background

I have contacted different companies HR departments for the interviews for this research. I believe HR department has the best knowledge in terms of employee retention during mergers and acquisitions. I have managed to get three interviews with different companies' HR directors. HR has been chosen for the research as they have the knowledge of how many employees left during M&A period, what kind of compensation is offered, and what kind of leadership is used in the merger or who is the manager responsible for it. All the names of the participants as well as the companies are confidential as the information shared are part of the companies' strategies and therefore sensitive information.

The first interviewee work as a HR manager in the company for case A. She has worked in the company for five years and three of those years in the current role. She has been involved in four mergers or acquisitions. Most recently in 2021 and 2022 in her current role, there were multiple companies merging. The interviewee herself has been involved in four mergers and acquisition. She has seen both sides of the M&A as her company had merged into other companies, but also how they acquired and merged with three more companies.

The second interviewee works as a HR business partner for company in Case B. She also works in the HR department of the acquiring firm, so she has all the necessary knowledge how the merger was dealt with, how the employees reacted, and what changed after the merger. She has worked in the company for three years and all the three years in the same role as currently. She has been involved in one merger in her current role and that merger will be our case B.

The third interviewee works as a HR director responsible for the Nordic Zone in the acquired firm, so she has a bit different perspective than the other two interviewees. But still as she works in the HR department, she has the knowledge what strategies were used, and she also has the personal experience of the merger and how it affected the employees of the acquired firm. In the current role, she has worked for a year and in total she has worked 16 years in the company, but in the middle, she has also worked in other companies but then returned to the current company. Previously, she has been involved in one merger in a previous job and three more mergers in her current company.

4.2 Background of case companies and embedded cases

The first Case A involves several companies in design and consultant industry. Case A is about two companies that merged into a third company in 2021 and became one merged company with a completely new name. All of the three companies were small size Finnish firms. Then in 2022, three more Finnish companies, where merged into the company and this part will be our case A. After the 2021 merger, the company was a medium size company with 101-250 employees, and it merged with three small size companies with 10-50 employees. All the companies that merged were from a similar industry. As the companies were from similar industries, they also fully integrated their businesses, so organizational tasks and work environments were fully integrated between each other.

The case A company had many motives for the merger such as broaden their product and service portfolio, and to have the best possible expertise on their own field. They wanted to be the pioneers in their industry who are efficient, interesting, and reliable. By combining the firms and the know-how each firm had, they would be able to grow expertise and develop the industry by their offerings. Therefore, they would not need to compete against each other, but together build an industry leading company.

The second case B involves an industrial company and a technology provider, they however still work in a similar industry. This case is also cross-cultural as the acquiring

company is Finnish and the acquired company is Canadian. The Acquiring company is a large company with more than 2000 employees worldwide and the acquired company is considered to be a small size company with its 10-50 employees.

The case B company had previously 10 or more mergers, so they have plenty of experience of different kinds of mergers. In this case, the company had a clear motive for the merger, and that was to obtain a patented service offering that would complement the services of the acquiring firm. The motive was to be able to bring more value to the customers with reliable and faster performance.

The third case C is about a merger between two industrial firms, the other being a French listed company and the other a Finnish firm, that are both large size companies, however the acquiring company is still a lot larger than the acquired company. They were both previously in a similar industry, so the main motive was to gain knowledge and a special product line to their business portfolio. The acquiring firm is a large size firm, that acquires firms regularly, but also the acquired company had previously acquired very small companies that were merged to the company.

All these cases are quite different from each other as they are from different industries, but also the mergers itself are very different. Therefore, we can get more generalizable results from them. The case A is a merger with smaller companies that all started to work together under the same name and business, the case B is an absorption merger where the company was bought and absorbed fully to the acquired company, and the case C is an acquisition where they were bought and kept as individual business without fully merging them to the acquiring company.

