

Change Management Process as a Skill for Global Talent in Integration of Companies

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Abstract

Research aim : *The purpose of this study is to identify resistance to change and recommend one or more methods to manage that resistance.*

Design/Method/Approach : *The research was conducted qualitatively on an industrial and capital-intensive strategy that underwent a change in strategy or transformation as part of the company's integration process.*

Research Finding : *Despite good planning, reactions that arise during the process and after the integration deadline requires separate treatments. Handling this requires formal and informal networks where the human role is more important than strategy, emotions have a greater impact than logic, and behavior is more persuasive than words.*

Theoretical contribution/Originality : -

Practitioner/Policy implication : -

Research limitation : -

Keywords : *Talent, Pandemic, Disruption*

1. Introduction

Merger and acquisition (M&A) is a strategy for fast growth of companies' business, but most of them are extremely expensive mistakes. Companies tend to look at acquisitions as a way of obtaining value for themselves for example access to a new market or capability. In implementing the strategy, the buying company (purchaser) will be exposed to risks that known in the transaction process and what recognized after the transaction [1,4,12].

The best practices in governance throughout all of the M&A process follow the three stages described in figure 1 below, i.e. the pre-merger process, the closing of the deal and the actual integration. The purchaser significantly invest in pre-merger and negotiation phases while the integration phase potentially the most important one to manage and govern [10].

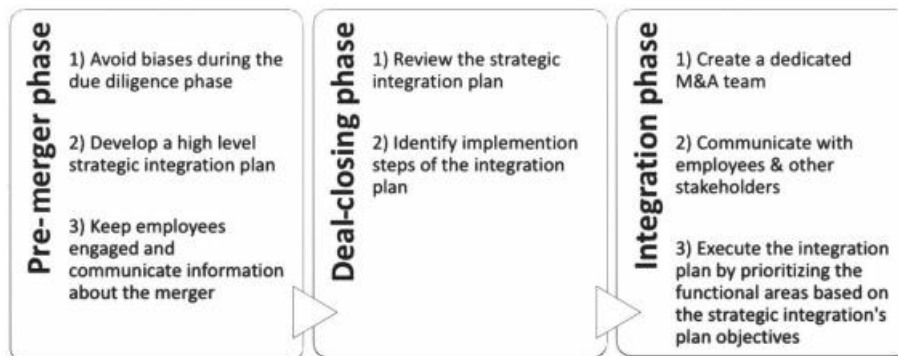


Figure 1. Best Practices in for Integration through M&A Process

(Source: Schmid, A. S., Sánchez, C. M., & Goldberg, S. R. (2011))

In the integration processes it is expected that there will be organizational synergy in carrying out the planned business strategies. Implementation of this strategy requires sense of urgency which is applied to targets with aggressive deadlines [13].

The successful integration requires accelerated strategic change [12], however 70 percent of change programs fail to achieve their goals, largely due to employee resistance and lack of management support [6]. Therefore the change management process plays important roles. The change management such as changes in business operation, processes, systems, and organization structure would normally be applied for both the acquired company and the buying company. However, changes in the purchaser position should be kept minimum considering the extreme changes may disrupt the existing operations of the parent company.

The success of organizational change primarily relies on the attitude and response of their employees toward change (Ahmad and Cheng, 2018). The phenomenon of resistance to change reflects the negative attitudes and behaviors expressed by the employees during times of organizational change. During the change execution process, the biggest challenge faced by the organizations is how to manage that change, especially to cope with the resistance posed by the employees [9].

There is always response for a change. The response can be either readiness to change or resistance to change. Readiness to change reflected in positive behavior which agree to implement the change. Resistance to change is the opposite and according to Furxhi (2021) related to the following source [3]:

1. Mistrust and lack of confidence
2. Emotional Response
3. Fear of Failure
4. Poor Communication
5. Unrealistic Timelines

Darmawan and Azizah (2019) summarize that the factors that influence resistance to change can be categorized with individual factors or social factors [2]. The individual factors are as follow:

1. Lack of confidence: do not have confidence that change will have a positive effect on him and the organization
2. Low self-stability: makes employees unable to consciously control themselves, resulting in behaviors that harm others and the organization
3. Increased stress: due to organizational changes that will bring pressure on employees

