# THE EFFECT OF MERGERS AND ACQUISITIONS:

## Focus on employee job satisfaction of former employees of Smartcom in Vodacom SA


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# DECLARATION

By submitting this thesis electronically, I declare that the entirety of the work contained in therein is my own, original work, that I am the owner of the copyright thereof and that I have not previously in its entirety or in part submitted it for obtaining any qualification.

A.T. Rathogwa                              31 August 2008

# DEDICATION

I dedicate this research report:

- To my lovely son Darius Jnr – you are my light;

- To my mom – I would not be where I am, if it was not for your encouragement and great support;

- To all my siblings: Fhatuwani, Maanda, Denga, Mulayo, Funzani and Mashudu– I love you all;

- And most importantly to my Dad – you will always be remembered and we will always make you proud.

# ACKNOWLEDGEMENTS

# ABSTRACT

The general purpose of this study was to gain an understanding of the relationship between organisational mergers and/or acquisitions and job satisfaction. Specifically, the concept of job satisfaction was examined in relation to ex-Smartcom employees who were moved to Vodacom after the acquisition of Smartcom.

Variables such as age, marital status, educational level, gender and job security were examined for a possible significant relationship to employee job satisfaction. Management involvement and intervention during the acquisition were also examined to establish whether or not this also affects employee job satisfaction. It was hypothesised that employees were dissatisfied as a result of the acquisition.

The researcher used a combination of both quantitative and qualitative methods of collecting data. Through questionnaires, interviews and observation, the researcher achieved what is called 'triangulation' in order to get a better understanding of the results.

The data was gathered and analysed effectively by using different methods of collecting and measuring data. This was done to ensure that the study's trustworthiness, validation and reliability. The results are discussed in terms of the hypothesis set in the study. This is done through a discussion of the conclusion drawn from the findings. Even though employees are dissatisfied as a result of mergers and acquisitions, it was found that there are other factors such as work environment, pay, recognition, responsibility, team work, and security that can also lead to employee dissatisfaction.

It was therefore concluded that when an acquisition is made, management should not only focus on the bottom-line, but also pay attention to the human factors that can lead to the failure or success of the acquisition. Integration and intervention programmes can be used as mechanisms for successful operations post mergers and acquisitions.

# OPSOMMING

Die algemene doel van die studie was om 'n beter begrip te verkry van die verhouding tussen organisatoriese samesmeltings en/of verkrygings en werksbevrediging. Die konsep van werksbevrediging is veral ondersoek met verwysing na die voormalige Smartcom werknemers wat na Vodocom verplaas is na die verkryging van Smartcom.

Veranderlikes soos ouderdom, huwelikstatus, opvoedingsvlak, geslag en werksekuriteit is ondersoek vir 'n moontlike beduidende verwantskap tot werknemer werksbevrediging. Bestuursbetrokkenheid en –intervensie gedurende die oorname is ook ondersoek om vas te stel of dit ook 'n invloed het op werknemer werksbevrediging. Die hipotese is gestel dat werknemers ontevrede is as gevolg van die oorname.

Die navorser het 'n kombinasie van beide kwantitatiewe en kwalitatiewe metodes gebruik om data te versamel. Deur vraelyste, observasie en onderhoude, het die navorser 'n drievoudige antwoord bereik ('triangulation') ten einde 'n beter begrip van die uitslae te verkry.

Die data is doeltreffend ingesamel en analiseer deur verskillende metodes van data-versameling en –meting te gebruik. Dit is gedoen om te verseker dat die studie geloofwaardig, geldig en betroubaar is. Die resultate is bespreek in terme van die hipotese van die studie. Dit is gedoen deur 'n bespreking van die gevolgtrekkings van die bevindings. Alhoewel werknemers ontevrede is as gevolg van samesmeltings en verkrygings, is daar bevind dat daar ander faktore is soos werksomgewing, vergoeding, erkenning, verantwoordelikheid, spanwerk, en sekuriteit wat ook kan lei tot werknemer ontevredenheid.

Die gevolgtrekking is daarom gemaak dat, wanneer 'n oorname plaasvind, bestuur nie net op die syfers moet fokus nie, maar ook moet aandag skenk aan die menslike faktore wat kan lei tot die sukses of mislukking van die verkryging. Integrasie- en intervensieprogramme kan gebruik word om 'n maatskappy suksesvol te bedryf na afloop van 'n samesmelting of verkryging.

# TABLE OF CONTENTS

Page

# LIST OF TABLES

# LIST OF FIGURES

# LIST OF APPENDICES

# LIST OF ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| 3G | Third Generation Wireless |
| CENTREX | Central office exchange service |
| EDGE | Enhanced Data rate for GSM Evolution |
| GSM | Global System for Mobile Communication |
| HIV/AIDS | Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome |
| HR | Human Resources |
| HSDPA | High-Speed Downlink Packet Access |
| HSUPA | High-Speed Uplink Packet Access |
| ICASA | The Independent Communications Authority of South Africa |
| JIG | Job in General |
| M&As | Mergers and Acquisitions |
| MSQ | Minnesota Satisfaction Questionnaire |
| PABX | Private Branch Exchange |
| SA | South Africa |
| SIM | Subscriber Identity Module |
| SPSS | Statistical Package for the Social Sciences |
| US | United States |
| VoIP | Voice Over Internet Protocol |
| WiMAX | Worldwide Interoperability for Microwave Access |

# CHAPTER ONE

# INTRODUCTION AND OVERVIEW

## 1.1 INTRODUCTION

In Chapter One, the research problem will be put in context and discussed. We will look at typical challenges that have arisen as a result of mergers and acquisitions within organisations. We will then focus on the acquisition of Smartcom by Vodacom SA (hereafter referred to as 'Vodacom'). The aim of the study and research methodology will be explained. This chapter will also outline issues around validity and limitations of the study. Definitions of concepts will be provided, and a general outline of the following chapters in the study will be given.

## 1.2 BACKGROUND ON THE SOUTH AFRICAN CELLULAR INDUSTRY

With the freeing of Nelson Mandela in the early 1990s and the subsequent lifting of sanctions, South Africa became open to the world once again. Two things immediately came into play: firstly, the companies which had pulled out of South Africa as a result of sanctions started returning to the country. Secondly, many of the companies which had stayed on suddenly realised that they were not competitive enough to stay afloat unless they underwent drastic restructuring programmes.

The 1990s was also the time in which the telecommunication industry started expanding within South Africa (SA), because it became technologically possible and the most cost-effective way of communicating with each other within SA, and the rest of the world *vice versa*. This therefore ushered in an array of cellular phone technology companies such as Vodacom and MTN.

As indicated, companies which had stayed on during the apartheid era had to undergo drastic changes. Worldwide companies inevitably undergo changes for different reasons. Mullins (1996: 708) suggests that the following can be drivers of change:

- Change in technology;
- Knowledge explosion;
- Rapid product obsolescence;
- Change in the nature of the workforce;
- Quality of working life; and

- (most importantly) To be more competitive.

Many companies go through changes in order to remain competitive. Change in technology is one of the main reasons for telecommunications change. The introduction of many advanced technologies by means of cellular phones shows that the market is changing, the customers are changing and, most importantly, the expertise is growing. Companies need skilled individuals who understand the complexity of these technologies. If they don't have those skilled individuals, then large companies will acquire a niche company (small company) so that they remain competitive. Vodacom was not immune in this regard. It has, in one way or another, acquired other companies in order to remain competitive. One of the companies acquired by Vodacom was Smartcom. Before undertaking an in-depth analysis of this particular change, it is very important that we elaborate and understand the positioning of the cellular industry in South Africa.

In South Africa the cellular industry has grown and shifted tremendously since 1994. There are currently three licensed networks in South Africa, i.e. Vodacom with approximately 55 per cent market share, MTN with 33 per cent market share and Cell C with 13 per cent market share, with Virgin Mobile also using Cell C as their main licensed network. The subscriber base is currently at 24.1 million Vodacom SA subscribers, 14.3 millions MTN subscribers, 4.3 million Cell C subscribers and 1.3 million Virgin Mobile subscribers, with projection of even more by the end of 2008 (South Africa Telecommunications Report 2008: 18).

Figure 1.1 shows the growth of subscribers and their split amongst the South African cellular phone technology companies.
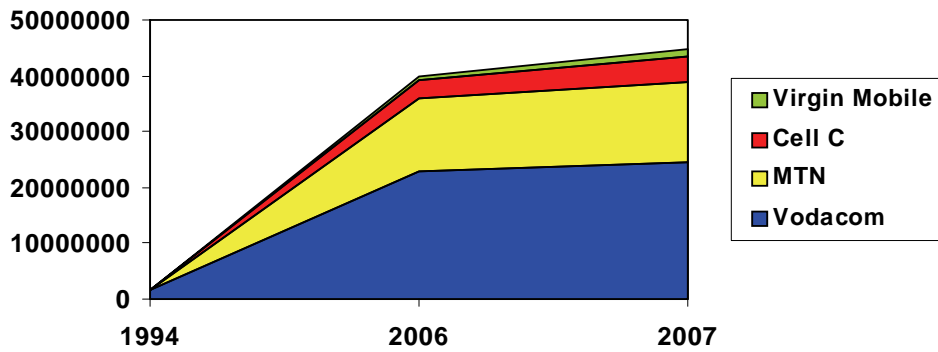
**Figure 1.1: South African customer base from 1994 to 2007**

Source: South Africa Telecommunications Report, 2008: 49.

It is estimated that South Africa will have over 54 million subscribers by 2010. It is interesting to note that in 2007, Vodacom market share fell from 57.7 per cent to 54.4 per cent. Similarly MTN also suffered loss in market share from 33.1 per cent to 32.3 per cent as a result of Cell C and Virgin mobile growth of new subscriber. However it has been found that 60 per cent of Cell C subscribers are pre-paid and there has been a decline in revenue from those subscribers. Even though Vodacom SA is the leading mobile service provider in South Africa, MTN is the largest mobile provider in the continent with over 54 million subscribers compare to the Vodacom group that has only 34 million. However it was found that the MTN group is well established within the continent with a footprint in seven countries; South Africa, Nigeria, Cameroon, Uganda, Rwanda, Swaziland and Mauritius (South Africa Telecommunications Report, 2008: 49).

The telecommunications industry is undergoing phenomenal changes. Among these can be listed the introduction of new technologies in the form of:

- Voice Over Internet Protocol (VoIP)
- Third generation wireless (3G)
- Enhanced Data rate for GSM Evolution (EDGE)
- High-Speed Downlink Packet Access (HSDPA)
- High-Speed Uplink Packet Access (HSUPA)
- CENTREX, VIRTUAL Private Branch Exchange (PABX)
- Direct connect.

The governing body that oversees the industry, The Independent Communications Authority of South Africa (ICASA), is also increasing broadband access to other entities to increase competition within the telecommunications industry. Another change significant effect was the introduction of mobile number portability in November 2006, which gave consumers the freedom to move from one service provider to another and still retain their current number. This further created pressure especially on a network such as Vodacom which holds the greatest market share.

Technology has also changed the course of everyday business within the telecommunications industry. If the operational reliability of such technology is compromised, a company can lose money as a result of base stations being down at a given time. Therefore it is very important for a company such as Vodacom to invest in new technology that will give it a competitive edge within the South African market and abroad. The strategic decision to acquire Smartcom demonstrated that Vodacom understands that, to stay competitive, companies require skills, knowledge and expertise from a variety of origins in order to have a diverse knowledge platform.

It is clear that many successful companies, including Vodacom SA, use mergers and acquisitions in an attempt to improve their skills, knowledge and expertise (McKinsey 2007: 1-3). However, it is equally crucial for companies to manage mergers and acquisitions effectively. If mergers and acquisitions are not managed properly, they may lead to unhappy shareholders and dissatisfied employees. According to McKinsey (2007: 1), the merger and acquisition deals account for a record of nearly 4 trillion dollars globally. This shows that many companies invest enormous amounts of money in mergers and acquisitions. The reason for this is that they want to gain that competitive edge over their competitors. That is why the process of implementing change is very crucial to all stakeholders.

### 1.2.1  VODACOM-SMARTCOM: AN OVERVIEW

Vodacom is a pan-African cellular communications company providing a world-class Global System for Mobile Communication (GSM) which serves over 34.4 million customers across its network operating in South Africa, Tanzania, Lesotho, the Democratic Republic of the Congo and Mozambique. The growth in the customer base is a result of high gross customer connections of 4.4 million per quarter.

The Group's non-South African operations comprise 7.8 million customers, or 24.1 per cent of the total customer base. South African customers therefore comprise 75.9 per cent of the whole (South Africa Telecommunication report: 2008: 48).

For the purpose of this study, the focus will be on Vodacom South Africa. Vodacom was established in 1994 in South Africa and today it is South Africa's leading cellular network. Vodacom shareholding is currently 50 per cent by Telkom and 50 per cent by Vodafone. Vodacom South Africa increased its customer base in an increasingly competitive market. In June 2007, its customer base comprised 3.2 million contract customers and 21.3 million prepaid customers, reflecting increases of 7.5 per cent and 6.9 per cent respectively since 31 March 2007. Vodacom South Africa has thus retained its leadership in a highly competitive South African mobile communications market with an estimated market share of 59 per cent as of 30 June 2007. The Subscriber Identity Module (SIM) card penetration of the cellular industry in South Africa is now an estimated 89 per cent of the population (South Africa Telecommunication report, 2008:48).

Since the end of 2006, Vodacom has held 70 per cent of Smartphone (trading as Smart Call) and Smartphone own 100 per cent of Smartcom. The other 30 per cent of Smartphone is owned by the directors of Smartcom. Based in Johannesburg, Smartcom is a specialised cellular service provider in the South African telecommunications industry. By identifying the specific communication needs of various user groups, Smartcom has positioned itself to offer differentiating product and service solutions to South African users. Smartcom has strategically targeted voice and data cellular users that require cost-effective and specialised solutions to meet their specific communication needs. In addition, Smartcom focuses on personalised after-sales service, support and unique monthly reporting and functionality.

Vodacom's strategy is centered on values which they have called 'The Vodacom way'. For the purpose of this study it is relevant to mention them so as to understand Vodacom's strategy behind acquiring niche companies. The specified values are as follows:
- The pride of Africa;
- Vodacom is a winning company;
- Vodacom is a respected company;
- Vodacom is a caring company;
- Vodacom believes that it can;

- Vodacom will seek out the impossible to do.

([www.vodacom.co.za](www.vodacom.co.za))

Mobile communications have been made possible by the most innovative technology in the world. This technology will very likely continue to develop and make possible things we cannot even dream of today. Vodacom intends to remain the most competent and innovative of all in this technology, to not only make every dream come true, but to dream the dreams.

"We will use our passion and our common sense to do the impossible. Indeed we will seek out the impossible to do. These values are very important as they make us understand the growing strategy that Vodacom has in order to remain the biggest cellular provider is South Africa" (www.vodacom.co.za).

There are some similarities between Vodacom's growth strategy and one of the growth strategy options used by McKinsey (2007: 27). It is evident that the above growth strategy is similar to Vodacom strategy as Vodacom took the decision to acquire. Vodacom acquired Smartcom because of the latter's niche focus and ability to innovate. The acquisition allowed Vodacom to access a larger client base and innovative value-added products and services. This could happen because Smartcom was a small company, and was able to capture market segments that Vodacom could not penetrate because of its size, geographical location, policies and procedures. As the voice market nears saturation, the only way that Vodacom could sustain profits and increase its client base was to acquire niche players with an excellent track record in different areas.

**Generic options and investment structures for a growth strategy**



**Figure 1.2: Growth strategy**

(Source: www.tutor2u.net/business/strategy/mckinsey_pyramid)

In this context it is no surprise that the decision was taken by Vodacom management to take over Smartcom on a post pay-customer base from Smartcom. Hence Smartcom staff members were moved from Smartcom to Vodacom. Those concerned ranged from managers, customer care consultants, credit controllers, retentions consultants, technical and engineers.

## 1.3    PROBLEM STATEMENT

In order to remain competitive, organisations/companies need to embrace change. In terms of the strategic planning within Vodacom, change is one of the best strategies that Vodacom may employ in order to remain the leading telecommunications provider in South Africa and abroad (Vodacom communication's department: 2007). Vodacom made a strategic decision to take over the Smartcom base and the decision was realised on the 1st of November 2006 when Smartcom employees were officially employed by Vodacom.

After Vodacom acquired Smartcom, the former Smartcom employees were expected to perform their tasks as if nothing had happened.

These questions arose:

• Were employees told what was expected from them?

- Did they have any idea what their job functions were?

Those moved to join Vodacom were faced with many challenges. As a small organisation, Smartcom had been acquired by one of South Africa's biggest telecommunications companies. The two companies had different cultures and different values and, most importantly, differed in the way they do business. Another challenge resulting from the acquisition was presented by the difference between organisational structures, as Smartcom was a very small telecommunications company with little organisational structure, and the Vodacom SA structure was complex and large. Employees, as a result, were uncertain about their position at work and this most probably would have led to employee job dissatisfaction. As in most restructuring exercises, there were many problems. However, one problem that definitely affected the company was employee dissatisfaction, as most of the employees from Smartcom mentioned during their interviews that they were placed in positions that they did not like. This resulted in loss of production.

The main thrust of this study is to understand the relationship between the acquisition of Smartcom by Vodacom and employees' job satisfaction, if any, at Vodacom SA after the acquisition. Among many other changes, such an acquisition may lead to some destruction. In this case it may have happened because, nine months after the acquisition and after the research had been conducted, some employees were still concerned that the acquisition had contributed to employee dissatisfaction within the company. The study investigated how other factors such as recognition, culture differences and pay, might also have influenced employee dissatisfaction within Vodacom SA.

## 1.4    HYPOTHESES

According to Cooper *et al.* (2001:183) it is very important to use hypotheses when conducting a study.  The hypotheses of this study will:

- Identify important facts and factors, or factors;
- Provide a framework that suggests the form that the research should take;
- Guide the direction of the study;
- Provide a framework for organising the conclusions of the research.

It is crucial that the hypothesis lead to data and results that are valid and reliable.

The hypotheses for this study are therefore as follows:

(a)   Acquisition is the primary reason for a high level of employee job dissatisfaction.

(b)   Companies are more interested in the strategic and financial impacts of mergers rather than in human factors such as employee job satisfaction.

(c)   If there is an acquisition that is not managed with careful attention to employee satisfaction within the company, employees are more likely to be dissatisfied about their job.


## 1.5   STUDY MOTIVATION AND OBJECTIVES

With so many mergers taking place in South Africa, one needs to understand why and how companies are acquired, and also the effect of such a process on the workplace. While many other studies are available in South Africa and elsewhere which contribute to the elucidation of the problems of mergers, the researcher believes that it is important to understand how better to deal with mergers in minimising tension in the workplace. These tensions may result in employee dissatisfaction and dramatic loss of morale and productivity, and so need to be addressed.

The aim of the study was to uncover the main factors that contribute to or influence job dissatisfaction among former Smartcom employees within Vodacom SA. The study also attempted to identify and understand the reasons why former Smartcom employees were leaving Vodacom SA and also not performing to their full potential. It was expected that the study would thereby help to identify and define the relationship if any between mergers, acquisitions and job satisfaction.

## 1.6   RESEARCH METHODOLOGY

The research project took the form of a descriptive study with exploratory dimension. The methods of data analysis used in this study were based on Miles and Huberman (1994: 10). The general approach was that of qualitative data analysis; however the elements of the quantitative data analysis technique were also employed where necessary.

### 1.6.1  DATA GATHERING/COLLECTION METHODS

Neuman (2002:16) describes the differences between qualitative and quantitative styles of research:

**Table 1.1: Quantitative and Qualitative data collection styles**

| Quantitative style | Qualitative style |
|---|---|
| • Measure objective facts | • Construct social reality, cultural meaning |
| • Focus on variables | • Focus on interactive process, events |
| • Reliability is key | • Authenticity is key |
| • Value free | • Values are present and explicit |
| • Independent of context | • Situationally constrained |
| • Many cases, subjects | • fewer cases, subjects |
| • Statistical analysis | • Thematic analysis |
| • Researcher is detached | • Researcher is involved. |

Source: Neuman, 2002: 16.

Neuman (2002: 20) argues that there are valuable techniques that a researcher can use when collecting data on quantitative studies:

**Table 1.2: Techniques of data collection**

| Quantitative | Qualitative |
|---|---|
| • Structured observations | • Ethnographic observation |
| • Standardise interviews | • Ethnographic interview |
| • Tests | |
| • Questionnaires | • Documents |
| • Unobtrusive measure | |

Source: Neuman, 2002: 20.

In research methodology, two methods, namely qualitative and quantitative, can be deployed. For the purpose of this study, a combination of quantitative and qualitative data was used in order to obtain a greater understanding of the research question. Questionnaires, interviews and observation were used for this study.

According to Crotty (1998: 216) a research method can be either quantitative or qualitative, or both. He also argues that "as researchers, we have to devise for ourselves a research process that serves our purpose best, one that helps us more than any other to answer our research question".

## 1.6.2  QUALITATIVE RESEARCH METHODOLOGY

McMillan and Schumacher (1993: 233) describe qualitative research as "a naturalistic inquiry, the use of non-interfering data collection strategic to discover the natural flow of events and process and how participants interpret them".  Data is collected through interacting with the participants or by obtaining relevant documents.  According to De Vos *et al.* (2002: 79) qualitative approach refers to research that elicits participant accounts of meaning, experience or perception.

## 1.6.3  QUANTITATIVE RESEARCH METHODOLOGY

Des Vos *et al.* (2002: 79) define quantitative research as "an enquiry into a social or human problem, based on testing a theory composed of variables, measured with numbers and analysed with statistical procedures. When applying a quantitative methodology it is very important to consider the subjects, instruments, and procedures for collecting data."