4.3 Within-case analysis

4.3.1 First embedded case: Case A

Physical structure of first embedded case of M&A

The Case A is a combination of six companies merging. First three companies merged into one company and then three more companies were merged. More specifically, the case A deals with the second part. They had divided the process as following to two main faces acquisition of the company and then merger which can be seen as integration process. Acquisition process had the following stages: Strategic planning (long-term targets of the company) => Target identification (market research) => Evaluation (potential companies: discussions, field of expertise, financial status etc.) => Conducting due diligence => Negotiations => Deal closure and publishing.

After the deal had been done, integration process started with the following steps: Informing the acquisition to employees => Media exposure (updating website information) => Starting the integration process => Execution and strategic planning (back-office plan: financial: reporting process, deadlines, system integrations, billing, accounting; HR: work contracts, review of all HR process: benefits, work hours, overtime, collective agreement etc.; Project work, resource planning system, ICT (contracts, integrations of operations) => Deadline (date) for the integration to be finished (fusion).

Level of key employees' retention during M&A & M&A performance

According to the interview the retention of key employees was high after one year of the merger. However, some key employees had decided to leave during the integration process, when there was harmonization of the companies' procedures and operation models, contracts, and titles. Overall, most employees were retained, but there were still some that decided to leave, but the interviewee said that the overall success of the merger was high.

The financial performance according to the interviewee was medium before and after the merger. However, the merger happened during uncertain times as the war in the Ukraine started and the interest rates rose as well as the industry took a downturn, so it is difficult to see how the actual merger affected the results.

Factors driving/impacting the retention of key employees during M&A

According to the interview, the company had used different kinds of factors to retain their key employees. Overall, the interview mentions that they acknowledge that retaining key employees of the merging companies is extremely important. Especially, in their industry where it is based on people's expertise, it is important to keep the know-how in the company.

As the companies were fully integrated, some people were not satisfied. People felt stress and intensity of emotions during the harmonization of contracts and operating models. Also, the merger caused uncertainty among employees about the continuity of their work. The integration was also happening during uncertain times in the world with high inflation, war, and a downturn in the industry, so the merger caused an extra worry to the employees. This gave the company more challenges in the retention of key employees.

The company had given great autonomy to the employees to perform their tasks during the integration phase and the integration speed was also considered to be fast as it was done in 6-12 months. As they had very high autonomy, they had the opportunity to have a say for the future and keep working mostly in the same way as before the merger. Even though the autonomy is very high, the firms were fully integrated, and they harmonized the processes, titles, and systems, which some could have taken as they did not have any say in it.

The company used different kinds of incentives to retain their employees. For example, they had long-term contracts to large extent, stock options to very large extent, and

training and development for employees to some extent. The case A company did not offer any short-term incentives nor performance bonuses for the employees.

The interviewee mentioned that level of timely communication was medium, so there could have been a lot of room to improve. As the score is medium, there was communication and the employees were informed about the merger and they received information to some extent, but there could have been more. The communication could have been more informative and more on time. They did not always know what was to come, and there were questions about the continuity of their jobs. Also, as everything was harmonized, those processes could have needed more information on what will happen, and when and how.

The level of communication also relates to the level of effective leadership. And the interviewee scored the level of effective leadership to be low. This means that the managers could have done a lot more to show support to the employees during the time of the M&A. The managers could have been more emphatic, created more security among the employees about the future, and showed that there is a clear vision for the future, and they can be trusted.

Even though, they faced some challenges and uncertainties during the M&A, they had very high employee commitment to the process. Employees wanted to make the merger work, even though there were dissatisfaction to the harmonizing of the processes and titles, but they also saw positive sides as they had very high employee commitment.

4.3.2 Second embedded case: Case B

Physical structure of first embedded case of M&A

The Case B was between a larger size Finnish company and a smaller size Canadian company. They had also divided the merger into the several stages that were led by the acquiring company, but they also had used some outside consultations and support for example to help in the valuation and due diligence parts. So, they had divided the merger

into strategic planning, candidate screening, execution, and integration stage. Each of these stages also include their own substages. As the company has had mergers before they have clear processes for these.