4. Uncertain feelings: refers to the lack of information about the change to be carried out so that it causes employees to worry about the demands of the change itself, which results in rejection of the change.
5. Lack of need for achievement: employees who do not need achievement will work improperly or are not oriented to make their abilities increase so that employees will tend to resist change because they feel the change will improve their performance and that is not their need.
6. Weak disposition towards change: because basically, employees do have a problematic nature to accept a novelty, one of which is change because disposition is innate from birth.
7. Little motivation: employees with low encouragement to meet their needs
8. Fear of failure: this is already present in pessimistic employees because this feared failure is oriented toward personal consequences if the change fails.
9. Low self-efficacy and autonomy job: this refers to experiences that are oriented to change cannot be applied directly.
10. Too little affective commitment: mean not having psychological attachment and work orientation for an extended period.

The social factor are as follow:

1. High information ambiguity: the high level of uncertainty in information makes it difficult for employees to accept information that is not certain in the truth.
2. Lack of participation in change: the low participation in these changes will make employees feel unnecessary in the organization because the lack of participation and suddenly asked by managers to make changes will make employees confused and tend to reject changes
3. Low work comfort: it is difficult for employees to accept changes because they work under pressure but do not have good working conditions.
4. High cynicism and organizational silence: the increased cynicism makes the work environment uncomfortable, because this cynicism will affect other employees who have been positively oriented to accept change.
5. The lack of employee support: this low level of support occurs because employees are lack work integrity, so they work merely to meet their needs without supporting the needs of the organization.
6. Poor organizational culture: Poor culture in an organization makes employees will also be accustomed to working with a poor orientation as well, so to run an organizational change program must first change the organizational culture to be better.
7. Increasing job insecurity: employees with high levels of job insecurity will potentially resist change; this is caused by the concern that employees feel about job loss or insecurity about the future of their work that raises resistance to change.
8. Lack of information adequacy: lack of understanding of information, especially about changes, can also be caused by a lack of employees' ability to interpret information.
9. Decreased organizational support and organizational justice: it can be caused by conflicts between leaders and employees; in other words, if there are problems within the working relationship between managers and employees, resistance to change will occur.

Strategies below are known to overcome the resistance [2]:

1. Introducing the changes slowly which will allow employee to be involved with the time of change.

2. Participation which help employees to take an active part in the implementation or planning of change
3. Psychological ownership which refers to feel attached to the organization
4. Facilitation and education which refer to the importance of the potential benefits of significant change
5. Development of trust, by minimizing misunderstandings and uncertainties that will ensure that all employees involved during the change process will receive the same information
6. Additional support, this can facilitate change by reducing fear and anxiety in the change program itself
7. Changing agents.

Employee who received the perceived organizational support will have lesser resistance to change. It is therefore, the perceived organizational support as external factor also have important role to reduce the resistance to change [7].

In the integration management, it also known that other than general management works, there are also 4 (four) roles [14] to be carried out by specific person(s) i.e.:

1. Act as integration manager
2. Handling employee uncertainty
3. Envision future
4. Act as a network facilitator.

1.1. Statement of Problem

Following the closing of the acquisition transaction, the integration of the acquired company must be conducted adequately and with aggressive time frame in which it is expected that there will be organizational synergy in carrying out the planned business strategies. [13]

On the other hand, the changes during integration would be potentially failed largely due to employee resistance and lack of management support [6] and therefore it is required to identify the employee resistance and the expectation to the personnel involved related management support to relieve and remove the resistance.

1.2. Research Objectives

The objective of this study is to identify resistance to change in the integration of acquired companies. The other objective is to acknowledge skills required by personnel involved to support in relieving and removing the particular resistance.

2. Method

This study uses a qualitative research approach with a case study design and focused on capital-intensive industry that underwent change as part of the company's integration process.

The study focused on a high capital, public listed company, based in Indonesia who recently acquired international companies in Asia. The targeted informants are employee who involved directly in integration process working in different organization functions and employee who is not directly involved but impacted to the changes.

Qualitative research data analysis techniques conducted by structured and unstructured interviews, using purposive and snowball sampling. A triangulation process is also applied in this.

Data are also collected from sources such as documentation, archives, and information that supports data from primary sources. Data collection techniques in this study used observation, interviews, and documentation studies.