According to McMillan and Schumacher (1993: 233) there are several techniques that may be used with quantitative studies to minimise error:

- Randomisation of the sample;
- Holding conditions or factors constant;
- Building conditions or factors into the design as independent variables; and
- Making statistical adjustments.

### 1.6.4 TRIANGULATION METHODOLOGY

As a result of the different methods of data gathering, triangulation used in this study. Jick (1979: 602) describes triangulation as the combination of methodologies in the study of the same phenomenon. To achieve this, interviews and questionnaires may be used and a discussion between the outcomes of the different methodologies can begin. This discussion can benefit from the strengths of each type while correcting imbalances that might emanate from exclusive reliance on one type of methodology.

**Questionnaire**

**Interviews**          **Observation**
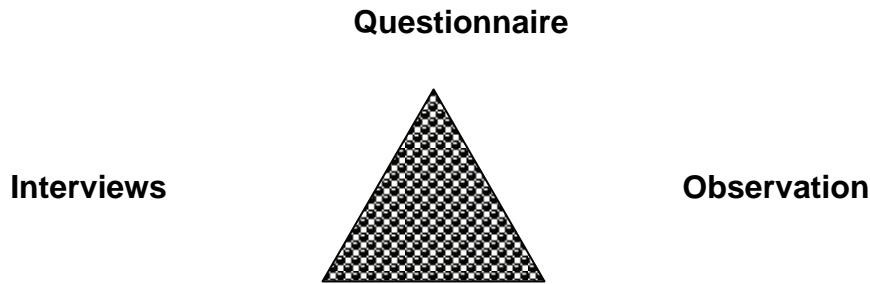
**Figure 1.3: Triangulation**

Thus the following research methods were used for this study:

(a) **Questionnaires:** the researcher sent a set of questions to employees in order to obtain quantitative data for statistical analysis concerning the main reasons why employees were dissatisfied with their jobs. This assisted in determining whether or not there was a relationship between merger and job satisfaction among those previously employed by Smart com.

(b) **Interviews:** for the purpose of this study, semi-formal interviews were conducted in order to get a clear understanding of employees' view of the acquisition without making the interview formal.

(c) **Observation:** the researcher observed the patterns within the company that indicated that former Smartcom employees were dissatisfied with their jobs. As the researcher works for the company, it was easier for the researcher to observe the situation regarding employee dissatisfaction within Vodacom.

Another reason why the researcher intended to use different types of research methods was because there were some questions that could only be answered through discussion. It is important that the study explored the answers to those as well.

## 1.6.5  THE RESEARCH DESIGN

The research design arose from the research problem stated earlier in this chapter. Different authors have defined what constitutes research design. One definition states that a research design constitutes "the blue-print for the allocation, measurement and analysis of data" (Cooper & Schindler, 2003: 146). Similarly, "A research design is similar to an architectural blueprint. It is a plan for assembling, organising and integrating information (data), and it results in a specific end product (research findings)" (Merriam 1998: 6).  It would seem that the selection of a design is determined by how the problem is shaped, by the questions it raises, and by the type of end product desired.  On the other hand, Mouton (1996: 107) refers to a research design as a set of guidelines and instructions to be followed in addressing the research problem. McMillan and Schumacher (1993: 157) state that research design shows which individuals will be studied, and where, when and under which circumstances they will be studied. These research definitions differ in their details; however, Cooper and Schindler (2003: 146) list the following essentials of research design:

- The design is an activity- and time-based plan;
- The design is always based on the research question;
- The design guides the selection of sources and types of information;
- The design is a framework for specifying the relationships among the study's variables;
- The design outlines procedures for every research activity.

This research project took the form of a descriptive study. The methods of data analysis used were based on the general view of qualitative data analysis given by Miles and Huberman (1994: 10). However, the elements of quantitative data analysis technique were also employed if and where necessary.

The research was interpretive, as it tried to provide insights into the behaviours exhibited and the meanings or interpretations that subjects gave to their world. The result of the research is contextual, attempting to reflect the reality of ex-Smartcom employees, highlighting their views and experiences regarding the issues that affected them after the merger.

According to Wilson (1991:19) there are three reasons why research should link qualitative and quantitative data:

- To enable confirmation or corroboration of each other via triangulation;

- To elaborate or develop analysis, providing richer details; and

- To initiate new lines of thinking through attention to surprises or paradoxes.

This approach has the advantage of making use of more than one methodology; that is why this study is a combination of qualitative and quantitative approaches.

## 1.6.6  DESCRIPTIVE RESEARCH METHODOLOGY

In this study the researcher used a combination of descriptive and explorative methods, as the distinction fades in practice. Bless and Higson-Smith (1995: 63) validate the intention of the researcher to use descriptive design, in that the design will utilise the researcher's interest in determining the opinion of a group of people concerning a particular issue at a particular time.  Descriptive research focus on 'how' and 'who' questions.

Nueman (2000: 22) argues that descriptive design is a "picture of the specific details of a situation, social setting or relationship." According to McMillan and Schumacher (1993: 422), descriptive design concentrates primarily on the present and does not involve manipulation of independent variables. Descriptive design aims to report things the way they are.

Merriam (1998: 11) states that descriptive research implies that the end product is rich with 'thick description' of the phenomenon under study. By utilising 'thick description', research attempts to capture the meaning in an interactional experience. Meanwhile the view of the participants (emic description) may be given.

In this study the aim was to present an accurate, careful and systematic description of the views, expressions, characteristics and activities of how employees were affected by the acquisition of their company by another. The researcher intended to describe the relationship between such acquisition and job satisfaction, if any, and also to find any other variables that might have caused job dissatisfaction.

## 1.6.7  EXPLORATORY RESEARCH METHODOLOGY

According to Nueman (2000: 22) 'exploratory' implies that one explores a new topic or issue in order to learn about it. Exploratory design is thus usually applied in a preliminary study or is the first study in a series and is linked to the purpose of the study, so that the main aim is to explore a topic and provide a certain level of familiarity with it (Rubin & Babbie, 2001: 369). This study explores the rationale of change and the effect of change on employees.  It concentrates on exploring new issues or explaining why something happens, e.g. why employees are dissatisfied. Exploring new issues through this study may result in discovering important variables and propositions for further study.

## 1.6.8  POPULATIONS AND SAMPLES

McMillan and Schumacher (1993: 159) defined the 'subject' as 'the individual who participates in the study' and the 'sample' as 'a group of individuals participating in the study'. A sample thus consists of individuals selected from a larger group of persons, called the 'population'.

According to Cooper and Schindler (2003:178), sampling has clear distinct benefits:

- Lower cost;
- Greater accuracy of results;
- Greater speed of data collection;
- Availability of population elements.

It is very important that the study has a sufficient size of the population in order to provide answers to the research question. Bless and Higson-Smith (1995: 86) refer to a sample as a subset of the whole population which is actually investigated by a researcher and whose characteristics will be generalised to the whole population.

The researcher can use one or many of these types of sampling:

(a) **Random sampling** –when every person has an equal chance of being selected to be in the Sample – see also simple and systematic randomisation;

(b) **Simple Random** – selected from the population so that all members have the same probability of being selected, usually by using a systematic method;

(c) **Systematic random** – usually using a random number table of some kind, or even gambling dice;

(d) **Stratified** – when the researcher chooses according to subgroups such as age, gender and race;

(e) **Cluster sampling** – groups of individuals are identified from the population as subjects; however the researcher chooses the groups according to convenience, e.g. neighbourhood. (McMillan & Schumacher, 1993: 161).

In this study the participants were selected because of the contribution they can make to the study. For the purpose of this study, the sample type used was stratified in terms of level of function.

Strauss (1997: 38) defines sampling as a means whereby the researcher decides on analytic grounds what data to collect next and where to find them. The population used consist of employees who used to work for Smartcom and are now working for Vodacom SA merged with Smartcom. The subgroups chosen were:

- Employees at lower positions, which at Vodacom is referred to as level 6;
- Employees at management position, which is level 4;
- Employees at executive position, levels 3 and 2.

The reason for choosing these different levels within the company was to get an understanding from different levels about how the merger may have affected each of them differently.

The decision to select a sample from Head Office in Midrand, Gauteng was made because they were easily accessible and cost and time played less of a role in surveying and interviewing such a sample than a widely dispersed sample. We do not think that geographical distribution would have an important effect on the outcome of our research although it might conceivably have had some effect on the outcomes.

## 1.7   LIMITATIONS OF THE STUDY

According to Baldwin (1997: 2), as with all research, there are limitations to the interpretation of the results and other issues that need to be considered when trying to generalise analyses to broader issues of interest.

Limitations vary according to different perspectives. The researcher recognises the following research limitations to this study:

- Factors that may have limited the researcher in obtaining the information required from the Human Resources department of Vodacom, as the department may have considered information to be very sensitive and confidential.

- Another limitation was that the study was only done at Head Office. This is a sampling limitation. Ideally, the study should have explored the regions as well, but due to time constraints and cost, the study was limited to Head Office.

- A further limitation may be the bias which may have been applied to what the respondents said. What they said may not have always reflected the truth, as people may have reacted differently, knowing that they are being interviewed and observed by a researcher in the employ of the company.

The main limitation of the study, however is not on the level of the details of selection, respondent strategising or bias or such issues but on the level of comparison and construct validity. It is possible that an analysis of job satisfaction of people affected by a merger or acquisition may not present data that pertains to the effects of the merger or acquisition at all. The merger or acquisition may have been such a pertinent event that it is all too easy for the respondents to interpret the reason for the research as relating to the event. That could again lead to respondents responding to the questions posed in terms of the event and not in the terms specified in the questions. This would mean that they connect all the aspects of job satisfaction or dissatisfaction to the event in question and thereby skew the results irreparably.

The question is how one can protect research from this very common problem. In this case it was not possible to provide sufficient protection. If one were to compare employee satisfaction of the acquiring company with that of the employees of the acquired company, other problems become part of the mix as these two sets of employees are in significantly different positions. The acquiring company employees cannot therefore act as a control group.

If an analysis of job satisfaction was done some significant time before the acquisition and then again after the acquisition, it would have protected the study against the problems stated above. However, this is an ideal world aspiration as such matters very often only become pertinent when an acquisition takes place. No job satisfaction measure existed in this case that would allow significant and valid comparison over time.

The only really satisfying control group would be employees from another company that was also acquired by a larger entity but where the outside impression was not one of disinterest in the people dynamics of the acquisition. In fact, one would have to do more than one such comparison to be sure that the factors shown up by the employee

satisfaction measure is consistently pointing in the same direction. This is obviously not possible within the limited scope of a Masters thesis.

The methodological protection that is best suited to deal with this limitation is rather to investigate the dynamics discovered from multiple angles and thus make sure that one limits the possibility of respondent bias towards blaming the merger or acquisition for everything that is wrong in life and in their work environment specifically. Therefore, qualitative and quantitative methodologies are meant to enhance the ability of the researcher to discover such dynamics and thereby understand how questions in quantitative analysis were understood and answered.

## 1.8    DEFINITION OF THE CONCEPTS

For the purpose of this study four key concepts are defined:

(a)    **Mergers and acquisitions:** as two corporations come together to form one, important processes and changes have to take place. Mergers take place when there is some significant aspects of equality between the two entities in the process of becoming one. Acquisitions take place through a hostile takeover by purchasing the majority of outstanding shares of a company in the open market or such processes where the acquired company has very limited say in how the process of becoming one organisation takes place. In spite of the different dynamics that may ensue from different types of integration processes, these two types of integrations are often taken as exhibiting significant similarities in that integration and reorganisation has to take place. In this study, it does play some role that the integration process at issue was an acquisition rather than a merger but the general issue is still one of integration and reorganisation due to a decisive change in control structures.

(b)    **Job satisfaction:** Positive and pleasurable emotions resulting from the appraisal of one's job or experience. This will be defined in detail in Chapter Three.

(c)    **Role of management:** Employees in managerial positions, i.e. executives.

(d)    **Motivation:** That which keeps an employee satisfied with his/her job.

## 1.9    OUTLINE OF THE CHAPTERS

**Chapter One** indicates the scope of the study; and includes the introduction, problem definition and the aims of the study and the methodology of the research study.

**Chapter Two** consists of a literature study on organisational change, mergers and acquisitions in South Africa and abroad.

**Chapter Three** discusses the relationship between mergers and acquisitions and job satisfaction, concentrating on the factors contributing to job satisfaction. It also outlines the measurements that are used for assessing job satisfaction. In addition it highlights the consequences of mergers and acquisitions of corporations where job satisfaction is concerned, and the importance of organisational culture in the performance of employees.

**Chapter Four** outlines the methodology of the study in detail. The design of the study as well as relevant data of the study is laid out and analysed.

**Chapter Five** provides a summary of the research. Findings arising from the study are presented.

**Chapter Six** provides the summary of the recommendations and the conclusions of the study.

In conclusion, the researcher demonstrated the background and the main objective of the study. The researcher also demonstrated how the research study plan meets the following: First, the design should ensure that the research question is answered. Second, the design should control for extraneous variables to ensure external validity; and finally, the study should be able to generalise its results to other conditions, which demonstrates internal validity. The researcher has demonstrated in this research plan the problem and purpose statements, and the research questions and hypotheses. The researcher presented the choice to be used, namely a mixed research design for the study, and finally, the researcher detailed the study's data collection methods to control external and internal validity. The outlines of the chapters were also presented.

# CHAPTER TWO

# UNDERSTANDING CHANGE, MERGERS AND ACQUISITIONS

## 2.1    INTRODUCTION

Much literature has been generated on the effect of mergers and acquisitions (M&As), especially their effect on employees. The aim of Chapter Two is to look at literature which shows how different authors think about or view M&As. The specific emphasis will be on the effect of the M&As on employees. Change management as an enabler to mergers and acquisition will also be discussed.

## 2.2    HISTORICAL OVERVIEW OF MERGERS AND ACQUISITIONS

The hundred biggest mergers in the United States of America (US) during recent years affected four and a half million workers. In the past five years, more than 12 000 US companies and corporate divisions have changed hands. These statistics show that mergers are very significant, and companies invest enormous amounts of money in M&As. This should make it imperative that they succeed in the implementation.  However, over 70 per cent of the mergers ended up as financial failures (Weston, 2001: 395).

M&As may be seen as reflecting a strategic response to change. A merger is essentially a marriage between two companies. March (1981: 570) states that organisations are frequently combined in ecology of competition, in which the actions of one competitor becomes the environment of another. Each competitor therefore partly determines its own environment, as the competitors react to each other. Rapid change in the technological, economic, and social spheres requires that executives make decisions on where they are going as an organisation. In many ways this will result in them changing the way they run their businesses.

Gaughan (1996: 7) defines 'merger' as a combination of two corporations in which only one corporation survives and the other merged corporation goes out of existence. He also shows us that mergers differ from consolidation, which is a business combination whereby two or more companies join to form an entirely new company. For the purpose of this research, the assumption will be made that Vodacom was the *acquirer* of Smartcom, as the Smartcom name no longer exists and it is now under the big umbrella of Vodacom SA.

Various stages in the development of merger types are identified by Stigler (in Smale, 1986:10):

- **Monopolistic:** whereby large companies were formed with the objective of avoiding or eliminating competition. To gain influence and market power, rich companies would acquire other companies. Advances in new technology also led to acquisitions, as mass companies sought to acquire niche players in order to remain competitive. This was mainly influenced by companies eager to dominate in the market

- **Oligopolistic:** resulting in a market structure whereby a few firms are responsible for a high per centage of total sales. A tendency towards this form of merger was seen between 1918 and 1932 and was dominated by supply chain mergers.

- **Conglomerate:** of the sort which took place between 1955 and 1975. Many companies took over other companies and made hostile take-overs during this stage. This came about mainly because of anti-trust legislation in America to curb mergers in the two preceding categories (Sale, 1986:10).

- **Hostile:** of the sort which took place during the 1980s. Companies tended to make some hostile decision when buying other companies and this resulted in many failures.

- **Global:** whereby companies were involved in M&As because they wanted to grow globally. This tendency was seen in 1992 and since.

Gaughan (1986: 7) has divided mergers into three main categories:

- **Horizontal merger:** This happens when two firms in the same line of business combine into one.

- **Vertical merger:** This brings about a combination of two companies that have a buyer-seller relationship.

- **Conglomerate merger:** This merges two firms in different line of business, they are not in competition, but also do not have a buyer-seller relationship.

After careful understanding the literature of M&As, it has come to the researcher attention that mergers and acquisitions are similar in some respects and different in others. The researcher feels that it is necessary to have literature on both topics in order to obtain a clear distinction of the two. For the purpose of this research we will concentrate more on the acquisition as this is applicable to the case study being used. Yet the element of mergers will feature now and then throughout the study.

According to Pearson (1999: 15), there are different reasons why acquisitions take place:

- To achieve market leadership or to increase the market in order to become a leading player;
- To broaden the product or service range in the existing market and territories in order to provide a comprehensive one-stop offering to customers;
- To penetrate an additional distribution channel or to acquire access to certain major customers;
- To acquire a leading niche business in an attractive and relevant market segment, where entry by start-up and organic growth would take too long or simply be uneconomic;
- To protect a key source of supply which otherwise may be acquired by a competitor;
- To acquire additional resources, such as a factory or distribution network, more quickly and cost-effectively than starting from scratch;
- To enter another region or country, provided that sufficient research and analysis has been done;
- To diversify by acquiring the necessary management, marketing and technical expertise to provide a worthwhile market share quickly;
- To invest surplus funds from an existing operation provided the commercial rationale is sound and relevant opportunities exist.

Harvey (1969: 10-11) has arranged some of the more common reasons to consider when there is an acquisition. These categories include:

- Market considerations;
- Distribution economies;
- Diversification;
- Manufacturing advantages;
- Research and development needs;
- Financial considerations;
- Redeployment of excess capital;
- Personnel considerations; and
- Complexity and automation.

The following may be described as factors that play a role in M&As:

- **Stakeholders:** These are all the people who need change or who will be involved in change, e.g. shareholders, employees, customers.

- **Firm:** The 'firm' is the organisation that needs to manage the transition of change.

- **New industry:** Changes in technology will result in new players in the market; this also results in competition. Mass organisations will acquire small companies in order to gain new opportunities in the market. Technology can serve to enable M&As.

- **Macro-economy:** Companies can buy other companies as a result of financial gain. The share prices can rise as shareholders benefit from the M&As.

- **Society, politics and law:** Legal and political considerations can affect M&As. An example of this is the regulatory body of South Africa that resisted mobile telephone companies' access to Worldwide Interoperability for Microwave Access (WiMAX), which resulted in Vodacom acquiring shares in Ibusts, which already had a licence.

These are some of the factors that need to be considered and one must understand that one or many of these factors play a role in M&As. What is interesting is that the factors mentioned above had in some way a role in the acquisition of Smartcom by Vodacom. This is because shareholders want return on investment and if it means they need to spend money or buy small companies to achieve return on investment they will do that. Management within the company are responsible to manage change and make sure that change impact on employees on a positive manner and they must minimise any negative impact that happens as a results of change.  The telecommunication market is growing accessible in South Africa, and for a company such as Vodacom there must be strategies in place on how they will remain competitive in a growing and competitive market. Therefore it is important for the researcher to give an overview of Vodacom as a company (structures, environment, etc.) and its strategy into the market including the decision to acquire Smartcom.

## 2. 3   CHANGE MANAGEMENT AS AN ENABLER TO MERGERS AND ACQUISITIONS

It can be said that "change is the colourful, frustrating, multi-patterned, life-bringing rhythm of life" (Raspberry *et al.,* 1986). Change is and has been continuous since the beginning of time. All aspects of life change, including commerce.

According to Fossum (1989: 3), "It is apparent that business, industry and even our homes have been highly affected by automation, computerisation and new working conditions in recent years." We need to embrace this change.

Change in management, however, is a very broad topic. For the purpose of this study there is a need to understand change of management as an enabler of successful M&As.

Change in an organisation essentially means a modification of the way things get done in the system (Fossum, 1989:3). Managers assume that the problem is solved when employees verbally agree to a change. Verbal agreement should not be mistaken for behavioural implementation. Managers need to be agents of change to help employees adopt and implement new behaviour more effectively.

When dealing with change there are roles that need to be clearly defined. Smye and Mckague (1994: 23) suggest that Change Sponsor, Change Agent and Change Target are roles that, if defined clearly, can make it easier to understand who is responsible for change.

- **Change Sponsors** – These are the individuals within the organisation who have the power to determine that change happens.
- **Change Agents** – These are the individuals within the organisation who are responsible for seeing that change happens.
- **Change Targets** – These are the individuals within the organisation who are asked to change something, e.g. their skills.

Smye and Mckague (1994: 23) maintain that "if your team aren't the first to spot the pain, somebody else will be". In essence, your competition will see the need for themselves to change in order to be more competitive, and this may result in your own organisation losing some of your biggest customers and thus, most importantly, revenue and profits. If an organisation needs to improve its competitiveness and stay ahead of the competition, the business must be willing to embrace change. Sometimes an organisation has to merge or to acquire some of the business that it feels can take them to the next level or to a niche market that can even make them more competitive.

Smye and Mckaque (1989: 23) identify the main types of 'pain' that constitute the essential reasons for change:

- **Current pain** – Major problems that the company is facing right now.
- **Foreseen pain** – Pain or problems that are predicted, but can be avoided if there is a quick response.
- **Inertia pain** – Current practices which look fine but, when looked at in the light of coming changes in the world, such as advanced technology, it becomes apparent that there is a need to change current business practice now in order to survive.

Change management is about managing the 'pain' for change. Management need to understand that change needs to be managed effectively in order to avoid "pain".

The following are some of the elements that allow management to manage pain for change:

- **Communication** – There must be a two-way communication channel that allows room for discussion. This will help employees to feel that they are part of change. This will also help employers to understand how their employees really feel about change.
- **Create an opportunity for change** – Show employees how the company's pain for change affects them personally and how they can make a difference in the success of the organisation and, most importantly, in their personal development.
- **Offer hope** – If employees are shown the benefit of change, this will help them understand the need for change.
- **Make them listen to you cry "Ouch"** – If those not in leadership positions do not make themselves heard through communicating with management, they cannot

make a difference. Most importantly, lower levels must keep talking to those who will listen (Smye & Mckague, 1994: 27).