Level of key employees' retention during M&A & M&A performance

The interviewee mentioned that the retention was low after one year of the merger. There had been multiple people leaving the acquired company. And as the acquired company was a small size company, it really affected as all the employees were necessary and the percentual number of employees leaving was high due to the small size. Even though the company had categorized the retention of key employees to be extremely important.

The overall success of the merger was moderate, and the financial performance was medium. The interviewee mentioned that the merger did not fail, but it also did not exceed the expectations set for it. She mentioned that there would have been more potential than what now have been reached. She had scored the financial performance as medium or high before the merger and medium after the merger. So, the merger was useful and successful, but it could have brought a lot more advantages than it now has.

Factors driving/impacting the retention of key employees during M&A

The integration process for the acquisition has been taking 13-18 months and it is still on going, even though the working environment and organizational task were not integrated. It was officially integrated after four months legally, but it took the 13-18 months to actually integrate the organizational processes, ways of doing business, and the working culture. Even though, the acquired firm is so small, so the time used for the integration is very long as you only need to integrate 15 to 20 people.

The employee commitment was high with the merger, so the employees were committed to make that merger successful. However, the management was not as committed

as some of the managerial positions responsible for the merger changed during the integration period. The interviewee mentioned that there had been appointed manager for the merger, but they had been located in different location, so there was not physically a manager present. Also, the manager and the manager's manager changed during the integration process, so there was not a same manager present for the whole project. So, the employees were committed to the project, but the managerial commitment did not correspond.

Therefore, also the communication given to the employees was not as great as it should have been. The employees were informed about changes and events, but the communication could have been better and there could have been more of it. For example, the interviewee mentioned that the future plans for the employees could have been expressed better as now they were a bit hidden from them, which could have affected the retention and kept the commitment longer for the merger as they would have known that it is worth the commitment.

The interviewee mentioned that that the initial reaction to the merger was positive, but after one year the results started fading and they are facing more challenges. They are conducting a well-being survey four times a year, so they noticed that the results are declining from the employees of the acquired firm. The low effective leadership and low integration could have affected the reaction to the -merger. First, people were excited and ready to be committed but then noticed that things started to be more difficult, and they were a bit forgotten and isolated in a different location with no real connection to the acquiring company.

The autonomy of the acquired company was high according to the interviewee. They could continue to work in the way they had worked also before the merger. They had a lot greater descriptions of jobs as the acquiring company. This was due to the differences in size as in a larger firm the job descriptions are more limited, and one person has their own role whereas in the smaller firm they had a broader role as there are fewer people.

They provided different incentives for the key employees to retain the employees of the acquired company. The senior managers were offered a retention bonus that they had after a certain period of time after the merger. Also, all the employees were transferred to the acquiring firm's incentive plan, which was better than they used to have, and all their salaries were kept the same. They also gained access to the training courses that the acquired firm had, which is a lot more than they used to have, but no specific training was offered to them about the merger and the new processes.

4.3.3 Third embedded case: Case C

Physical structure of first embedded case of M&A

In this merger, the acquiring company bought a part of a bigger company that worked in 13 different countries, so the acquisition process was quite complex. The timeframe for the integration was set for two years, even though the company is only partly integrated, but partly it stayed independent. What makes this case a bit special, there were organizational changes before the M&A and according to the interviewee their company was "cleaned" to a condition where it could be sold, and it would look better for the buyer than before. Therefore, employees could guess that something is happening before anything was said publicly.

In this case, the acquiring company buys companies constantly, so they have their set processes for it and integrations teams as well as outside consultants to help. So, they go through all the steps related to M&As such as strategic planning, candidate screening, execution, and integration stage. And each of these stages also include their own stages. They also had a work group from the acquired companies side dedicated for the integration to make the process smooth for both sides.

Level of key employees' retention during M&A & M&A performance

In the case C, the level of retention of key employees was high, so most of the employees had decided to stay in the company after the M&A. She said that most employees were

satisfied, and the acquisition was not a main reason for people to leave, but few had left as with the acquisition there was a bit more control, which could have affected people's job and their work interest. The company had also recognized that it is important to retain the key employees.

