Addis Ababa University

College of Business & Economics

School of Commerce Department of Project Management (GRADUATE PROGRAM)

Evaluation of the Post-merger Integration for Communication, Organization and Culture Capabilities: A Case from Policy Studies Institute Merger Project

By:

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March, 2021

Addis Ababa

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A Research Paper submitted to the School of Commerce, College of Business & Economics, Addis Ababa University in Partial Fulfillment of the Requirements for the Master of Arts in Project Management

March, 2021

Addis Ababa, Ethiopia

DECLARATION

I, Dagmawi Atnafu has carried out independently a research work titled *"Evaluation of the Post-merger Integration for Communication, Organization and Culture Capabilities: A Case from Policy Studies Institute Merger Project"* by cooperation from the Policy Studies Institute (PSI) in partial fulfillment of the requirement of the M.A program in Project Management with the guidance and support of the research advisor.

I declare that this Research work is prepared by myself and has not been presented to any other university, institution, program or award of academic certificate or professional qualification and that all source of materials used for the thesis have been duly acknowledged.

Name: Dagmawi Atnafu Setegn

Signature: _________________

Date: _____________________

Certification

This is to certify that Dagmawi Atnafu Setegn has carried out this research work on the topic "Evaluation of the Post-merger Integration for Communication, Organization and Culture Capabilities: A Case from Policy Studies Institute Merger Project" under my supervision. This research is his original work and has not been presented for a degree in any university, and all sources of materials used for the study have been duly acknowledged. Thus, it is sufficient for submission for the partial fulfillment of the requirements for the award of Master of Project Management.

Advisor: Fesseha Afewerk (Ass. Prof.)

Signature: ______________________

Date: ___________________________

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ACKNOWLEDGMENT

First and foremost, I would like to thank GOD. I would also like to extend my sincere appreciation to my Advisor Fesseha Afewerk (Asst. Prof.) for his swift and prompt feedbacks and comments. Finally, my deepest thanks to my friend Gashaw Bekele Mekruia (Data Analyst at PSI) for his valuable contribution and mentor in producing the paper, specifically the fourth chapter. Last but not least, I want thank the staffs of the Policy Studies Institute (PSI) who were supportive and were willing to dedicate their valuable time so generously to fill the survey questionnaire.

Acronyms / Abbreviation

EDRI	Ethiopian Development Research Institute
FDRE	Federal Democratic Republic of Ethiopia
EPRDF	Ethiopian People's Revolutionary Democratic Front
GCB	Governance and Capacity Building
M&A	Mergers and Acquisitions
PMBOK	Project Management Body of Knowledge
PSI	Policy Studies Institute
PSRC	Policy Study and Research Centre

ABSTRACT

The objective of this study was to examine the role of communication capabilities, organizational capabilities and cultural integrating strategies and their effects on the attainment of synergy value in the case of Policy Studies Institute (PSI). In order to address this objective, the study employed both descriptive and explanatory research method and took employees of the organization as primary data sources. The appropriate firsthand information was collected through questionnaires. The study employed census method and took the 73 employees working at PSI to fill out the questionnaires. From the distributed questionnaires 68 questionnaires were filled and returned. The collected data was analyzed using quantitative statistical tools. A multiple regression was run to predict the effects of communication, organizational capability and cultural integrating strategy during the merger have on realized synergies. The study found out that out of the three, only two variables communication and cultural integrating strategy has statistically significantly effect on realized synergies. The highest contributing predictor was communication and the next was cultural integrating strategy. The study recommended the development and use of comprehensive and an inclusive communication practice can smoothen the merger process. Moreover, the study suggested that a pre-merger evaluation of the potential cultural differences between organizations going through a merger is important in order to increase the synergy values attained at the post-merger.

Keyword*s; Mergers, communication capability, organizational capability, cultural integrating strategy, synergy value*

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Merging Government and Public institutions is a common observable phenomena when there is a change in Political Situations, Change in Government Policies, or Change in Key positions of Policymakers. Sherman (2018) explains a merger as a process of combining two organizations to form one organization typically larger and stronger to move forward together. Merger plays a vital role in business development in the business world. In a common rationale, it is supposed that there would be a synergic value created by merging two organizations but mergers do not always result in a synergic effect (Cartwright and Schoenberg, 2006). Generally speaking, Merger and Acquisition activities are strategically planned and voluntarily conducted by the parties of business enterprises and corporations. Many mergers among government and public institutions are involuntary. In some mergers, the government key staff be exceptionally proactive to give special focus and attention to the merger process, while other mergers would even be forgotten for their existence after the post-merger

Mergers and acquisitions have been the important instruments of corporate transformation for many years, and they are constantly being used around the world to boost business competitiveness. Mergers and acquisitions (M&A) is a broad concept that refers to the process of combining two or more businesses. Mergers and acquisitions continue to be an increasingly common method of organizational development (Cartwright and Schoenberg, 2006).

A merger is the legal aggregation of two or more organizations, sometimes of equal size, in which all but one of them stops to survive while acquisition is acquiring of one firm by another, with no new firm being created. When one company takes over all of the assets and liabilities of another, it is called a merger. The merged company keeps its title, while the acquired company discontinues to exist at all. In addition firms may be acquired in a variety of ways, including by acquiring any or all of the company's assets or by purchasing all of the company's share capital. A merger is one example of an acquisition. The key interest for acquisition is the ability for both parties take the advantages of expertise, goods, and markets at a lower total cost in terms of resources and time for the management (DePamphilis, 2018).

Mergers and acquisitions are frequently used to help a company grow and achieve its strategic objectives. In a common rationale, it is supposed that there would be a synergic value created by merging two organizations. Obtaining economies of scale, integrating complementary capital, obtaining tax advantages, and eliminating inefficiencies are only a few of the possible benefits of mergers. Getting exclusive rights to products or services, growing market control through acquiring competitors, or shoring up vulnerabilities in key business areas or gaining entry to new geographical areas are all reasons to consider growth by mergers and acquisitions (Sherman, 2018).

In reality, not every merger is considered to be a success and results in improved performance. Even the failure rates of mergers and acquisitions have remained consistently high despite the continuous research in the field of M&A (Cartwright and Schoenberg, 2006). Theoretically it is assumed that Mergers improve the performance of a company. It is yet debatable concept if mergers would help to a better performance or not. Several studies have looked at how businesses perform in the long run after mergers and concluded that companies can formulate new strategies to best leverage the larger asset base and thereby increase their profitability and efficiency (Ramakrishnan, 2008; Singh and Mogtgomery, 2010)**.**

With this in mind, this study tries to evaluate the post-merger integration at Policy Studies Institute (PSI). Policy Studies Institute (PSI) is a policy think tank established in November 2018 by the Ethiopian government. It was founded by merging two state-owned think tanks in Ethiopia, Ethiopian Development Research Institute (EDRI) and Policy Study and Research Centre (PSRC), whose establishment date back to 1999 and 2014 respectively as per the official website of PSI (https://psi.gov.et/, 2021).

1.1.1 Background of the Ethiopian Development Research Institute

According to the official website of EDRI (https://www.edri.org.et) "*The Ethiopian Development Research (EDRI) Institute is a semi-autonomous research think-tank engaged in Economic research and policy analysis; Bridging research and policy Capacity Knowledge dissemination and exchange and consultancy; competence building. EDRI invests continuously in the competence of its employees. EDRI was established in August 1999 by the Ethiopian government with the mission to Conduct* *rigorous research and policy analysis that provide knowledge-based inputs to policymaking and policy implementations, and Disseminate its research outputs and findings to the policy and research community, academia, the development community, and other stakeholders".*

The EDRI was established by H.E Neway Gere-ab, the Chief Economist and Advisor to the Prime Minister. By then, almost all researchers were scholars and didn't have a direct affiliation with the Government. Several publications and policy analysis outputs have been published within the institute. Before the merger took place in 2017, the EDRI was an 18 years old government-affiliated think-tank with a relatively well-respected reputation. According to the University of Pennsylvania[1], Global Go To Think Tank Index Report, EDRI had an outstanding ranking within the category of "Top Think Tanks in Sub-Sahara Africa" and "Best Government-Affiliated Think Tanks". It was also among the top 25% institutions in the region according to IDEAS RePEC[2].

1.1.2 Background of the Policy Study and Research Center

"The Policy Study and Research Center (PSRC) was established by the Council of Ministers' Regulation No 311/2014 in March 2014 with the primary mandate of conducting study and research and initiate policies and strategies. It was established with the mission to conduct policy studies and researches in order to formulate, propose, and advise on policy and strategic issues essential for the development of the country. "

The PSRC was relatively younger and was only 4 years old when the merger came to action in 2018. The center was established by the former Director-General, H.E Abay Tsehaye holding key veteran political appoints such as H.E Bereket Simon and Sekoture Getachew who had an influential political power in the research center.

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[1] The Think Tanks and Civil Societies Program (TTCSP) of the Lauder Institute at the University of Pennsylvania conducts research on the role policy institutes play in governments and civil societies around the world.

[2] IDEAS is the largest bibliographic database dedicated to Economics and available freely on the Internet.

1.1.3 The Policy Studies Institute

As part of the Federal Democratic Republic of Ethiopia (FDRE)'s reform plan, the EDRI was merged with that of the PSRC to form a new institute named the Policy Studies Institute: PSI. According to the PSI's official website:

"Policy Studies Institute (PSI) is a policy think tank established in November 2018 by the Ethiopian government. It was founded by merging two state-owned think tanks in Ethiopia, Ethiopian Development Research Institute (EDRI) and Policy Study and Research Centre (PSRC), whose establishment date back to 1999 and 2014 respectively".

Theoretically EDRI seems to acquire PSRC as the former was relatively larger and older institute containing 8 research centers and analysis unit, 11 hosted centers and collaborative programs while that later is only few years old with centers containing 5 thematic areas of research centers. Moreover, the PSRC moved to the EDRI's building after the merger order has been effective.

1.2 Statement of the problem

Following the 2017s political change within the ruling party EPRDF (Ethiopian People's Revolutionary Democratic Front), quite a few rapid changes in the government institutions and key appointments were made. Among the events that the dynamics of politics brought along with, merging the two state-owned think-tank institutions was the one interested the author; namely the 18 Years old semi-autonomous think-tank Ethiopian Development Research Institute (EDRI) and the relatively younger 4years old Policy Study and Research Center (PSRC) to form a new institute named as Policy Studies Institute (PSI) in 2018 by Proclamation No. 1097/2018.. The two state-owned institutions were established to undertake studies, researches, and policy recommendations for the development of the country by initiating strategies and policy recommendations. Intuitively, merging these institutes seems to give a synergistically significant outcome. After all, a merger should be conducted between two or more similar organizations sharing some sort of commonalities

Merger integration capability aims to reduce cost and maintain organizational value by for instance creating a more flexible IT infrastructure that aims to reduce costs, eliminate redundant administration overheads and enabling skill transfer with the merging firms by preserving key workforces (Bruner 2004). According to Shrivastava (1985), in a successful merger the principal issue while forming a single organization is the integration which must occur at several levels. In the sense of mergers, integration in Lindgren (1982) is characterized as the instruments, processes and procedures used by the acquirer firm to change the business process, structure and systems of the company to be acquired.