According to Smye and Mckague (1994: 27) Change needs to happen at all the three levels listed below. If one level is not satisfied, this may result in a failure of change.

**(a) Organisational level:**

The following need to change at organisational level:

BELIEFS: The organisational belief system is evident in a company's vision statements, business strategies and core competencies. The belief systems of the organisation are important, as they will help orient employees in the required direction of change. If the beliefs are negative, this may hinder success in changing behaviour. When employees understand what is required from them, and also accept (buy –in) the vision of the organisation, this may result in change being effected smoothly – and, most importantly, there will be less resistance to change.

PERFORMANCE DRIVERS: These are goals that are set by the organisation, such as feedback, targets etc. When change happens within an organisation, it is very vital to also change the performance drivers, as this shows the direction of change and, most importantly, it highlights the benefit of change.

WORK PROCESS: Employees must understand and have clearly defined roles within the organisation in order to appreciate what needs to change, because "if employees understand what they are ultimately accountable for, many of the problems with inefficient work processes resolve themselves" (Smye & Mckague, 1994: 27).

Smye and Mckague (1994: 28) also argued that one should not only focus on the organisational level, however, but also focus on the group level in order to understand what needs to change.

**(b) Group Level**

BUILDING GROUP SKILLS, BUILDING HEALTHY TEAMS AND GROUP SUPPORT OF CHANGE: Teamwork is one of the words that many like to use to demonstrate a working relationship. Smye and Mckague (1994: 229) state that it is very important to understand the role that teamwork plays in bringing about successful change. When there is change, one of the challenges that employees are faced with is interaction with each other. It is even harder when there are two companies coming together, possibly with different

cultures. When employees work together, synergies and challenges are resolved, as the whole is greater than sum of the parts (Smye & Mckague, 1994: 30).

Once organisational and group level change has been achieved, then there is a need to understand what needs to change at the individual level in order for change to be successful.

### (c) Individual Level

GAINING BUY-IN: There cannot be change until individuals agree that there is a need to change. Hesitation, uncertainty and frustration are some of the emotions that employees will go through during the process of change. It is very crucial that employees are involved in the process of change so that their buy-in is ensured. Increasing responsibility and building of new skills will help individuals to deal with change.

Mullins (1996) identifies five forces of change:

- Change in technology;
- Knowledge explosion;
- Rapid product obsolescence;
- Changing in nature of the workforce; and
- Quality of working life.

According to Rosenfeld and Wilson (1999: 284) there are four types of organisational change:

- **Status Quo** – There is no change in current practice.
- **Expanded reproduction** – The change involved produces more of the same (goods or services).
- **Evolutionary transition** – The change occurs within the existing parameters of the organisation (the existing structures, technology, etc. are retained).
- **Revolutionary transition** – The change involves shifting or redefining existing parameters. Organisational structures and technology are likely to change.

Lewis  in Rosenfeld and Wilson (1999: 285) identifies three models of change:

- Unfreezing;
- Changing behaviour; and
- Refreezing behaviour.

Determine the
desired
outcome of the
change
intervention

The trigger
for change

Diagnose the
causes

Evaluate and
follow up

Select an
appropriate
change
technique

Implement

Plan for
implementation
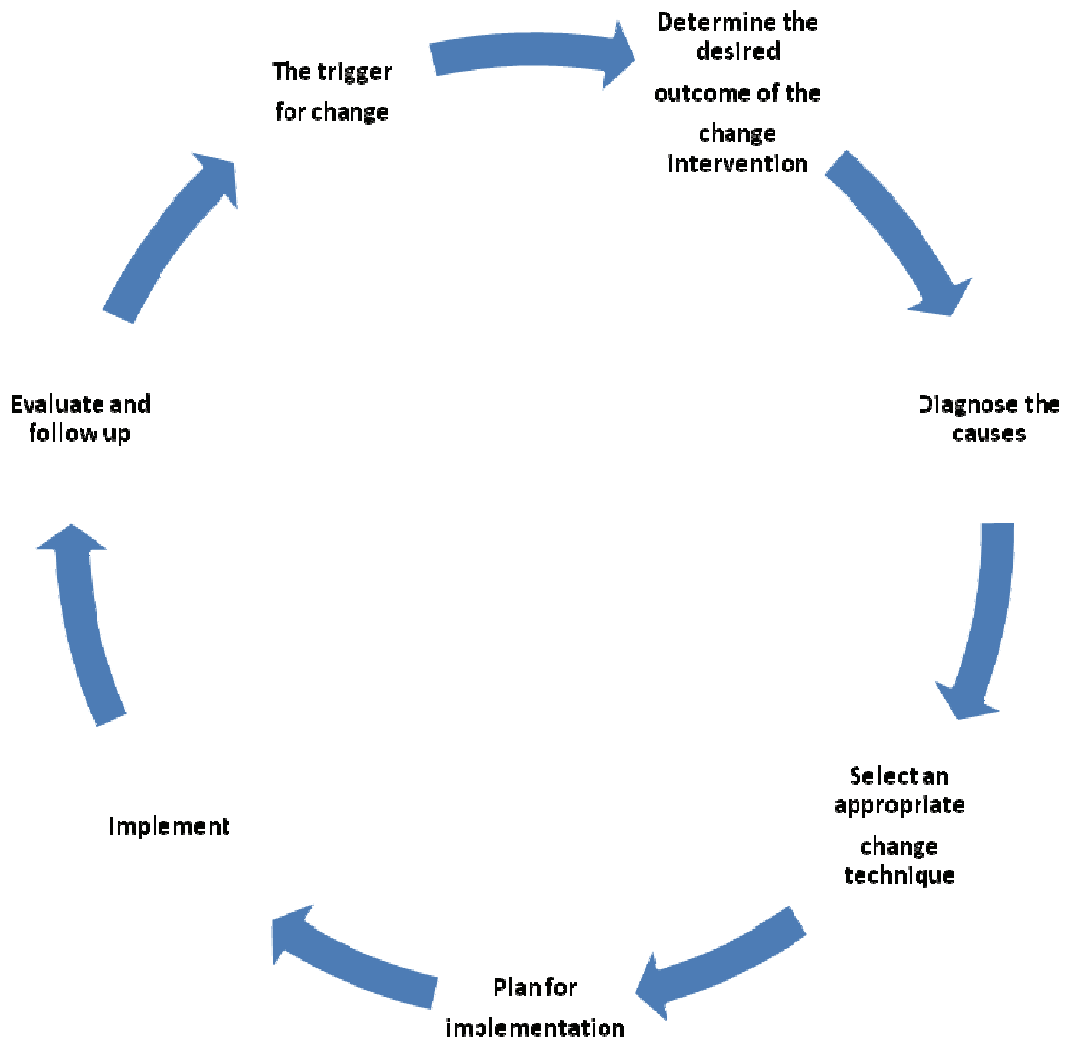
**Figure 2.1: The areas of organisational change**
Source: Smith and Cronje, 2002: 22.

This shows that changes within organisations happen as a result of different reasons. Change may take place as a result of budget change or downsizing within the organisation and the organisation may have to retrench employees. Nevertheless these are not the only reasons why change happens within the organisation, hence the different models of change from different authors. This gives the researcher a better understanding of why change happens and how the different models or reasons for change relate to the research purpose. Nowadays, demands on corporate strategists are increasingly heavy, as strategic implementation of change is becoming more complex in the real world. Therefore it is essential that management understand the forces of change in order to put systems in place to manage change more effectively.

**(a)     Change Strategy:**

It is clear that different authors have different understandings of the forces of change. Even though most authors have different understandings, the forces of change remain the same over the years. It is important for this study to understand the areas of organisational change as discussed by Smith and Cronje (2002: 222) and depicted in Figure 2.1. Most organisations have a strategy for the future; these are goals that the organisation would like to achieve e.g. Growth.

These authors argue that, in order to have a successful change, the following steps need to be considered:

CHANGE THE ORGANISATIONAL STRUCTURE: The strategy for change should also result in change of the organisational structure. This is a decision that has to do with bureaucracy within the organisation, authority and how decisions are made within the organisation, whether change will be centralised or decentralised. For an organisation like Smartcom, merging with a mega-organisation was extremely challenging as dealing with the amount of bureaucracy and flexibility is not as easy when the decision makers occupy a high position in the hierarchy. Yet it is management's responsibility to make employees understand that the protocols within organisations are there as a form of control. However, employees can sometimes see this as a form of abuse of power and status. Flexibility within every organisation is very important; for Vodacom SA this is ensured through different business units that are formed to act independently while still retaining the main values of the organisation as a whole.

TECHNOLOGICAL CHANGE: According to Bredenkamp (2002:6), high cost, high tech, high touch, and fast-changing technologies such as those that are found in telecommunications, might require a more flexible culture than those technologies that are expensive – such as machinery – where a more formal, well-structured culture will be required. In telecommunications, for a company to stay competitive, the organisation must be the leader in launching new technology. This is one of the strategies that Vodacom SA pride themselves on. They would like to stay the leader in the market by launching advance technology first.  For instance, Vodacom was the first to launch 3G in South Africa and the second to launch HSDPA in the world after Germany.

CHANGING PEOPLE: Change in people can be as a result of change in the organisational culture. In many cases this also entails changing the behaviour of the people. For an organisation to change successfully, literature shows that there must be buy-in from the employees, as they will have to change the way they are accustomed to do business in order to incorporate the new culture.

**(b) Resistance to change:**

Change differs from organisation to organisation. Some changes will be greater than others. Some will impact on certain individuals within the organisation; some will affect the organisation as a whole. This study is more interested on the effect of change on individuals. Although management can enforce change within an organisation, it is also important to understand that change starts to form within the individuals themselves: therefore employees must have a need to change. If that does not happen they will be resistant to change. It is management's responsibility to make sure that relevant precautions are in place to reduce resistance to change.

Mullins (1996: 757) argues that individual resistance to change is a result of the following:

- Selective resistance;
- Habit;
- Inconvenience and loss of freedom;
- Economic implication;
- Security in the past;
- Fear of the unknown.

People overestimate the amount of information that is accessible to them. People are unwilling to accept uncertainty. "We live in a complex environment, everyday the world becomes more and more complex and difficult to understand. The focus is more on how people make decisions under conditions of uncertainty and how people live with the decisions made. People are never certain, because in most situations the information available to make decisions is either incorrect or incomplete. (Bernstein, 1996: 207). Employees resist change as they fear the unknown, however in the real world decisions are made every day without knowing whether the outcome will be positive or negative.

Bernstein (1996: 347) also focuses on how managers can use regression to the mean to make strategic decision in a complex work environment. Acquiring another company is a risk as one can never know if it will be a success story or failure.

Therefore when acquiring a company it is important that the stakeholders involved have the right information to make a decision However it is argued that "regression to the mean is dynamic, yet can be a frustrating guide to decision-making, because accuracy depend on human beings and not human nature. People never know what the future holds yet assume that the future will resemble the present even though it is clear that tomorrow may bring unknown changes. For every decision made, people are not certain of the outcome of the decision, and are therefore uncertain about the future. However, even though there is ambiguity, and uncertainty, we mostly rely on the information we receive from others, our skills, and experience from the past. This is why people resist change as a result of uncertainty (Bernstein, 1996: 347).

Smith and Cronje (2002) suggest further reasons why employees resist change:

THREATENED SELF-INTEREST: People are more interested in their own interests when there is a merger. "What is going to happen to me?" is one of the first questions that one would ask when hearing about a merger. People have a fear of losing what they currently have; in this case it will be their status or power. Insecurity can also result in resistance to change, as employees may feel that their jobs are not secured and their comfortable environment has been disturbed. Fear of failure may also result in resistance to change.

UNCERTAINTY: The doubts that we as individuals possess may be very negative towards change in an organisation, but most of all towards changing who we are as human beings. This is regarded as one of the biggest causes of resistance to change. When people are uncertain or unsure of their future within an organisation, they may resist change. They fear the possibility of losing their jobs, positions or, more likely, of being relocated.

LACK OF TRUST AND MISUNDERSTANDING: Employees will resist change if the strategic objectives are not communicated clearly to them. This is because, if employees do not see the need to change, they will resist it. Distrust may be caused by management not communicating with employees about what is happening. This can also be caused by situations were decisions are taken without consulting employees.

DIFFERENT PERCEPTIONS: This will mainly be the perceptions that different employees will have about what change means to them. They could, for instance, be thinking: "This is my ticket finally to get that sponsor for the degree I always wanted but always rejected as a result of lack of funds!" On the other hand, an individual may have a perception about how the change may affect the promotion for which he/she has been waiting for years, as there may be more employees in the new department in which he/she will be working, and this would be a negative perception.

LOW TOLERANCE FOR CHANGE: People may resist change because they are not emotionally ready for it. Fear makes people afraid of trying new things as they are not certain of what will happen.

GENERAL ISSUES such as inertia, timing, surprise and peer pressure.

According to Scott and Jaffe (1989: 48) "People do not fear change; they fear their loss". Types of loss that employees experience when there is a merger shift or change can be listed as follows:

- **Security:** People may fear that they do not have control over their future. When they work in a small company like Smartcom, and then acquisition happens, they will feel a sense of threat, especially if they hold managerial positions and know that they are moving to a company that already has skilled and experienced managers working for it. Employees may feel threatened, as there are uncertainties about their jobs and positions when they move to a new company.

- **Competence:** People may feel that they no longer have control over what they know. It is human nature to feel a sense of loss when change happens, sometimes even to doubt that one has the right skills required to perform as required. This may be caused by the overwhelming amount that employees may need to learn – such as new processes, procedures and systems – when they move to a new company.

- **Relationships:** Family contacts may disappear, and people can lose a sense of belonging. When people are comfortable with the status quo, it is difficult to get them to change. This is mainly the reason why they will resist change. People will rather remain with a status quo than move to new environment that is as unfamiliar to them as the people who are managing the change. Also, if management does not understand how to deal with change, it cannot be expected that the employees will feel great about change. Employees follow their leaders; when there are doubts from

employees regarding the leadership of change, it will become more likely that employees will resist change.

• **Sense of direction:** People may lose an understanding of where they are going. Generally speaking, some people may not take risks because they fear to fail. However, many people do take the risk of losing everything in order to change. Losing in life and in business is sometimes better than not changing, as one may learn from mistakes made and move forward to new opportunities. Loss and fear are normal features of transition. It is important to understand that it is normal to fear the unknown. Change may be situational, for instance it may be in the form of a new boss; this is transition. On the other hand, the psychological process that people go through to come to terms with the new situation may have its own effect. If expected transition does not occur, change will fail.

These authors show that it is important that management should control the resistance of individuals to change. The key to this is that management needs to understand that it must not force change on employees; it also needs to understand that change starts from the individuals themselves and sometimes, if employees are not willing to change, perhaps the new organisation is no longer what they need. It may therefore be best for the organisation if they consider other ventures. It is also important for managers to understand that if resistance to change cannot be controlled, it may sometimes lead to conflict within the organisation.

## 2.4    CONFLICT MANAGEMENT

Conflict is a way of life. The more people you deal with, the greater your chance of experiencing conflict. It is inevitable in any interpersonal relationship or among members of an organisation or even a team. When we encounter various types of conflict, we often feel insecure and also lack confidence. However, in mergers, some level of conflict may bring greater success (Smith & Cronje, 2002: 239).

Putnam and Poole (in Smith & Cronje, 2002: 39) have defined conflict as "the interaction of interdependent people who perceive opposition of goals, aims, and values and who see the other party as potentially interfering with the realisation of these goals".

Rosenfeld and Wilson (1999: 174) suggest that two types of approaches to conflict occur in organisations:

- **Traditional approach:** where a manager believes that conflict is bad and must be avoided at all times; and

- **Integrationist approach:** where a manager believes that conflict is not always destructive within an organisation, but can be good, as new ideas or new ways of doing things may arise as a result of such conflict.

Rosenfeld and Wilson (1999: 174) summarise the main characteristics of the traditional and the interactionist management approaches to conflict as follows:

**Table 2.1: The traditional and the integrationist management approaches to conflict**

| Traditional | Interactionist |
|---|---|
| Conflict is avoidable | Conflict is inevitable |
| Conflict is caused by troublemakers, prima donnas and boat-rockers | Conflict is determined by structural factors such as the physical shape or hierarchical design of an organisation, the design of a career structure or the nature of a class system |
| Managerial forms of authority tend to emphasise the rational elements, e.g. going through the appropriate channels or sticking to the rules | Conflict is seen as integral to the nature of organisational change |
| Allocation of blame to scapegoats is accepted as inevitable | A particular level of conflict is optimal; individuals are not blamed for engaging in conflict |

Source: Rosenfield and Wilson, 1999: 174.

Conflict occurs when the following exist within an organisation:

- Lack of communication;

- Value conflict;

- Lack of effective leadership or decision-making;

- Discrepancies in role performance;

- Low productivity;

- Change that causes disequilibrium; and

- Unresolved prior conflict.

(Rosenfeld & Wilson, 1999: 175).

## 2.5    THE ROLE OF MANAGEMENT IN ORGANISATIONAL CHANGE

There is a need for management support to employees when going through changes. It is also important for a company that is merging with another company that management create team work and team building in order for employees to interact with one another. This will allow them to understand each other without passing any judgements.

Management's role in change is very important, especially when making sure that the employees are satisfied by the change environment. Employee development is very important in an organisation. This can motivate the employees and also make them feel wanted and an important part of the organisation. As Maslow's theory mentions, in describing a hierarchy of needs, some employees are motivated when their self-actualisation needs are satisfied (Robinson, 1993: 260-261). In mergers it is important for human resources departments not only to redefine the employees' new roles but, most importantly, to provide them with direction regarding career management (Rosenfeld & Wilson, 1999: 175).

Management also needs to be emotionally intelligent in order to create a successful merger. Rosenfeld and Wilson (1999: 176) defined emotional intelligence as the "ability to perceive emotions, to access and generate emotions so as to assist development, to understand emotions, and to regulate emotions so as to promote emotional and intellectual growth". An effective leader is one who understands that human feelings (moods and emotions) play a central role in change.  It is, however, also important to understand how to manage and control moods in the self and others (Rosenfeld & Wilson, 1999:176).

Certainly a leader needs to have a clear vision concerning the organisation and where it is going. This may assist employees to adopt and understand change. A vision is of little value, however, unless it is shared in ways so as to generate enthusiasm and commitment.

## 2.6    VODACOM OPERATIONS

"No matter what brings us to change, the common and the overriding experience of change is pain. Change is painful for all people, and in order to convince our people to commit to change, we have to make a powerful case that the pain of changing will be less than the pain of staying the same" (Smye & Mckague, 1994: 6).

This is a powerful statement, as it suggests that companies need to change, no matter what the cost, in order to stay competitive or to be innovative. If companies stay the same over a period of years, it is more likely that they will lose customers, revenue, etc. That is why Vodacom SA recognised the need to change, as the telecommunication industry is evolving over time, particularly with regard to the changes in technology.

The cellular market is becoming saturated in South Africa, with almost 80 per cent of the population owning a cellular phone. It is an interesting time for Vodacom, with the recent launch of the new company, Vodacom Business, which focuses on providing convergence communication solutions nationally and around the world. The strategic M&A decision was taken as a way forward for the future of the leading cellular network service provider in South Africa. It was then realised that, in order to remain competitive, the organisation needed to embrace change more directly, hence the shift from traditional voice services to convergence communication.

During a change process within an organisation, it is important to have leadership that will help to establish the underlying vision and, most importantly, be able to lead employees to feel the sense of making the vision possible. Yet it is also important to have managers who will execute the change. Hence it is also important to note that people don't change because of the information provided to them; people change because of the support, encouragement, caring confrontation and empathy provided in a relationship.

It is very crucial to recognise that, when a smaller organisation merges with a bigger organisation, there is a need to understand the cultural issues that may arise. Thus it is important to understand the culture that has been adopted by Vodacom SA, as this is the new culture that former Smartcom employees had to adopt.

**Table 2.2: Organisational culture as adopted by Vodacom SA**

| | |
|---|---|
| **Structure** | • Effective communication |
| | • Effective structure and process |
| | • Effective policies and strategies to facilitate |
| | • Achievements of the organisation's vision |
| **Demographics** | • Appreciate diversity |
| | • Create space for empowerment for all |
| | • Understand power relationships |
| | • Allow for development of self-confidence and assertiveness |
| | • Embrace diverse teams to facilitate the achievement of the organisation's vision |
| **Climate** | • Happy workforce |
| | • Open, trust and participatory managers |
| | • Understand conflict strategies and tools |
| | • Personal commitment to facilitate the achievement of the organisation's vision. |

Although M&As are important, management should also focus on its impact on employees. The effects of M&As such as stress caused by the uncertainty of the changing environment can be easily minimised through communication between management and employees. In most cases management are aware of the changes, but remain unable or unwilling to discuss changes with employees. Realistic communication can help employees to cope with the uncertainty of the situation and insulate themselves from some of associated dysfunctional outcomes. It is also important to note that negative effects of M&As activities are real and need to be communicated to employees with care. Therefore communicating with employees does reduce uncertainty when implementing change. However it is also argued that telling employees the truth about the changes may result in employees leaving the organisation or alert the competition of the strategies within the organisation (Schweiger & De Nisi, 1991: 129).

**2.7    GENERAL CONCLUSIONS**

Chapter Two looked at change management and the need for management to be more understanding of the effects of change on employees. The telecommunication industry exists in a cut-throat competitive environment, where organisations need to change in order to stay competitive.

The strategy of Vodacom SA is to acquire businesses that will allow it to remain the leading cellular company in South Africa. Technology is advancing tremendously fast in the telecommunications industry and, in order to stay competitive, companies such as Vodacom must be first in the market with any cutting-edge technology. Acquiring Smartcom was a strategic move that will allow Vodacom to have a bigger customer base.