Also, the interviewee has categorized the overall success of the merger to be high. However, the financial performance after the M&A has been categorized as medium, so there could have been potential for better performance. However, the interviewee mentioned that the acquiring company had set quite high financial scores, so more is required from them than before the merger. So, as both before and after the financial performance is categorized medium there can still be an improvement as the requirements are different.

Factors driving/impacting the retention of key employees during M&A

When the acquisition was announced, it caused uncertainty and change resistance, which is very common reaction to these kinds of news. However, they were dealt great by the management and by the acquiring company as they communicated well who is the buyer and what are their plans for this acquisition. So, the employees knew that for most part everything will be kept the same and there would not be major changes, but a larger company on the back to help and offer different kinds of opportunities.

The communication in the beginning worked very well and it was well thought what was told, when and to whom. According to the interviewee, in the beginning everyone was kept informed what the acquisition meant and what will happen, and detailed information of the buyer. However, as the integration process has lasted for two years, the communication has reduced. So, she mentioned that there could have been more detailed plan for the communication and more repetition. For example, they had changes in the IT system so there could have been more information on the changes, what will happen, when it will happen, and where to contact if something goes wrong. Moreover, as the company operates in multiple countries and some countries has less people and smaller offices so she thought the information did not always reach to each country and

employee. Overall, the communication was good especially in the beginning, but with communication there is always room for improvement.

For leadership, the interviewee gave a high score. This was based on the fact that the management was deeply involved in the acquisition and themselves were very excited about the acquisition. They also effectively communicated the steps to the employees and as they were excited, they also got the employees to be excited about the process. So, they lead by example, and showed everyone that the change will be positive, and they are fully committed to make it work. So, the leadership showed trust and security to the employees, so they knew they can trust the process and the end result will be good for them.

The Interviewee has categorized autonomy to be at a medium level, but she mentioned the main reason for it is the increased reporting need, as the acquiring company is listed. However, other than that she mentions that the autonomy is great, and they can work very independently, but just the reporting is stricter than before the M&A.

Even though the time frame for the integration was set to be two years from the start, it is quite a long time for the employees. Some might get frustrated that it is not done yet and there are loose ends with the IT systems, reporting procedures, or lack of information in the end. As mentioned, the communication reduced when the time passed, so it can be hard for the employees to know who is responsible for what anymore and which company should do what as you are working under the two companies without clear procedures.

There were different incentives offered for key employees with the M&A. For management and some key people there were long term incentives. Also, the contracts stayed the same as permanent and long-term contracts. As the acquiring company was a large-scale company, they also had a lot of e-learning courses that employees can participate in, but also talent management programs, that can offer new opportunities and personal

growth. So, a lot of growth opportunities were offered and available as the company size grew so much with the acquisition.

Moreover, the interviewee mentioned that even though the acquiring and acquired companies were from different countries, their organizational culture was similar to each other, so from early on it was easy to work with them and everything went smoothly as both were used to similar cultures. So, in this case the cross-cultural aspect did not bring any challenges or complications as the organizational cultures were similar.

4.4 Cross-case analysis and upgraded model of factors driving/impacting the retention of key employees during M&A

These cases A, B, and C are very different from each other as one of them had multiple companies merging, one had only one small company merging into a bigger company, but also being a cross-cultural merger, where the headquarters is located in different country, and the last one also being a cross cultural merger but with two larger size companies. With the three cases we can see some similarities how they dealt with the merger and employee retention but also some differences on the key factors, challenges, and the end results.

Both case companies A and C had high retention, unlike case company B that had low retention. All these companies had good employee commitment to the M&A process, so their employees were willing to make the M&A work. However, only in case C we could see effective leadership, and in case A and B the leadership should have given more effort to their employees during the M&A process. In case C the management was committed, and they had built a group of managers that had the responsibility to lead the integration process. Case B also had appointed managers for it, but they changed in the middle of the project and were located in a different country, so the effectiveness was missing.