Most often there is misalignment between pre-merger strategic objective and post-merger process management, (Jonk &Ungerath, 2006). To measure the effectiveness of post-merger integration against the potential anticipated synergy benefits, the strategic objectives should be effectively brought down into the specific details pertaining to different business units of the company. It is only then possible to evaluate the impact of integration against the potential benefits of synergy, and the efforts required in achieving integration.

An essential factor for merger integration is the flow of information from those making the deal to those who learn about the deal so as to make the new organization stable with joined purposes (Rouse & Rovit, 2004).

According to Galpin &Herndon (2014) the "*even for the most successful acquirers, integrating the people, processes, and systems of a company with another is extremely challenging, and the integration should be handled exceptionally well if the initiative is to achieve the merger strategic objectives*". Another success factor for post-merger integration is having strong organizational capability that can be brought about by retaining key employees, hiring new employees sensibly and letting go of employees judiciously in equitable manner.

In addition, another factor resulting poor performance of mergers arises because of the inability to analyze and incorporate the cultures of the businesses involved in the merger effectively. It is mentioned that it is important to organize a well thought out cultural integration strategy that can be put into effect through cultural integration. Carleton & Lineberry (2004). "*While the magnitude of challenges of mergers and acquisitions originates with the size of the companies involved in the merger, most of the merger integrations fail for the same two reasons: failure to determine the potential impact of trying to merge and integrate the cultures of the firms being combined, and failure to prepare for systemic, systematic, and efficient integration of the cultures of the merged* *companies.*” The strategy plan should include a specification of the integration tasks, the implementation sequence and the assessment steps. Key cultural synergies between businesses, areas of possible cultural tension between the firms, the allocated time and the resources needed to successfully attain the integration are other areas that have to be considered in the integration plan.

Frequent Merger and Separation of government organizations would keep being a frequent activity along with changes in the political landscape in countries like Ethiopia up until well-established stable government institutions are born in the future. Inside corporations, the key objectives of a merger are generally cost reduction, market control, and so on by adding a synergic value to the newly born organization. However, usually, the nature of objectives of a merger by government institutions are fundamentally different from business-focused organizations and would need a different approach and perspective from that of the typical Merger & Acquisition theories, methodologies, and approaches.

According to the Project Management Body of Knowledge (PMBOK, 2017) Project is defined as a temporary endeavor undertaken to create a unique product, service, or result. In respect to the above definition, Merger activities should be considered as a Project and it needs a systematic management with consideration to detailed steps such as interdependencies between business functions for the successful completion of its purpose. Merger and Integration need to pass through the project management phases of Initiating, Planning, Execution (Monitoring and Control), and Closure and be managed with an experienced Project Manager. Considering merger and integration as a project, the chance of achieving its goal or purpose can be determined by whether to apply a proper project management methodology and skills or not. In this paper, particular attention is given to the post-integration evaluation.

At its core, the above discussions point out that communication capability, organizational capabilities and cultural integrating strategies are among the factors that determine the attainment of expected benefits in the new company formed by a merger. In this regard this study tries to assess communication capability, organizational capability and cultural integrating strategies and their effects on the attainment of synergy value at PSI. In addition the study tries to fill the knowledge gap as there are no sufficient studies on mergers and acquisitions in Ethiopian context.

1.3 Objectives of the Study

1.3.1 General objective

The general objective of this study is to examine the role of communication capabilities, organizational capabilities and cultural integrating strategies and their effects on the attainment of synergy value in the case of Policy Studies Institute (PSI).

1.4 Basic Research Questions

1) What influence do organizational capabilities during the merger have on realized synergy values?

2) What is the impact of the cultural integrating strategy during the merger on realized synergy values?

3) What is the effect of communication during the merger on realized synergy values?

1.3.2 Specific Objectives

The study have the following specific objectives:

1) To explore the impact of communication capabilities during the merger on the realized synergy values after the post-merger.
2) To look into the influence of organizational capabilities during the merger on realized synergy values after the post-merger.
3) To examine the impact of the cultural integrating strategy during the merger on realized synergy values after the post-merger.

1.5 Significance of the Study

Several researches and studies have been conducted previously in the field of Merger & Acquisition for business focused firms and stock markets. On the other hand, little has been done for mergers and consolidations of such government institutions. In fact the nature of the objectives of the business focused corporations and government organizations are substantially different. Therefore, the findings from this research would have a significant contribution for the prior theories, methodologies, tools, and approaches in the field of study of Merger and Acquisition specifically when it comes to the case of government institutions are consolidated with direct order from the policy makers. Moreover, this study benefits policy makers and concerned stakeholders who have role in potential mergers in the future.

1.7 Limitation of the Study

The study considers only the three factors namely communication capabilities, organizational capabilities and cultural integrating strategy among various variables that can have an effect on post-merger synergies. Other factors were not given much emphasis in this study, so future researchers may investigate other variables that can have an effect on post-merger synergies.

1.8 Definition of Terms

Merger: Two independent businesses combine in a merger and only one of them succeeds. The combined (acquired) corporation, in other words, goes out of existence, leaving its assets and liabilities to the acquiring company. The smaller business would typically merge into the larger one when two businesses with substantially different sizes merge, leaving the larger business unchanged (Giddy, 2006)

Consolidation: A consolidation is a merger of two or more firms in which an entirely new business is formed and all merging firms cease to exist. The new company's shares are exchanged for the shares of the combining firms. Typically, two similarly sized firms consolidate rather than merge. Although the distinction between merger and acquisition is significant, the words are frequently used interchangeably, each of which usually refers to the combining of the assets and liabilities of two entities (Giddy, 2006).

Acquisition: An acquisition generally refers to the purchase of a company's assets. However, the term will be used in a much wider context in the remainder of this course to denote the acquisition of shares, properties, or companies in the merger process. Thus, it will not use the narrow, distinct sense of the word. A purchase of the target entity's stock or other equity interests, or the acquisition of any or a significant portion of its assets, is an example of an acquisition (Giddy, 2006).

Post-merger integration: A Post-merger integration is the difficult practice of joining and reorganizing companies in order to improve synergies and efficiencies. The merged company should strictly keep on working on the integration of the activities and process of the acquirer's and acquired companies. According to Aleixo (2020), mergers and acquisitions challenges often result in the collapse of deals or the inability to obtain true value. Considering this, post-merger integration planning must start as earlier as possible in the merger, with best practices, key team members, and merger and integration plans must be in place before the deal being closed

Synergy: If the value of the synergies is zero or negative, the combination of two entities would not create additional value to the organization. The value of the merged company minus the reasonable value of the two companies as independent entities is synergy from a merger or acquisition (Moskovicz, 2018). He also supports the definition by reaffirming that Synergies as the anticipated cost reductions, growth potential, and other financial related advantages that originates from the merger of two businesses Synergy's main concept is that the whole is greater than the sum of its parts (Sherman, 2018).

Synergistic Value: According to Gokeen and Teraman (2018), Synergistic value is an extra value that arises from the aggregation of one or more resources or privileges with a cumulative value greater than the sum of their individual values. As per the authors it means an extra value factor arising from the combination of two or more properties or interests, where the combined value exceeds the sum of the separate values. Moskovicz (2018) states that there are two school of thoughts one argues that synergy is too difficult to value, and any systematic effort to do so is pointless. Although many proponents of the other school of thought argue that we should do our best to predict how much value synergy will produce in each mergers and acquisitions despite the need to make certain assumptions about the upcoming unknowns, and then determine how much should be paid based on that.

Despite the difference in between the two school of thought, both agree that Synergic Value should be created as a result of successful merger and consolidation for firms.

1.9 Organization of the Study

The paper consists of five chapters. Chapter one is Introduction. The second chapter focuses on Literature Review. The third chapter deals with Research Design and Methodology. Chapter four presents Data analysis, results and discussions. The fifth chapter, which is the closing chapter, focuses on Conclusions and Recommendations.

Chapter Two

Literature review

Relevant theories about the concepts mergers, synergy effects of mergers, integration strategies and level of integration are discussed by different authors. Therefore this chapter reviews and summarizes the literatures.

2.1 Definition and Types of Mergers

2.1.1 Definition of Mergers

Gaughan (2011) defines mergers as "*a combination of two corporations in which only the one corporation survives and the merged corporation goes out of existence*". This means that in a merger, the acquiring organization takes over the assets and liabilities of the acquired organization. This form of acquiring a firm is often referred to as a statutory merger. It literally implies the merger is performed in accordance with the laws of a particular country.

According to Kumar V. & Sharma P. (2019) Combination through a merger occurs when two companies or entities combine, with one of the companies or entities stops to exist. The assets and liabilities of the acquired firm will be consolidated or added to the acquiring firm.

A merger, according to Sherman (2010), is "*a consolidation of two or more firms in which the selling firm or firms assets and liabilities are acquired by the purchasing firm.*" The purchasing company keeps its original name, even though it becomes a different new organization after the merger.

A merger is when two companies team up, normally by the exchange of shares as equals, to become a single entity. But not always with equal or peer firms. "*Merger implies some degree of collaboration between firms, but representatives of at least one of the combining firms sometimes perceive what is reported as a merger is a combination of equals.*" (Marks and Mirvis, 2010).

2.1.2 Types of Mergers

Mergers are often divided into 3 categories by researchers, namely horizontal mergers, vertical mergers, and conglomerate mergers (Gaughan, 2018).

Horizontal Mergers

Horizontal merger is the consolidation of at least two organizations working in a similar field and in similar phases of interaction of undertaking a similar service or product. A horizontal merger *"combines the two firms that operate in the same sector. To maintain market share, a company can choose to acquire ownership of a competitor or a prospective potential competitor"* (Kumar & Sharma, 2019). That is, a horizontal merger is a merger of corporations which are direct opponents promoting substitutable service or products covering same geographic markets. According to Gaughan, (2010) a horizontal merger occurs when two competitors combine. Horizontal mergers help businesses achieve economies of scale and boost market share by reducing competition. Usually the objective in this kind of merger is to eliminate the competitor firm, to increase market share, or to end up with a better profitable company. Moreover, horizontal merger has the disadvantages of limiting the opportunity of fresh entrants into the market and hindering the existing market competition.