However, one needs to understand that, when a small company like Smartcom is acquired by a mega company like Vodacom, there are challenges that must be taken into consideration and managed properly in order for the acquisition to be successful. When handling change, management should keep certain factors in mind:

- **Human psychology and personality,** as change will affect individual employees within the organisation;
- **Organisational culture, structures, process and policies,** as these may change when two organisations merge; and
- **Society,** as organisational changes do affect the society as a whole.

The psychological impacts of change to employees need to be considered as they may play a role in the success of the acquisition. Chapter Three will go into more detail by looking at the human and psychological effects of change in people. It will aim to uncover the importance of organisational culture in M&As. The next chapter will also seek to uncover the relationship between job satisfaction and change and the importance of leadership in change. Different theories will be used as a reference to the current situation within Vodacom.

# CHAPTER THREE

# THE HUMAN AND PSYCHOLOGICAL EFFECT OF CHANGE: JOB SATISFACTION, ORGANISATIONAL CULTURE, LEADERSHIP, MOTIVATION THEORIES AND AGE

## 3.1 JOB SATISFACTION IN RELATION TO CHANGE

In the literature there is considerable support for a connection between change and job satisfaction. Steers (1988) suggests that job satisfaction is best understood as a discrepancy between how much a person wants or expects from the job, and how much the person actually receives. According to Cavanagh (1992: 704), when individuals perceive that the outcomes of a job are met or exceeded, they are satisfied. When their expectations are not met, they may feel betrayed by management and develop a sense of mistrust. Behavioural consequences of job dissatisfaction, such as low morale, absenteeism, turnover, and poor job performance can potentially threaten the quality and organisational effectiveness.

Attention to the people or human factor is crucial in making the acquisition of a company a success or failure. According to Marosini and Steger (2004: 161) "it is in fact very hard to find acquisitions where people issues do not matter". This suggests that, when acquisitions happen, it is imperative that management should make sure that the employees' work environment is manageable.

In reality work plays a very vital role in our lives. We spend most of our time at work. "For most of us work is a central to our self-concept, we define ourselves by what we do, e.g. I am an accountant or doctor, when someone asks us what we do" (Rosenfeld & Wilson, 1999: 65).

Luthans (2002: 230) defines job satisfaction as three dimensioned:
- As an emotional response to the job situation;
- Often determined by how well the outcome exceeds expectation; and
- Representing several related attitudes.

Job satisfaction focuses on employees' attitude towards their job. Locke (1976) and Noe *et al.* (1997: 233) define "job satisfaction, as a pleasurable feeling that results from the perception that one's job fulfils or allows for the fulfilment of one's important job values".

Job satisfaction has many sources. Locke (1976:1328) summarised the existing research on the causal factors in job satisfaction: "Among the most important values or conditions conducive to job satisfaction are:

- Mentally challenging work with which the individual can cope successfully;
- Personal interest in the work itself;
- Work which is not too physically tiring;
- Rewards for performance which are just, informative, and in line with the individual's personal aspirations;
- Working conditions which are compatible with the individual's physical needs and which facilitate the accomplishment of his work goals;
- High self-esteem on the part of the employee;
- Agents in the workplace who help the employee to attain job values such as interesting work, pay, and promotions, whose basic values are similar to his own, and who minimise role conflict and ambiguity" (Locke, 1976: 1328).

Robbins (1997) concentrates on those aspects that determine job satisfaction:

- Mentally challenging work
- Equitable rewards
- Supportive colleagues
- Supportive working conditions
- Personality-to-job fit

According to Noe *et al.* (1997: 224), poor work attitude and job dissatisfaction can result in negative consequences such as reduced turnover, increased absenteeism, tardiness, reduced work effort, increased theft and violence. The question that we then need to explore is how and why employees become dissatisfied with their jobs. It is quite evident through different authors that there are different factors that cause job dissatisfaction. If employees are dissatisfied with their jobs, this may result in them withdrawing from their job, e.g. absenteeism, stress, resigning from the company. The model in Figure 3.1 shows the overall models of job dissatisfaction and its relation to job withdrawal.
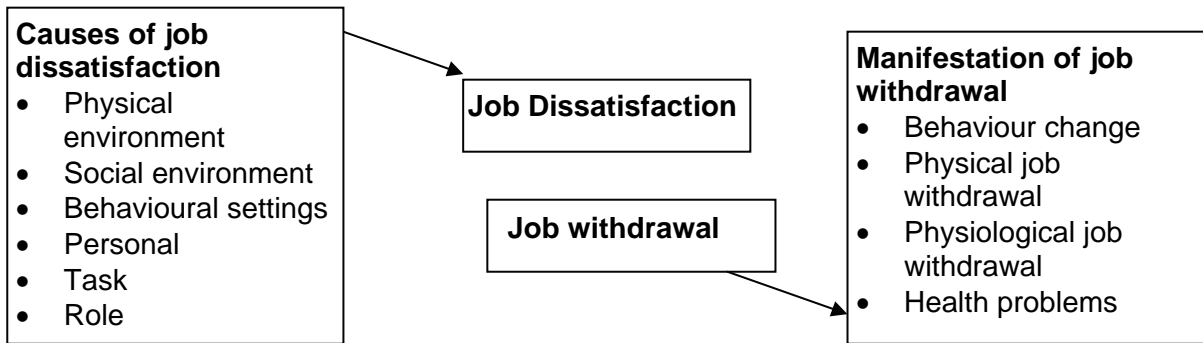
**Figure 3.1: An overall model of the job dissatisfaction-job withdrawal process**

Change within an organisational environment may result in employees being dissatisfied with their jobs. Johnson (1985: 99) states that in most cases an acquired company will be a significantly smaller one in terms of sales, assets and numbers of employees. In the case study being considered in this research, this was certainly true, as Smartcom, the company acquired by Vodacom, was a very small company. When their company is acquired by a larger company, some employees may hope that the new company will assist them with those aspects of their job, e.g. being promoted, that they could not achieve when their company was smaller. Thus some employees may expect to make a career move within the new department/ organisation and get the job that they have probably been waiting for. For others the change in circumstances can raise fear, as the new situation brings uncertainty and confusion. When employees are not certain about their future, it may result in withdrawal form the job, which may affect job performance (Johnson, 1985: 99).

The differences in job performance can, according to McCormick and Ilgen (1982) cited in Kruger *et al.* (1996: 12) be ascribed to "Individual and Situational factors or Variables". Therefore the individual or situation will determined the performance of the employees in a job. It assumes that individual abilities, aptitude, intelligence, personality, age, sex, physical characteristics, interest, and motivation play a vital role in employees' performance.

Situational variables such as work methods, design, condition, work space, layout, and physical work environment may also influence work behaviour. Culture is also an importance influence on employees' attitude to the job. Work conditions, organisation and

social variable lead mainly to differences in workers' attitudes to their jobs. This difference in attitude may lead to employee's job dissatisfaction which may lead to poor performance. "If employees develop a negative attitude about their jobs because of uncertainty or poor pay, employees will probably be absent more often than employees who develop a positive attitude about their job as a result of great pay or stability" (Kruger *et al.*,1996: 14).

According to Kruger *et al.* (1996: 191) role ambiguity is when individuals feel uncertain about certain aspects of their work, such as the extent of their responsibilities, what is expected of them and how to divide their work time between various duties. Role conflict may result in intense feelings such as anxiety, tension and stress. Rapid change such as changes in the structure, or change in staff within the organisation may lead to role ambiguity. When employees do not have a clear understanding of what is expected of them, they may become dissatisfied and demotivated about their job. Therefore it is the responsibility of management to make sure that new employees have a clear understanding of what is expected of them (Kruger *et al.*, 1996: 192).

Ex-Smartcom employees, moving to a company like Vodacom SA, where the structure and the hierarchy of the company is very elaborate, when hitherto they were used to a flat structure, where they could make their own decisions without consulting executive management, can find adjustment very difficult . When a small company merges with a large one, it can also be difficult for employees to understand their new roles within the company, especially when the company already has specialist or skilled people in the same positions. This, too, may result in employee dissatisfaction.

Job satisfaction is a combination of cognitive and affective contentment for individuals within a company. Affective satisfaction can be seen in terms of an employee's overall feeling while working. Herzberg's theory gives a clear understanding of job satisfaction. (Luthans, 2002: 261-263).

Challenge
Stimulation
Independence
Responsibility
Variety

**Motivators**

Satisfaction

Dissatisfaction

**Hygiene factors**

Pay
Security
Working conditions
Work schedule
Supervisors
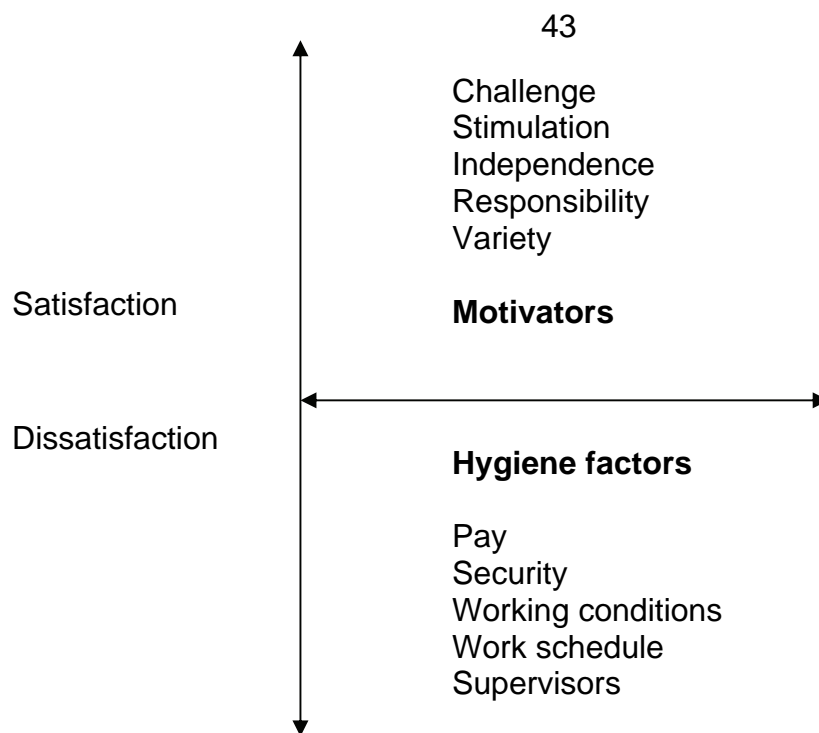
**Figure 3.2: Herzberg's two-factor theory**

Source: Luthans, 2002: 261.

It is clear that management needs to manage change very effectively in order to avoid destruction that may lead to employee dissatisfaction. Job satisfaction can be measured by different techniques: Minnesota Satisfaction Questionnaire; Faces Scale; Job Descriptive Index; Job-in-General Scale; and Custom-Designed Scales. The most common measurement of job satisfaction is the Minnesota Satisfaction Questionnaire. For the purpose of this research, two measurements of job satisfaction were used in order to get some in-depth understanding of job satisfaction in the context of change.

**(a)   MINNESOTA**

The Minnesota Satisfaction Questionnaire (MSQ) is designed to measure an employee's satisfaction with his or her job. This design was used because it is relevant to what the researcher was trying to uncover. The MSQ provides more specific information on the aspects of a job that an individual finds rewarding than do more general measures of job satisfaction. The MSQ can be administered to groups or to individuals, and is appropriate for use with individuals who can read at the fifth grade level or higher. All three forms are gender neutral. The MSQ makes it feasible to obtain an individualised picture of worker job satisfaction, as well as providing an accurate measurement of job satisfaction for groups of individuals on numerous workplace factors. The value of the MSQ is that it accurately

measures job satisfaction, and identifies specific areas (20 dimensions) that impact performance and human behaviour in the workplace.

The highly valid and reliable MSQ is:

- Easy to use, easy to understand;

- Valid and reliable;

- Applicable to any organisation; and

- Applicable for managers, supervisors, and employees

(Hanger & George, 2004: 357).

## (b)   JOB-IN-GENERAL (JIG)

According to Van Saane *et al.* (2003: 191) although job satisfaction research has been carried out for decades, no recent overview of job satisfaction instruments and their quality is available. JIG measures 5 facets of job satisfaction: pay, promotions, co-workers, supervisors, works itself.   The purpose of this study was to measure employees' satisfaction with their current jobs after the acquisition. Some argue that JIG is extremely easy to use with all types of respondents. It is the most commonly used measure of job satisfaction, and so there is normative data available from hundreds/thousands of studies. Van Saane *et al.* (2003: 191)

For the purpose of this study, the Minnesota Satisfaction Questionnaire and JIG methods were used to measure the level of satisfaction of Smartcom employees after they were moved to their new roles within Vodacom. The data gathered during this process will be discussed in detail in Chapter Four.

## 3.2    ORGANISATIONAL CULTURE IN RELATION TO CHANGE

What happens when a company has been acquired by mega-organisation and is then expected to leave its culture and adopt the existing culture of the larger company? This is one of the questions that this study would like to examine. When Smartcom merged with Vodacom SA, the employees moved to the Vodacom SA head office, and started working using Vodacom SA's policies and procedures.

Culture of the organisation is a very important factor in the success or failure of an acquisition. According to Schmidt (2001: 3) when M&As fail it's frequently because of people or related issues. How relevant is culture when two companies are merged into one? It has been argued by many theorists that culture is the toughest challenge when

mergers happen; this is mainly because the two companies that are merging each had the culture that defined them (Schimidt : 2001).

According to Cartwright and Cooper (1993), cited in Weber *et al.* (1996: 1215), "Many M&As have not lived up to expectations, merely half of all mergers meet financial expectations, with failure rate in the 50 to 60 per cent range. While lack of cultural fit has been frequently mentioned as a potential factor in M&As failure".

According to Adler and Jelinek (1986: 74) suggest that "Culture, whether it be organisational or national, is frequently defined as a set of taken-for-granted assumptions, expectations or rules for being in the world. The culture concept emphasises the shared cognitive approaches to reality that distinguish a given group from others". Hofstede (1980: 286) suggested that while national culture forms one's values through early socialisations, corporate culture involves the subsequent acquisition of organisational practices and symbols in the firm. Weber *et al.* (1996: 1218) also assume that national culture presents a deeper layer of consciousness and more resistance to change than the corporate culture. Therefore they suspect national culture to be crucial in M&As conflict as well as in the quest for successful integration. It is therefore rather crucial for the researcher to understand the cultural diversity within the organisation and deeper understanding of national cultural diversity.

Schein (1992: 9) defines organisational culture as a pattern of basic assumptions – invented, discovered or developed by given groups as they learn to cope with the problems of external adaptation and internal integration. It is also necessary that it has worked well enough to be considered valid, therefore to be taught to new members as the correct way to perceive, think and feel in relation to those problems.

Schein (1992: 270) further describes organisational culture as a set of tacit assumptions about how the world is and ought to be, that is shared by a set of people and determines their perceptions, thoughts, feelings, and, to some degree, their overt behaviour.

Patterns on organisational culture may be seen as follows in Table 3.1:

**Table 3.1: Patterns on organisational culture**

| Basic Assumption | Values | Artifacts |
|---|---|---|
| Subconscious | Strategies | Visible organisational structure |
| Taken for granted | Goals | Language/Jargon |
| Habits of perception | Answers to questions of why | Stories of key events |
| | | Preferred technology |
| Ultimate source of values and action | Greater level of awareness | Visible tradition |

Source: Schein, 1992: 270.

Organisational culture is also defined as "a belief and values shared by people in an organisation" (Smith & Cronje, 2002: 383) or "symbol, language, ideologies, and myth". Earlier, anthropologists distinguished between material and non-material culture. According to French *et al.* (1989: 645) this distinction led to identification of the following elements of an organisational culture:

- Artifacts;
- Perspectives;
- Values;
- Assumption.

More recently, Luthans (2002: 123) has suggested that there are five important characteristics of organisational culture:

(a) **Observed behavioural regularities:** such as the use of a common language and terminology when employees communicate with each other within an organisation;

(b) **Norms:** such as standard behaviour on how much to do at work;

(c) **Dominant values:** major values that the organisation advocates and expects to be shared by employees;

(d) **Philosophy:** policies and procedures that are set forth for the organisation's brief on how employees and customer are to be treated;

(e) **Organisational climate:** the way in which employees interact and conduct themselves with their internal and external customers.

Robinson (1993), however, has suggested that the primary characteristics of organisational culture are as follows:

(a)  **Member identity:** the degree to which employees identify with the organisation as a whole rather than with their particular type of job or field of expertise;

(b)  **Group emphasis:** the degree to which activities are organised around groups rather than around individuals;

(c)  **People focus:** the degree to which management considers people in their decisions;

(d)  **Unit integration:** the degree to which individual units are dependant and coordinated;

(e)  **Control:** the amount of rules, regulations and direct supervision;

(f)  **Risk tolerance:** the degree of risk-seeking, aggressiveness and innovation tolerated;

(g)  **Reward criteria:** the relationship of rewards for performance;

(h)  **Means-end orientation:** the focus on outcomes rather than on the method of achieving these;

(i)  **Conflict tolerance:** the degree to which employees are encouraged to air conflicts and criticisms openly;

(j)  **Open-system focus:** the degree of response to changes in the external environment.

These characteristics are different from one to another. It has been found that in most cases cultural difference is the most common reason for failure in M&As. Despite the due diligence, companies mostly fail to form a new successful unit that is able to exploit all synergies. Corporate culture as a concept can be best described as 'the way we do things here'. It this important to note that there is no one right culture for an organisation. There is only a culture fit more or less to the particular situation of the organisation (Recklies, 2001: 1-5). It will be even more difficult for ex-Smartcom employees as they need to fit into the new culture, without blending a bit of their own culture. This is because they now need to adhere by the new culture of what may be considered to be 'the Vodacom way'.

Historically, M&As have been considered to be the exclusive research domain of economists, market strategists and financial experts. Thus the financial and strategic aspects of M&A activity have been extensively addressed. On the other hand, the human aspects of these transactions have received relatively little attention. Research has proven that most mergers fail as a result of people and culture. (Recklies, 2001: 1-5).

The merger of two culturally different organisations could result in conflict during the period immediately following the merger or acquisition. This conflict often results in a decrease in employee morale, anger, anxiety, communication problems and a feeling of uncertainty about the future. This negative thinking and range of emotions, coupled with employees experiencing difficulty with reconciling their beliefs with the changes brought about by the merger or acquisition process, often leads to the characteristic resistance to change observed with this process (Recklies, 2001: 1-5).

According to Recklies (2001), poorly managed mergers can result in a merged organisation with an organisational culture marked by denial, mistrust, illusion and a fear/blame cycle. Recklies uses the illustration in Figure 3.3 to explain corporate culture:
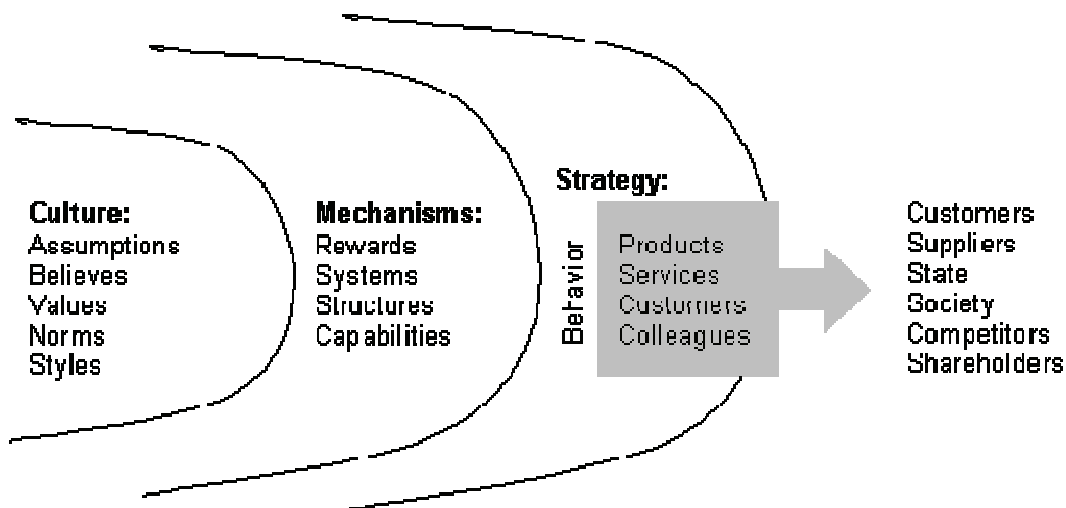


**Figure 3.3: The cultural onion skin**

Source: Recklies, 2001:1.

In summary, Recklies (2001: 3) concluded that corporate culture can be seen as determined by a variety of different factors:

- Artifacts;
- Management styles;
- Norms;
- Values;
- Believes;
- Assumptions.

To recognise the importance of organisational culture in merger processes is to understand that in many mergers there is a problem when the more powerful partner imposes its culture on the less powerful one. This happens particularly when merging is done without evaluating which culture is more suitable for the organisation. On the other hand, this may lead to resistance within the organisation. It is management's responsibility to understand that the two cultures are different, and that choosing one over the other may cause conflict.

A perfect solution may be not to integrate the two cultures but rather to create a new culture that includes the best elements of both organisations. In some organisations, management will get employees involved in coming up with a new culture.

All-in-all, culture is very vital for a successful merger "but an important factor to recognise is that culture and this includes organisational culture, is not all that easy to define and even more difficult to change" (McLauglin, 2000:1).

People become uncertain and hopeless when they face an identity crisis. Moving to a new organisation that holds a different culture from their identity, may lead to resistance to change. Castells (1997: 12) defines identity as people's source of meaning and experience. It refers to the process of construction of meaning on the basis of cultural attribute, or related to a set of cultural attributes that is given priority over sources of meanings. Therefore their power of identity will determine the reaction of employees to change.