Also, all three cases could have had better communication throughout the M&A process. In case C, we saw that there was a good start to communication as the acquiring company and future changes were first communicated very well and they had a plan for it. However, as the integration phase lasted for a long time, they should have made the communication to last for the whole time. In cases A and B there would have been a need for a lot more timely communication. Employees were not informed enough what will be happening and how it will affect them, and what will be the long-term plan for them in the future.

Autonomy was also given to the employees in all three cases, but in case C the autonomy was a bit lower as the reporting requirements were increased as the acquiring company was a listed company. In cases A and B, their employees had the autonomy throughout the process. Although, in case A the titles and procedures were harmonized, so some employees might have taken that as a loss of autonomy, which caused unhappiness to the organization.

Moreover, all the companies offered some kinds of incentives for the key employees during the M&A process. Most common ones were long-term contracts and e-learning and training, that all the case companies offered to their employees. Case A also offered stock-options to its employees, case B offered a retention bonus to its management and key employees, as well as took the acquired employees to be part of their bonus system, which was better than they were used to having. In case C, they offered long term incentives to their management group and key employees and talent programs.

The integration speed also was different in all the cases. Case A had the fastest integration process, with it being between 6-12 months, whereas the cases B and C had integration processes that took one and a half to two years to integrate the companies. Case A had the fastest integration, and they integrated the companies fully. In cases B and C, the companies were not fully integrated to the acquiring company, but it still took them a very long time to do the integration.

In the below table 3, the cases are analyzed and concluded on what factors they used to retain their key employees, and what factors they should have improved in the M&A process to help to retain the key employees and to make the process smoother and less stressful for the employees.

Table 3. Cross-case analysis

	Case A	Case B	Case C
Level of key employees' retention	High 80-90%	Low, 65 %	High, 80-90%
Factors to retain the employees	Commitment, Autonomy, Integration speed, Incentives, Integration type	Commitment, autonomy, Incentives	Effective leadership, commitment, Incentives, Integration type
Factors that needed improvement	Effective leadership, Communication	Effective leadership, integration speed, communication, Integration type	Communication, integration speed

5 Conclusion

5.1 Summary of the key empirical findings

In the Case A they had medium financial performance before and after the M&A, but high success over all with high key employee retention. Their main strengths in the employee retention were related to employee commitment, autonomy given to employees, and fast integration speed. Even though they were lacking in effective leadership and communication, they still managed to retain most of their employees.

To summarize case B, they had medium financial performance before and after the merger and overall moderate success with low retention. They lost quite few key employees of the acquired company, which affected their success. They had good commitment from employees and autonomy given to them, but they did not manage the integration effectively and the communication was not sufficient. In this case, they had first honeymoon phase as in the beginning employees were more satisfied and then the results weakened as the integration process was too long for a such small company.

From case B, the main finding was that the leadership should have been more effective to be able to retain the employees. There should always be appointed manager who is committed to the process, and they should also be located in the same place where the merger or acquisition is taking place. Therefore, they could be there to make sure that all the necessary information is given, and the company procedures and culture is transmitted to the merged or acquired company properly.

In the case C, they had medium financial performance before and after the acquisition, with overall high success with high retention. Their main strength for employee retention was effective leadership, and communication in the beginning. However, they were lacking in the integration speed and communication later in the integration.

Overall, all in all three cases the importance of employee retention was noticed and categorized either very or extremely important. So, all the companies knew it was important, and they all had some strong factors to help the retention of employees, but they also all had factors they could have improved. They also managed to mainly retain their employees even though some factors were missing, however, after the mergers, all the three companies had scored medium financial performance, which was the same score they had before the merger. So, financial performance was not increased with the mergers.

To conclude, we can see from these cases that they have mostly managed to retain their employees, even if they have not had the all the factors in order during the M&A implementation process. However, we saw in case B, and also a bit in case A, that employees will leave if they are not satisfied for the changes and uncertainty that comes with the M&As. But from the cases we also learned that if these factors are not considered enough, the employees will be dissatisfied and then there is always a bigger risk for them leaving if other opportunities open. Moreover, M&As are also good opportunities for companies to be able to offer new opportunities for their employees, so they should use them as an advantage for the employees with new growth opportunities and incentives.