Vertical Mergers

Vertical merger is a merger where one of the two firms is the product supplier of the other firm. A vertical merger leads to the acquisition of businesses with existing or future relationship of buyer and seller. Companies in a vertical mergers happen at various stages of the production process, when it is possible to have a buyer-seller partnership or to manufacture the same product or service at various phases. (Gaughan, 2018). Vertical mergers gives opportunity for the acquirer to bypass major business opening constraints.

According to Kumar & Sharma (2019) Vertical Merger is a form of merger where a firm consolidates to save time and costs with either the retailing or distribution network or raw material supplier. Backward Integration in vertical merger context is where a company merges with its raw material supplier or manufacturer. The major objective is typically to assure in having a consistent and dependable retailing or distribution network or raw material supplier. Whereas Forward Integration is where a supplier merged with the retailer or distributor. Here the major objective of the merger is to get closer to the end customer also possibly to different industrial user.

Conglomerate Mergers

When two or more dissimilar companies operating in different sectors decide to merge or combine, it is then where Conglomerate Mergers occurs. Conglomerate mergers occur in combination of companies which compete in unrelated services or products, and which are positioned at dissimilar manufacturing chain of the identical or related services or products. Therefore, in this type of merger, none of the products or inputs of the firms are the same.

In a Conglomerate mergers, the merging companies gain major advantages as they are the quickest way to join various fields of operation in the shortest possible time period. The Conglomerate mergers helps the stakeholders by diversifying the company's portfolio of assets. In addition, the investors would minimize the financial risks by spreading their investment in various business sectors (Gaughan, 2010).

2.2 Phases of a Merger

Aggarwal-Gupta et al., (2012) categorized merger phases in to three; the pre-merger phase, the merger phase and the post-merger integration phase. While other author combine the first two phases which are pre-merger part and the merger part into one and organize merger phases into two, namely a pre-merger phase and a post-merger phase.

Pre-Merger Phase

A merger or acquisition starts with a strategic goal that inspires a particular deal and progresses to the goal with due diligence. Pre-Merger Phase consists of the formulation of overall corporate strategies and the establishment of acquisition policies and guidelines. This phase determines the way in which acquisitions are made and managed. Ahlström & Nilsson (2005) state that when the transaction is formulated and negotiated by decision makers and accepted by stakeholders, the pre-combination stage is completed. The merging stage is where the preparation for integration takes place and decisions on implementation are made.

In due diligence process, the acquirer approaches the target firm and attempt to obtain information straightforward from the firms. The due diligence stage results in proposing an offer to the target firm. Finally this process will result in lying the base for the preparation of the integration. In the meantime the integration strategies and structuring activities should be carried on up until the approvals comes from investors. After the legal formalities are completed, then the actual integration could be proceeded. But in some cases, the actual integration may also be carried out in parallel with finalizing the legal formalities (Galpin & Herndon, 2014).

Post-Merger Phase

The Post-Merger phase comprises of the actions done to realize the purposes of the acquisition to achieve the potential benefits which have been identified in the pre-merger as well as during the merger. This phase includes completing the integration strategy for the each businesses in detail and then executing this integration. This phase covers the steps taken to achieve the acquisition goals as defined in the pre-merger phase.in the pre-merger phase.

2.3 Motives of mergers

By studying different factors for mergers and acquisitions, several theoretical researchers and authors offered many interpretations for the mergers and acquisitions strategy over the years.

Companies will carry on M&As when they are looking to maximize profit by the means of reallocation of assets under the control of the most productive managers or owners; or creation of new services or products and expanding the market in new geographical areas; or development of new expertise or skills; or capacity development (Pautler, 2001). Furthermore, in a related merger, according to Singh and Montgomery (1987) value creation may originate from 3 sources namely market power, economies of scale, and economies of scope.

Throughout the years, there have been several potential explanations that have been proposed as an explanation of why a business chooses merger as a way of growth. Yet, there are a number of other motives, like market power, introducing a new services or products, better organizational management or tax reasons (Depamphilis, 2018). But among the various motives achieving synergy is the most common cited reason.

2.4 The Synergy motives

Synergy is described as *"the interactions taking place as two or more entities or elements combine to generate a better effect than the amount of their individual effects could account for"* (Gaughan, 2018). This means, in a common explanations, synergy states the phenomenon of 2+2= 5. In the context of mergers, synergy refers to the potential to be more profitable by a company consolidation than each firms to be merged operating individually.

According to Marks and Mirvis (2010), Merger & Acquisition is a way for a business to accomplish its strategy, but Merger & Acquisition is not a strategy by itself. The firm's strategy might be adding new product line with diversification, or expand the market to other geographical location, or increasing its market share in a competitive business environment, yet Merger & Acquisition is the means for the firm to achieve these strategies. It is the capability of a company merger to be more profitable than the other companies' operating individually.

The motive for synergy proposes the motive for the acquisitions presents as there is value increasing. After the merger, the value of the merged firm should be greater than the values of each combined company operating separately. Therefore, a common justification for acquisitions is to increase the efficiency of merged firms. The company managers of the acquirer and target will agree to engage in the acquisition activities only if it results in the acquirer and target companies optimizing shareholder capital.

The synergy motive suggests that mergers arise when economic profits emerge from the combination of the two companies. The acquirer and target company managers would participate in acquisition engagements as the deal leads to business profits. Therefore, the firm's managers aim at improving the shareholders capital in this aspect.

According to Gaughan (2018), the sources of value originating from synergy can be divided into two categories: operational synergy and financial synergy. Operational synergies may occur either through economies of scale and scope or by means of greater monopoly power.

Operating synergy

Operating synergy can originate from improved profits or cost saving opportunities. From the above two sources of operational synergy, the challenging one is to achieve is the revenue enhancement. Gaughan (2018) points out that revenue-enhancing synergies may originate by using the market power opportunity crated, or by a strengths created from functional cooperation, or from fast growing and expanding markets or newly created markets.

The synergy theory suggests merger and acquisition occurs as the value of the merged companies is greater than the value of the sum of the each firms operating individually. The added value, or synergistic gain, originates from an increase in operating efficiency or a growth in market power (Singh and Montgomery, 1987). The reduction in cost that arise due to a business merger are one of the key sources of operational synergy. These reduction in costs may occur as economies of scale decrease in costs per unit as a result of an increase in the degree of the operations of an organization.

Therefore, operational synergies would be possible which, if combining companies share the same business, would result in benefits for shareholders in both firms. If the firms are not coming from the related business background but are horizontally or vertically related, there would be a growing in monopoly power. Alternatively, if the merger is a conglomerate and the companies are from dissimilar sectors, the synergy coming from non-operational sources, such as financial or managerial sources, will result in value creation.

Usually, manufacturing companies operate at high costs per unit for low levels of production. This is because the fixed operating costs of their production facilities are distributed over comparatively low levels of output. The per unit cost decreases as the output level increases. The other sources of these improvements originates from better management skills and also efficient utilizations resources. Often these efficiency and better resources utilization might not be feasible for low scale outputs. Efficiency and better resources utilization stay for a certain range of output. Then the cost per unit of production increases and the company experiences diseconomies. As a result of the higher per unit costs and other issues associated with managing a large-scale production, the firm can experience diseconomies of scale. Many economists still disagree on the magnitude to which diseconomies of scale occur Gaughan (2018).

Gaughan, (2018) added that generally operating synergy is considered as the major objective of financial institutions such as banks benefited by merger. By merging such financial institution it is possible to use the advantages by sharing resources and common departments to deliver a wider range of services. In addition, they can share skills and technological systems to process multiple of loans and deposit accounts. The potential to get significant intangible assets between the merging companies is an important source of synergy as well.

Financial synergy

As per Gaughan (2018), the second type of synergy is the financial synergy. Financial synergy is the synergy originates from the effect of an acquisition or a merger on the costs of capital to the acquiring firm or the merging firms. The capital costs have to decrease if a financial synergy be experienced in a merger. Researchers even have disputes if a financial synergy actually exists or not.

If the merging companies' cash flow streams are not seamlessly related, then the merger of the two firms can reduce risk. The suppliers of capital may consider the firm is less risky if the merger or acquisitions lowers the volatility of the cash flows. Since frequent and major fluctuations in the merged companies' cash flows will be less likely, the possibility of bankruptcy will undoubtedly be reduced. This means that cash flow are less likely to collapse to the point that the company becomes financially bankrupt (Depamphilis, 2018).

Higgins and Schall (1975) describes this effect in the context of debt-coinsurance effect. Co-insurance effect is the concept of greater diversification from business mergers lowers the risk of debt. The debt default risk related with the merger of the firms may be reduced if the correlation of the income streams of the merged companies is less than perfectly positively correlated. Sometimes one of the merged companies may experience forcing conditions which may lead into bankruptcy. Which of the two merged firms may experience the bankruptcy condition is yet difficult to predict. Only creditors may suffer a loss if only one of the merged companies goes to bankruptcy. However, if the two companies were merged before these financial challenges, the solvent firm's cash flows, which exceed its debt servicing needs, would balance the loss in the other firm's cash flows.

The offsetting revenues of the healthy company could be adequate to save the merged company from going bankrupt and from posing a threat of losses to the creditors. Financial synergy can come from a variety of sources. The decreased cost of internal financing compared to external financing is one source of financial synergy. Excess cash reserves exist in companies with high internal cash flows but limited investment opportunities. Firms with poor internal funds availability and significant growth potential need external funding. Merging the two can yield benefits from lower internal funds availability costs. This internal funds effect appears to be supported by previous empirical findings.

It was found out that when the cash flow rate of the acquired firm was greater than that of the acquiring firm, then the rate of premium paid to the acquired firm as an estimate to the merger gain was larger as well. This meant that money was reallocated from the acquired firm's business to the purchasing firms.

2.5 Integration

According to Merriam-Webster Dictionary, the verb 'integrate' means "to form, coordinate, or blend into a functioning or unified whole". According to Shrivastava (1985), the attempt to merge various firms into a single entity are the key challenges in successfully handling mergers. Lindgren (1982) also added that in the context of integration, merger is defined as *"the instruments, procedures and processes (integrative devices) used by the acquirer in order to undertake changes in the systems and structure in the target company."* The importance is on how these elements correlated to the different integration goals defined by the acquiring company's stakeholders and managements.

As per Galpin & Herndon (2014) the major objective of merger integration is to put the merged firms processes, people, technology, and systems into place. The purpose of integrating these component is to realize the pre-planned strategic advantages and business rationale of the merger motives.

2.6 Merger Integration

Bruner (2004) stated that all mergers are unique, and hence there is no particular one-size-fits-all for a successful integrations of mergers and acquisition. Nonetheless the fundamental rationale for the merger should guide the integration plan; meaning the company's business strategy being as a parent should lead to integration strategy. It is necessary to note that the integration customization process should begin with a solid objective of the acquisition's priorities, which usually are based on three factors: control, interdependence, and autonomy.