The interviews were conducted to 10 (ten) informants with data is described in table below:

Table 1. Informants Data

Informant id	Previous company	Previous position	Involvement in integration	Employment status
Informant 1	A	Manager	Direct	Permanent
Informant 2	A	Team Leader/Supervisor	Direct	Permanent
Informant 3	A	Analyst/Staff	Direct	Permanent
Informant 4	A	Analyst/Staff	Indirect	Contract
Informant 5	B	Team Leader/Supervisor	Direct	Permanent
Informant 6	B	Analyst/Staff	Direct	Permanent
Informant 7	B	Analyst/Staff	Indirect	Contract
Informant 8	C	Manager	Direct	Permanent
Informant 9	C	Team Leader/Supervisor	Direct	Permanent
Informant 10	C	Analyst/Staff	Indirect	Contract

Note:

- A and C are US based companies.
- B is British based company

The interviews were conducted with structure and non structure method. And the interview sessions were segregated into the following 4 topics such as job security, business process and system, organization structure and position, and working environment and facilities.

3. Results and Discussion

3.1. Job Security

In general, all informants agree that change should and will happen in relation with the business process, system, organization etc. There are very less or no concern on fear of loss of the job as commented by majority of informant with the following:

1. The buying company is public listed and will maintain its reputation by employing existing work force.
2. The new company is well known as growing and well respected company in the industry
3. The culture in the new company reflects the commitment to develop its employee
4. Historically the new company does never do mass layoff
5. There is message from high level position of the new company to not worry on the job security.

The concern on the job security raised more by employee with contract status at the early stage of integration but the message from high level position of the new company had clear the concern.

3.2. Business Process and System

As well as the acquired company, the new company is highly regulated by government, and therefore the majority of business processes are aligned to comply with regulation. All of the informant agree that most of the business processes in the new company is similar to the acquired company.

Most of the informant agree that the management of change is already in place. One of the evidence is the training in using new system and attended by almost all of related employee. There are also events were arranged to communicate the general aspects which include planning, executing, reporting, and adjustment/correcting.

However, in the detailed process and system, there are acknowledged resistance issues with commentaries as follow:

1. Too many changes happen during a short period:
 - a. Everything must use new system at one time.
 - b. There are some processes not applicable in the new one.
 - c. Too many detail in the new processes.
2. Not enough time to learn and understand:
 - a. The cutoff date to use new system is too early, we need to practice more.
 - b. It is important to know the input process because it's affecting the output, and time is required to learn the detail in the input process.
3. Lack of immediate support:
 - a. The helpdesk is busy.
 - b. FAQ list is not enough.
 - c. Need support that together can deep dive into problem.
 - d. The supporting team need to have more sense of urgency.

3.3. Organization Structure and Position

The change of organization structure and position become the concern by most of the informant due to uncertainty of the new role. There was informal message circulated within the employee that the level in the acquired company will be maintained in the buying company. For instance, a supervisor in the previous company will still be a supervisor in the new organization.

The acknowledged resistance issues are as lack of attention to personal career and interest, change of job with very less transition period while too many changes happen during a short period and selection to fill a position within the organization is more based on the personal judgement.

3.4. Working Condition and Facilities

Refer to interview and observation result, the resistance issues related to working condition and facilities are founded such as: (1) most of the informant convey the stressful condition during the integration due to change of business process and system and due to change in organization. (2) Most analyst/staff add the above point with facility condition. The facility in using company laptop is not applicable to all analyst/staff, while using own device is prohibited. This is causing limited access to office network particularly if working from home. (3) All of the informant who directly involved in the integration are agree that the existing workload is not reducing while participating in the integration project. This is one of the uncomfortable conditions causing more stress.

Despite good planning, reactions that arise during the process and after the integration deadline requires separate treatments. In handling this requires formal and informal networks where the human role is more important than strategy, emotions have a greater impact than logic, and behavior is more persuasive than words.

1. People are more important than strategy

Leaders may develop well-crafted strategies that emphasize the urgency for change. They may hone their presentation skills to deliver those strategic messages. But, organizational change efforts fail more often than they succeed and rarely because of poor strategy. Rather, it's almost always a "people" issue. If the individuals in an organization don't agree with the stated rationale, if they haven't been involved in developing the strategic plan, and if they don't trust the messages they hear from leadership, there will be no successful change.