The findings show that all the factors had some kind of effect on employee retention during M&A implementation process. Some of the factors had more influence on the results than others and there are differences between the cases which factors are more important as the cases and all M&As are different from each other. As employee retention deals with humans, there is not one strategy that fits everyone, but the right combination of these factors helps to make the M&A implementation process smoother for the employees.

5.2 Discussions of key findings

According to Atoniou et al. (2021) effective leadership helps to reduce stress and uncertainty among the employees, and make the employees trust their managers. Therefore, effective leadership helps to retain employees during uncertain times such as M&As. As we saw in case A and B, they were missing effective leadership, and in case B the retention was also low. In case C, we saw effective leadership and high retention. Case b highlighted that the manager should have been present in the acquired company, so in order the leadership to be effective, it needs to present in the location physically at least for some period of time. So, we can say from the cases that effective leadership helps the employees to be more satisfied and stay in the companies, but sometimes they will still stay even though the leadership is not that great.

In the case B and C, the integration speed was a lot slower whereas in case A, the integration speed was faster. As Schweizer & Patzelt, 2012, said that faster integration speed enhances the commitment of the employees, and they will be more willing to stay in the company if the integration speed is faster. From the data collected, we can see this to be the case as in case A with fast integration speed employees were mostly retained whereas in case B the dissatisfaction came to fore when time has passed, and the integration was still not ready. In case C, we also saw that the commitment to the process from manager and employee perspective reduced as time came by even if the integration was set to be two years. So, with faster integration the employees are easier retained.

Autonomy is known to be a key element to employee retention (Degbey et al., 2021; Veen, 2013). They agree that when employees have the freedom to perform their tasks in their own way, they are more satisfied and willing to stay. In case B, there was most autonomy, but also the lowest retention. In case A and C, there was a bit less autonomy, and higher retention. But what we could see from the cases that even a bit of loss in the autonomy, people were not satisfied as in case A, the people who left were not happy to the harmonization of process and titles which probably affected their autonomy and

same in case C, people who left were not satisfied as they had to report a lot more, which affected their autonomy. So, more autonomy and less change in people's role affected the retention positively.

According to Iborra and Dolz (2006) integration type affects the retention of employees, and the higher level of integration makes the employee retention harder. What we can see from our cases, it is not always the case as in case A the level of integration was a lot higher than in case B, but the level of retention was a lot higher also in case A. So, the integration level can affect the retention, but the retention of employees is more tied to other factors than the integration type.

According to Ahammad et al. (2012) and Degbey et al. (2021) agree that financial benefits help to retain employees during M&As, but there should also be non-financial benefits as well. Companies should not be only dependent on financial benefits. In our cases, we saw that all the case companies offered financial and non-financial benefits for the key employees during the M&A implementation process. However, the retention was still low in the case B company. So, we can see that financial and non-financial benefits help the retention of employees, but they cannot be the solely factor used for the retention.

Effective and timely communication throughout the M&A implementation process is important factor in employee retention (Epstein, 2004). The employees should be given a clear information what will happen and what is their role in the future. Also, the better the communication is the less rumors and uncertainty there is (Appelbaum et al., 2017, part 1). In all of our cases the communication was not as good as it should be. In case C, the communication in the beginning was great and it is more crucial to have it in the beginning before the uncertainty can take place. In cases A and B, the communication was lacking throughout the process, and in case B, we could see that it affected the retention

of employees. So, we can argue that effective and timely communication still helps in the retention of employees.

Employees that are committed to the organization before the M&A are also more committed to the organization after that M&A (Jackson, 2019, p.220). Moreover, they will be more beneficial to the organization (Kyei-Poku and Miller, 2013). In all of our three cases, the employee commitment was very high. However, in case B it diminished as the time went by and as the management was not as committed to the process. So, employee commitment is necessary for the retention of employees, but managers need to also be as committed as the employees. Otherwise, the commitment does not last very long.