Bruner (2004) added that the fundamental strategy for integration is determined by an evaluation of the need for autonomy, interdependence, and power in achieving the integration's objectives.

Autonomy: Autonomy is more than the keeping its reputation, identity, production facility, or headquarters; it is a matter of will the acquisition target survive on its own. It can also be seen in the maintenance of a company's culture, retention of the leadership team, and the interdependence of decision-making. If keeping the leadership, culture, and decision-making of an organizations is critical to achieving the acquisition's strategic objectives, autonomy would definitely be indispensable.

Interdependence: the degree to which the target firm must be connected to the acquirer's value chain and also its business processes to meet the acquisition goals affects the interdependence (Bruner, 2004). The greater the degree of integration demanded, the more difficult it is to achieve success.

Control: The level of control required over the target business is measured by the acquisition's strategic risks and how those risks could be handled. Controlling an organization can be done in a variety of ways, such as by appointing a Chief Financial Officer from the home office or installing a new financial system (Bruner, 2004).

Bruner (2004) addresses 4 classic strategies which can be used in post-merger integration and are based on the above considerations:

1. **Preservation**: If this technique is used, the target organization is almost entirely left alone, with no adjustments. The target organization has a high degree of autonomy, low influence, and low interdependence with the parent's business processes, which is a hallmark of this strategy.

2. **Confederation**: When it's appropriate to handle risks while maintaining the target's specific attributes, this strategy becomes important. The goal is to have a high degree of autonomy, but is subjected to strict controls and has few interdependencies.

3. **Linking**: When it's important to preserve the target's culture while also creating the acquirer's controls and linking the target firm to the acquirer's value chain and business processes. The target has a greater autonomy, but it's also subject to a greater controls and has a lot of interdependence due to business process integration.

4. **Absorption:** Where the objective is to take advantage of economies of scale and/or eliminate capacity from the market, this strategy is used. The target company is subjected to low degree of autonomy, higher degree of control, and strong interdependence of business processes in order to eliminate the differentiation between the target and the acquirer.

In order to succeed with the integration successfully, the acquirer firm shouldn't presume that the acquired firm would follow its previous rules, norms, policies and procedures of without being communicated in details. In fact, workers of the acquired firm might have to be communicated as much as possible up until the message is deliver in a proper way. Communication capability, organizational capabilities, and cultural integrating strategies are some of the factors that determine the success of merger integration, as mentioned previously.

2.6.1 Communication Capabilities

According to Shrivastava (1985) communicating all the detail steps and impact of the merger process to each and every stakeholders in the company, is an important merger practice. Of course while communicating these details, it should be noted any competitive details and company secrets shouldn't be disclosed or broadcasted. The content, type and target audiences of the information should be scrutinized at first.

A long-term strategy for exploiting synergies must be communicated to all relevant organizational members. This strategy should describe specific action programs and these programs must be supported by adequate resources. According to Appelbaum et al. (2000), the information must be up to date, comprehensive, and shared through various mediums. Communication is a key component in the merger and acquisition process.

Bruner (2004) effective communication is a pervasive challenge in M&A. The most critical threat for a successful merger and acquisition tends to be poor communications. The most important risk to deal success tends to be bad internal communications. According to Epstein (2004), senior management communication throughout post-merger integration, especially at the establishment of the merger process, must be relevant, regular, and consistent. Communication may be the most critical factor in assessing human resource success. To avoid losing workers whose talents are essential to the new company, knowledge on applicant screening processes and company severance policies should also be shared rapidly.

According to Engelson et al. (2005) to create support for the integration, it is crucial to give a positive message to the staff and communicate the merger's benefits. The status and success of merger, including prospects for workers should be conveyed to all employees straight from change leaders and decision makers.

All the key external investors and stakeholders should also be address by the merger communications plan. These key stakeholders may include the workers, key clients, labor unions, investors, government regulators, contractors, suppliers, financial markets, shareholders, the press, and the financial society.

According Epstein (2004), employees and customer may be confused, clients may be scared, and systems may be affected as a result of poor communications. Communication is principally essential as customers must be aware of the new company's strategy, approach and progress and how it will impact their relationship. Merger activities from internal issues might bring the customers concerns about the risks to come and therefore planning customer communication strategy carefully should an essential part of the integration strategy all the way through the merger process.

Bruner (2004) states that proper management of press relations during the transition process is key factor for an effective integration implementation. This is because communication has an effect on employee, consumer, financier, and competitor expectations. Managing public relations means collaborating with journalists to ensure that they grasp the firm's priorities. Setting goals, or even ensuring that those goals are well coordinated, isn't enough. According to Bruner (2004) the primary purpose of communication should be to keep the company updated about its strategic goals, vision, and financial targets for the future. As a result, the organizations' goals would be matched, resulting in more successful integration. Regular and frequent repetition cultures should be adapted by senior executives communicating about the strategic objectives and financial targets in their presentations,

According to Galpin & Herndon (2014) the communication activity, or knowledge building, involves a companywide communication of what is going on, with the intention of aligning the integration efforts to the very strategic plans. Pritchett (1997) says that the objectives and targets must also be communicated to those who will be in charge of achieving them. As the trust level in the organization drops, people begin to play their cards much closer to their chest. The information channels receive less input that is dependable. And before the information touches the planned audiences, there is a probability of information modifications, filtering out, distorted, or even tampering. Therefore, the management team must maintain the focus on the goals that have been set. It is also necessary to give a frequent, detailed, and precise feedback on progress toward achieving goals.

Placing the top management team in their positions as quick as possible and communicating them openly and confidently gives advantages that would otherwise be difficult to achieve. Generally the most significant make-or-break judgment in the initial phase of a merger is selecting and allocating the person who will lead the company. The decision should be based on the seriousness of the situation and also the inputs from due diligence process.

According to Galpin & Herndon (2014) Personal uncertainty is the first subject that becomes a source of great concern for people at all levels of an organization during a radical change: the “me” issues. Is it likely that I'll lose my job? Executives and employees will continue to ask questions like these before they obtain answers, and the time consumed worrying about themselves is time not utilized for the organization’s job or assignments.

2.6.2 Organizational Capability

Organizational capability, according to Tetenbaum (2000) is defined, as *“getting the right people in the right position to effectively perform the tasks that are needed to achieve the new organization’s goals. In order to build organizational capability much of the integration team’s work, in collaboration with the HR staff, focuses on the “three Rs”: retention, riffing and recruitment.*” When it comes to integration, riffing is crucial for eliminating overlapping functions and employees, and also benefiting from cost reduction, recruiting is essential to fill the gaps, but retention should be at the heart of the strategy. According to Engelson et al. (2005) making special efforts to maintain key workers, staffing the new company intelligently, and handling those whose positions may be lost in a reasonable and equitable way are all key success factors in post-merger integration. Since intellectual workers are a company's most valuable asset, many mergers seek to acquire not only a product or a process, but also the intellectual capital that underpins them.

Galpin & Herndon (2014) say that a substantial body of research has found that the cost of ignoring the issue of key talent retention during M&As is substantial. Trying to develop a retention strategy based on a recognition of what motivates people is a smart way to avoid losing key workers and the negative implications that may result. During a merger or acquisition, one of the main priorities should be the retention and recruitment of employees with highest KPI’s, particularly since today's organizations' competitive strengths are often dependent on professional expertise and knowledge. Engelson et al. (2005) also added that designing a strategy, or making special efforts, to maintain desired talent is one of the most critical ingredients for effective integration.

Retention of Talent: Galpin & Herndon (2014) discussed about a solid strategy containing of three main steps is needed to strengthen an organization's capability to maintain and attract key talent during a merger or acquisition. These main steps are Identify the key individuals or teams, knowing their motivation factors, and designing and implementing an action plan to execute those motivations. Developing a retention strategy based on an awareness of what motivates people is a successful way to avoid losing key workers and the adverse implications that could follow as a result.

Staff Assessment & Selection: Aside from putting on the right track of the hiring decisions, the assessment and selection process should allow the acquirer or the merged company to see previously undiscovered skills and also determine potential needs of important training. In addition, the issue is underlined by Bruner (2004) by stating that all the staff assessment and selection decisions should be based on reliable and detailed data, and the selection process should be clear, impartial, and consistent.

As per Galpin & Herndon (2014) the main elements of staffing are the processes for deciding organizational structure and staffing decisions, as well as the staffing process development, staffing approval process, and the support for the process itself. This means that the "best player" gets the position, and then reducing favoritism and cronyism. Consequently, since organizational culture is affected in part by the employees who work there, a comprehensive recruitment and promotion plan which stick to the comprehensive organization’s strategy is required.

Riffing: HR personnel and integration team members must perform headcounts as well as project and schedule downsizing, lay off, replacements, and transfers as part of building organizational capacity. For anyone involved, the riffing process is especially complicated and dynamic, so it's important that it's done correctly. The way dismissed workers are handled during laying off workers and treated subsequently has a direct impact on the attitudes of remaining employees (Tetenbaum, 1995). Outplacement programs, severance packages, job-location assistance, and other services to help displaced employees are critical components of effective integration.

2.6.3 Culture Strategy

Culture in context of organization culture is defined as *"the beliefs and attitudes about something that people in a particular group or organization share"* according to oxford dictionary. The behavior of an organization's members is affected by its principles, beliefs, norms, and practices. The difference in the level of formality, commitment, and appreciation for long service can vary between organizations, giving each one its own identity, which also influences the behavior of new staff.

A corporate culture, which has slightly unique characteristics than other environments, is a highly dynamic and critical element in the merger integration. Since the process needs all sides to give up anything and accept something different, some cultural differences are inevitable when two organizations combine. Accepting the small cultural differences is generally known as 'acculturation'. However, cultural similarity is not linear with the necessary degree of integration, so instead of pursuing cultural similarity, managers must settle on the acceptable level of acculturation. According to Cartwright and Cooper (1992) when two cultures come together, there are four possible modes of acculturation: assimilation, integration, separation or enculturation.

1. **Integration:** This means that neither side imposes its culture on the other, but rather that a balanced management practice is developed; no actual change to either of the companies has exhibited. Effective implementation is primarily a result of the target's willingness to be integrated.

2. **Assimilation:** A friendly imposition of one culture on another, resulting in the target being fully consumed by the acquirer. If the merger is in a similar industry with a week culture, this approach should be favored.

3. **Separation:** This strategy results in no cultural diffusion between the companies and only the most basic control systems are developed. When a merger happens between businesses in unrelated sectors, and the target business has a strong culture that does not want to modify, this approach is acceptable.