## 3.3    SOUTH AFRICAN ORGANISATIONAL CULTURE

With the freeing of Nelson Mandela in the early 1990s and the subsequent lifting of sanctions, South Africa became open to the world once again. Two things immediately came into play, firstly, the companies which had pulled out of South Africa as a result of sanctions started returning to the country, and secondly, the companies which had stayed on suddenly realised that they were not competitive enough so to stay afloat, so they had to undergo drastic restructuring.

As discussed in Chapter One, the 1990s was also the time in which the telecommunication industry started expanding within South Africa, most probably because there was a need for South Africa to communicate with the rest of the world and *vice versa*. This opened South Africa to an array of cellular phone technology companies such as Vodacom SA.

South Africa is an emerging, growing economy with real potential in the world. However, one of the greatest challenges for South African companies today is cultural diversity. We have a vast array of diverse cultures in South Africa – if we do not embrace them, they will only drive us apart.

Managing cultural diversity is about demographics, but it is also about profitability, values and behaviour, and is a long-term process. Many people in South African organisations are experiencing difficulty in meeting the challenge of adapting to people that are different from themselves in many ways, including culturally (Smith & Cronje 2002: 243).

Smith and Cronje (2002: 243) define such diversity as "the mosaic of people who bring a variety of backgrounds, styles, perspectives, values, and beliefs as assets to groups and organisations with which they interact".

According to the Human Capital (2005), the following are some of the diversity challenges and issues that South African organisations are currently facing:

- **Racism:** "which can be defined as the belief that race accounts for differences in human character or ability and that a particular race is superior to others" (Human Capital, 2005: 5). This belief holds that one race is superior, and discriminates against and prejudges people, based on the colour of their skin.

- **Gender:** This is a challenge when a person is discriminated against, based on his/her gender. Mainly this discrimination is against women. The attitude towards women is that they are unable to perform certain functions in society.

- **Sexism:** This is the belief that one gender is superior to the other, so this challenge is not very different to that of gender discrimination. However, it can also refer to simple hatred of men (misandry) or women (misogyny).

- **Prejudice against people with disability:** This refers to discrimination against people who are physically or mentally impaired. Within our society there is an assumption that people with disabilities cannot do the same things – work or activities – as able people.

- **Religious intolerance:** This becomes a challenge when one person or a group believes that their religion is superior to another. It arises from intolerance of other religions through one's own religious beliefs.

- **Culture:** This is embedded in the way we were raised, establishing norms, values, traditions and rituals. It is usually reflected in language as a mother tongue. Cultural

differences in South Africa are a challenge in many organisations, as some cultures believe that they are superior to the others. Respect for other cultures is very minimal; rather, we prejudge traditions because we lack knowledge. This results in 'xenophobia', the fear of what is foreign, as people see other cultures as alien.

- **Sexual Orientation:** If a person's sexual orientation is different to another's, especially in the case of homosexuality, this may result in prejudice, also referred as 'homophobia'.

- **HIV/AIDS:** Prejudice in the workplace can be directed against someone living with HIV/AIDS. AIDS is defined as "a severe immunological disorder caused by the retrovirus HIV, resulting in a defect in cell-mediated immune response that is manifested by increased susceptibility to opportunistic infections and to certain rare cancers, especially kaposi's sarcoma" (The Human Capital, 2005: 5). Since, apart from mother-child transmission, this disease is transmitted sexually, much of the prejudice arises from moral objections to the sufferer's sexual behaviour. Others misunderstand the way the disease is transmitted, and feel they may catch it by working with a sufferer, so their prejudice is based on fear.

## 3.4 LEADERSHIP IN MERGERS AND AQUISITIONS

If strategic objectives are not clearly defined in terms of what is intended to be achieved, M&As can result in failure. It is management's responsibility to communicate the new objectives and intentions, and to say clearly what will happen when the companies merge. Otherwise assumptions, fears and uncertainty may be raised. Management must make sure that there are no secrets, no surprises, no hypes and no failed promises. It is also very crucial for management to make employees understand that the notion that 'nothing is going to change' cannot be true,  as any two companies merging have different values and cultures, and have a different way of doing business even though they may both be in the same business. It is human nature to be uncertain and have anxiety before and after an M&A, so the key management challenge is to retain employees when this happens (Nadler, 1989: 493).

Nadler (1989: 493-494) states that the following elements form part of management's role during M&As. Refer Table 3.2.

**Table 3.2: A general model of merger management**

| 1. Understand | • the strategic goals of the new corporation |
| | • the design and operating characteristics of each merger partner's present organisation |
| | • key partner characteristics |
| | • third party stake-holders |
| 2. Envision | • the desired design of the new organisation |
| 3. Manage | • the transition from first to second stage |
| 4. Assess | • the implementation, and make necessary adjustments |

Source: Nadler, 1989:493-494.

## 3.5    MOTIVATION THEORY

Management can retain employees by motivating them as to their new role within the company.  Motivated employees are more likely to be more effective and more productive and also satisfied about their job.

There are two categories of motivational theories:

*   **Content theories:** these assume that all individuals possess the same sets of needs, and that all that needs to be done is to prescribe the desired job characteristics.

*   **Process theories**: these stress the differences in people's needs, and focus on the cognitive processes that create these differences.

### 3.5.1   Content theories

The Maslow theory, as depicted in Figure 3.4, is considered to be the most influential of the content theories. It suggests a hierarchy of needs that assumes that, when individual satisfies one need, they may still be motivated by the need at the next level in the hierarchy. (Robinson, 1993: 260-261).
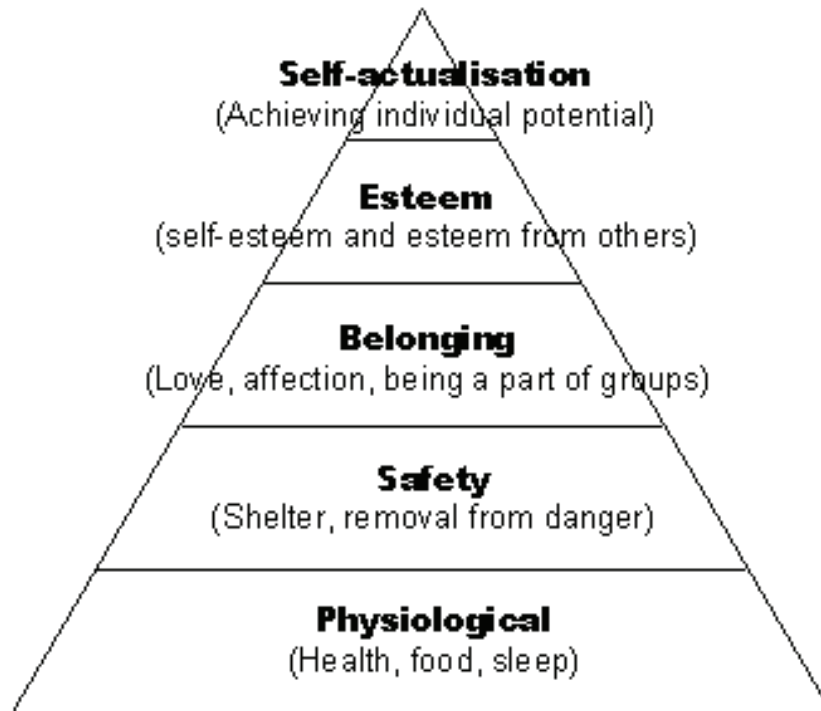
**Figure 3.4: Maslow hierarchy of needs**
Source: Robinson, 1993: 260-261.

This theory is not actually intended to explain motivation within the workplace. However, many organisational theorists have adopted this theory. It suggests that employees will always want more from their employers: once one need is satisfied, they will tend to need more.

How relevant is this theory to change within an organisation? One can argue that it fits because employees have needs that have to be satisfied within their organisation or personal life to be productive and efficient at work. When employees move to a new environment, they are more uncertain and insecure about their jobs. Once the employers have taken all the necessary precautions against this, employees may feel more secure and at ease with the new environment; then they will move to the next need, which may be pay or promotion within the organisation (Robinson: 1993).

Adlefer's theory suggests that an individual's needs can be divided into three groups:

- **Existence needs:** which include nutritional and material requirements (in work context this include pay and work condition);

- **Relatedness needs:** met through relationships with family, friends and work colleagues; and

- **Growth needs:** which reflect a desire for personal psychological development.

Adlefer argues that people are more motivated and satisfied when their needs are continuously growing. He believes in concrete existence needs and growth needs rather than hierarchy, and argues that relatedness or growth needs become more important when satisfied. This means that employees will still be motivated to do their work if the environment remains satisfying. Maslow's theory, on the other hand, argues that when a need is satisfied, it becomes less important to an individual (Robinson: 1993).
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Mumford in Robinson (1993), argues that workers have knowledge needs, psychological needs, task needs and moral needs. Also refer to Figure 3.2 where Herzberg's theory was presented with his two-factor theories which look at 'Motivators' such as responsibility, recognition, promotion, achievement and intrinsic aspects of the job; and 'Hygienes' such as supervision, salary, work environment, company policies and relationship with colleagues(Robinson: 1993).
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### 3.5.2 Process theories

Process theories concentrate on the cognitive processes in determining a person's level of motivation:

- **Equity theory** suggests that people are motivated by observing what other workers are doing and the rewards given to them for putting effort into their work. This can be very useful, as employees can compete with each other to become more recognised and rewarded for their productivity. However, in a changed environment a problem can arise when employees' roles are not clearly defined and employees don't really know how to perform.

- **Valence, instrumentality and expectancy theory** suggests that motivation at work depends on the perception of a link between effort and reward.

Management also needs to be aware that there is bound to be resistance to change; the most important thing is to understand how to manage resistance to change. It is human nature for anxiety and uncertainty to occur during an acquisition. The key management challenge is to keep people across the organisation focused. Major changes such as M&As cause feelings of anxiety, stress, and job insecurity. Employees may have good reasons to be insecure as their jobs are threatened by changes within the organisation. (Asford *et al.*, 1989: 803).

It is very important that management understands that, when there is change, there is a need for a strong corporate culture, and organisational culture needs to be aligned to fit organisational goals. Most importantly, when an organisation needs to adapt to change, management needs to initiate it and set example to employees as to how to deal with it (The conference board Inc, 2001: 11).

Management should communicate with employees to make them understand why their company is merging or being acquired by another. They must show employees a clear strategy and communicate with them. Management should give employees support and make sure that there are no surprises and no secrets, as uncertainty may lead to resistance to any changes. When employees feel that their jobs are under threat and there is no commitment for management to assist them, this may lead to dissatisfaction. When employees are de-motivated and dissatisfied, they may leave the organisation or this may affect their performance. The motivational theories discussed suggest that, when an employee's needs are satisfied, that employee will become motivated. Turnover is bad when an organisation loses its valued employees. The cost of replacing those employees with their expertise and intellectual capital may result in inefficiencies for the company. (Robinson: 1993).

The results of this study, which will be discussed in details in the next chapters shows that there is a relationship between age and job satisfaction and an individual's resistance to change. Therefore it is important for management to understand generation differences in today's workplace in order to manage change effectively.

## 3.6 AGE AS ANOTHER FACTOR INFLUENCING CHANGE

Today's workplace generations possess characteristics that derive, in large part, from the political, social and economic climate of their youth. It is very important to understand that individuals will deal with change differently as a result of the generation they belong to.

According to an article from the Mayo Clinic (2005: 1-4), the best way of understanding generations in today's workplace is by dividing them as follows:

- **Traditionalists: born 1900 to 1945**

"Sometimes referred to as the World War II generation, traditionalists have worked longer than any of the other generations. Experiencing two World Wars and the Great Depression taught most members of this generation how to live within limited means. Traditionalists are loyal, hardworking, financially conservative and faithful to institutions".

- **Baby boomers: born 1946 to 1964**

"When the baby boomers entered the workforce, they felt compelled to challenge the *status quo*, and they're responsible for many of the rights and opportunities now taken for granted. Their boundless optimism led many to fight for change. Because of their large numbers, they faced competition from each other for jobs. Baby boomers all but invented the 60-hour workweek, figuring that demonstrated hard work and loyalty to employers was one way to get ahead. Their sense of who they are is deeply connected to their career achievements. As a whole, this generation is politically adept when it comes to navigating political minefields in the workplace".

- **Generation X-ers: born 1965 to 1980**

"Generation X-ers are technologically savvy, having ushered in the era of video games and personal computers during their formative years. But witnessing skyrocketing divorce rates, their parents being laid off after years of dedicated service and challenges to the presidency, organised religion and big corporations instilled a sense of scepticism and distrust of institutions. Because they don't expect employer loyalty, they see no problem changing jobs to advance professionally".

"In contrast to the Baby Boomers' overtime work ethic, Generation X-ers believe that work isn't the most important thing in their lives. They're resourceful and hardworking, but once 5 o'clock hits, they'd rather pursue other interests".

- **Millennials: born 1981 to 1999**

"Many in this generation are still in school, but the oldest Millennials are recent college graduates just now entering the work force. These are kids who've had access to cell phones, pagers and personal computers all their lives".

"Millennials are eager to learn and enjoy questioning things. They're confident and have high self-esteem. They're collaborators and favour teamwork, having functioned in groups in school, organised sports and extracurricular activities from a very young age. They reject the notion that they have to stay within the rigid confines of a job description. Expect them to keep their career options open. As opposed to Generation X-ers who change jobs, Millennials are more likely to make entire career changes or to build parallel careers" (Mayo Clinic, 2005).

Once one understands each generation, it will be easier to understand their reactions and resistance to change. Generation X, for example, loves challenges and new opportunities whereas Baby Boomers prefer a stable environment that allows them to have control. This can be difficult when faced with changes, as their jobs may not be secure and they may lose their sense of self and thus their sense of control. This is one reason for understanding that, from generation to generation, there are norms that allow different people to live or think in certain ways.

That is why different generation will react differently to change. Recent studies in Amble (2007: 1) show that the Generation X managers are typically mature beyond their years, very adaptable and flexible, and team-oriented. They have high expectations of employees and don't buy into power structures. They rather prefer the project-based approach to work. Generation X managers need positive validation for their work or they will not hesitate to quit their jobs. There were interesting results found in Chapter Four with regards to how different generation react to change and how they view their job in general. This will be discussed in full in Chapter Four when the data gathered is analysed.

There is some concern that the perspectives above only refer to Western conditions and cultural and social settings. How does one know that the notion of Generation X also pertains to African organisations? The simple reality is that the above perspectives are not operationalised in the analysis but serve as a backdrop of possible dynamics that bear consideration when reflecting on the outcomes of the analysis that will now follow. It means that one may sensibly look for a generation effect or other motivation dynamics that have been reported in other studies in this particular sample. Although every perspective discussed above is not contextualised in South African conditions, there is some discussion of matters particularly relevant in South Africa to add to the number of significant aspects that may be considered in the eventual analysis.

# CHAPTER FOUR

# METHODOLOGY, ANALYSIS AND RESULTS

## 4.1    INTRODUCTION

Chapter Four presents the research methodology and the findings of the study.  Section 4.2 provides an overview of research methodology of the study. Section 4.3 presents data processing and the consolidation of the data gathered. Section 4.4 presents the research findings after data gathering and collection. Section 4.5 presents the trustworthiness of the study, and Section 4.6 concludes the chapter. In the light of this, the methodology is explained with specific references to the data collection, the relevant data processing techniques and methods used to interpret the data collected.

## 4.2    RESEARCH METHODOLOGY

As discussed in Chapter One, the methodology that was used for this study was a combination of qualitative and quantitative research. The researcher aimed to gain comprehensive details from the respondents by gathering data using different methods.

The research design originated in the research problem stated in Chapter One. In Chapter One it was shown that different authors have different understandings, yet similar definitions of research design. Cooper and Schindler (2003: 146) state that a research design constitutes "the blue-print for the allocation, measurement and analysis of data". Similarly, Merriam (1998: 6) notes that a research design is similar to an architectural blueprint. It is a plan for assembling, organising and integrating information (data), and it results in a specific end product (research findings). The selection of a design is determined by how the problem is shaped, by the questions it raises, and by the type of end-product desired. On the other hand, Mouton (1996: 107) refers to a research design as a set of guidelines and instructions to be followed in addressing the research problem. McMillan and Schumacher (1993: 157) state that a research design shows which individuals will be studied, and where, when and under which circumstances they will be studied.

According to Cooper and Schindler (2003: 143-149) "these research definitions differ in detail; however, they give the essentials of research design:

- The design is an activity and time-based plan;

- The design is always based on the research question;

- The design guides the selection of sources and types of information;

- The design is a framework for specifying the relationships among the study's variables;

- The design outlines procedures for every research activity".


## 4.3   DATA PROCESSING AND CONSOLIDATION OF DATA GATHERED

Coding is defined by Nachmias and Nachmias (1987) as the process of classifying responses into meaningful categories. It is therefore a way of organising and analysing many responses provided by informants into something that makes sense, however other authors see this as an abstraction. To analyse data, the quantitative data, i.e. the questionnaires, were collected from the participants. The open-ended questions were recorded and analysed by the researcher manually. A statistical consultant was used to interpret the data collected using the data editor loaded with an SPSS file. With the help of the data analysis expert, necessary checks for errors that might have occurred during the capturing of data were done. Two approaches to error checking were used so that errors that occurred during capture were corrected: examining the data set directly using the case summaries approach and running the procedure 'frequency', which produced a summary table of values for each variable. One approach could have been used but two were used to double-check the errors. The analysis provided the researcher with the information consolidations required in order to make the recommendations and conclusion in the final chapter, Chapter Six.

Neuman (2002: 314) describes data coding as a systematic reorganising of raw data into a format that is machine readable. Mouton and Marais (1996) refer to data analysis as the resolution of a complex into its parts.

Therefore the raw data collected was analysed into statistics or numbers that interpreted the results. Mouton and Marais (1996) describe two types of data analysis, i.e. deductive data analysis and inductive data analysis:

- **A deductive approach** is described by Nachmias and Nachmias (1987: 214) as implying "that the researcher begins with a conceptual definition, then specifies indicators of the behaviour to be observed and then standardises and validates the resulting instrument".

- **An inductive approach** is evident in several types of qualitative data analyses, especially in grounded theory (Strauss & Corbin, 1990). It is very similar to the general pattern of qualitative data analysis described by others (e.g. Miles & Huberman, 1994: 9; Pope *et al.*, 2000). Inductive approaches are intended to aid an understanding of meaning in complex data through the development of summary themes or categories from the raw data, in other words, by some technique of data reduction. These approaches are evident in many qualitative data analyses. Some (e.g. Backett & Davison, 1995; Stole *et al.,* 1999) have described their approach explicitly as 'inductive', while others (e.g. Jain & Ogden, 1999; Marshall, 1999) use the approach without giving it an explicit label.

## 4.4    DATA GATHERING/ DATA COLLECTION METHODS

Neuman (2002: 32) argues that there are valuable techniques that a researcher can use when collecting data for a quantitative study. These were discussed in Chapter One and depicted in Table 1.2.

For the purpose of this study a combination of quantitative and qualitative information was used in order to get a greater understanding of the research problem. Questionnaires, interviews and observation were used for this study.

### 4.4.1  QUESTIONNAIRES

Personal questionnaires were utilised. These provided the respondents with the opportunity to complete the questions without assistance from the researcher. In this way the researcher's contribution is kept to the absolute minimum to avoid bias during the completion process (De Vos *et al.*, 2002: 178).

The questionnaire approach is based on careful consideration of what the research needs to achieve. The results should assist in measuring the affect of mergers on former Smartcom employees as compared to management's expectations. The results will also examine the impact of mergers on employees in relation to age, race, and education level.

Nachmias and Nachmias (1987: 167) maintain that there are three basic types of question structure:

- Open-ended questions;
- Closed-option questions; and

- Contingency questions.

For the purpose of this study a semi-structured and open-ended questionnaire was distributed to former Smartcom employees to complete. Bell (1993: 76) states that questionnaires are a good way of collecting certain types of information quickly and relatively cost-effectively. The questionnaire in Appendix A was used before the interviews were conducted, in order to give participants an understanding of what was required of them. This also helped when interviews were conducted, as they could be introduced as a follow-up to get more clarification on the issues being studied. The questionnaire also served to obtain written artifacts directly from the participants.

The questionnaires were personally delivered to all the informants participating at Vodacom. The questionnaires were also handed to the executives who were responsible for the acquisition of Smartcom by Vodacom. A total of 45 questionnaires were sent to former Smartcom employees and 10 questionnaires were sent to Vodacom executives who were involved in the acquisition of Smartcom, for example Merger and acquisition department, Strategy department and HR development department. The questionnaires were all distributed on the same day. The researcher agreed with all the participants that the completed forms would be collected after 10 days. However, it took more than three weeks to collect some of the questionnaires, and some were not returned.  The relevant per centages are given in the applicable sections below.

For the purpose of this study, the Minnesota Satisfaction Questionnaire and Job-In-General methods were used to measure the level of satisfaction of Smartcom employees after they were moved to their new roles within Vodacom (See Appendix A and B).