There are also factors that companies cannot affect, for example, in case A the merger and integration was happening during very uncertain times, so there was already extra stress and uncertainty with the employees. Also, as we saw with these cases that even though they did not have enough communication or effective leadership, people stayed in the companies. Employees often have to stay in companies even if they are not satisfied because they do not have other options. So, even if the empirical findings do not directly say that people will leave the company if these factors are not dealt with during mergers, they will be more satisfied to work there.

To conclude, most of the factors here help to retain the employees but they are not solely enough. So, they need to be combined and as most of the factors are dealt in the organization the retention of employees should be at a high-level during M&A implementation process. However, we can never fully predict the employee retention as each employee is individual human and their actions cannot be controlled or fully predicted. So, companies can use these factors to make their employees to be as satisfied as possible, but sometimes there is nothing that can be done to keep individuals in the company.

5.3 Theoretical contributions

This thesis provides framework and an overview for managers and companies for M&A implementation process about the factors facilitating employee retention during M&A implementation process. The framework draws together and explains the factors for employee retention and how they affect the retention. As previously, most research only focuses on one factor at a time, but as we can see from here, the factors need to be combined to have the best results.

So, this thesis answers the question on how companies retain their employees during mergers and acquisitions, and what they should be doing. This thesis also provides information on the motives and process of mergers and acquisitions. Moreover, it discusses the importance of employee retention and the challenges faced by employees during this kind of organizational change.

5.4 Managerial implications

As the results of this research show that companies do not have enough effective leadership and communication during M&A processes. Moreover, in the cases we saw no financial improvement with the M&As, so managers should take into consideration the human factors more and the factors explained to get more out of the M&As and their key employees.

Furthermore, with the factors explained in the thesis, managers should be able to make the M&A implementation process smoother for the employees. They should have all the necessary information and management support to be able to use the M&A in their advantage. As we saw in case C, the M&As can offer great opportunities for employees with different talent management programs and with the company size growing also the opportunities grow.

With the factors explained in this thesis, managers should be able to guide through the M&A implementation process. If the factors are thought out and used, their employees should have all the necessary information about their future and their role in the process. Therefore, there should not be any rules for uncertainty and thoughts of leaving the company because of the M&A. However, the employee retention cannot be guaranteed due to the human issues and different ways for individuals to react change.

5.5 Directions for future research

This study was conducted with a small sample size, which limits the results, so for future research as similar study could be conducted with a lot greater sample size to create more generalizable results. Also, there could be research that combines qualitative and quantitative data collection to get more comprehensive understanding of the phenomenon. That way data could be collected from the employees but also from the company perspective.

Furthermore, it would be interesting to see whether employees decided to leave because it was uncertain if there were going to be laid off because of the merger or whether the outcome of the merger affected their job negatively. So, could the company been able to retain them if they had communicated the future better for the employee. Also, whether the employees stayed because they were satisfied or whether they had to stay. Most people are dependent financially on their jobs, so they need to stay even if they are dissatisfied.

As we see on the case B, that the work satisfaction levels dropped after a year, but people still stayed with the company. So, it could be interesting to conduct broader research on the employee perspective, how they felt about the M&A, and would they have left if other opportunities were available to them. As human and their actions are so complex this topic has many different sides that could be researched further.

5.6 Limitations

This research was qualitative research which itself creates limitations for its generalizability of the results. Also, the sample size was limited in this research as most companies have this type of knowledge as classified and cannot publish it. Especially, listed companies do not want to share their strategies of mergers and acquisitions easily to others as they can be critical business information for them. So, a lot more inquiries for interviews were sent, but only three of the companies were willing to answer and participate in this research.

This topic is also hard to research as people cannot just leave a job even though they would have been dissatisfied with the merger, so we cannot know if people stayed because they were satisfied or because they had to stay as there was no other option or job available. Furthermore, there was also some time limitations as there was a deadline for the project, which limit the time available for it. Time for the project was also split between a full-time job, so resources available could have been better.

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Appendices

Appendix 1. Interview questionnaire.