4. **Enculturation:** This strategy encompasses disintegration of the targets company's culture and replacing it with that of the acquirer company's culture. This phase is often would result in considerable complexity, tension, and uncertainty on the target organization. This is exhibited in mergers which generally has resistance and when the companies are from in unrelated sectors.

According to Cartwright and Cooper (1992) all of these acculturation strategies should initiate from the two factors: the readiness of each company's workers to forget their earlier culture and their perspective towards the organizational culture of the other company.

Carleton & Lineberry (2004) pointed out that the key to successful cultural integration is to first identify the gaps between cultures and then assess how each can adapt to the other by continuously evaluating the two organizations' cultural differences in order to build up culture "fit" while also determining "shared values" that define the new organization's desired culture are change practices that contribute to effective Merger and acquisitions integration.

According to Carleton and Lineberry (2004), the best way to progress with cultural integration is to first recognize the cultural differences and then determine how each company's culture will relate to the other. Continuously evaluating the two organizations' cultural differences in order to strengthen culture "fit," as well as recognizing "common principles" that define the new organization's desired culture, are the two change practices that contribute to successful Merger and acquisitions integration.

2.7 Empirical Review

Marks and Mirvis (2010), in more than fifty organizations, they have studied the process of post-merger integration in M&As for over thirty years. In a global perspective, these mergers and acquisitions study covers all business groups, include companies of all types, and include both friendly and hostile mergers. Their research discovered that institutional norms discourage the ability of operant capital to achieve synergies and financial benefits in majority of mergers and acquisitions.

Another study was also undertaken by Steven, Frederic, Roberto and Barbara (2007) on the effects of mergers and acquisitions on their companies, taking into account the following variables: communications, corporate culture, and change. Human capital, they agreed as per their study, is the secret to successful merger management. Communication is also the key and significant factors when it comes to effective merger management. It can be argued that transparent and regular communication with staff, as well as employee engagement, are crucial to the success of mergers and acquisitions. Failure to accomplish this kind of communication would have an adverse negative impact on the employee's commitment and would result in a serious consequences for the future of the organization. To enhance the merger's chances of success, more time and effort should be put into better assessing the corporate culture fit before proceeding with the merger. Employees benefit from improved communication because it enables them to maintain reliable and collaborative internal organizational processes that help them develop stronger relationships with each other.

Roberto and Colin (2003) studied on Cultural Conflict and Merger Failure and stated that for organizational members, post-merger organizational cultural shift is a stressful event. It induces resistance and leads to the failure of the mergers and acquisitions. Even people involved in the mergers and acquisitions process have long been considered to be resistant to cultural change. Cultural integration has been cited as one of the key factors for mergers. Communication is widely recognized as the most important tool in almost all change process, particularly when combining two organizations with different organizational cultures. Other than this, some researches have looked into the role of Human Resources in ensuring a smooth transition to a new culture through communication. They came to the conclusion that most corporate mergers fail. And this weakness happens on average in every way: when mergers are declared, stock prices of acquiring company appear to decline marginally; most target firms are then sold off; and the target company's profitability would decline subsequent to the merger. And their study result did not argue on the significance of the organizational culture factor.

2.8 Conceptual Framework of the Study

2.8.1 Communication Capabilities

According to Epstein (2004), each stakeholder should obtain information that describes their role in the merger in presentations that is personalized to them and compatible with the total vision of the merger. It is essential to understand the bigger view messages of the vision, the objectives, and challenges, as well as to have team leaders interpret and explain these messages so that the messages are applicable to the team or team members. In their research, Galpin & Herndon (2014) state the significance of communicating information which is specific to the integration and about what the merger means to respective employees, managements and stakeholders.

2.8.2 Organizational Capability

Even when key staff remain on board during a merger or acquisition, they often lose commitment, particularly when the situation appears to be insecure, unpredictable, or changes drastically, as it often does during mergers (Galpin & Herndon, 2014).

Employees from both firms must be kept to the same standards and criteria in the merger personnel decisions, and the employee screening process should be based on performance and ability instead of a struggle for power (Epstein, 2004). Cartwright & Cooper (1992) address the significance of establishing a structured, objective evaluation of competence that workers consider as rational and balanced. Most acquiring or merging companies do have advanced candidate selection process and procedures, but they hardly ever use them in mergers and acquisitions.

2.8.3 Cultural Strategy

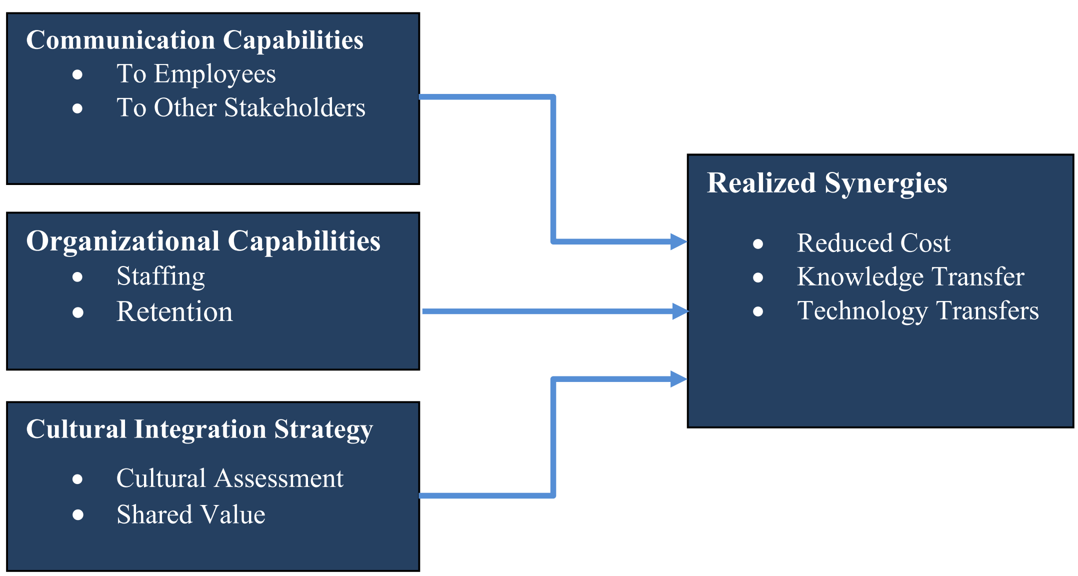
Prior to the merger, it is critical to develop a cultural integration plan. The question of whether to introduce one of the existing cultures, or hold them apart, or establish a mixed culture must be determined and analyzed. Of course, before enforcing a new culture, it is important that the new culture be superior to the one which is going to be substituted. If a mixed culture is selected as part of the plan, this method should entail selecting a new set of values, assumptions, and behavioral rules that take advantage of parent organization's strengths to create a new and enhanced organizational culture.

2.8.4 Realized Synergies

According to the synergy theory, mergers and acquisitions occur when the merged firm's value go beyond the sum of the individual firms' values. An additional extra value in operating efficiency or market power produces the added benefit, known as synergistic gain. The cost savings that come from the merger is one of the key sources of synergy. These cost savings could come from economies of scale, which is the reduction in per-unit costs that arises as a company's operations grow in size or scale (Gaughan, 2017).

Resource advantages are another sources of synergy that can be achieved as a result of mergers. Mergers may provide access to resources or services that are otherwise inaccessible or only accessible at a higher cost. Knowledge and learning curve gains, knowledge transitions such as routines, information flows, and best practices are more defined resource gains that can be achieved through mergers. Because of potential collaboration possibilities or enhanced transformation, knowledge exchange leads to opportunities to learn as much and learn as quick.

. ***Figure 2.1**: Conceptual framework*



Source: Researcher formulation based on literature review.

Chapter Three

Research Methodology

3.1 Research Approach and Design

3.1.1 Research Approach

The study uses quantitative research design in order to investigate the problem. The study uses quantitative approach to analyze quantitative data obtained from the structured questionnaires prepared using the 5-point Likert scale measurement. The quantitative approach includes the quantitative generation of data which can be formally subjected to rigorous quantitative analysis.

3.1.2 Research Design

According to Creswell & Clark (2007), *"A research design is the set of methods and procedures used in collecting and analyzing measures of the variables specified in the research problem."* This study uses both descriptive and explanatory research design. Descriptive analysis is used to characterize the features of a group or phenomena. It doesn't explain how, when, or why the characteristics developed. Descriptive analysis attempts to characterize a group, condition, or phenomena in a systematic and precise manner. In addition, Explanatory research, also known as analytical research is a kind of cross- sectional research used to identify any causal links between the factors or variables that is relevant to the research problem. Explanatory research is employed as a main research method of this study and used to examine the effect of the selected factors on post-merger performance. Explanatory method is a method that describes the study systematically, factually and accurately utilizing facts, behaviors and relationship between the phenomenon's being studied.

3.2 Target population

The study basically targets employees of Policy Studies Institute (PSI). So, the target population of this study is the 73 current employees working at Policy Studies Institute (PSI).

3.3 Sample size and Sampling Procedure

For selecting the respondents to fill out the questionnaires this research uses census method and takes all of the target population as respondents. This study uses this method because the researcher believes it's practical to manage all members of the population. The total sample number of the study is 73.

3.4 Data Source and Data Collection Instruments

In order to gather the data from relevant sources, the study uses primary data collection instruments. The primary data is conducted in the form structured questionnaires that are distributed to employees of the organization.

The items of the questionnaire are adopted from the prior literature (Buono and Bowditch, 1988: Homburg and Bucerius, 2006). The adopted items are slightly modified according to the context of the study. The questionnaire that is used in this study has two parts. The first part is designed to collect the demographic information from each respondent. The second part contains information to assess variables and is prepared on five point Likert scale ranged from "1=Strongly Disagree" to "5=Strongly Agree".

3.5 Method of Data Analysis

The study analyzes data collected from respondents through questionnaire by using SPSS version 23.0 software. The study presents collected data from primary sources by using tables which are expressed in the form of mean and standard deviation. To examine the relationship between Realized Synergies and each of the selected factors, descriptive statistics and Pearson's Correlation coefficient are used. Moreover, the study conducts multiple regressions to analyze the data after conducting reliability test, descriptive statistics and Pearson correlation.

3.6 Reliability

The reliability of instruments is measured by their consistency. Creswell (2003) defines instrument's reliability as the degree of consistency shown by the instruments or procedure. A correlation coefficient, which measures the strength of association between variables, is commonly used to express the reliability of a standardized test.

The researcher conducted reliability test before proceeding to the main study. The reliability test's purpose was to identify potential weakness in the research instrument so that steps to reduce the identified errors could be taken. The Cornbrash's alpha was used to test reliability of the scales used from this study.