2. Emotion has more impact than logic

Which is not to say that logic isn't important. Employees need to understand the marketplace realities that are the driving forces of change. They need to know the consequences of not changing and they need to hear the answers to questions about how changes will impact them personally: What specifically is changing -- and what isn't? What's in it for me? How does this affect my job and my security? What new skills will I need to learn? But what matters more than the facts alone is the ability to place those facts into a meaningful context and to deliver them with emotional impact. That is why leaders who tell stories are such powerful communicators. Stories create the context, give facts meaning, and speak directly to the emotions.

3. Your behavior is more persuasive than what you say

As a communication coach, I help leaders find the words that inspire, enlighten, and transform people. But nothing is more depressing than watching executives struggle to convince an audience with rhetoric that runs contrary to observed leadership behavior. If the stated message is "Let's all collaborate!" and employees see that senior leadership doesn't work well together, the collaboration message hasn't a chance. Or as one savvy executive put it, "What I do in the hallway is more important than what I say in the meeting".

4. Informal networks are more influential than formal communication channels

We will always need and value authentic speeches from senior leaders, well-written and well-researched articles in newsletters, and first-line supervisors who are first-rate communicators.

But organizations are a mixture of hierarchical structure and informal networks, and the approaches listed above -- executive speeches, articles and first-line communication -- utilize only formal channels. None of them deals with the complex web of social interactions and informal networks that are the conduit for up to 70% of all organization information. Grapevine communication (especially now that social media has created a "grapevine on steroids") is faster and more influential than formal communication. Too few leaders are aware of the power of informal communication or have a strategy for gaining grapevine support.

5. Nonverbal communication is more powerful than verbal communication

Traditional explanations of human behavior in the business world presume that employees are influenced most by the words used when a change is announced. But . . . a growing volume of evidence suggest that this view is seriously flawed. Instead, the key to successful change communication may be found in the kinds of signals ordinarily overlooked, especially tone of voice and body language. All leaders express enthusiasm, warmth, and confidence -- as well as arrogance, indifference, and displeasure through facial expressions,

gestures, touch, and use of space. Your words can address the rationale behind change, but your body language connects with your audiences at a subconscious and emotional level. That's why successful leaders recognize the importance of everything that isn't being said, but is being communicated.

To prevent resistance, have clear, two-way communication, provide adequate training, and involve the potential resisters in designing and implementing the change. After resistance arises, dig into the root causes and address them. Listening to people is the first step to overcoming resistance. Organizations incorporate resistance management into a project's lifecycle by having feedback mechanisms, for example, using surveys to gather employee feedback. Digital dash boards and personalized messages, for example, can build faster, more effective support for new behaviors or processes in environments where management capacity to engage deeply and frequently with every employee is constrained by time and geography. Due diligence process does not only involve the company's internal team but also involves consultants, service providers, accountants and other investigators who are expected to be able to validate data, values and potential synergies within the due diligence deadline agreed by the previous parties (Wangerin, 2009).

4. Conclusion

To reduce or take steps to mitigate this risk, before the share sale and purchase agreement is signed, the buyer has the right to carry out a due diligence process within a certain time period agreed between the buyer and the seller. In an ideal due diligence process, the company's internal team will involve several departments within the company concerned, for example finance, tax, production, commercial, human resource development departments in other departments. Each department, if necessary, will involve both domestic and foreign consultants. The involvement of a consultant or an independent third party in conducting due diligence will certainly provide an opinion outside the opinion of the company's internal team.

The principles of empathy, communication and participation are essential in obtaining the support of employees for organizational change.

1. Empathy: The success of any change can depend on the reaction of the people who will be affected by it. It is therefore imperative for management to empathize with their subordinates, to find out how they feel about a proposed change, before implementing it. Managers should proceed carefully with proposals that meet much resentment and resistance. A plan should also be communicated to all organizational members as completely and as early as possible. This will provide employees with an opportunity to ask questions and share their own thoughts. Lastly, employees should be allowed to participate in the change process since the lack of input can be a source of employee discontent.
2. Communication: An organization's fair communications and interactions with the employees positively influence superior-subordinate relationships. Consider the following communication strategies in the system: Listening and understanding objections, offering incentives, removing barriers to change, showing the change's benefits in a clear and practical way, providing clear choices and consequences
3. Participation: Organizational change is often driven from the top. The result can be that people can feel that the change is being done to them rather than with them as they have had no chance to be involved in the decision being made.

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