Questionnaire

SECTION A: INTERVIEWEE BACKGROUND INFORMATION

1. Your current job title: _____
2. Number of years working in current job title: _____
3. Number of years working with current company: _____
4. Number of mergers and acquisitions you have been involved in: _____

SECTION B: MERGER AND ACQUISITION BACKGROUND INFORMATION

1. Name of your company: _____
2. Name of acquired/merged company: _____
3. Country of acquired/merged company: _____
3. Number of employees in your company:
 a) Less than 10 b) 10 – 50 c) 51 – 100 d) 101 – 250 e) 251-500 f) 501-1000 g) 1001-2000 h) more than 2000
3. Number of employees in acquired/merged company:
 a) Less than 10 b) 10 – 50 c) 51 – 100 d) 101 – 250 e) 251-500 f) 501-1000 g) 1001-2000 h) more than 2000
- 4: Relative industry of the acquired/merged company as compared to your company:
 a) similar b) different
5. Number of merger and acquisitions your company had before current merger and acquisition? a) none b) one c) 2-4 d) 5-9 e) 10 or more
6. Motive/s of merger and acquisition (e.g. the advantages of large-scale production, diversification of the product portfolio, internationalization): _____
7. Profitability of the acquired/merged firm compared to that of your firm (i.e. the acquiring firm) at the time of acquisition/merger:
 1= Very poor, 2= Poor, 3=Medium, 4=High, 5 = Very high
8. Merger and Acquisition is viewed as process that comprise of several stages (e.g. strategic planning, screening, execution, and integration). Does your firm divide the merger and acquisition process into different stages and what are those stages and activities performed in those stages?

SECTION C: EMPLOYEE CHALLENGES, RETENTION AND RETENTION STRATEGIES IN MERGER AND ACQUISITION

9: What kind of challenges key employees of acquired/merged company faced during the M&A integration process (e.g. excitement, stress, uncertainty, dissatisfaction, lower productivity, leaving job)? _____

10: Indicate the importance of retaining key employees of acquired/merged company (e.g. Management, R&D people etc.):

1= not important, 2= slightly important, 3= moderately important, 4= very important, 5= extremely important

11. Indicate the extent to which the key employees of the acquired company had been retained one year after acquisition:

1= no retention, 2= low retention, 3= medium retention, 4= high retention, 5= full retention

12: Please specify the degree of autonomy granted to the employees of acquired/merged company in terms of performing their tasks during the post-acquisition period:

1= no autonomy, 2= low autonomy, 3= medium autonomy, 4= high autonomy, 5= Very high autonomy

13: To what extent the organizational tasks and work environment of acquired/merged company were made similar (i.e. integrated) to your company:

1= not at all, 2= low, 3= medium, 4= high, 5=very high

14: How long did it take to acquired/merged company to adapt to the organizational tasks and work environment of your company (i.e. acquiring company):

1= more than 24 months, 2= 19-24 months, 3= 13-18 months, 4= 6-12 months, 5= less than 6 months

Incentives:

15: Please indicate the extent to which following incentives were offered to retain key employees of acquired/merged company:

	1= not at all	2= little extent	3= some extent	4= large extent	5= very large extent
a) short-run salary incentives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) Long-term contracts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c) Stock options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d) Performance bonuses	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e) Training and development of the employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f) Others (please specify)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

16: Extent to which key employees of acquired/merged firm were willing to make the newly acquired/combined firm successful?

1= not at all, 2= low, 3= medium, 4= high, 5=very high

17: Extent to which the employees of acquired/merged firm were kept informed timely about events or changes that could affect them:

1= not at all, 2= low, 3= medium, 4= high, 5=very high

18: Extent to which top management of your company displayed effective leadership (i.e. fostering a sense of acceptance, security, personal efficacy, confidence, and collective understanding) to the employees of the acquired/merged company:

1= not at all, 2= low, 3= medium, 4= high, 5=very high

19: Please indicate the overall success of merger/acquisition:

1 = No success, 2= Low success, 3= moderate success, 4= high success, 5= Very high success

20: Please indicate overall the overall financial performance of merger/acquisition:

1= not at all, 2= low, 3= medium, 4= high, 5=very high