Table 3.1; Reliability Test Statistics

Variables	No of Items	Cornbrash's Alpha result
Communication	7	0.785
Organizational Capability	7	0.804
Culture	7	0.832
Realized Synergies	7	0.742

Own Survey & SPSS output (IBM SPSS Statistics 23)

Various authors acknowledge different values of this test in order to achieve internal reliability, according to Hair et al. (2003), but the most widely agreed value is 0.70, which should be equal to or higher than to achieve internal reliability. As shown in the table, the value of Cornbrash's Alpha for each field is between 0.742 and 0.832. This range is regarded as high; the result ensures the reliability of each questionnaire field.

3.7 Validity

Validity is defined as the degree to which an instrument accurately measures what is supposed to measure. It is concerned with how well the concepts are defined by the measures (Hair et al., 2007). In this study, structured questionnaire was developed based on the conceptual framework of the study designed to address the intended assessment questions and objectives. To establish the validity of the data collection instrument, the researcher examined previous research works and developed the questionnaires based on the reviewed literatures.

Chapter Four

Data Presentation and Analysis

4.1 Introduction

The general objective of this study was to examine the role of communication capabilities, organizational capabilities and cultural integrating strategies and their effects on the attainment of synergy value post-merger in the case of Policy Studies Institute (PSI). As per feedbacks from few employees, an online questionnaire survey free tool (surveyplanet) was also used to address the current pandemic COVID-19 situation for some of the respondents.

To attain the objective of the study, data from primary source was collected through questionnaires distributed to employees of Policy Studies Institute (PSI). In this chapter data presentation, interpretation and discussion are presented. The data of the respondents is analyzed by using appropriate statistical tools. The first part of this chapter discusses about the response rate and demographic profiles of participants, while the next part discusses with the analysis and interpretation of findings of the study.

4.2 Response rate and Demographic Characteristics of Respondents

4.2.1 Response rate

As stated in the previous chapter the study took a sample size of 73 employees who work at Policy Studies Institute (PSI). Thus, seventy three questionnaires were given to employees of the institute. Of which 68 questionnaires were correctly filled in and returned which makes a response rate of 93%. This response rate was good enough to make conclusions for the study.

4.2.2 Demographic Characteristics of the Respondents

In the following section, the demographic information of respondents is presented. These include gender, age and work experience of respondents. To get information on these issues the respondents were asked questions regarding their demographic characteristics' and their responses are presented as follows.

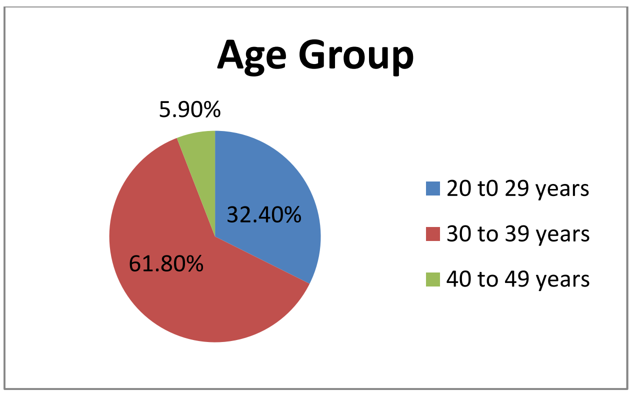
Table 4.1 Gender of respondents

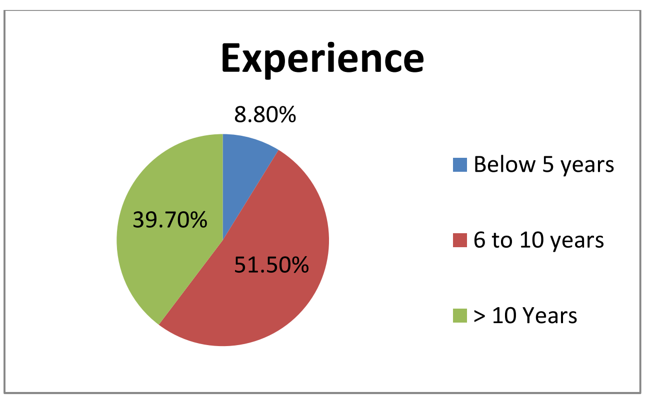
Gender	Frequency (n)	Percentage (%)
Male	48	70.6
Female	20	29.4
Total	**68**	**100.0**

Source: Own Survey & SPSS output (IBM SPSS Statistics 23)

Table 4.1 above was designed to display the respondent's distribution in terms of gender. As it is presented in table 4.1 above, 70.6% of the respondents are male and 29.4% are female. Majority of the respondents are male. This result shows that most employees working at PSI to be male employees.

Figure 4.1; Age and Work Experience of the Respondents





Source: Own Survey & SPSS output (IBM SPSS Statistics 23)

As it is shown on figure 4.1 above, 32.4% of the respondents are in the age group between 20 to 29 years, 61.8% of the of the respondent indicated they are in the age group between 30 to 39 years, whereas the remaining 5.9% of the respondents indicated that they are between 40 to 49 years. Furthermore, as presented on figure 4.1 above, the study requested respondents to indicate their work experience in the institute. Their responses revealed that 8.8% of the respondents have a work experience of less than five years, 51.5% of the respondents had a work experience ranging 6 to 10 years, 39.7% of the respondent indicated that they had worked for a period over 10 years in the institute. This implies that most of the employees (91.2%) have above 5 years of experiences accumulated. This result adds recognized value for this study, as most of the respondents have enough work experience that can enable them to distinguish the differences between the pre and post-merger environment.

4.2 Results and Findings of the Study

This study has appraised the role of communication capabilities, organizational capabilities and cultural integrating strategies and their effects on the attainment of synergy value in the case of Policy Studies Institute (PSI). In doing so, a Likert scale questionnaire was used to measure the respondents' perception towards the variables. The data collected was analyzed by using descriptive statistics, inferential statistics and multiple regressions. In this part of chapter four, results and findings of the study are presented.

4.2.1 Descriptive Analysis

The respondents were asked to rate their response on each statement proposed on a five point Likert scale ranging from one (strongly disagree) to five (strongly agree). Based on this, the collected data was first analyzed descriptively using mean and standard deviation (SD).

The resulting Mean score values were interpreted using the scale proposed by Andreassen and Best (1977). That is, mean score values between 1 to 1.8 represent high level of disagreement with the proposed statement; mean score value between 1.81 to 2.6 represent disagreement; mean values between 2.61 to 3.40 represent neutrality towards the proposed statement; mean values between 3.41 to 4.20 show agreement; and mean score value greater than 4.21 show high level of agreement with the proposed statement.

Table 4.2; Respondents' opinion towards Communication Capabilities

Item	Statements related to Communication Capabilities	Min.	Max.	Mean	S. Deviation
1	All the stakeholders (e.g. employees, management etc.) were addressed and communicated during the merger.	2	5	3.84	.704
2	The reasons behind the merger, i.e. benefits to the institutes were communicated to employees.	1	5	3.93	.816
3	There was a communication program for keeping the employees informed about the merger progress implemented	2	5	3.79	.764
4	There were communication sessions where employees meet senior leadership.	2	5	3.60	.883
5	There was a desire from top management communicated instantly after the change in control.	1	5	3.74	.785
6	There was a continuous information flow over the long term, i.e. not packed into the first few weeks following the deal.	2	5	3.76	.755
7	Specific people were given the responsibility of handling the communication in the institute during the merger integration process.	2	5	3.97	.791
	Average			**3.80**	**0.786**

Source: Own Survey & SPSS output (IBM SPSS Statistics 23)

The first category in the second part of the questionnaires distributed inquired respondents opinion regarding the communication aspect of the merger. With this regard respondents were asked to indicate their opinion on whether or not communication dimensions of the merger have features needed for a successful merger. Respondents agree that the communication during the merger addressed all stakeholders; was continuously flowing and specific people were given the responsibility of handling the communication. This was depicted in table 4.2 with mean values of 3.84, 3.76 and 3.97 for items 1, 6 and 7 respectively.

As presented in table 4.2 above, all items have a mean value of 3.60 and above. And the average mean score for the category was 3.80. This average mean score represents that employees agree with the statements proposed and were satisfied with the communication aspect of the merger. Moreover, the standard deviation of all items in table was less than 1.00, depicting that respondent's perception on the communication aspect of the merger is close to one another.

Table 4.3; Respondents' opinion towards Organizational Capabilities

Item	Statements related to Organizational Capabilities	Min.	Max.	Mean	S. Deviation
1	There was a plan for identifying and retaining key employees after the merger.	2	5	3.81	.675
2	There was a comprehensive staffing plan for recruiting, motivating and educating employees after the merger.	2	5	3.93	.654
3	There was clear information on the candidate selection process and severance during the merger.	2	5	3.37	.689
4	There was a lay-off policy during the merger.	2	5	3.97	.622
5	There was a top leadership assessment and selection prior to the closing of the merger.	3	5	3.85	.580
6	There was a clear strategy for involvement focusing on involving employees and key organization leaders in the change efforts from the beginning to the end of the merger.	2	5	3.87	.621
7	Management's responsibility and relationships (hierarchical structure) were clearly allocated quickly after closing the deal	2	5	3.79	.612
	Average			**3.80**	**.636**

Source: Own Survey & SPSS output (IBM SPSS Statistics 23)

Table 4.3 above presents respondents' opinion regarding organizational capabilities during the merger. As table 4.3 depicts, respondents agree in the availability of a plan for retaining and a plan for recruiting employees with a mean value of 3.81and 3.93 respectively for the first to items. However, respondents' opinion was neutral regarding the presence of clear information on the candidate selection process and severance as shown with the 3.37 mean score for the item. The remaining four items presented in table 4.3 all have a mean score higher than 3.40, showing agreement with the proposed statements regarding the organizational capability of the merger.

The average mean score for the category presented in table 4.3 was 3.80. This average mean score shows employees of the institutes agree that good organizational capability was shown in undertaking the merger. The standard deviation of the above set of responses was less than 1.00 indicating that the perceptions of the respondents were similar.

Table 4.4; Respondents' opinion towards Cultural Strategy

Item	Statements related to Cultural Strategies	Min	Max	Mean	S. Deviation
1	There was a cultural assessment of the target institutes in the pre-merger phase	2	5	3.94	.620
2	There was evaluation of the cultural differences between the institutes before the merger.	2	5	3.82	.690
3	Shared values of the institutes were identified in the pre-merger phase.	2	5	3.85	.675
4	Old rules and policies that hindered the desired culture of the post-merged institute were eliminated.	2	5	3.71	.648
5	New standards and operating procedures were developed and documented during the merger.	2	5	3.69	.797
6	New training programs and routines were established during the merger in order to create competency in the institute to implement the new processes and procedures.	2	5	3.72	.770
7	New rules were established during the merger that facilitated desired changes.	2	5	3.76	.715
	Average			**3.79**	**.702**

Source: Own Survey & SPSS output (IBM SPSS Statistics 23)

The set of statements presented in table 4.4 above, tried to assess respondents' opinion about the cultural integrating strategy of the merger. The average mean score for the category presented was 3.79. In addition all items have a mean score average greater than 3.40, showing employees agreement with the proposed statements. The standard deviation of the above set of responses was less than 1.00 indicating that the perceptions of the respondents were similar. This result indicates that sample respondents believe that the necessary tasks to culturally integrate the merged institutes were exhibited.