### 4.4.1.1  Responses reported on the questionnaires

A total of 45 former Smartcom employees moved to Vodacom and questionnaires were sent to all of them. Overall, 96 per cent of these questionnaires were returned. The response is deemed to be acceptable. This is because two individuals resigned after the questionnaires were handed out and before they were returned. The researcher believes that the reason why all other participants were willing to assist or express their feelings and thoughts about the acquisition was mainly because there had not been any canvassing of their opinions since they had moved to Vodacom. They were willing to

participate because the study enquired into matters that affected them in many ways. In addition, the questions were very easy to answer and went straight to the point.
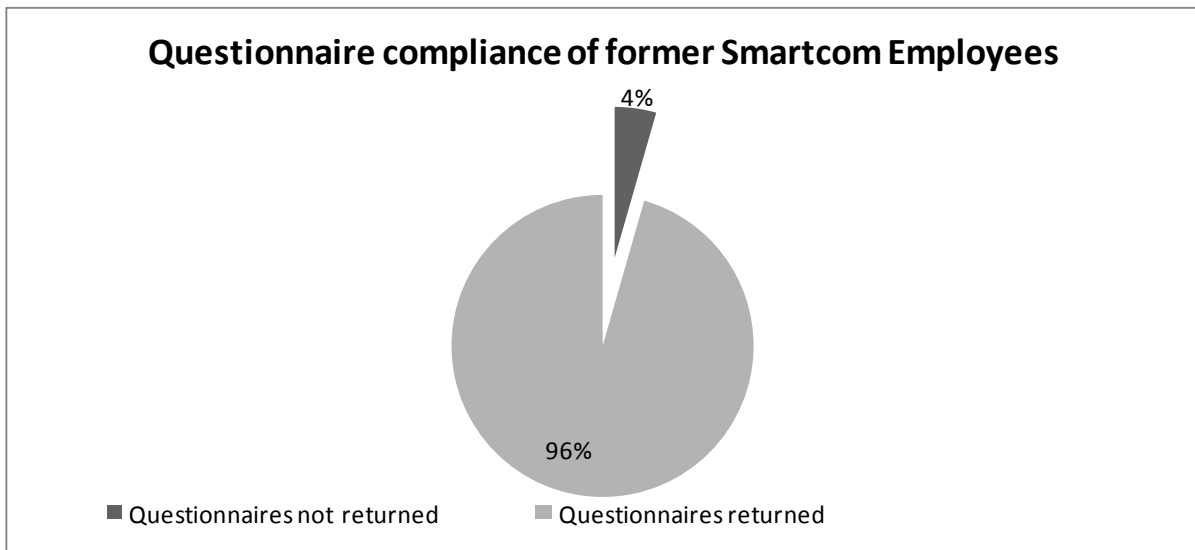


**Figure 4.1: Employees' response to the questionnaire**

Two questionnaires were sent to the participants. These are included as Appendix A and Appendix B. The first section of the questionnaire in Appendix A requested the following biographical information of the respondent: age, gender, and qualification. Table 4.1 shows the results of the respondents.

**(a)    Biographical Information**

The biographical information obtained from the questionnaire were the following:

**Table 4.1: Age of the respondents**

|  |  | Frequency | Per cent |
|---|---|---|---|
| Valid | 20-25 years | 8 | 18.6 |
|  | 26-30 years | 21 | 48.8 |
|  | 31-35 years | 7 | 16.3 |
|  | 36-40 years | 1 | 2.3 |
|  | 41-45 years | 6 | 14 |
|  | Total | 43 | 100.0 |

It seems that the majority of respondents were in the age group of 26-30 years, which comprises 48.8 per cent of the overall sample.

**Table 4.2: Gender of the respondents**

|  |  | Frequency | Per cent |
|---|---|---|---|
| Valid | Female | 21 | 48.8 |
|  | Male | 22 | 51.2 |
|  | Total | 43 | 100.0 |

There was a small majority (2.4 per cent) of men over women. Women comprised 48.8 per cent versus the 51.2 per cent men in the group.

**Table 4.3: Qualifications of the respondents**

|  |  | Frequency | Per cent |
|---|---|---|---|
| Valid | Matric | 22 | 51.2 |
|  | Studying towards a degree | 9 | 20.9 |
|  | Degree/Diploma | 7 | 16.3 |
|  | Post graduate | 5 | 11.6 |
|  | Total | 43 | 100.0 |

More that 51.2 per cent of the respondents only had a matric certificate. It was interesting to find that only 11.6 per cent of the respondents had a post-graduate degree or diploma. It was encouraging however to find that 20.9 per cent of the respondents were studying towards a degree or diploma.

**(b)    Job satisfaction**

As the researcher wanted to establish levels of job satisfaction, the respondents were asked questions with regard to the acquisition of Smartcom and their feelings when moved to Vodacom. Most of them became very emotional with the topic and the reason for that was that they believed that "the change was very quick and sudden" and not enough

planning was done for them to move to Vodacom head office. Most of the respondents said that, when they started at Vodacom, it was very difficult to adapt to the environment as they were coming from a culture they called 'family' and moving into a big organisation like Vodacom was very challenging for them. They also felt that they were sidelined by some of their co-workers and were still labelled as 'Smartcom employees' even though they now worked for Vodacom.  The reason for this was that not enough communication was used in the department to make it aware in advance that Smartcom employees would be joining it. Hence the resistance from the Vodacom people as they felt threatened.

**Table 4.4: Company policies and procedures**

|       |                   | Frequency | Per cent |
|-------|-------------------|-----------|----------|
| Valid | Very satisfied    | 1         | 2.3      |
|       | Satisfied         | 9         | 20.9     |
|       | Dissatisfied      | 16        | 37.2     |
|       | Very dissatisfied | 17        | 39.5     |
|       | Total             | 43        | 100.0    |

Even though the respondents felt that the process and procedures used by Vodacom are more complex than the ones that were used to do business at Smartcom, it was interesting to note that 23.2 per cent of the respondents were satisfied with the policies and procedures.

**Table 4.5: Work-related needs**

|       |                   | Frequency | Per cent |
|-------|-------------------|-----------|----------|
| Valid | Very satisfied    | 2         | 4.7      |
|       | Satisfied         | 9         | 20.9     |
|       | Dissatisfied      | 9         | 20.9     |
|       | Very dissatisfied | 23        | 53.5     |
|       | Total             | 43        | 100.0    |

Flexibility and responsibility were also issues, as they felt that there was too much red tape and procedures involved in getting things done at Vodacom. The majority of respondents showed that they were very dissatisfied with their work-related needs, such as responsibilities. The 53.5 per cent who were very dissatisfied represents a high number compared to the 4.7 per cent who were very satisfied.

The respondents were also asked to rate their current job using the different levels of satisfaction. Respondents were also asked to rate their attitude towards their job in general using the questionnaire in Appendix B.

Specific themes were used in the questionnaires to examine the levels of satisfaction. The results are shown in Table 4.6.

**Table 4.6: Themes used in the questionnaire**

| Factor examine the levels of satisfaction | Levels of satisfaction |
|---|---|
| Change | Low Level of Satisfaction |
| Work environment | Low Level of Satisfaction |
| Pay | High level of satisfaction |
| Recognition | Low Level of Satisfaction |
| Responsibility | Low Level of Satisfaction |
| Support from co-workers and management | Low Level of Satisfaction |
| Security | |
| Qualification | High level of satisfaction |

It was found that most members of former Smartcom management were satisfied with the change. The researcher found that this is because they were involved in the early stages of the acquisition. Plans about the acquisition were also communicated very well to them, so they were not as surprised as Level 5/6 employees who believed that the change was very sudden and had come with no warning. When management was asked the question about whether the change had any impact on their job satisfaction, they said 'not at all' and most of them were very happy with the change.

**Figure 4.2: Relationship between Smartcom acquisition and job satisfaction of former Smartcom employees working at Vodacom**

Even though they were earning more money than before, 30.7 per cent of management felt dissatisfied since they moved to Vodacom because they had been demoted to lower supervisory positions and they did not have the status they had in Smartcom.

Job security may also result in employee job dissatisfaction. When change occurs, it is human nature to feel threatened or uncertain about what may happen next. The most important element of job satisfaction, according to Khaleque and Chowdhury (1983: 48), is job security. One may also argue that culture, working environment, policies, procedures, pay, responsibility and roles are also crucial in job satisfaction. Refer to Figure 4.3 for the impact of each one of these factors, as was found in the study.

The results in Figure 4.3 reveal that in this case, culture also had a significant impact on employee job satisfaction. 62.8 per cent of the respondents were dissatisfied with the company culture. However culture was not the only driving force behind employees' dissatisfaction. Some respondents mentioned that the culture of Vodacom was very difficult to adapt to, especially when they were comfortable with a culture that they believed was like a family, and a flexible working environment.
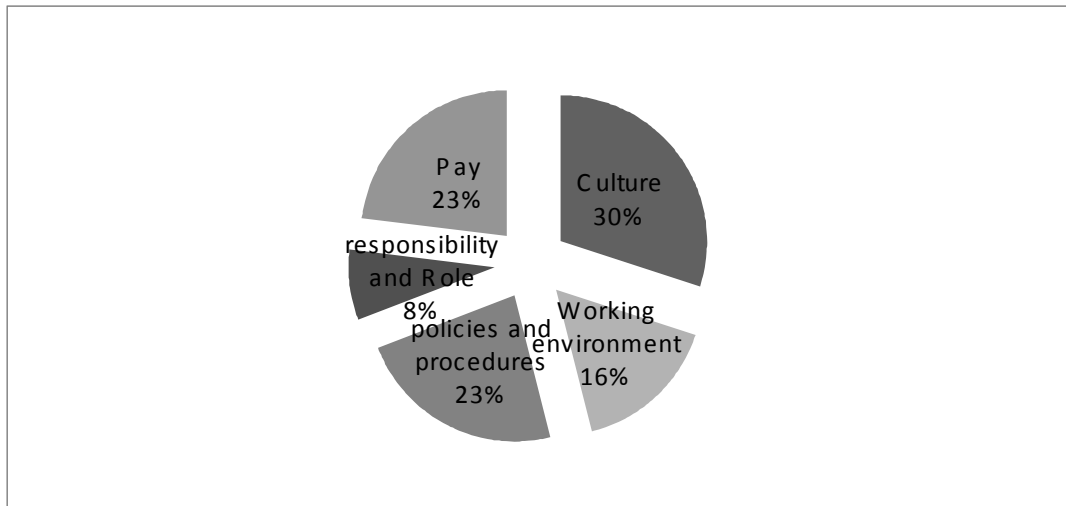
**Figure 4.3: Culture, working environment, policies, procedures, pay, responsibility and roles in relation to job satisfaction**

There were 37.2 per cent of the respondents who were satisfied with the new company culture. 62.8 per cent of the respondents agreed that, when they started working at Vodacom, there was a lot of uncertainty because the environment and the way things were done were very different. However they also believed that, if they were to become part of the Vodacom family, they needed to accept and adapt to the Vodacom culture.

**Table 4.7: Company culture**

|  |  | Frequency | Per cent |
|---|---|---|---|
| Valid | Satisfied | 16 | 37.2 |
|  | Dissatisfied | 13 | 30.2 |
|  | Very dissatisfied | 14 | 32.6 |
|  | Total | 43 | 100.0 |

**Table 4.8: New roles within the organisation**

|       |                   | Frequency | Per cent |
|-------|-------------------|-----------|----------|
| Valid | Very satisfied    | 3         | 7.0      |
|       | Satisfied         | 7         | 16.3     |
|       | Dissatisfied      | 14        | 32.6     |
|       | Very dissatisfied | 19        | 44.2     |
|       | Total             | 43        | 100.0    |

Overall, respondents were dissatisfied with their new roles within the company. Only 23.3 per cent of the respondents were satisfied with their new roles. These employees also expressed the need to sustain or retain their current positions. This was however not the case with the remaining 76.8 per cent of the respondents who were not happy with their current roles. It seems that employees who cannot meet their expectations through their jobs are more likely to be dissatisfied, and this may have a negative impact on the organisation.

An unhappy employee is not a productive employee, and can cause negative energy within a team and an organisation as a whole. Therefore situations like this should be avoided, and management may need to intervene to ensure that the issue is resolved.

**Table 4.9: Management support within the department**

|       |                   | Frequency | Per cent |
|-------|-------------------|-----------|----------|
| Valid | Satisfied         | 7         | 16.3     |
|       | Dissatisfied      | 23        | 53.5     |
|       | Very dissatisfied | 13        | 30.2     |
|       | Total             | 43        | 100.0    |

53.5 per cent of the respondents were dissatisfied and a further 30.2 per cent were very dissatisfied with the support from the managers. Management support is needed when new employees join the company, they need to know that they are appreciated and valued as part of the company. It was found that management support was sometimes lacking as they saw the newcomers as threats to their current positions.

**Table 4.10: Available resources to perform your job**

|  |  | Frequency | Per cent |
|---|---|---|---|
| Valid | Very satisfied | 1 | 2.3 |
|  | Satisfied | 10 | 23.3 |
|  | Dissatisfied | 16 | 37.2 |
|  | Very dissatisfied | 16 | 37.2 |
|  | Total | 43 | 100.0 |

An overwhelming 74.4 per cent of the respondents were dissatisfied with the resources available to them to perform their jobs. This can also be validated as one of the resources are support from management and as stated in Table 4.9, more than 80 per cent of respondents were not happy with the management support.

**Table 4.11: Remuneration**

|  |  | Frequency | Per cent |
|---|---|---|---|
| Valid | Very satisfied | 8 | 18.6 |
|  | Satisfied | 18 | 41.9 |
|  | Dissatisfied | 13 | 30.2 |
|  | Very dissatisfied | 4 | 9.3 |
|  | Total | 43 | 100.0 |

It was interesting to find that the majority of the respondents were satisfied with their pay; however, they were still not satisfied with their job in general. An overall 60.5 per cent of respondents were happy with their pay.
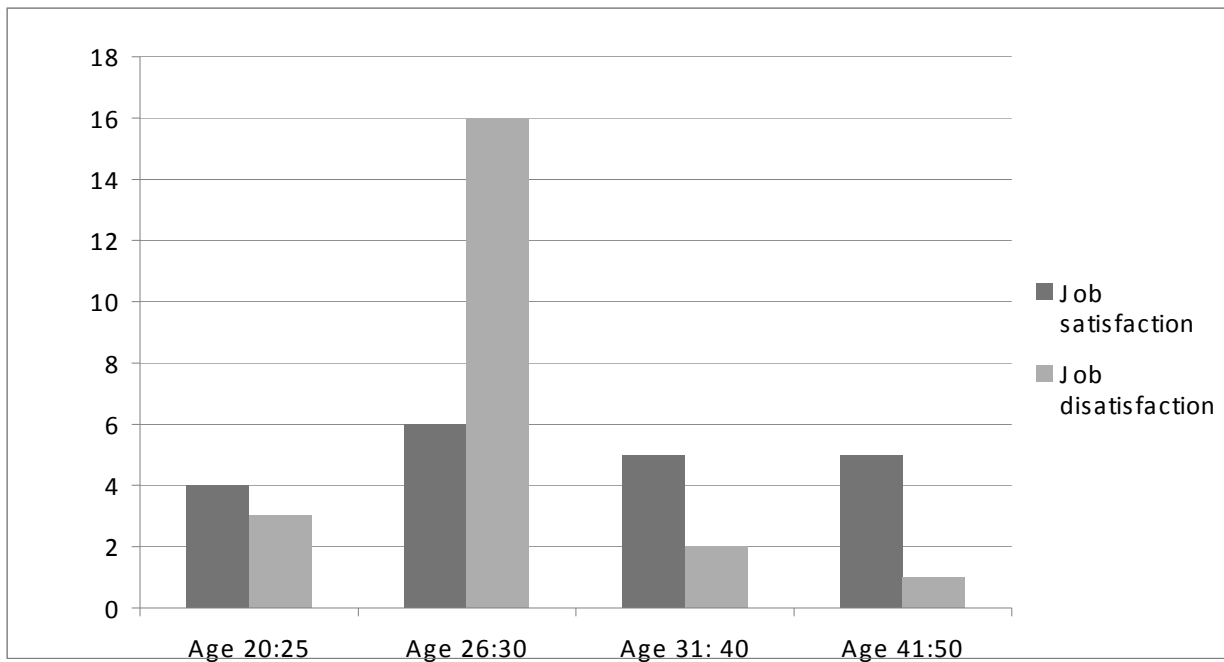
**Figure 4.4: Age in relation to job satisfaction**

The results of the study showed that older workers were more likely to stay in their current jobs compared to the younger ones. They were more likely to accept 'the way things are' as they have no choice but to stay with Vodacom. The older respondents had a similar understanding of their current life or career situation and they seemed to agree that when people get older, they are more aware of the choices that they make, and are more likely to stay with the company because they have more responsibility and not because they are happy. These results suggest that younger employees are not happy and are more likely to leave the company. This may be because some of them felt that they deserved higher positions than those they were offered. Kruger *et al.* (1996: 13) argued that people/ employees above 40 years, showed more stability in their work behaviour than those younger than 40 years of age. This shows that employees who are younger tend to find other career opportunities when they realise that their current environment is threatened.

According to Kuntz *et al.* (1990: 223), research that concentrates on the relationship between job satisfaction and education can have inconsistent results. However, Quinn and Mandilovitch (1975: 39) have a different view, as they argue that there is a relationship between job satisfaction and education.

Many of the respondents in this study are studying further in order to pursue opportunities available within Vodacom. It was concluded from the outcomes of the questionnaires with

the respondents that some did not see the need to study after they received a job at Smartcom; others wanted to further their studies, but lacked funds to pursue their studies. They also expressed the view that Vodacom gives them the opportunity to study further and this may allow them to apply for the job they always wanted, as most of them are in departments that they don't want to pursue as a career.
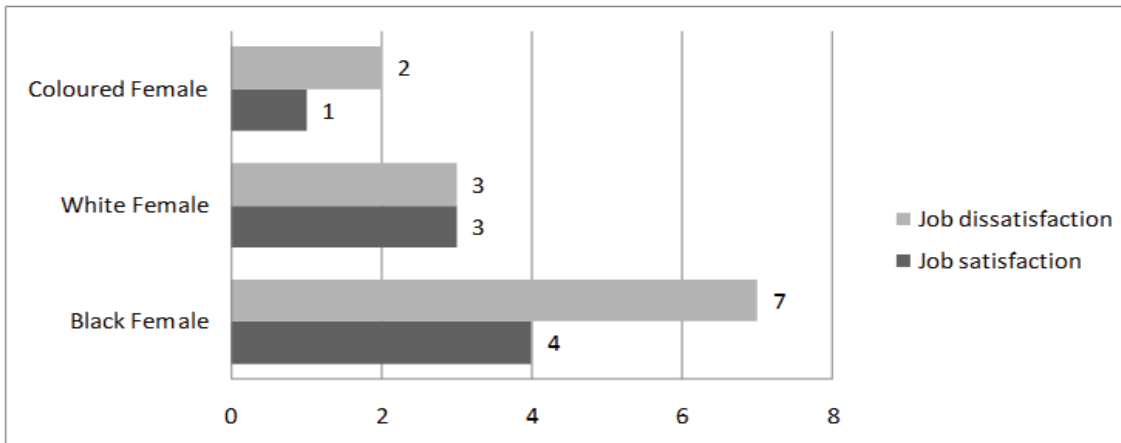


**Figure 4.5: Race and gender in relation to job satisfaction (Female employees)**

From these results, it would seem that, among the former Smartcom employees, whites are happier with their jobs than are blacks, who feel inferior by the positions they hold within the company. Males were happier with their jobs, mainly because the unequal treatment in the workplace results in women being dissatisfied with their jobs.
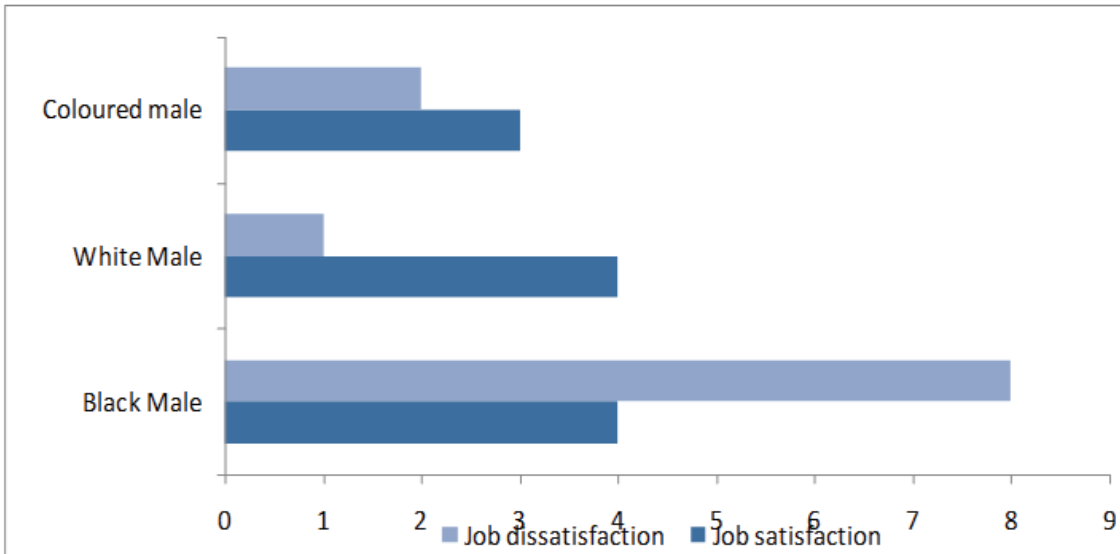
**Figure 4.6: Race and gender in relation to job satisfaction (Male employees)**

These results show that white males are more satisfied with their jobs than black males. However female employees seem to have similar feelings with regards to their level of job satisfaction.

### 4.4.2 INTERVIEWS

#### 4.4.2.1 Interviews with the former Smartcom employees

Interview is the second method of data gathering employed for this study. See Appendix D for the guidelines used to maintain standardisation for the specific questions that were asked during the interviews. All respondents were asked the same questions, which allowed open-ended responses so as to give respondents the opportunity to elaborate and also to give them the freedom to express themselves during the interview.

Babbie (1999: 234) describes an interview as a data-collection encounter in which one person (an interviewer) asks questions and the other person (a respondent) responds. It may be conducted face-to-face or by telephone. According to Merriam (1998: 71), the main purpose of an interview is to obtain a special kind of information. For Kvale (in Sewell 2001: 1), qualitative interviews are "attempts to understand the world from the participant's point of view, to unfold the meaning of people's experiences and to uncover their lived world prior to scientific explanations".

