

# The effects of a corporate acquisition on employee morale

**John Simpson**  
**Drexel University**  
**Department of Psychology**



# Introduction

Research suggests that creating a “clearinghouse” for communication, being flexible, and retraining employees can help maintain morale during an acquisition. This study aims to investigate the effects of morale and its implications on voluntary turnover.

The study will ask employees to describe their feelings about the acquisition process and will then be compared to voluntary turnover data. It is hypothesized that during an acquisition, voluntary turnover will increase especially among the acquired company.

# Types of Acquisitions

- Collaborative\*
  - A company wants to buy, the other is willing to sell
- Rescue operation
  - Typically, one company financially “rescuing” another

# Types of Acquisitions, Continued

- Contested
  - Only one company is willing or interested, often causes difficulties
- Raid
  - A company hostilely takes over another with no regard for opinions, plans, or feelings.

# Impact of an Acquisition

- One in three acquisitions are sold within five years
- Between 66% and 75% of corporate mergers and acquisitions fail.
- It takes up to two and a half years for U.S. managers to establish team leadership, longer for EU.
- First three to six months of an executive's tenure set the tone for the development process

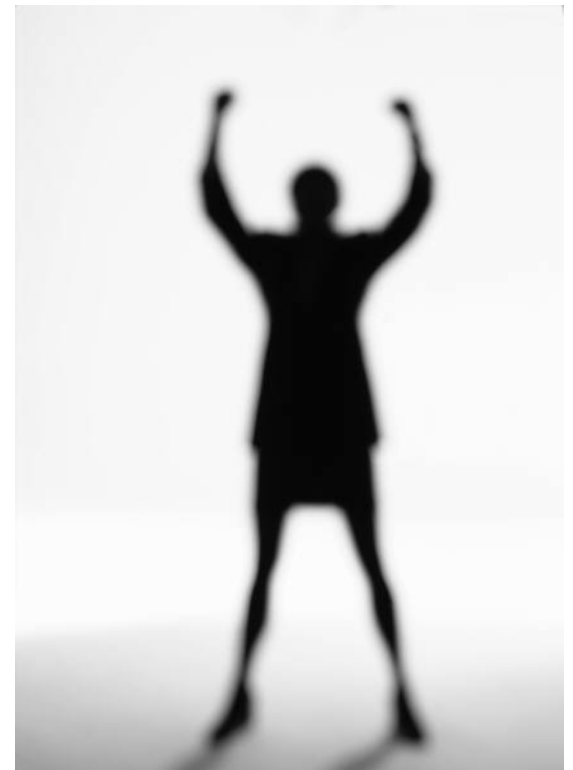
# Factors Often Overlooked

- Acquisition Cost

- “Survivor sickness” – depressed employees
- Retraining
- Restructuring

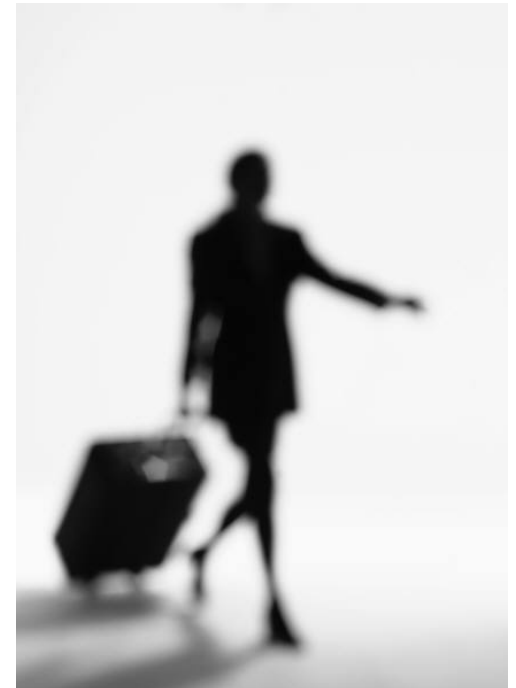
- Turnover Costs

- Training and Development Costs
- Recruiting



# Methods: Participants

- Inclusion Criterion:
  - Male or Female
  - Current employee of a corporate business
  - Fluent in English
- Exclusion Criterion:
  - Post merger hires



# Methods: Measures

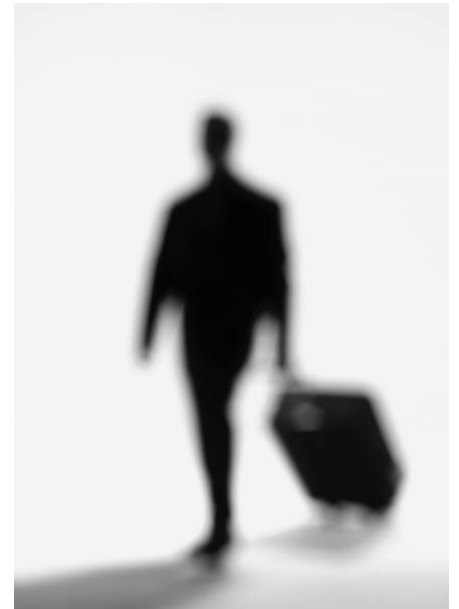
- Via self report:
  - Reporting demographic information
  - Assessing integration process
  - Measuring importance of upward and downward communication

# Sample Survey Questions

- Please indicate your combined Length of Service with the acquired company and IMS
- Overall, I felt my management team kept me well informed about the status of the integration process once the merger was announced
- I feel the merger created a good mixture of company cultures.

# Research Hypothesis

- During a collaborative acquisition, voluntary turnover will increase in the acquired company due to lack of morale which includes: feelings of doubt, confusion, or insecurity.



# Conclusion

- With the information obtained from this research:
  - Will add valuable data about the importance of good communication during an acquisition
  - Determine if decreased morale is correlated to an increase in voluntary turnover during an acquisition

# Practical Takeaways

- With the information obtained from the survey, it is hoped that businesses will:
  - Place more value in a clear, concise communication program
  - Understand the importance of post merger team building
  - Become flexible and/or creative with necessary job changes
  - Develop and invest in the new employees and those who “survived” the merger