Table 4.5; Respondents' opinion towards realized Synergies

Item	Statements related to Realized Synergies	Min	Max	Mean	S. Deviation
1	The merger has improved performance and operational efficiency.	2	5	3.87	.751
2	The merger has resulted in reduced operational, fixed and overhead costs.	3	5	3.93	.676
3	The merger has improved Operating synergy by enabling the merged institute to acquire more funds from different sources	2	5	3.99	.763
4	The merger has increased the institutional outputs and deliverables by speeding up and expanding the capacity.	2	5	3.74	.745
5	The merger has increased the economies of scale and scope advantages by speeding up and expanding the capacity.	2	5	3.76	.576
6	The merger has contributed in transferring explicit and implicit knowledge and skills.	3	5	3.79	.636
7	As a result of the merger have gained access to new resources and technologies.	3	5	3.88	.587
		Average		**3.85**	**.676**

Source: Own Survey & SPSS output (IBM SPSS Statistics 23)

As presented in table 4.5, the first item reflect employees' agreement that the merger has improved performance and operational efficiency. This is reflected in the mean score value of 3.85 which shows agreement with the proposed statement. Similarly, the respondents believe that the merger has resulted in reduced operational, fixed and overhead costs, as it is reflected in the mean score of 3.93 for item 2 in table 4.7 above.

Respondent employees also agreed that the merger has contributed in transferring knowledge and the merger has given access to new resources and technologies, as it was indicated in the mean scores of 3.79 and 3.88 respectively for the last two items of table 4.5.

Furthermore, the average mean score of the above statements was 3.85. This result reflects employees are fairly satisfied with the realized outcomes from the merger. Moreover, all items in table 4.5 above have a standard deviation of less than one. This shows responses gathered from the respondents were similar.

4.2.2 Correlation Analysis

This section presents the results of the analysis between the three independent variables (communication capabilities, organizational capabilities and cultural integrating strategies) and the realized synergies. Correlations measure the direction and association between two variables. The correlation coefficient, which ranges from +1 to -1; a correlation coefficient of +1 describes a perfect positive relationship in which every change of +1 in one variable is associated with a change of +1 in the other variable. The values of Cornbrash's Alpha for each field of the questionnaire are shown in Table 3.1. As shown in the table, the value of Cornbrash's Alpha for each field is between 0.741 and 0.832. This range is regarded as high; the result ensures the validity of each questionnaire field.

Accordingly, Pearson's Correlation coefficient was employed to find out the relationship between the three independent variables (communication capabilities, organizational capabilities and cultural integrating strategies) and realized synergies. Table 4.6 exhibits the results of the correlation analysis made using correlation data analysis technique. To interpret the strengths of relationships between variables, the guidelines suggested by Field (2005) is followed. His classification of the correlation coefficient (rho) is as follows: if rho is between 0.1 and 0.29 there is a weak correlation, if rho is between 0.3 and 0.49 there is a moderate correlation and if rho is greater than 0.5 there is a strong correlation.

Table 4.6; Pearson's rho correlation coefficient

		Realized Synergies
Communication	Pearson Correlation	.740**
	Sig. (2-tailed)	.000
	N	68
Organizational Capabilities	Pearson Correlation	.404**
	Sig. (2-tailed)	.001
	N	68
Cultural	Pearson Correlation	.622**
	Sig. (2-tailed)	.000
	N	68
Realized Synergies	Pearson Correlation	1
	Sig. (2-tailed)	
	N	68
**. Correlation is significant at the 0.01 level (2-tailed).		

Source: Own Survey & SPSS output (IBM SPSS Statistics 23)

As per table 4.6 above, Pearson Product-Moment Correlation Coefficient was used to assess the relationship among variables (independent and dependent variables). The result of the correlation coefficient show that all independent variables were positively related with dependent variable (Realized Synergies) within the range of 0.740-0.404 and all were significant at $p<0.01$ level.

As can be seen from the above table, Communication formed the highest Pearson Correlation value of r = 0.740, indicating that Communication has positive, strong and significant correlation with realized synergies. This was followed by culture (r = 0.622) also interpreted to have positive and strong correlation with marked relationship toward the realized synergies of the merger. Organizational capabilities of the merger has a correlation value of r = 0.404, depicting that positive, moderate and significant association with realized synergies of the merger. Furthermore, as shown in the table above, the independent variables are statistically important with the p-value of 0.000

(2-tailed) significant levels. This infers that there is significant association between the independent variables and realized synergy.

4.2.3 Regression Analysis

Before to test the regression model and discussion of its result, diagnostic tests were carried out to make sure that the data fit the basic assumption or not. Test of normality and multi-co-linearity are conducted before regression was carried out.

Test of Multicollinearity

Multicollinearity occurs when explanatory variables have a linear relationship, which can cause the regression model to be biased (Gujarati, 2003). It is used to check whether there is a linear relationship between explanatory variables included in the model. If such relationship is there, the regression model could be biased.

This can be done by checking the value of Pearson correlation coefficient among predictor's variables. If Pearson correlation coefficient (r) value among predictors are below <0.9, there is no substantial correlation between predictor variables so there is no multi-collinearity problem (Field, 2005).

Table 4.7; Result of Multicollinearity Test

		Communication	Organizational Capabilities	Cultural Strategy
Communication	Pearson Correlation	1	.617**	.721**
	Sig. (2-tailed)		.000	.000
	N	68	68	68
Organizational Capabilities	Pearson Correlation	.617**	1	.656**
	Sig. (2-tailed)	.000		.000
	N	68	68	68
Cultural Strategy	Pearson Correlation	.721**	.656**	1
	Sig. (2-tailed)	.000	.000	
	N	68	68	68

**. Correlation is significant at the 0.01 level (2-tailed).

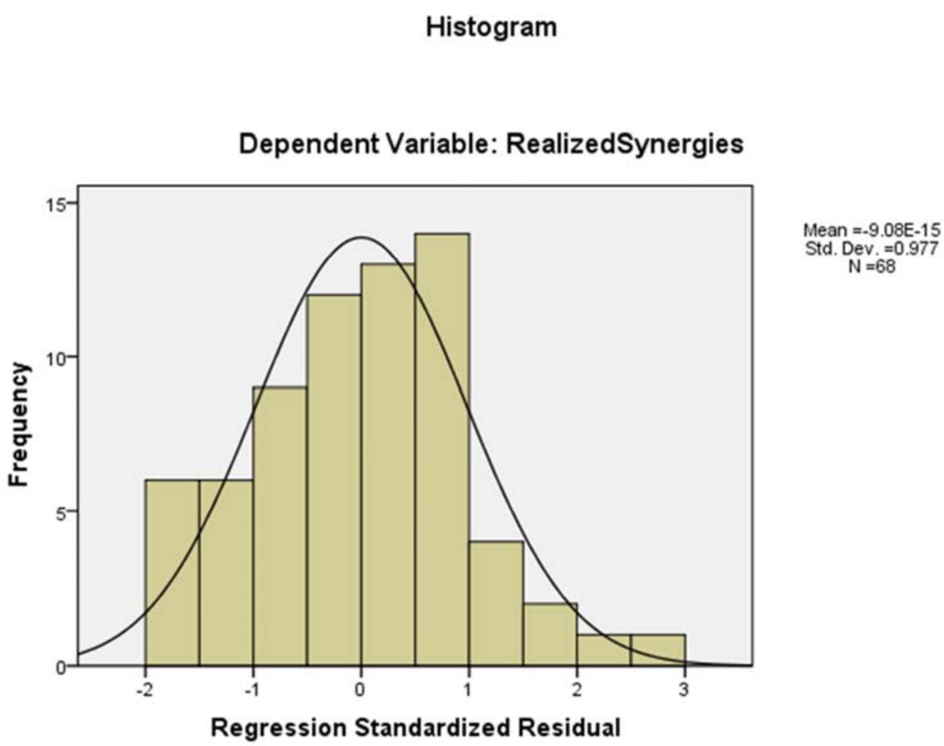
Source: Own Survey & SPSS output (IBM SPSS Statistics 23)

As shown in table 4.7 above, all the Pearson correlation coefficient values (r) between predictors are below 0.90. Therefore, this study is free from multi co linearity problem.

Test of Normality

The normality assumption is another significant diagnostic test used in this study (i.e. normally distributed errors). Statistical methods are predicated on a number of assumptions. The assumption is that a random variable is normally distributed is a common one. But normality is serious in a several statistical methods. Normality distribution tends to fall closely along the straight line. This study can be confirmed by visual inspection of the histogram in figure 4.2 below. And the figure below points that the model is free from normality problem.

Figure 4.2; Result of Normality Test



Source: Own Survey & SPSS output (IBM SPSS Statistics 23)

Regression Results

1. Determination of the Model goodness of fitness

Table 4.8; Model Summary [b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.761[a]	.579	.560	.18373

a. Predictors: (Constant), Cultural Strategy, Organizational Capabilities, Communication

b. Dependent Variable: Realized Synergies

From the above table 4.8, It can be observed that the coefficient of determination i.e. the R-square (R^2) value is 0.579, representing 57.9% variation of the dependent variable (Realized Synergies) is due to the independent variables; Communication, Organizational Capabilities, Cultural Strategy; while, the remaining 42.1% could be due to the effect other of extraneous variables that were not considered in this study. Furthermore, the R- Value suggested that there is a strong effect of these three independent variables on realized synergies of a merger.

2. Analysis of Variance (ANOVA)

Table 4.9; ANOVA [b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.975	3	.992	29.380	.000[a]
	Residual	2.161	64	.034		
	Total	5.136	67			

a. Predictors: (Constant), Cultural Strategy, Organizational Capabilities, Communication

b. Dependent Variable: Realized Synergies

The F-ratio in the ANOVA (Table 4.9) tests whether the overall regression model is a good fit for the data. The table shows that the independent variables can significantly predict the dependent variable, F (3, 64) = 29.38, p (.000) < .05 (i.e., the regression model is a good fit of the data).