Interviews were suitable for the type of study being undertaken here; they give the researcher an opportunity to interact with the participants in the study. The researcher was able to gather information directly from the people who were part of the company acquisition, which is to say former Smartcom employees and executives involved in the acquisition.

The researcher structured the questions in order to standardise the interviews. It was sometimes hard to ignore other directions when the responses led to unexpected issues experienced by employees that were not covered by the structured questions. Therefore, a combination of structured and unstructured questions (open-ended questions) was used, because this gives a high degree of objectivity while still allowing the subjects to give their own view (even though by means of probing) and enlarges understanding of the topic.

According to Marshall and Rossman (1999: 82), interviews allow a researcher to understand the meanings people hold for their everyday activities. This gives the researcher an opportunity to collect the data needed without wasting too much time.

A total of ten employees were interviewed in order to get some understanding or clarity on the questionnaire responses received from them.

After a day spent interviewing the respondents, the researcher noted the following:

- The acquisition was communicated to the employees, but this communication had not been clear.
- The move was very quick and they were not prepared for it. Their customers were also not prepared for the sudden change.
- They were concerned that only a one-day orientation was provided, which in essence was not sufficient for them.
- They were not happy with the way the implementation was handled.
- There was very little involvement of HR and other relevant managers.
- There was a lack of communication from HR with regard to issues that were raised by employees.
- Some employees feel uncertain and threatened about the new environment.
- They suffered from lack of support from colleagues with regard to practices such as systems implementations.

These findings will be discussed and analysed in detail in the Chapter Five as there is a need to understand whether the findings uncover the research problem.

### 4.4.2.2 Interviews with the management

Interviews with senior managers and executives were conducted in order to get an understanding of the strategy behind the acquisition and, most importantly, the change management intervention for employees who moved to Vodacom. The researcher used unstructured questions with the intention of allowing management to respond in some depth to the questions.

From the responses obtained from managers who were responsible for the acquisition of Smartcom, the researcher noted the following:

- The strategy was very simple: to consolidate all Vodacom subscribers by buying them from the service provider. This was because it made strategic sense for Vodacom to acquire a niche market in order to be more competitive.

- A fundamental evaluation was carried out to assess if the deal to buy the subscriber base was reasonable.

- The deal structures were processed legally and thoroughly, financial structures were thoroughly integrated, and other post-implementation interventions were carried out. However, it did not seem as if enough effort had been made with regards to employees, nor enough done with regard to the post-implementation interventions.

- The use of an external consultant could have been vital, as the team would have gained from independent thinking by someone who did not work for the company. This was however not done for this acquisition, as it was believed that all the information needed was available within the company.

- It is crucial to buy businesses that fit with the company's strategy.

- The culture fit of the employees is very important, as getting this wrong may destroy the success of an acquisition.

- There is a need for management or leadership who understand change in the context of culture in order to manage employees successfully.

- Failure to manage change in the context of culture may result in very destructive behaviour on the part of employees.

Interviews and questionnaires were used as primary methods of collecting data, but the researcher acknowledges that there are limits to what one can learn through what

participants say. Therefore interviews were used in conjunction with observation in order to strengthen the data collection.

### 4.4.3 OBSERVATION

Observation is defined by Merriam (1998: 87) as collecting data by means of observing phenomena of interest in natural settings. Observation is the third method of data gathering employed for this study. Participants were observed while they were busy performing their duties and responsibilities in their respective departments.

The main purpose in using observation as another method of collecting data was to enable the researcher to understand the relationship between change and job satisfaction. Observation makes it possible to study behaviour as it occurs, and also allows the behaviour to be studied in its natural setting. Observation was easy because the researcher works for the company being studied and had a good chance of accessing the participants at all times.

Babbie (1999: 237) argues that "with observations, people know that you are watching them. The only danger is that they are reacting to you. This may raise concern that individuals will change their actions rather than showing you what they're REALLY like".

However, Cohen and Manion (1989: 129) have criticised the observation technique. They argue that "the accounts that typically emerge from participant observation are often described as subjective, biased, impressionistic, idiosyncratic and lacking in the precise quantifiable measures that are the hallmark of survey research and experimentation". The researcher took note of this warning and tried to be as objective as possible.

Merriam (1998: 87) refers to collecting data by means of observing phenomena of interest in natural settings. Silverman (1993: 11) further posits that this method of data collection is fundamental to qualitative research. It has its aims to "gather first-hand information about social processes in a 'naturally occurring' context". Through observation, the researcher learns about behaviours and the meaning attached to those behaviours. An assumption is made that behaviour is purposive and expressive of deeper values and beliefs (Marshall & Rossman, 1999: 79). The data collected during the observation process will be discussed in detail in Chapter Five.

According to McMillan and Schumacher (1993: 257) observation can be recorded in five different ways:

- **Duration recording:** the length of time the behaviour lasts;
- **Frequency count recording:** the frequency with which the behaviour occurs;
- **Interval recording:** a single subject is observed and record of the behaviour is made when it occurs or does not occur;
- **Continuous observation:** a brief description of the behaviour is identified over an extended period;
- **Time sample:** a time period/schedule used to observe a particular kind of behaviour.

Merriam (1998: 100) identifies four roles that a researcher can assume while collecting information as an observer. The roles are as follows:

- **Complete participant:** the researcher becomes a member of the group being studied and conceals his or her observer role from the group as not to disrupt the natural activity of the group.
- **Participant as observer:** the researcher's observer activities are known to the group and the role of observer of the group is subordinate to the researcher's role as a participant.
- **Observer as participant:** the researcher's observer activities are known to the group and participation in the group is definitely secondary to the role of information gatherer.
- **Complete observer:** the researcher is either hidden from the group or in a completely public setting such as an airport or library.

In this study, the researcher assumed the role of observer as participant; this was because the researcher works for the company and also works with some of the participants of the study. The researcher had the opportunity to observe the natural behaviour of the participants because access was granted to participate and work with them. It was found that in most situations some participants reacted or behaved differently as soon as they saw the observer at their department.

The themes that the researcher was looking for during the data gathering process for this study included:

- The rationale and strategy for the acquisition of Smartcom by Vodacom;
- The impact of change on employees;

- The relation between job dissatisfaction and change caused by the acquisition;
- Other variables of job satisfaction, such as pay and working conditions, in order to find the real or alternative reasons for employee job dissatisfaction;
- Post-merger intervention strategy, to understand its success and failure.
- Performance, the overall company performance.

The general findings of the inquiry will be discussed in Chapter Five.

De Vos *et al.* (2002) further argue that, in conducting data analysis after data collection, the researcher should make use of a combination of the methodological tools to ensure the study's trustworthiness, and that the results are validated and reliable.

## 4.5    THE TRUSTWORTHINESS OF THE RESEARCH

According to Cooper and Schindler (2003: 231) the following are the characteristics of a good measuring tool:

- **Validity:** the extent to which a test measures what it is actually intended to measure.
- **Reliability:** the accuracy of the measurement procedures.  The reliability of the data we collect must, of course, be an important consideration, since if the data we use is not reliable, then the conclusions we draw on the basis of such data are going to be fairly useless.
- **Practicality:** multiple factors ranging from convenience, interpretability, and how the research conducted will bring benefit.

## 4.6  SUMMARY

In this chapter the following were discussed:
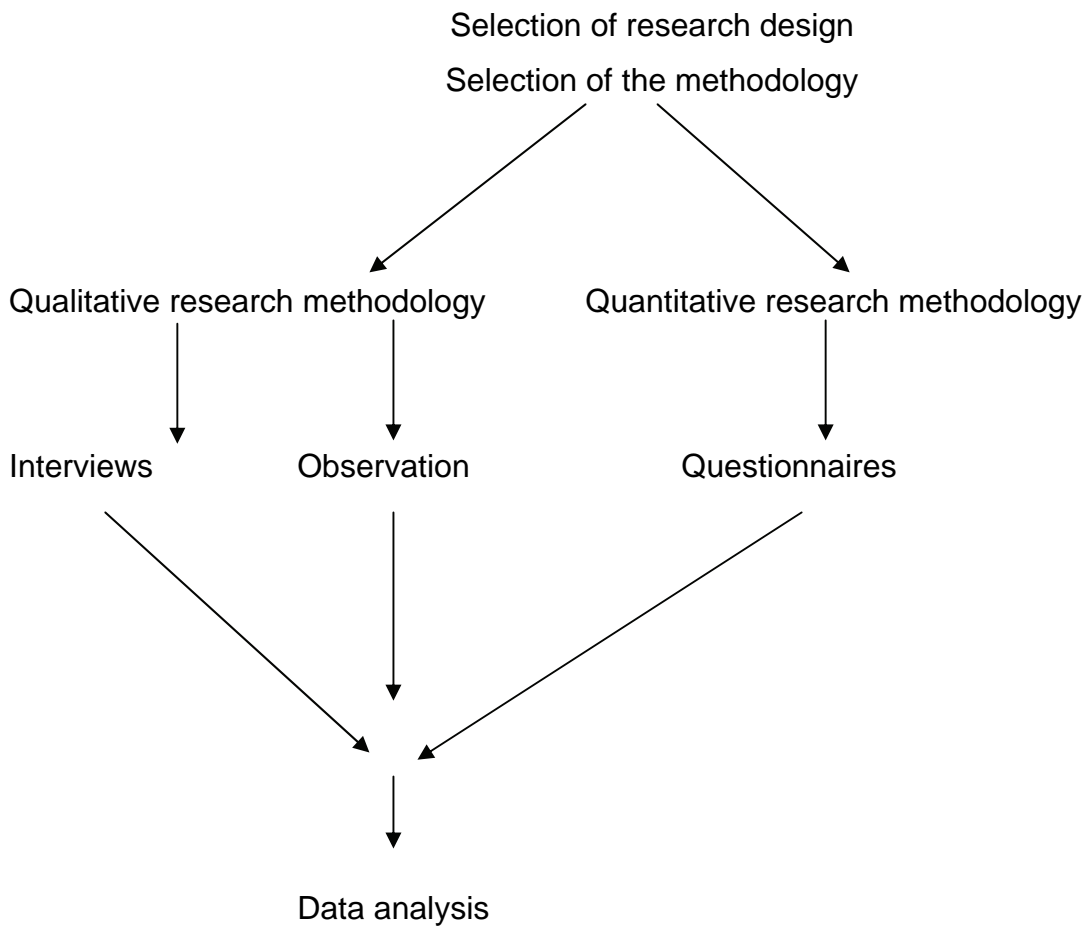


**Figure 4.7: Chapter format**

Thus integrated within this theoretical framework, this chapter has aimed to explicate the systematic process of data compilation, followed from its initial gathering, through its analysis, to the consolidation of the final empirical findings, all of which were presented by means of example and summary. These findings will be discussed in Chapter Five.

# CHAPTER 5

# INTERPRETATION OF THE RESULTS

## 5.1   INTRODUCTION

This chapter presents research interpretation of the results of the study. It is divided into three sections: Section 5.2 provides the summary of the research findings and conclusions, and was drawn from the research findings of the study. Section 5.3 includes the interpretation of the results and Section 5.4 provides the conclusion

## 5.2   SUMMARY OF THE RESEARCH FINDINGS

## 5.2.1  FINDINGS GATHERED FROM FORMER SMARTCOM EMPLOYEES

The findings from the study can be summarised as follows:

**(a)   Communication was not clear**

The acquisition of Smartcom by Vodacom was communicated to these employees, but it was not communicated clearly. Therefore there was a lot of confusion and uncertainty among former Smartcom employees regarding their new role at Vodacom. Most mergers and acquisitions fail, not because the change was not communicated, but because the right channels fail to communicate the change clearly to employees most affected by it.

This was evident from several quotations from interviews that illustrate that there was a communication breakdown with regards to roles and responsibilities of the respondents. Some example of comments in this regards were:

RESPONDENT 2: "I was so unhappy because we did not have a defined role. When we got to our department we were told that we will be doing retentions of customers. The next day we were told that we will rotate every month and do different roles".

RESPONDENT 6: "When I got to Vodacom, I was told that you are not going to move to other divisions, you will keep doing what you were doing. What was the point of moving because we thought that now that we are in a big organisation we will have opportunities of moving to the other divisions. I was not sure about the new environment but I thought I will give it a chance and see what transpires".

RESPONDENT 7: "I was not sure of what I was supposed to do when I started in the retentions department. I was very unhappy when I started. Every three months my roles and responsibilities changed. When they told us that we are moving to Vodacom high

expectations were raised however when we really moved to Vodacom emotions were high as expectations were not met".

### (b)   Quick and sudden change

The employees felt that the change was very quick and sudden; it was done with no warning. Existing Vodacom employees also did not expect people to join them so suddenly, and some of Vodacom employees were not even aware of the acquisition of Smartcom.

RESPONDENT 10: "It was very quickly and sudden – a thing that was done very quickly with no warning. Vodacom employees did not expect people to join us and I am not happy with what I am doing, not enough responsibilities".

RESPONDENT 5: "My manager looks like they were really not expecting me, no computer, no desk absolutely nothing. I was miserable for some time and I thought if I can get an offer somewhere else I am leaving this company for good. I had new colleagues, new manager whom I did not really connect with as they also sidelined with each other and when I make a suggestion, they just look at me. I am not happy. Are you hiring in your department?".

### (c)   Relocation issues

Most employees were able to adapt to the new environment and believed that the first five months were the most difficult, as they had to relocate from Rosebank to Midrand, move to the new department, learn new policies and procedures and build new working relationships.

### (d)   Opportunities

Most respondents believed that there were more opportunities within Vodacom because it is a big organisation compared to a small organisation such Smartcom.

**(e) New roles and responsibilities**

The environment at Smartcom was a small autocratic organisation. Because it was relatively small, there was no clear defined delegation of responsibilities. When respondents were asked what their previous roles were, they could not give clear answers; it was an "I used to do everything" type of an environment. Yet when these people moved to Vodacom, they were expected to do the job they specialised in.

**(f) Excessive reporting and scheduling**

These employees felt that at Vodacom there is too much reporting required, e.g. weekly sales / finance reports, and this is something that they were not used to. Individuals working at the call centre mentioned that they did not like the fact that simple things, such as when to take lunch, are scheduled for them.

**(g) Policies and procedures**

Policies and procedures are not very effective as there is a lot of red tape and no flexibility. Some respondents suggested that managers hide behind the policies when they fear that they might be challenged by employees.

**(h) Varying levels of independence**

Employees who work for the call centre, retention and credit controller's department feel that there is no independence within their department. On the other hand, employees in the sales and finance department feel that they are given the chance by their management to be more independent. In general, however, all respondents expressed that:

- There was not enough support from HR during the change intervention; and
- Not enough job responsibility had been given to them.

**(i) Lack of management support**

Respondents felt a lack of management support. This is because only a few agreed that management had assisted them to adjust to the new environment. Most agreed and said that management had given no support and lacked understanding of what interventions to implement for their employees.

**(j)   Post-merger implementation was not done properly**

Employees were given only one day of orientation, and orientation was not done properly. They agreed that it was not enough to know and understand a huge and diverse organisation like Vodacom. No training was given on the systems that are used, and they felt therefore that not enough was done with regard to implementation of the right training interventions and induction programme.

**(k)   No longer a family**

Most respondent said that it was very difficult to build relationships within Vodacom as it seemed to possess a culture of every man for himself. To transfer from a family environment to this big company had been very difficult and it was still very difficult for some of them.

**(l)   Adapting to the new Vodacom culture**

The respondents acknowledged that the culture of Vodacom is very strong and very difficult to adapt to; however they respected the culture so much that most of them were willing to adopt the Vodacom culture.
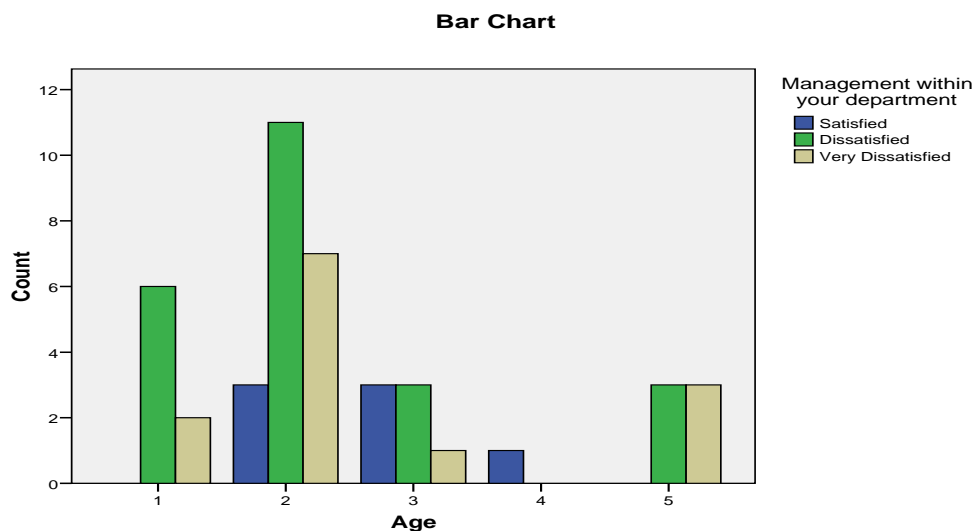


**Figure 5.1: Culture in relation to age**

Cross-tabulations reveal significant differences for the respondents of different ages in their rating of this item (Chi-Square = 21.051; $p < 0.05$; Cramer's V = .007). This might provide evidence that the younger generation tends to be dissatisfied by culture as

compared to the older generation who is more willing to adhere to the culture. This can be clearly seen in Figure 5.1.

This becomes more evident when one compares the younger groups who were dissatisfied with the company culture. It was found that 52.3 per cent of the younger age group was dissatisfied with the company culture, yet even though the older generation is dissatisfied, they expressed that they would rather work on acknowledging and accepting the culture as it has been like that for many years. It is to their best interest to adopt rather than resisting the new culture.

It is interesting to find that 66.7 per cent of respondents between the age of 40 and 50 years of age said they don't like their current job. As per the Mayo Clinic (2005: 1-4), Generation X-ers are technologically savvy, hence Baby Boomers just want a stable job. This shows that from generation to generation, when comparing older people with younger ones, it is found that younger people who were born in the information and computer age are able to adopt to change much better as telecommunication changes over the years.

It was noted that female respondents were more dissatisfied compared to the male respondents. This was evident as the cross-tabulations reveal significant differences in their rating of this item (Chi-Square = 6.845; $p < 0.05$; Cramer's V = .007). More female respondents agreed that there is a lack of management support.

This was also supported by the results in Figure 5.2, which shows that female respondents are not happy with the policies and procedures in place within the respective divisions (Chi-Square = 7.955, $p < 0.05$, Cramer's V = .047).

**Bar Chart**
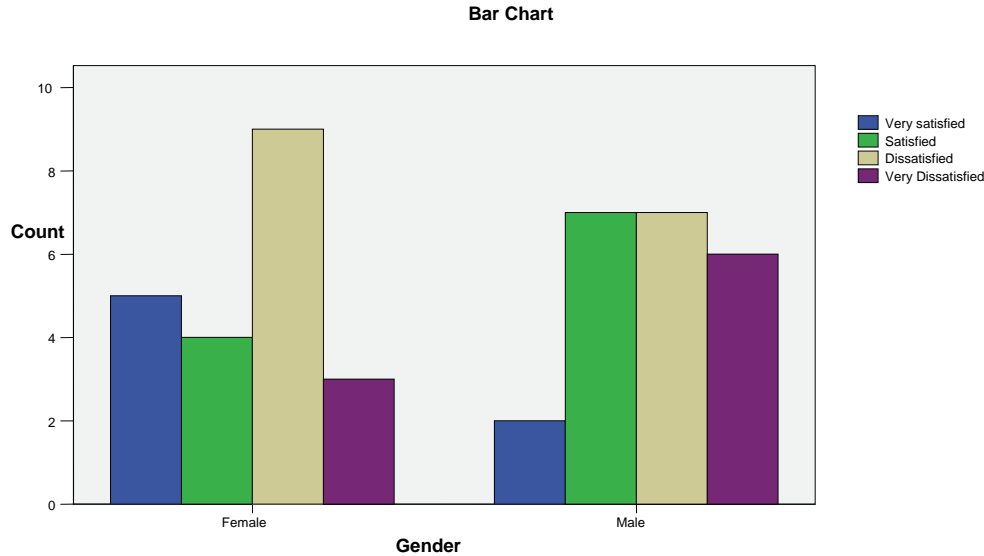


**Figure 5.2: Gender: company policies and procedures**

**(m) Remuneration sufficient**

In terms of remuneration, it seems that the Human Resources department did an adequate job as only a few respondents complained about their salary. In reality, of course, no one will ever be happy with what they earn; however respondents were satisfied with the little that they were getting. The only problem reported was about the travelling allowance, but it seemed that HR had sorted that out. Employees were not happy that they had not been given phantom shares as was agreed during the signing of the agreement.

It was found that female respondents were 38.1 per cent of the respondents were not happy with their remuneration, this was disregarded as it had no significance to the study (Chi-Square = 6.228, $p< 0.05$, Cramer's V = .101).

**(n) Adjustment to the new environment**

It was found that employees' adjustment to the new environment is very crucial. Individuals find recognition in and identify themselves with a group and when a group is changed then some individuals loses their sense of identity. Therefore it is important that an individual feels welcomed by the new team or group of people that he/she will be working with. Most respondents were not happy with the way they had been treated by their colleagues; they were still regarded as 'Smartcom employees' even though they had become employees of Vodacom. Former Smartcom employees felt that one of the reasons why they were not accepted was because some Vodacom employees felt threatened by them. Uncertainty

and fear also had an impact on employees' resistance to change and on employee job satisfaction.

### (o) Lack of respect

When employees were asked how they felt about their colleagues, most of them felt that there is no respect and management treat them with little respect. "I have been told that when I go away from my desk for any reason I need to inform my manager. They treat us like we are kids". Former Smartcom employees felt that there was a lack of respect of the former Smartcom employees by their new colleagues.

### (p) Low job satisfaction

Employees were generally not satisfied with the jobs that they were currently doing. This was mainly because they were placed in positions that they did not want. Only a few respondents were happy with what they were currently doing. Another problem was that most of the respondents were not qualified to get the higher positions that were available within the company, because a university or college degree is required for those positions.

### 5.2.2  FINDINGS GATHERED FROM MANAGEMENT THAT WERE INVOLVED WITH THE ACQUISITION

(a)  The strategic decision by management to acquire Smartcom was made for these main reasons:

- Smartcom had a niche focus and ability to innovate;
- Vodacom could gain access to a larger client base and the innovative value added to products and services;
- Smartcom was a small company and was able to capture market segments that Vodacom was not able to penetrate because of its size, geographical location, policies and procedures.

(b)  It made strategic sense for Vodacom to buy their customer base from Smartcom in order to have control over their customers and minimise the risk of losing customers to a competitor.

(c)  It is believed that the strategic values, work values and ethical values were clearly and effectively communicated and presented to employees.

(d)  They have the idea that they know the reality and complexity of making a rational decision as far as acquisitions are concerned.

(e)  During the first stages of researching and reporting on Smartcom, they used predictions about what would happen.

(f)  According to the executives who were involved with the acquisition, they believed that a fundamental evaluation and research was done concerning Smartcom.

(g)  The managers from different departments were involved from the beginning in order to ensure better post-merger integration.

When there is an acquisition of another company, due diligence needs to be applied, as no degree of post-merger integration can undo harm already done, and this may result in a failed merger or acquisition. Hence the notion of 'people' in mergers or acquisitions needs to be carefully considered. When mergers and acquisitions occur, plenty of attention is paid to the legal and the finance side, but the human side is taken for granted. In some acquisitions the 'bottom line' seems to be the main focus, and less is done about the people. In this case this was not immune. Management from different department were involved in the implementation of this change. However in some cases management find themselves making decisions about employees or organisational future without knowing if this will succeed or fail.

According to Bernstein (1996: 204), people today rely less on superstition and tradition than people did in the past. This is not because we are more rational, but because our understanding of risk enables us to make decisions in a rational mode. In the past people made decisions driven by instinct and now people use mathematics to predict the future stock market.

(h)  Human Resources identified those departments that would not be moved to Vodacom, e.g. Information Technology, HR and Finance, as Vodacom already had its own specialists in these departments.

(i)  Guidelines were used in selecting the people who would move to Vodacom. The respective departments in which they were to be placed were identified. Interviews were conducted and individuals were selected according to their current position, experience, qualifications and career development.

(j)  It was found that management's perception was that the former Smartcom employees were placed in similar roles to the roles they had while at Smartcom. However employees had a different take on this as most of them were not satisfied with their jobs, roles and responsibilities. Most of them were not placed in the same role, some

employees had supervisor and management positions at Smartcom and when placed at Vodacom they were given level 5/6 positions, hence given more in terms of remuneration.

(k) Management is aware that more attention is given to the 'bottom line' and less is given to the people. The reason for this is because management have to answer to the shareholders on the 'bottom line', hence forgetting that it is the people who make Vodacom.

(l) Management also considers that 'culture fit' is crucial to a successful acquisition, therefore they always aim to buy a business that fits with the company strategy, and they also believe that, if culture is not carefully considered, it may cause destruction.

(m) They also believe that management plays a crucial role in helping employees to adopt and adjust to change and a new culture, and if there is a lack of leadership skills, this may results in destructive behaviour.


## 5.3 INTERPRETATION OF THE RESULTS IN RELATION TO THE RESEARCH QUESTION

Locke (1976:1297) has defined job satisfaction as "a pleasurable feeling that results from the perception that one's job fulfils or allows for the fulfilment of one's important job values".


This can also be related to the response that employees have to their jobs once they realise that they do not fulfil their important values. The exploration of job satisfaction therefore focuses on employees' attitudes to their jobs.  Accordingly, when employees are not satisfied about their jobs, this may result in negative attitudes that may hinder employees' performance.


Robbins (1997: 45) concentrates on those aspects that determine job satisfaction:

- Mentally challenging work;
- Equitable rewards;
- Supportive colleagues;
- Supportive working condition; and
- Personality job-fit.


**Hypothesis 1** states that "the acquisition of Smartcom by Vodacom is the main contributing factor to employee dissatisfaction".

It was then concluded that, even though the acquisition of Smartcom by Vodacom was not the main reason why employees were dissatisfied, it has some relation to employee dissatisfaction. Therefore the first hypothesis of the research was not relevant to the problems encountered during the handover.

**Hypothesis 2** states that "companies are more interested in the strategic and financial impacts during mergers than in how employee job satisfaction is affected".

It was also found that there is a relation between Hypothesis 1 and Hypothesis 2, as the process and the management of the acquisition played a significant role in employee dissatisfaction. It became very clear that management played a fundamental role in the implementation of the acquisition of Smartcom in a way that ensured that employees were more likely to be dissatisfied.

Such an outcome is predicted in the theory of Smith and Cronje (2002), who suggest that employees resist change because of the following reasons:

- Threatened self interest;
- Threatened security;
- Uncertainty;
- Lack of trust;
- Misunderstanding;
- Different perceptions; and
- Low tolerance for change.

Conversely, if the process is managed well, employees will embrace change. As discussed in Chapter Two, attention to the 'people' or human factor is very crucial in making an acquisition a success or a failure. According to Marosini and Steger (2004: 161) "it is in fact very hard to find acquisitions where people issues do not matter". Therefore it is imperative that, when an acquisition is made, management makes sure that the employees' work environment is manageable.

In this study it was found that executives were more concerned about the bottom line than the human factors of the acquisition. It is important for executive to worry about whether or not they will make financial success of an acquisition as they will have invested enormous

amount of money. However, the success of any company is determined by its people; if people are not happy, then the company will not survive.

**Hypothesis 3** states that "companies are more interested on the strategic and financial impacts of mergers rather than human factors such as employee job satisfaction". (Using Vodacom as a case study for this Hypothesis). Even though there was some concern about employees moving to Vodacom, it was found that more focus was placed on the due diligence, business case and legal compliance of the acquisition rather than on the people affected by it. It was also found that management believed that enough was done to make sure that the process went smoothly for the employees. However, employees felt differently about the involvement of management.

## 5.4    CONCLUSION

In conclusion, the results can be considered reliable as the literature in Chapter Two provided authentication of the findings. These results are also reliable because different methods of collecting data were used in order to get a greater understanding of the research question. Of course, the limitation of not having time series data or other comparative data from similar processes in other circumstances, as noted in the introductory chapter, plays a role in the level of confidence we have in the analysis. In that sense, we can only offer what is possible within the limitations of this study. It is possible that other reasons for the dynamics of job satisfaction that we have reported, exist and that the respondents were misconstruing or strategically managing their responses on the issue of job satisfaction in relation to the acquisition. It could be that job satisfaction before the acquisition was very similar to job satisfaction after the acquisition. It is similarly possible that other organisations going through the same processes and with similar lack of attention by management to the people dimensions of integration of two organisations do not see a negative effect on job satisfaction. For us to be able to generalise the results, such studies have to be found or conducted.

However, in its own terms, the findings of this study demonstrate that there was an impact of the acquisitions on employee's job satisfaction. The factors causing job dissatisfactions vary from leadership style, recognition, to environment. Chapter Six covers some recommendations as a guideline for mergers and acquisitions, recommendations for further studies, limitations to the study and concluding remarks.

# CHAPTER 6

# CONCLUSIONS AND RECOMMENDATIONS

## 6.1 INTRODUCTION

This study has attempted to answer the research question posed in Chapter One. This chapter aims to present the recommendations and the conclusion of the study. The consolidated data of recommendations will be interpreted against the background of the existing theoretical framework. Chapter Six will also look at recommendations for future studies and limitations that were encountered during the research process. The conclusion will also be drawn through a discussion of the findings.

## 6.2 CONCLUSION TO THE STUDY

Key issues relating to mergers and acquisitions have been analysed. The relationships between company acquisition and job satisfaction were explored, using former Smartcom employees now working for Vodacom as a sample and case study.

The researcher investigated this question through three types of gathering data, namely questionnaires, interviews and observation. It was important to use different methods of gathering information because there are some questions that can only be answered through discussion (JIG, 1979: 609). According to Babbie and Mouton (2002: 277), triangulation is a powerful strategy for enhancing the quality of research.

The researcher started the research with the view that the acquisition is the major cause of employees' dissatisfaction. The study raised certain pertinent questions in Chapter One, leading to certain hypotheses. Therefore the study attempted to find out if the hypotheses could be supported:

In the beginning of the research the hypothesis was broken down into three:
1. Acquisition is the primary reason for a high level of employee job dissatisfaction.
2. Companies are more interested in the strategic and financial impacts of mergers rather than in human factors such as employee job satisfaction.
3. If there is an acquisition that is not managed with careful attention to employee satisfaction within the company, employees are more likely to be dissatisfied about their job.

An investigation had to be done on these hypotheses as there was a problem within the organisation after the acquisition. Therefore the aim of the study was to understand the relationship between the acquisition of Smartcom by Vodacom and employees' job satisfaction.

**HYPOTHESIS 1:** The acquisition of Smartcom by Vodacom is the main contributing factor to employee dissatisfaction.

**Hypothesis one is confirmed:** change did cause some dissatisfaction. However, there are other factors that also contributed to job dissatisfaction, such as working environment, role, responsibilities, flexibility of culture and leadership support.

**HYPOTHESIS 2:** Companies are more interested in the strategic and financial impacts during mergers than in how employee job satisfaction is affected.

**Hypothesis two is confirmed:** because the post-merger interventions that relate to the affected employees were not planned effectively.

**HYPOTHESIS 3:** Job dissatisfaction among employees is caused by lack of proper management of mergers.

**Hypothesis three is confirmed:** employees are affected by management's role, as they feel that the handover process was not done properly and that is the reason why they were not happy with the new jobs that they found themselves in.

The researcher gathered the information with the hope that they would prove the hypothesis question that was posed, yet sometimes during the information gathering the researcher realised that what was thought to be the problem, was not the actual cause of employees' dissatisfaction. There were other factors that had an impact on employees' dissatisfaction such as work-related needs, security, organisational culture, recognitions, remunerations, leadership, teamwork, company policies and procedures. After careful consideration of the data findings it is safe to say that the question posed in Chapter One was defined and answered.

The main finding of the study was that these employees were generally dissatisfied with what they are currently doing as a result of the changes made in their working situation. Employees were nonetheless satisfied with the culture of the company; however, they generally felt that the environment within the company is very difficult to adapt to. There is

a lack of management support within the organisation, in that few managers are supportive towards the new employees.

There has been high numbers of M&As in South Africa and abroad as a whole. This is because organisations need to remain competitive, productive and effective. Some believe that merging or acquiring others will make an organisation more competitive. M&As will be the strategy for the organisation moving forward if this will result in them achieving their organisational goal. Many M&As failed not because the strategy was not properly done, but because many forgot to include the people involved when making decisions about changes within the organisation. An organisation is made out of people, without them there will be no organisation. Therefore it is in the organisation's best interest to invest in its people when changes happen within the organisation.

## 6.3    LIMITATIONS

The main sources of internal research error associated with this study were response effects caused by fear of possible suspicion that responding to questions may hinder their success within the department or company as a whole. Respondents also feared that these may jeopardise their positions, employees felt that they could not disclose some information. Some respondents had fears as to why the researcher was having an interview with them on issues they regard as sensitive such as management support and pay. Some respondents even expressed their fears before the interview started that they worried that since the acquisition occurred no interviews or other consultation had been done and whatever the finding of the study, management had no intention of changing or improving the situation. Some respondent thought that the researcher was sent by executive or top management to spy on them. They however gained confidence as the interviewer asked questions that were relevant to their current situation.

Interviewer bias could have also affected the responses due to limited probing as a result of acquaintance with some respondents. A possible bias could have been the fact that since some of the interviewees were known to the interviewer as colleagues working in the same department, their attitude could have been different as observed with those the researcher was not acquainted with.

The fact that some interviews were done at the call centre could have had an effect on their responses. The respondents were not allowed to leave their work stations as they are

in a call centre environment. Some of the response might have been done out of anger as they were not allowed to leave their work station or that they were too tired to answer questions, while working at the same time.

Time constraints was noted as a limitation to the study as the researcher works full time and must fulfil her duties as an employee of Vodacom. Time was limited as the research had to interview employees of Vodacom that also had to make sure that their daily job responsibilities run smoothly.

We have dealt with the problems of comparative and control group analysis in the introduction and the previous chapter. It also bears repeating here that on a very broad level the study remains locked in the reality of being an analysis after the acquisition only and without the comparison of other similar process that could act as control group for the analysis. This is a common problem for small scale research projects and we have tried to deal with the matter through triangulation and deeper investigation in qualitative methods.

## 6.4    RECOMMENDATIONS FOR FURTHER RESEARCH

The report is based on the quantitative and qualitative methods used to gather information. The related fields of study that is recommended for further studies are as follows:

(a)    Further studies around the strategy on M&A's need to be investigated. This is particularly necessary because many studies are done around the company strategy for M&A's, but little has been done around the M&A's strategy to cater for human factors during change.

(b)    The theories of M&A's need to be investigated.

(c)    The relationship between Job satisfaction and age should be investigated.

(d)    The following areas of M&A's require further study:

- Cost-benefit analysis;

- Change interventions;

- Proper management of M&A's

(e)    The role of the manager in the success of M&A's.

(f)    The influence of leadership executive in improving employees' performance after an acquisition.

The main outcome of this study should be to stimulate further research in the field of mergers and acquisitions in relation to their impact on employees within an organisation, in

South Africa and internationally. This study may also enable managers, change agents, Human Resource personnel, and HR Planning and Strategy departments to deploy more effective change interventions and training programmes in the course of future mergers and acquisitions of companies.

## 6.5    RECOMMENDATIONS

The researcher's aim was to understand the reasons behind employees' dissatisfaction so that recommendations could be provided on how to reduce employee dissatisfaction within the company. This was also a chance to give management some guidelines on what they can improve on, if and when another acquisition or change occurs within the company. The study aim was to identify appropriate actions that can be taken to reduce employees' dissatisfactions.

The recommendations will concentrate on how to implement a successful acquisition, concentrating on the human factor of job satisfaction.

(a)    It is suggested that a Human Resources department raise awareness of the opportunities available within a new company and show the employees what makes the new or acquiring company a great company to work for. This will enhance the employees' knowledge and understanding of the company and enable them to feel that they are working for the best organisation. In essence, this will make them 'happy employees'.

(b)    It is strongly recommended that employees and management should work together to embrace the dynamic and diverse culture of the new or acquiring company. This is because culture has a huge impact in shaping an organisation and the people within that organisation.

(c)    Based on this research undertaken, the acquiring company could increase training and development within the company and, most importantly, make new employees aware that the training programmes/facilities and development programmes are available to them. As such employees are new within the organisation this can be done through proper induction by introducing the new employees to the person responsible for the training programmes.

(d)    It is imperative that an internal/external relationship focus is adopted. Therefore the following skills are strongly recommended:

- **Empathy:** This is the ability to understand without being there oneself by being able to put oneself in another's shoes.  Understanding people in this way helps one to

understand the people one is dealing with and, most importantly, what motivates them in life.

- **Communication:** Management should understand when it is the right time to communicate sensitive information to employees. The message must also be clearly communicated. It is suggested that the communicator should talk to people in person, not send a memo to inform them of an important change. Most importantly, a communicator should tell employees the truth about change and how it will impact on them. If there are no answers to some questions, every attempt should be made to try and find all relevant information. A communicator should express what is felt at management level about an important change; employees want assurance from management about how to view change and its impact on them specifically.

- **Participation:** It is suggested that to get the individuals (e.g. management) who are enforcing change, to participate in its implementation. This will give them an understanding of what is lacking and what can be done differently in order to minimise resistance to change. Most importantly, it will also give employees an assurance that management really believe in the necessity for change.

- **Team involvement:** For employees it is recommended that they participate throughout the process of change. This will have benefit, as employees will gain a better understanding of the importance of the change. Team involvement and teamwork will also improve working conditions as employees adapt to their new environment through working together. The necessity for this was manifested by those individuals who were not accepted into teams and so felt that they did not belong, whereas those who were accepted into teams felt a sense of belonging.

- **Support and employee assistance programme:** These can come about through the operation of hot line numbers connecting with the Human Resource department for those employees who are unable to adapt to a new environment. It is important that companies invest in their employees by making sure that their wellbeing is well taken care of as it will have a positive impact in teamwork.

- **Leadership:** It is also important to have the leadership that will help to implement company vision and, most importantly, be able to lead employees in feeling that implanting the vision is possible.

The following steps are also recommended in order to bring about an acquisition that is successful, yet achieves employee satisfaction:

- **Preparation:** Prepare employees for change.

- **Planning:** Make contingency plans in case things don't go according to plan.

- **Transition structure:** Create transition management that will oversee the change.

- **Implementation:** Provide appropriate training, coaching, etc. for employees involved.

- **Reward**: Create incentives for special effort by celebrating those employees who lead the change.

- **Process innovation and leverage**: Management should be flexible enough to change processes and procedures if they are not working.

Based on this research, it is advised that management should be trained in managing change as, without the right leadership, it will fail. Most importantly, management should realise that people do not leave a company because they are not getting enough pay – people sometimes leave because of their managers.

Employees in general should recognise that we are all diverse individuals from different background with the same core interest in the company we work for .It is important to manage this diversity through understanding that diversity and different ethical values are not just issues to be dealt with, but can be incorporated into a strategy to build a strong organisation. Most importantly, management needs to understand that what makes a company is 'the people'. When employees are dissatisfied with their jobs, it will have an impact on the company as a whole

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# APPENDIX A

## QUESTIONNAIRE FOR EMPLOYEES

## (former Smartcom employees)

Hello

This questionnaire is aimed at determining the factors that are contributing to job dissatisfaction in relation to the acquisition or change that has occurred recently within your work environment.

Kindly answer each question and reflect your true reaction when doing so. Indicate your choice by ticking the appropriate box and feel free to comment where necessary.

Please start by inserting the below information:

Age:          Gender:      Marital status:      Highest educational qualification:

**MINNESOTA SATISFACTION QUESTIONNAIRE (MSQ)**

Please tick the number that you feel best present your current situation. Please indicate the level of job satisfaction in relation to change using the following selections:

1. Very Satisfied

2. Satisfied

3. Dissatisfied

4. Very Dissatisfied

| | **Very satisfied** | **Satisfied** | **Dissatisfied** | **Very Dissatisfied** |
|---|---|---|---|---|
| Work related needs | 1 | 2 | 3 | 4 |
| New roles within the organisation | 1 | 2 | 3 | 4 |
| Available resources to perform your job | 1 | 2 | 3 | 4 |
| Management within your department | 1 | 2 | 3 | 4 |
| Company culture | 1 | 2 | 3 | 4 |
| Moral Values/ethical behaviour | 1 | 2 | 3 | 4 |
| Company policies and procedures | 1 | 2 | 3 | 4 |
| Remunerations | 1 | 2 | 3 | 4 |
| Co workers support | 1 | 2 | 3 | 4 |
| Independence within the department | 1 | 2 | 3 | 4 |
| Recognitions | 1 | 2 | 3 | 4 |
| Security | 1 | 2 | 3 | 4 |
| Working conditions | 1 | 2 | 3 | 4 |
| Responsibilities | 1 | 2 | 3 | 4 |

# APPENDIX B

# YOUR JOB IN GENERAL (JIG)

What is your JOB like MOST OF THE TIME?   Choose YES if the item describes your JOB, NO if it does not describe your JOB, and ? If you cannot decide.

| PLEASANT | Yes | ? | No |
|---|---|---|---|
| BAD | Yes | ? | No |
| IDEAL | Yes | ? | No |
| WASTE OF TIME | Yes | ? | No |
| GOOD | Yes | ? | No |
| UNDESIRABLE | Yes | ? | No |
| WORTHWHILE | Yes | ? | No |
| WORSE THAN MOST | Yes | ? | No |
| ACCEPTABLE | Yes | ? | No |
| MAKES ME CONTENT | Yes | ? | No |
| INADEQUATE | Yes | ? | No |
| ROTTEN | Yes | ? | No |

# APPENDIX C

# INTERVIEWS WITH THE EXECUTIVES

1. Would you like to understand the strategy/rationale behind the acquisition?

2. Would you give me a brief understanding of Smartcom before joining Vodacom?

3. In your opinion what sort of mergers and acquisitions are worth doing?

4. What measures are in place to ensure the successful implementation of this acquisition?

5. Are you using external organisations/institutions to train and develop managers on how to deal with change? How many schools have benefited so far?

6. Are there any interventions with regards to employee's development within the organisation through necessary training, etc.?

7. What plans have HR made with regards to the dissatisfaction of employees as a result to change?

8. In your opinion do you think that change affected employees negatively?

9. In your opinion do you think employees are happy?

10. How will the HR department handle employees who feel they do not need the change?

11. What kind of managerial support does the department offer to employees who can not adopt to change?

12. How do employees obtain such information on support?

13. How can the department ensure that these support programmes are sustainable?

14. What is your understanding of culture fit in change environment?

# APPENDIX D

# INTERVIEWS WITH EMPLOYEES

1.  What was your feeling when your were informed about the acquisition?

2.  Give me a brief summary of how you felt about the new environment

3.  When moved to Vodacom was sufficient orientation done?

4.  Were you given information with regards to any other programme that you can participate on such as training or support programmes?

5.  Were there any support from your managers including HR support?

6.  How about support from your team or colleagues?

7.  What impact if any existed that affected you during this change?

8.  Are you happy with your job? If yes, explain why, if not, do you think that is a result of the acquisition?

9.  How are you adopting to the Vodacom culture?

10. What are your feeling and experience thus far with regards to policies and procedures?