3. Determination of Coefficients [a]

Table 4.10; Coefficients

Model	Un standardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.432	.216		11.251	.000
Communication	.351	.065	.659	5.411	.000
Organizational Capabilities	***-.117***	.076	-.173	-1.550	***.126***
Cultural Strategy	.149	.072	.261	2.055	.044

a. Dependent Variable: Realized Synergies

In table 4.10 above, the standardized coefficients are used to calculate the relative significance of the significant predictors Accordingly, the result of multiple regressions, as presented in table 4.10 above depicts that level of Communication has a positive and significant effect on realized synergies during merger with a beta value (β= 0.659), at 95% confidence level ($p<0.05$). Cultural integrating capability also has a positive and significant effect on realized synergies, as shown with a beta value of .261 at 95% confidence level ($p<0.05$). The other independent variable, which is organizational capability, has a statistically insignificant effect on realized synergies. This was indicated by P-values of >0.05 for organizational capabilities.

Chapter Five

Summary, Conclusion and Recommendations

This study was intended to investigate the role of communication, organizational capabilities and cultural integrating strategy during a merger in attaining realized synergies. Based on the results of the study detail discussion on each of the signs and significant relationship between the dependent variable and explanatory variables and also the summary of major findings are as follows.

5.1 Discussions of Results

Communication Capabilities and Realized Synergies

The regression test of relationship between the level of communication during a merger and realized synergies was conducted to come up with an insight on the impact of communication on realized synergies.

Based on the regression results, level of communication during a merger is positively (Beta = .659) associated with realized synergies and it is statistically significant (P=.000). This result would imply that a one percent increase on the level of communication during a merger would increase the realized synergies by .651. Due to this reason the absence of proper communication tools has direct and significant effect on realized synergies attained post-merger.

As a result, based on the regression analyses' findings, the level of communication is one of the major reasons behind attaining expected benefits of a merger. From this it could be said transparent and regular communication with workers, as well as employee engagement, is critical to the effectiveness of a merger. This result is consistent with the findings of Steven, et al., (2007), who found that level of communication has a positive and significant effect on the level of realized synergies attained post-merger.

Organizational Capabilities and Realized Synergies

According to Tetenbaum (2000) organizational capability includes retention, riffing and recruitment in the right positions to effectively perform the tasks that are needed to achieve the new institute's goals. As the regression results indicate that there was a negative (Beta = -.117) and insignificant (P =.126) association between organizational capability and realized synergies. Even if the correlation analysis and ANOVA results shows significant, the effect of organizational capability on realized synergies in coefficient results of the regression analysis was found to be insignificant. But the negative sign can be justified by Galpin & Herndon (2014) who stated that in the process of merger or acquisition, even when an important staff stay working after board, they lose their commitment.

Cultural Integrating Capabilities and Realized Synergies

The regression result of this study points that cultural integrating capabilities during a merger is positively (Beta = .149) associated with realized synergies and it is statistically significant (P=.044). Therefore, having the right cultural strategy during a merger, which includes deciding on whether or not to impose one of the organizational cultures, keep both cultures apart, or creating a mixed culture; has constructive and substantial effect on realized synergies attained post-merger.

5.2 Summary of Major Findings

The findings from the descriptive analysis in the study revealed that the majority of the employees agreed that there was a good level of communication during the merger between the Ethiopian Development Research Institute (EDRI) and Policy Study and Research Centre (PSRC). The survey results in the study also showed a satisfaction among employees with regard to the organizational capability and cultural integrating strategy during the merger. In addition, results showed synergy value was attained as a result of the merger at PSI.

Furthermore, a multiple regression was run to predict the effects of communication, organizational capability and cultural integrating strategy during the merger have on realized synergies. The model statistically significantly predicted realized synergies F F (3, 64) = 29.38, p (.000) < .05, R^2 = 0.579. Out of three only two variables communication p (.000) < .05 and cultural integrating strategy p (.044) < .05 added statistically significantly to the model. The most significant predictor is was communication (.659) and the next was cultural integrating strategy (.261) to explain realized synergies. Multicollinearity problem did not exist in the model as correlation coefficient between the independent variables was < 0.9. Organizational capability was not significant P (.126)>0.05.

5.2 Conclusions

This study was conducted to investigate the effects of communication, organizational capabilities and cultural integrating strategy during a merger in attaining realized synergies in the case of Policy Study Institute. Based on the findings the following conclusion was drawn.

The overall mean score in the descriptive analysis of the communication variable shows employees of PSI agree the merger process was properly communicated to them. Based on the regression results, level of communication during a merger is positively associated with realized synergies and it is statistically significant. This implies that effective communication must be implemented within the company during the merger in order to generate a major, regular, and reliable flow of information to counteract all detrimental factors. It can be said that companies who are planning to go through a merger should implement a communication tool where the information flow throughout the institute is regular and consistent all the way through the integration process and where there are ways for a two-way communication. Using such a diverse set of communication methods would make it easier to keep the company informed about changes and will focus the human resource towards achieving the expected synergy of the merger. This can be achieved by instilling deep trust in the organization for the merger, with each stakeholder receiving information outlining their position in the process and the newly formed institution.

The study also found a significant positive relationship between realized synergies and cultural integrating capabilities. This implies that a good cultural strategy will help to realize the goals and ambitions of a merger. It should be also noted that continually studying the cultural disparities between the two institutions (EDRI & PRSC) to increase the culture fit, and at in the meantime to determine shared values that differentiate the intended culture of the newly formed institute, are needed to bring the desired success after the merger.

5.3 Recommendations

The study recommends the following points based on the findings;

Because communication has significant effect on the successful achievement of a merger it is essential that every stakeholder get the right information at the right time that give details of its role in the merger. This can be achieved by employing several ways to communicate the merger process. Such an inclusive communication practice can smoothen the merger process by informing stakeholders like employees on important issues, like the selection processes and severance package policies and may help avoiding to lose people who are critical to the new institute's success.

As it is stated, knowing the culture of the merging companies and identifying the desired environment that is going to be created after the merger has a substantial influence on the performance of the merger. Therefore, it is essential for companies to develop a sound and comprehensive cultural integrating strategy in order to gain the desired outcomes post-merger. And for a cultural integrating strategy to be comprehensive it should be able to evaluate the cultural differences between the institutes before the merger, identify the shared values of the institutions and eliminate practices that can hinder the desired culture in the post merged institution. Moreover, a cultural integration process in a merger should include a component that involves navigating leadership activities in compliance with the merged institute's strategic direction.

5.4 Implication for Further Research

Among various variables that can have an effect on post-merger synergies, this study only focused on communication, organizational capabilities and cultural integrating strategy. Other factors were not given much emphasis in this study, so future researchers may investigate other variables that can have an effect on post-merger synergies. Furthermore, this research was conducted by measuring realized synergy by data gathered from employees of the case institute (PSI). But realized synergies like better financial position and reduction in costs can also be measured by investigating financial and accounting ratios of the merged company. So, future research can be carried out by using financial and accounting ratios to measure realized synergy.

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Appendix I

Addis Ababa University

School of Commerce

Questionnaire to be filled by employees of Policy Studies Institute (PSI)

Dear Respondent,

My name is Dagmawi Atnafu. I am a post graduate student at Addis Ababa University School of Commerce. I have prepared this questionnaire in order to conduct a study for the partial fulfillment of the requirements for the Award of a Master's Degree in Project Management at the University. The title of the research work is, *"Evaluation of the Post-merger Integration for Communication, Organization and Culture Capabilities: A Case from Policy Studies Institute Merger Project*.'' Hence, to gather the required information for the study, I kindly request your assistance in responding to the questions listed below. Any information you present will be kept absolutely confidential and will only be used for academic purpose. Your cooperation and prompt response will be highly appreciated.

NB

- Writing your name is not necessary
- Please put **"X"** for your choice in the box

Part I. General background of the employee

1. Sex/Gender/: Male (_____) Female (______)

2. Age (in year): 25 to 30 (____), 31to 35 (____), 36 to 40 (___), above 40 (____)

3. Level of education: TVET certificate (__), Diploma (___), Bachelor's Degree (__),

Master's Degree (_____) or Ph.D. (_____) others specify_______________

4. Work experience; Below 5 yrs (_______),6-10 yrs (______), 11-20yrs (_______),
Above 20 yrs (_______)

Part 2 Questions related to the study

Answer the following questions and put "X" in the box that is given in each of the cell below

The values of scales are

5= strongly agree, 4= Agree, 3= Neutral, 2= Disagree, 1= strongly disagree

No	Question	1	2	3	4	5
	Statements related to Communication Capabilities					
1	All the stakeholders (e.g. employees, management etc.) were addressed and communicated during the merger.					
2	The reasons behind the merger, i.e. benefits to the institute were communicated to employees.					
3	There was a communication program for keeping the employees informed about the merger progress implemented					
4	There were communication sessions where employees meet senior leadership.					
5	There was a desire from top management to be communicated instantly after the change.					

6	There was a continuous information flow over the long term, i.e. not packed into the first few weeks following the merger.					
7	Specific people were given the responsibility of handling the communication in the institute during the merger integration process.					
Statements related to Organizational Capabilities						
8	There was a plan for identifying and retaining key employees after the merger.					
9	There was a comprehensive staffing plan for recruiting, motivating and educating employees after the merger.					
10	There was clear information on the candidate selection process and severance during the merger.					
11	There was a lay-off policy during the merger.					
12	There was a top leadership assessment and selection prior to the closing of the merger.					
13	There was a clear strategy for involvement focusing on involving employees and key organization leaders in the change efforts from the beginning to the end of the merger.					
14	Management's responsibility and relationships (hierarchical structure) were clearly allocated quickly after closing the deal					
Statements related to Culture						
15	There was a cultural assessment of the target institutions (PSRC & EDRI) in the pre-merger phase					
16	There was evaluation of the cultural differences between the institutes before the merger.					
17	Shared values of the institutions (PSRC & EDRI) were identified in the pre-merger phase.					
18	Old rules and policies that hindered the desired culture of the post-merged institutions were eliminated.	.				

19	New standards and operating procedures were developed and documented during the merger.					
20	New training programs and routines were established during the merger in order to create competency in the institute to implement the new processes and procedures.					
21	New rules were established during the merger that facilitated desired changes.					
	Statements related to Realized Synergies					
22	The merger has improved performance and operational efficiency.					
23	The merger has resulted in reduced operational, fixed and overhead costs					
24	The merger has improved in operating synergy by enabling the merged institutes to acquire more funds from different sources					
25	The merger has increased the institutional outputs and deliverables by speeding up and expanding the capacity					
26	The merger has increased the economies of scale and scope advantages by speeding up and expanding the capacity.					
27	The merger has contributed in transferring the explicit and implicit knowledge and skills					
28	As a result of the merger, the institute has gained access to new technologies and systems					

Appendix II: Online Questionnaire Design

Sample Pages Screenshots

Tool: **surveyplanet**

Link: https://s.surveyplanet.com/ZCUhcF_LU